



FINANCIAL STATEMENTS

PERIOD ENDED 18 SEPTEMBER 2004



BRITISH SUGAR plc

Directors' Report and Financial Statements

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BRITISH SUGAR plc

BOARD OF DIRECTORS

Directors

H J Davenport

J W Sutcliffe

K L Carter

D R Langlands

K C Field
(resigned on 15 March 2004)

M I Carr
(appointed on 23 March 2004)

Secretary

R S Mendelsohn

Registered Office: Weston Centre, 10 Grosvenor Street, London, W1K 4QY

Head Office: Oundle Road, Peterborough, PE2 9QU

BRITISH SUGAR plc

Directors' Report

The directors present their annual report and the audited financial statements for the 53 week period ended 18 September 2004.

1 Principal Activities

The company's principal activities during the period continued to be the processing of sugar beet and the manufacture and sale of sugar, animal feeds and molasses. These activities are expected to continue in the foreseeable future.

2 Review of Business

The profit and loss account for the period is set out on page 7. Both the level of business and the period end position remain satisfactory. In July 2004 the EU Commission published draft proposals for changes to the EU Sugar Regime. The changes are expected to be finalised during 2005. As one of the most efficient European sugar producers, British Sugar is well placed to meet the challenges of reform and take advantage of any opportunities it offers.

3 Dividends

On 29 February 2004 the company paid an interim dividend of £100 million (2003: £80 million). During the year the company paid dividends on the preference shares totalling £5.4 million (2003: £5.1 million). The directors did not recommend the payment of a final dividend.

4 Directors

The directors at 18 September 2004, all of whom have been directors for the whole of the 53 week period ended on that date unless stated otherwise, and secretary of the company are shown on page 1.

H J Davenport and K L Carter retire by rotation and being eligible offer themselves for re-election at the Annual General Meeting.

On 23 March 2004 M I Carr was appointed as a director of the company.

Directors' Declarable Interests

J W Sutcliffe notified interests in 4,000 ordinary shares of 5 ¹⁵/₂₂p each in Associated British Foods plc both at the end and at the beginning of the period. No other director has an interest in the ordinary share capital of Associated British Foods plc and no directors have any interests in the debenture stock of British Sugar plc.

The following directors had outstanding options to acquire ordinary shares of 5 ¹⁵/₂₂p each in Associated British Foods plc.

		<u>Number at</u> <u>end of period</u>	<u>Number at</u> <u>beginning</u> <u>of period (or</u> <u>on appointment,</u> <u>if later)</u>	<u>Exercise</u> <u>Price</u>	<u>Date from</u> <u>which</u> <u>exercisable</u>	<u>Expiry</u> <u>date</u>
K L Carter	(i)	50,000	50,000	561.5p	28 April 2003	27 April 2008
	(ii)	30,000	30,000	484.0p	17 January 2004	16 January 2011
H J Davenport	(i)	50,000	50,000	561.5p	28 April 2003	27 April 2008
	(ii)	15,000	30,000	484.0p	17 January 2004	16 January 2011
J W Sutcliffe	(i)	40,000	40,000	561.5p	28 April 2003	27 April 2008
	(ii)	20,000	40,000	484.0p	17 January 2004	16 January 2011
	(iii)	49,487*	-	565.00p	17 December 2006	-

50% of the options granted in January 2001 to J W Sutcliffe, under the Associated British Foods 2000 Executive Share Option Scheme, lapsed on 17 January 2004.

BRITISH SUGAR plc

Directors' Report continued

- * These shares were allocated on 17 December 2003 under the Associated British Foods Executive Share Incentive Plan 2003. This allocation, which is subject to the meeting of performance criteria, has an expected release date of 17 December 2006.

Subsequent to the year end, on 17 November 2004, Mr Davenport exercised 15,000 share options and sold all the shares on the same day at 728.50p per share. On 10 January 2005, he exercised 50,000 share options and sold all the shares on the same day at 756.87p per share.

On 01 March 2005, Mr Sutcliffe exercised 60,000 share options and sold all the shares on the same day at 766.50p per share.

No director has an interest in any contract with the company other than his service contract.

5 Corporate Governance

British Sugar plc is a wholly owned subsidiary of Associated British Foods plc. Particulars of that company's compliance with the Combined Code are set out in its financial statements.

6 Going Concern

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

7 Research and Development

The company continued its expenditure on research and development and during the period this amounted to £1.4 million (2003: £1.2 million). It is anticipated that this level of expenditure will continue.

8 Property Values

The directors are of the opinion that the market value of interests in land and buildings at the end of the period exceeded the amounts included in the balance sheet, but they are unable to quantify the excess.

9 Charitable Donations and Political Contributions

Donations to UK charities are funded through the British Sugar Foundation, a charitable organisation funded and managed by British Sugar plc. The Foundation has particular interests in projects in the areas of health and healthcare, education, environment and enterprise, with employee inspired community projects receiving special attention. The Foundation matches employees' efforts pound for pound. Donations amounted to £0.1 million (2003: £0.1 million).

No political contributions were made (2003: NIL).

10 Employment Policies

The company aims to involve employees in all aspects of British Sugar's development and achievements. This is achieved through well established communication channels and consultative systems that exist between management, trades unions, works advisory committees and individual employees which help to foster the mutual trust and recognition of common goals, essential to the smooth running of the business.

Every effort is made to ensure that procedures and prejudices regarding race, religion or sex do not hinder people from obtaining jobs or in the development of their careers.

Comprehensive training programmes are designed to give employees the opportunity of improving their skills.

Applications for employment by disabled persons are always fully considered, bearing in mind the aptitude and abilities of the applicant concerned. In the event of employees becoming disabled every effort is made to ensure that their employment with the company continues and the appropriate training is arranged. It is the policy of the company that the training, career development and promotion of disabled persons should, as far as possible, be identical to that of a person not suffering from a disability.

BRITISH SUGAR plc

Directors' Report continued

11 Creditor Payment Policy

The company has an agreement for the purchase of sugar beet with all of the growers who supply the company. The agreement is called the Inter Professional Agreement ("IPA") and its terms are regularly reviewed with the National Farmers' Union ("NFU") acting on behalf of all growers. Copies of the IPA may be obtained from either the company or the NFU.

For all other suppliers, it is the company's policy to apply the company's standard terms of payment which are advised to suppliers at the time of placing orders, and then to make payment in accordance with those standard terms.

The outstanding trade creditors at the balance sheet date, as a proportion of the invoices received from suppliers during the year, represent 46 days purchases (2003: 45 days).

12 Auditors

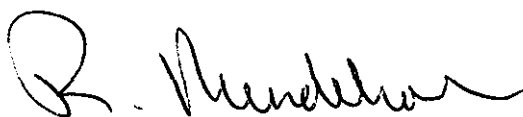
In accordance with Section 384 of the Companies Act 1985, a resolution for the re-appointment of KPMG Audit Plc as auditors of the company is to be proposed at the forthcoming Annual General Meeting.

13 Post balance sheet events

On 5 October 2004, the company redeemed £50 million of its preference share capital for a total consideration of £50 million.

On 12 January 2005, the company disposed of a redundant manufacturing site for proceeds of £18.5 million, giving rise to a gain of £15.7 million which will be recognised in the 2005 financial statements.

By Order of the Board



R S Mendelsohn
Secretary

11 April 2005

BRITISH SUGAR plc

Statement of Directors' responsibilities in respect of the preparation of financial statements

Company law requires the directors to prepare financial statements for each financial period which give a true and fair view of the state of affairs of the company and of the profit or loss of the company 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;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company 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 ensure that the financial statements comply with the Companies Act 1985. They safeguard the assets of the company and have general responsibility for taking such steps as are reasonably open to them to prevent and detect fraud and other irregularities.

Independent auditor's report to the members of British Sugar plc

We have audited the financial statements on pages 7 to 26.

This report is made solely to the company's members, as a body, in accordance with section 235 of the Companies Act 1985. 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 auditor's 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 auditor

The directors are responsible for preparing the directors' report and, as described on page 5, the financial statements in accordance with applicable United Kingdom law and accounting standards. Our responsibilities, as independent auditors, are established in the United Kingdom by statute, the Auditing Practices Board, the Listing Rules of the Financial Services Authority and by our profession's ethical guidance.

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985. We also report to you, if, in our opinion, the directors' report is not consistent with the financial statements, if the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and transactions with the company is not disclosed.

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 company'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 the company's affairs at 18 September 2004 and of its profit for the 53 week period then ended and have been properly prepared in accordance with the Companies Act 1985.

KPMG Audit Plc

KPMG Audit Plc
Chartered Accountants
Registered Auditor
London

11 April 2005

BRITISH SUGAR plc

Profit and Loss Account (£ millions)

Notes		53 week period to 18 September 2004	52 week period to 13 September 2003 *
4	Turnover	773.2	738.2
	Cost of sales	(502.5)	(467.5)
	Gross Profit	270.7	270.7
	Distribution costs	(58.8)	(55.0)
	Administrative expenses	(31.7)	(33.4)
	Operating Profit	180.2	182.3
	Profit on sale of property	3.6	6.0
5	Interest receivable and income from other Fixed Asset investments	1.1	1.6
6	Interest payable and similar charges	(16.0)	(16.1)
29	Other financial income / (charges)	0.7	(0.6)
7	Profit on Ordinary Activities before Taxation	169.6	173.2
10	Taxation on Profit on Ordinary Activities	(53.5)	(51.4)
	Profit on Ordinary Activities after Taxation	116.1	121.8
11	Dividends	(105.4)	(85.1)
25	Retained profit for the financial period	10.7	36.7

* Restated for the adoption of FRS17 ('Retirement Benefits').

A statement of movements on reserves is given in note 25.

In the opinion of the Directors, the acquisitions made during the year did not have a material effect on the Profit and Loss account and therefore turnover and profit on ordinary activities derive substantially from continuing operations. Acquisitions are detailed in note 30.

The notes on pages 11 to 26 form part of these financial statements.

BRITISH SUGAR plc

Note of Historical Cost Profits and Losses (£ millions)

	53 week period to <u>18 September 2004</u>	52 week period to <u>13 September 2003</u>
Reported profit on ordinary activities before taxation	169.6	173.2
Realisation of property revaluation gains of previous periods	-	0.1
Difference between the historical cost depreciation charge and the actual depreciation charge of the period calculated on the revalued amount	2.9	2.2
	<hr/>	<hr/>
Historical cost profit on ordinary activities before taxation	172.5	175.5
	<hr/>	<hr/>
Historical cost retained profit for the financial period	13.6	39.0
	<hr/>	<hr/>

BRITISH SUGAR plc

Statement of Total Recognised Gains and Losses (£ millions)

	53 week period to <u>18 September 2004</u>	52 week period to <u>13 September 2003</u> *
Profit for the financial period	10.7	36.7
Actuarial gain / (loss) on pension schemes	12.0	(20.1)
Deferred taxation on actuarial gain / (loss) on pension schemes	(3.6)	6.0
	<hr/>	<hr/>
Total recognised gains and losses for the year	19.1	22.6
Prior year adjustments (adoption of FRS17)	(20.7)	<hr/>
	<hr/>	
Total gains and losses recognised since last annual report	(1.6)	
	<hr/>	

* Restated for the adoption of FRS17 ('Retirement Benefits').

BRITISH SUGAR plc

Balance Sheet (£ millions)

Notes	18 September 2004	13 September 2003 *
Fixed Assets		
12 Intangible assets	16.2	8.8
13 Tangible assets	406.1	402.1
14 Investments	33.9	3.2
	<u>456.2</u>	<u>414.1</u>
Current Assets		
15 Stocks	64.6	85.4
16 Debtors	319.8	329.1
Cash at bank and in hand	3.1	3.6
	<u>387.5</u>	<u>418.1</u>
17 Creditors: amounts falling due within one year	<u>(100.2)</u>	<u>(102.2)</u>
Net Current Assets	<u>287.3</u>	<u>315.9</u>
Total Assets less Current Liabilities	<u>743.5</u>	<u>730.0</u>
18 Creditors: amounts falling due after more than one year	(151.0)	(152.2)
19 Provisions for liabilities and charges	<u>(71.9)</u>	<u>(65.7)</u>
	<u>(222.9)</u>	<u>(217.9)</u>
Net Assets excluding pension liability	<u>520.6</u>	<u>512.1</u>
29 Pension liability	<u>(13.7)</u>	<u>(24.3)</u>
Net Assets including pension liability	<u>506.9</u>	<u>487.8</u>
Capital and Reserves		
24 Ordinary share capital	80.0	80.0
24 Preference share capital	75.0	75.0
25 Revaluation reserve	57.4	60.3
25 Profit and loss account	294.5	272.5
26 Shareholders' Funds	<u>506.9</u>	<u>487.8</u>
Total capital and reserves analysed between:		
Equity	431.9	412.8
Non-equity	75.0	75.0
	<u>506.9</u>	<u>487.8</u>

* Restated for the adoption of FRS17 ('Retirement Benefits').

The notes on pages 11 to 26 form part of these financial statements.

These financial statements were approved by the Board of Directors on 11 April 2005 and were signed on its behalf by:

M I Carr
Director



BRITISH SUGAR plc

Notes to the Financial Statements

1 Accounting Reference Date

The accounting reference date is the Saturday nearest to 15 September. Accordingly these financial statements have been prepared for the 53 week period ended 18 September 2004.

2 Group Accounts

The company is not required to prepare group accounts in accordance with s.228 of the Companies Act 1985 as it is a wholly owned subsidiary of ABF Investments plc, a company incorporated in Great Britain and registered in England, therefore information contained within these financial statements relates to the company as an individual undertaking and not as a group.

3 Accounting Policies

The financial statements have been prepared in accordance with applicable Accounting Standards in the United Kingdom. A summary of the more important accounting policies, which have been applied consistently, is set out below:

Basis of Accounting

The financial statements have been prepared under the historical cost convention modified to include the revaluation of certain land and buildings and in accordance with applicable accounting standards.

Under Financial Reporting Standard 1 the company is exempt from the requirement to prepare a cash flow statement on the grounds that it is a wholly owned subsidiary undertaking. A group cash flow statement is included in the financial statements of Associated British Foods plc.

On 14 September 2003, the company fully adopted FRS17 ('Retirement Benefits'). As a result, comparative figures have been restated. The impact on the profit after tax for the period ended 14 September 2003 was a decrease of £3.9 million and the impact on shareholders' funds at 14 September 2003 was a decrease of £20.7 million.

Intangible Fixed Assets

Intangible fixed assets consist of purchased goodwill, which is capitalised in accordance with FRS10 and amortised in equal instalments over its useful economic life, not exceeding 20 years.

Depreciation

Depreciation is calculated on a straight line basis and is applied to completed capital expenditure in the month it is brought into commission at rates calculated to write off the relevant assets over their expected useful lives.

Freehold land	NIL
Industrial buildings and freehold property	2 - 3%
Plant and equipment	5% - 33 1/3%
Motor vehicles	20%

Investments

Investments are held at cost less any permanent diminutions in value.

Deferred Income

Deferred income consists of government grants and premiums on issue of debenture stock. Government grants are released to the profit and loss account over the expected useful life of the related asset and debenture premiums over the debenture term.

Leases

Assets held under finance leases are capitalised and depreciated over the shorter of the lease term and the expected useful life of the asset. The corresponding obligations under these leases are included with borrowings. The finance charge element of rentals payable is charged to the profit and loss account. Operating lease rentals are charged to the profit and loss account in equal instalments over the term of the lease.

BRITISH SUGAR plc

Notes to the Financial Statements continued ...

Stocks

These are valued as follows:

Consumable stores	-	At the lower of cost and net realisable value.
Sugar and other products	-	At the lower of cost and net realisable value. Cost comprises the direct cost of materials and labour together with associated overheads allocated on the basis of normal activity levels.
New crop expenditure	-	All expenditure relating to the 2004 / 05 crop is carried forward to the next financial period as production work-in-progress at actual cost.

Turnover

Turnover comprises the company's sales of sugar and other products and excludes value added tax.

Taxation

The charge for taxation is based on the profit for the year. Deferred taxation is provided on timing differences arising from the different treatment for accounts and taxation purposes of transactions and events recognised in the financial statements of the current and previous years. Deferred taxation is calculated at the rates at which it is estimated that tax will arise. Deferred tax assets and liabilities are not discounted.

Research and Development

Expenditure in respect of research and development is written off as incurred.

Pension Costs

In accordance with FRS17, for defined contribution schemes, contributions are charged to the profit and loss account in the period in which they arise. For defined benefit schemes the amounts charged to operating profit are the current service cost, past service cost and gains and losses on settlements and curtailments. An amount which represents the expected increase in the present value of scheme liabilities net of the expected return on scheme assets is included as other financial income.

Actuarial gains and losses are recognised immediately in the statement of total recognised gains and losses. These consist of differences between actual and expected returns on scheme assets during the year, experience losses on scheme liabilities and the impact of any changes in assumptions. Pension liabilities are recognised on the balance sheet and represent the difference between the market value of scheme assets and the present value of scheme liabilities at the balance sheet date, net of deferred taxation. Scheme liabilities are determined on an actuarial basis using the projected unit method and discounted at a rate equivalent to the rate of return on AA rated corporate bonds of greater than 15 year term.

Foreign Currencies

Transactions in foreign currencies are translated into sterling at the rate ruling on the day of the transaction. Assets and liabilities denominated in foreign currencies are translated into sterling at the period end rate of exchange. Where business transactions are covered by forward exchange contracts, any exchange difference on the contract is recognised upon maturity. All exchange differences are taken to the profit and loss account.

Financial Instruments

The company uses a range of derivative instruments, including forward foreign exchange contracts to manage exposures to fluctuations in exchange rates and energy based forward contracts. The contract rate is used to determine the book value of the asset or liability.

BRITISH SUGAR plc

Notes to the Financial Statements continued ...

4 Segmental Information (£ millions)

	53 week period to <u>18 September 2004</u>	52 week period to <u>13 September 2003</u>
Turnover by class of business:		
Sugar	691.3	656.1
Animal feeds	81.9	82.1
	<hr/> 773.2	<hr/> 738.2
	53 week period to <u>18 September 2004</u>	52 week period to <u>13 September 2003</u>
Turnover by geographic destination:		
United Kingdom	752.1	730.1
Other EU Countries	21.1	8.1
	<hr/> 773.2	<hr/> 738.2

All turnover originates within the UK.

The classes of business do not, in the opinion of the directors, differ substantially and therefore no analysis of profit on ordinary activities before taxation has been given.

5 Interest receivable and income from other Fixed Asset investments (£ millions)

	53 week period to <u>18 September 2004</u>	52 week period to <u>13 September 2003</u>
Interest on advances	0.9	0.7
Income from fixed asset investments	0.2	0.9
	<hr/> 1.1	<hr/> 1.6

6 Interest Payable and Similar Charges (£ millions)

	53 week period to <u>18 September 2004</u>	52 week period to <u>13 September 2003</u>
Amounts payable on:		
10 3/4% Debenture stock	16.0	16.0
Other	-	0.1
	<hr/> 16.0	<hr/> 16.1

BRITISH SUGAR plc

Notes to the Financial Statements continued ...

7 Profit on Ordinary Activities before Taxation (£ millions)

	53 week period to 18 September 2004	52 week period to 13 September 2003
Profit on ordinary activities before taxation is stated after (crediting) / charging:		
Hire of land and buildings under operating leases	5.4	4.8
Hire of plant and machinery under operating leases	2.7	2.2
Depreciation on owned tangible fixed assets	28.4	27.5
Amortisation of intangible assets	1.5	1.1
Research and Development expenditure	1.4	1.2
Net EU production levies	21.8	15.0
Auditor's remuneration, including expenses:		
- for audit services	0.2	0.2
- non audit services	-	0.1
Government grants released	(0.1)	(0.1)

8 Directors' emoluments (£ millions)

	53 week period to 18 September 2004	52 week period to 13 September 2003
Directors' emoluments excluding pension scheme contributions	0.9	1.0
Pension scheme contributions	0.2	0.2
	1.1	1.2

The previous highest paid director left the company during the year. His emoluments excluding pension scheme contributions, for the year ending 13 September 2003 were £304,251. He was a member of the defined benefit pension scheme under which his accrued pension at 13 September 2003 was £122,589.

The emoluments of the new highest paid director for the year, excluding pension scheme contributions, were £321,331. In August 2004, he transferred into the ABF defined benefit pension scheme, in which his accrued pension at the 18 September 2004 was £117,962.

The other directors are either members of the British Sugar Pension Fund which is a defined benefit scheme, or ABF defined contribution scheme.

9 Employees (£ millions)

	53 week period to 18 September 2004	52 week period to 13 September 2003 *
Staff costs during the period:		
Wages and salaries	52.9	51.0
Social security costs	4.6	4.2
Other pension costs	9.7	11.2
	67.2	66.4

The average monthly number of employees, including directors, of the company during the period was 1,710 (2003: 1,661). In the opinion of the directors all employees fall into a single category.

* Restated for the adoption of FRS17 ('Retirement Benefits').

BRITISH SUGAR plc

Notes to the Financial Statements continued ...

10 Taxation (£ millions)

	53 week period to 18 September 2004	52 week period to 13 September 2003 *
The tax charge for the period comprises:		
UK corporation tax at 30% (2003: 30%)	47.1	49.6
Amounts under-provided in prior periods	-	1.0
Total current tax	47.1	50.6
Deferred tax		
Origination and reversal of timing differences	2.4	0.8
Prior year adjustment	4.0	-
Tax on profit on ordinary activities	53.5	51.4

* Restated for the adoption of FRS17 ('Retirement Benefits').

Factors affecting current tax charge for period

The tax assessed for the period is lower than the standard rate of corporation tax in the UK (30%). The differences are explained below:

	2004	2003 *
Profit on ordinary activities before tax	169.6	173.2
Profit on ordinary activities before tax at the standard rate of corporation tax	50.9	52.0
Expenses not deductible for tax purposes	(0.1)	0.4
Non taxable income	(0.1)	(0.3)
Capital allowances for period in excess of depreciation	(3.3)	(2.1)
Utilisation of tax losses	(1.1)	(2.1)
Adjustments to tax charges in respect of previous periods	-	1.0
Other timing differences	0.8	1.7
Total current tax	47.1	50.6

* Restated for the adoption of FRS17 ('Retirement Benefits').

11 Dividends

An interim and final dividend of 62.50p per share (2003: 50.00p) was paid on 29 February 2004. This amounted to a total payment of £100 million (2003: £80 million).

Quarterly dividend payments totalling £5.4 million (2003: £5.1 million) were paid in respect of the preference shares.

BRITISH SUGAR plc

Notes to the Financial Statements continued ...

12 Intangible assets (£ millions)

	<u>Goodwill</u>
Cost	
At 13 September 2003	10.7
Additions	8.9
At 18 September 2004	19.6
Amortisation	
At 13 September 2003	1.9
Charge for period	1.5
At 18 September 2004	3.4
Net book value	
At 18 September 2004	16.2
At 13 September 2003	8.8

13 Tangible Fixed Assets (£ millions)

	Freehold land and buildings	Plant & machinery	Fixtures, fittings tools & equipment Owned	Total
Cost or valuation				
At 13 September 2003	264.3	497.2	41.5	803.0
Additions	6.5	23.2	3.8	33.5
Disposals	(16.9)	(2.5)	-	(19.4)
Re-classifications	(0.1)	0.1	-	-
At 18 September 2004	253.8	518.0	45.3	817.1
Depreciation				
At 13 September 2003	108.3	260.9	31.7	400.9
Charge for period	5.1	21.3	2.0	28.4
Disposals	(16.7)	(1.6)	-	(18.3)
At 18 September 2004	96.7	280.6	33.7	411.0
Net book value				
At 18 September 2004	157.1	237.4	11.6	406.1
At 13 September 2003	156.0	236.3	9.8	402.1
Cost or valuation At 18 September 2004 is represented by				
Valuation	151.5	-	-	151.5
Cost	102.3	518.0	45.3	665.6
	253.8	518.0	45.3	817.1

BRITISH SUGAR plc

Notes to the Financial Statements continued ...

In September 1990 Gerald Eve & Co, independent Chartered Surveyors, carried out an open market valuation on an existing use basis of the majority of the company's land and buildings in accordance with the RICS Statement of Asset Valuation Practice and Guidance Notes. The results were incorporated into the financial statements at 30 September 1990.

Included in fixed assets are sites held for disposal which at 18 September 2004, have been valued by the directors at £4.1 million on an open market valuation basis. At 18 September 2004, the value of freehold land and buildings included £213.4 million (2003: £207.4 million) of depreciable assets.

If freehold land and buildings had not been revalued they would have been included at the following amounts:

	18 September 2004	13 September 2003
Historical cost	172.2	155.2
Depreciation based on cost	(72.4)	(59.4)
Net book value	99.8	95.8

14 Fixed asset investments (£ millions)

	Unlisted subsidiary undertakings	Associated undertaking	Total
Cost and net book value			
At 14 September 2003	0.3	2.9	3.2
Additions	30.7	-	30.7
At 18 September 2004	31.0	2.9	33.9

Undertakings in which the company's interest is more than 10% are as follows:

	Country of Incorporation	Principal Activity	Class and percentage of shares held
British Sugar Pension Trustees	Great Britain	Dormant	100% Ord.Shares
Crystal Fund Management Ltd	Great Britain	Dormant	100% Ord.Shares
Wereham Gravel Co Ltd	Great Britain	Land Reclamation	100% Ord.Shares
C Czarnikow Sugar Ltd	Great Britain	Trading	42.5% Ord.Shares
Broomco (2704) Ltd	Great Britain	Dormant	100% Ord.Shares
The Billington Food Group Ltd	Great Britain	Trading	100% Ord.Shares

The predominant area of operations of Wereham Gravel Co Ltd, C Czarnikow Sugar Ltd and the Billington Food Group Limited are the United Kingdom.

In the opinion of the directors, the aggregate value of investments is not less than the value at which it is stated in the financial statements.

BRITISH SUGAR plc

Notes to the Financial Statements continued ...

15 Stocks (£ millions)

	18 September 2004	13 September 2003
Consumable stores	14.2	12.7
Sugar and other products	49.7	72.3
New crop expenditure	0.7	0.4
	<u>64.6</u>	<u>85.4</u>

16 Debtors (£ millions)

	18 September 2004	13 September 2003
Trade debtors	71.9	54.3
Amounts owed by group undertakings	236.4	263.2
Other debtors	9.3	6.4
Prepayments and accrued income	2.2	5.2
	<u>319.8</u>	<u>329.1</u>

Of the above £72.4 million of amounts owed by group undertakings is recoverable after more than one year (2003: £77.5 million).

17 Creditors: amounts falling due within one year (£ millions)

	18 September 2004	13 September 2003 *
Trade creditors	15.5	16.1
Corporation tax	22.9	25.3
Other creditors including tax and social security costs	3.8	1.7
Accruals and deferred income	58.0	59.1
	<u>100.2</u>	<u>102.2</u>

* Restated for the adoption of FRS17 ('Retirement Benefits').

18 Creditors: amounts falling due after more than one year (£ millions)

	18 September 2004	13 September 2003
Debenture stock (Notes 20 & 21)	150.0	150.0
Accruals and deferred income	0.4	1.5
Government grant	0.6	0.7
	<u>151.0</u>	<u>152.2</u>

BRITISH SUGAR plc

Notes to the Financial Statements continued ...

19 Provisions for liabilities and charges (£ millions)	<u>Deferred tax *</u>	<u>Other</u>	<u>Total *</u>
At 14 September 2003 as previously stated	59.2	5.0	64.2
Prior period adjustment	1.5	-	1.5
	<hr/>	<hr/>	<hr/>
At 14 September 2003 as restated	60.7	5.0	65.7
Charged to profit and loss	6.4	4.5	10.9
Deferred tax on pension liability	(0.9)	-	(0.9)
Acquisitions	(0.7)	-	(0.7)
Provisions utilised	-	(1.4)	(1.4)
Provision released	-	(1.7)	(1.7)
	<hr/>	<hr/>	<hr/>
At 18 September 2004	65.5	6.4	71.9

* Restated for the adoption of FRS17 ('Retirement Benefits').

20 Deferred tax (£ millions)	<u>18 September 2004</u>	<u>13 September 2003 *</u>
Accelerated capital allowances	66.3	61.7
Other short term timing differences	(0.8)	(1.0)
	<hr/>	<hr/>
Total deferred tax provision	65.5	60.7

* Restated for the adoption of FRS17 ('Retirement Benefits').

In addition a deferred tax asset of £5.9 million (2003: £10.4 million) has been accounted for within the net defined benefit pension liability.

Other provisions primarily comprise amounts provided to cover regulatory and compliance matters.

21 Debenture stock (£ millions)	<u>18 September 2004</u>	<u>13 September 2003</u>
10¼% redeemable debenture stock 2013	150.0	150.0

The 10¼% redeemable debenture stock 2013 is quoted on the London Stock Exchange, and is secured by a floating charge over the assets of the company.

The debenture stock is repayable as follows:

	<u>18 September 2004</u>	<u>13 September 2003</u>
In five years or more	150.0	150.0

BRITISH SUGAR plc

Notes to the Financial Statements continued ...

22 Financial instruments (£ millions)

Interest rate risk profile of financial assets and financial liabilities

Financial Assets

The company has no financial assets other than short term debtors and cash.

Financial Liabilities

Other than short term creditors, the only material financial liability held is the redeemable debenture stock (see note 20). This is a Sterling denominated fixed interest rate liability. The weighted average interest rate is 10.8% and the weighted average period for which the rate is fixed is 9 years.

Borrowing facilities

At 18 September 2004, the company had the following undrawn committed borrowing facilities, of which all conditions precedent had been met:

	18 September 2004	13 September 2003
Expiring in more than two years	5	4

Currency exposure

The table below shows an analysis as at 18 September 2004 of the net monetary assets / liabilities that are not denominated in their functional currency. Gains and losses arising from these exposures will be recognised in the profit and loss account. The amounts in the table take into account the effect of forward contracts used to manage these exposures.

Functional currency Sterling	18 September 2004	13 September 2003
Net foreign currency monetary assets / (liabilities)		
Euro	18.6	2.4
US Dollar	-	0.3
	<u>18.6</u>	<u>2.7</u>

Fair values

There are no material differences between current and book values of financial instruments at 18 September 2004 other than those listed below:

	18 September 2004		13 September 2003	
	<u>Net Book</u> <u>Value</u>	<u>Estimated</u> <u>Fair Value</u>	<u>Net Book</u> <u>Value</u>	<u>Estimated</u> <u>Fair Value</u>
Primary financial instruments				
Long term debt (see note 20)	150.0	197.9	150.0	205.5

The estimated fair value of the long term debt is based on quoted market prices where available.

BRITISH SUGAR plc

Notes to the Financial Statements continued ...

Hedges

The company enters into forward currency contracts to eliminate the currency exposures that arise on foreign currency sales and purchases. Changes in the fair value of instruments used as hedges are not recognised in the financial statements until the hedged position matures. An analysis of these unrecognised gains and losses is as follows:

	<u>Gains / (losses)</u>
At 13 September 2003	0.1
Realised in the period	(0.1)
Arising in the period	0.3
	<hr/>
At 18 September 2004	0.3
	<hr/>
Expected to be recognised	
Within one year or less	0.3
In more than one year	-

23 Operating Leases

(£ millions)

Payments to which the company is committed in the following year are as follows:

Leases expiring:

 Within one year

 - land & buildings

 Between two and five years

 - plant & machinery

**18 September
2004**

**13 September
2003**

4.1

4.3

0.2

0.1

4.3

4.4

24 Called up Share Capital

(£ millions)

**18 September
2004**

**13 September
2003**

Number

£millions

Number

£millions

Authorised

Ordinary shares of 50p each

160,000,000

80.0

Non cumulative redeemable

Preference shares of £1 each

85,000,000

85.0

160,000,000

80.0

85,000,000

85.0

165.0

165.0

Allotted, called up and fully paid

Ordinary shares of 50p each

160,000,000

80.0

Non cumulative redeemable

Preference shares of £1 each

75,000,000

75.0

160,000,000

80.0

75,000,000

75.0

155.0

155.0

The preference shares may be redeemed by the Company or shareholders giving not less than 5 days notice at any time until the final redemption date of 10 September 2005 when any remaining shares will be redeemed. The holders of preference shares are entitled to dividends at the rate of 3% per annum above LIBOR although voting rights are limited to matters affecting the rights attaching to preference shares.

BRITISH SUGAR plc

Notes to the Financial Statements continued ...

In the event of a winding up of the holders of the redeemable preference shares shall be entitled, in priority to the holders of any other class of shares, to the repayment of amounts paid up together with any accrued dividends.

On 5 October 2004 £50 million preference shares were redeemed. Refer to note 32.

25 Reserves (£ millions)

	<u>Revaluation Reserve</u>	<u>Profit and Loss Account</u>
At beginning of period as previously stated	60.3	293.2
Prior year adjustment (adoption of FRS17)	-	(20.7)
	<hr/>	<hr/>
At beginning of period as restated	60.3	272.5
Profit for the financial period	-	10.7
Actuarial gain on pension scheme	-	12.0
Deferred taxation on actuarial gain on pension scheme	-	(3.6)
Movement in Reserves (i)	(2.9)	2.9
	<hr/>	<hr/>
At end of period	57.4	294.5

(i) A release from reserves has been made in respect of the annual depreciation on and disposal of revalued assets.

26 Reconciliation of movements in Shareholders' Funds (£ millions)

	<u>18 September 2004</u>	<u>13 September 2003 *</u>
Opening shareholders' funds as previously reported	508.5	467.9
Prior year adjustment (adoption of FRS17)	(20.7)	(2.6)
	<hr/>	<hr/>
Opening shareholders' funds restated	487.8	465.3
Profit for the financial period	116.1	121.7
Equity dividends	(100.0)	(80.0)
Non-equity dividends	(5.4)	(5.1)
Actuarial gain / (loss) net of deferred taxation on pension schemes	8.4	(14.1)
	<hr/>	<hr/>
Closing shareholders' funds	506.9	487.8

* Restated for the adoption of FRS17 ('Retirement Benefits').

27 Commitments

Capital Expenditure

Projects authorised and contracted for amount to £1.3 million (2003: £3.4 million).

Other

Other commitments, which have arisen in the ordinary course of business, relate to outstanding foreign exchange contracts amounting to £2.2 million (2003: £9.7 million).

BRITISH SUGAR plc

Notes to the Financial Statements continued ...

28 Contingent Liabilities (£ millions)

The Company has entered into guarantees in respect of its employee pension funds. Pension details are disclosed in Note 28.

	<u>18 September</u> <u>2004</u>	<u>13 September</u> <u>2003</u>
Trading Guarantees	3.8	4.7

No security has been given against these contingent liabilities.

29 Pension Commitments

During the year the company has fully adopted FRS 17 ('Retirement Benefits').

(a) Defined Contribution Scheme

The company operates the ABF defined contribution scheme. The pension cost charge for the period represents contributions payable by the company to the scheme and amounted to £0.2 million (2003: £0.1 million).

(b) Defined Benefits Scheme

The company operates a defined benefit pension scheme. The contribution made in respect of the current period was £11.7 million (2003: £12.9 million). The agreed contribution rate for the next year is 25%.

The last full actuarial valuation of the British Sugar Pension Scheme was carried out as at 1 October 2001. At the valuation date the total market value of the schemes assets was £477.4 million and the value of these assets for actuarial valuation purposes represented 102% of the benefits that had accrued to members after allowing for expected future increases in earnings.

This was updated for FRS17 purposes to 18 September 2004 by a qualified independent actuary. This valuation used a traditional actuarial approach in which it was assumed that the investment return would exceed price inflation by 3.25% per annum and that salary increases would exceed price inflation by 2% per annum. The market value of scheme assets at 18 September 2004 was £513.8 million (2003: £504.6 million) and the present value of the scheme liabilities was £533.4 million (2003: £539.3 million).

On 30 September 2002 the defined benefit scheme was closed to new members. As a result, the scheme has an ageing population. In accordance with FRS17, the valuation of the schemes liabilities has been determined using the projected unit method. In these circumstances the use of this method can lead to the contribution rate implicit in the current service cost increasing in future years.

The financial assumptions used to calculate scheme liabilities under FRS 17 are:

	<u>2004</u> <u>UK</u> %	<u>2003</u> <u>UK</u> %
Rate of general increase in salaries	4.80	4.50
Rate of increase in pensions in payment	2.80	2.50
Rate of increase of deferred pensions	2.80	2.50
Discount rate of scheme liabilities	5.60	5.25
Inflation	2.80	2.50

BRITISH SUGAR plc

Notes to the Financial Statements continued ...

The expected rates of return and market values of the assets of the principal funds at 18 September 2004 were as follows:

	At 18 September 2004		At 13 September 2003		At 14 September 2002	
	UK		UK		UK	
	Expected Long term rate of return	Market Value	Expected Long term rate of return	Market Value	Expected Long term rate of return	Market Value
	%	£million	%	£million	%	£million
Fund assets						
Equities	7.00	211.2	7.00	208.2	6.75	160.1
Government Bonds	4.80	165.5	4.75	156.5	4.50	144.8
Non-government Bonds	5.60	115.8	5.25	116.6	5.50	156.0
Other	4.80	21.3	3.50	23.3	4.00	7.5
		<u>513.8</u>		<u>504.6</u>		<u>468.4</u>
Present value of scheme liability		(533.4)		(539.3)		(484.2)
Deficit in the scheme		(19.6)		(34.7)		(15.8)
Deferred tax		5.9		10.4		4.7
		<u>(13.7)</u>		<u>(24.3)</u>		<u>(11.1)</u>

Amounts included in the financial statements:

	<u>2004</u>	<u>2003</u>
Amounts charged to operating profit		
Current service cost of defined benefit schemes	11.4	9.9
Past service costs	0.4	-
Curtailment costs	-	1.2
Gain on settlements	(2.5)	-
Total operating charge	<u>9.3</u>	<u>11.1</u>
Amounts included as other finance income / (costs)		
Expected return on pension scheme assets	29.0	25.8
Interest on pension scheme liabilities	(28.3)	(26.4)
Net return included in other financial income	<u>0.7</u>	<u>(0.6)</u>
Actual return less expected return on pension scheme assets	5.4	18.6
Experience gains arising on the scheme liabilities	-	4.2
Changes in assumptions underlying the present value of the scheme liabilities	6.6	(42.9)
Actuarial gain / (loss)	<u>12.0</u>	<u>(20.1)</u>

BRITISH SUGAR plc

Notes to the Financial Statements continued ...

	<u>2004</u>	<u>2003</u>
The movement in deficit during the year:		
Deficit at start of year	(34.7)	(15.8)
Employer contributions paid	11.7	12.9
Current service cost	(11.4)	(9.9)
Past service costs	(0.4)	-
Curtailment costs	-	(1.2)
Settlement gain	2.5	-
Other financial income / (costs)	0.7	(0.6)
Actuarial gain / (loss)	12.0	(20.1)
Deficit at end of year	<u>(19.6)</u>	<u>(34.7)</u>

The experience gains and losses were as follows:

	<u>2004</u>	<u>2003</u>	<u>2002</u>
Difference between the expected and actual return on the scheme assets:			
- amount (£m)	5.4	18.6	(20.3)
- percentage of scheme assets	1.0%	3.7%	4.3%
Experience gains and losses on scheme liabilities			
- amount (£m)	-	4.2	(5.6)
- percentage of the present value of scheme liabilities	-	0.8%	1.2%
Total amount recognised in statement of total recognised gains and losses			
- amount (£m)	12.0	(20.1)	(77.4)
- percentage of the present value of scheme liabilities	2.2%	3.7%	16.0%

30 Acquisitions

In March 2004, the company acquired the trade and assets of Askeys.

On acquisition, the assets and liabilities of the business acquired were adjusted to reflect their fair values to the company

(£ millions)	Book value at acquisition	Fair value adjustments	Fair value of assets acquired
Tangible fixed assets	0.2	-	0.2
Stock	1.2	-	1.2
Debtors	0.7	-	0.7
Creditors	(1.2)	(2.2)	(3.4)
Deferred taxation	-	0.7	0.7
	<u>0.9</u>	<u>(1.5)</u>	<u>(0.6)</u>
Goodwill			8.9
Cash consideration			<u>8.3</u>

The fair value adjustment principally related to the assessment of potential pension liabilities that were not fully recognised on acquisition, with the associated deferred taxation.

BRITISH SUGAR plc

Notes to the Financial Statements continued ...

31 Related Party Transactions

The company, being a 100 per cent subsidiary of ABF Investments plc, has taken advantage of the Financial Reporting Standard 8 exemption not to disclose related party transactions with 90 per cent entities in the same group.

British Sugar plc's other 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 Notes	2004 <u>£million</u>
Sales to associated undertakings on normal trading terms	(i)	59.6
Dividends received from associated undertakings	(i)	0.2
Amounts due from associated undertakings	(i)	17.9
Subscriptions to the Sugar Bureau	(ii)	0.7

Sub Notes

- (i) Details of the principal associated undertaking, C Czarnikow, are given in note 14 to the financial statements.
- (ii) The Sugar Bureau is an unincorporated association promoting the use of sugar and undertaking research into its role in a balanced diet. The board of directors consists of eleven members, of whom four are directors or senior management of British Sugar plc.

32 Post balance sheet events

On 5 October 2004, the company redeemed £50 million of its preference share capital for a total consideration of £50 million.

On 12 January 2005, the company disposed of a redundant manufacturing site for proceeds of £18.5 million. The company recorded a gain of £15.7 million in relation to the sale.

33 Holding Company

The ultimate holding company is Wittington Investments Limited which is incorporated in Great Britain and registered in England.

The company's immediate holding company is ABF Investments plc, which is incorporated in Great Britain and Registered in England.

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 ABF Investments plc, which is incorporated in Great Britain and registered in England. The consolidated accounts of these groups are available to the public and may be obtained from Weston Centre, 10 Grosvenor Street, London, W1K 4QY.