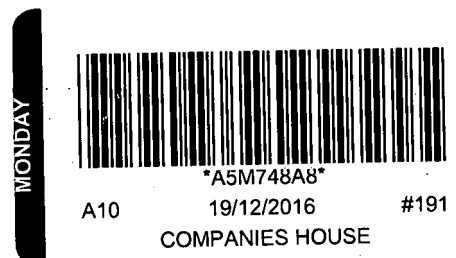


BRITISH SUGAR PLC
ANNUAL REPORT AND FINANCIAL STATEMENTS
17 SEPTEMBER 2016

(Registered Number: 315158)



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Company information

Directors

MI Carr
J Cowper
QH Heath
DA Jenssen
PR Kenward
MJ Lee

Company secretary

RS Schofield

Business address

Sugar Way
Peterborough
PE2 9AY

Registered office

Weston Centre
10 Grosvenor Street
London
W1K 4QY

Independent auditor

Ernst & Young LLP
Statutory Auditor
1 More Place
London
SE1 2AF

Strategic Report

The directors present their Strategic Report for the 53 weeks ended 17 September 2016.

Principal activities

During the period, the principal activities of British Sugar plc (“the Company”) continued to be the processing of sugar beet and the manufacture and sale of sugar, animal feeds, bioethanol and other co-products of the sugar manufacturing process. These activities are expected to continue in the foreseeable future.

Review of the business

The Company is a wholly-owned subsidiary of Associated British Foods plc (“ABF”). Turnover was 5% lower than last period as a result of lower sugar prices and an adverse effective euro/sterling exchange rate, although this was offset by higher volumes. With lower turnover and lower production, the Company recorded an operating loss in the period of £24.8m (2015: operating profit of £2.2m). A reduction in European Union (“EU”) stock levels and an increase in world sugar prices resulted in a strengthening of European sugar prices. However, with most of the Company’s contracts agreed on an annual basis, no material impact on its results from the improvement in pricing will be seen until the 2016/17 financial year.

Our performance improvement programme, which has already yielded substantial benefits over a number of years, delivered further cost reduction and efficiency gains which have underpinned our credentials as a low-cost producer.

Sugar production for the 2015/16 year was just short of one million tonnes, as planned, with a return to more typical beet yields and a smaller contracted growing area designed to reduce excessive stocks from the prior year. All factories performed well with further progress achieved in production efficiency, cost reduction and in health, safety and environmental metrics.

Above-average rainfall in June 2016 slowed the growth of the new crop for the 2016/17 season and, combined with a further small reduction in the contracted area, a further reduction in sugar production is expected next year. Delivered beet costs for the 2016/17 campaign will be lower than this year.

The end of the EU sugar regime in October 2017 represents an opportunity for the Company to increase its sugar production and it is working with growers to restore beet supplies to more normal levels in 2017/18. This is the first crop for which growers will be able to choose between one and three year deals, both of which will have bonuses linked to the sugar sales price. This is designed to strengthen the partnership with farmers and underpin the Company’s competitive position.

During the year, the Company completed a £15m investment in an anaerobic digestion plant at the Bury St Edmunds factory. This new facility will consume some 100,000 tonnes of pressed sugar beet pulp as a feedstock and will generate five megawatts of electricity for export to the National Grid. This investment will reduce carbon emissions and energy consumption by avoiding the need to dry the pulp and by eliminating the transportation of it for animal feed.

Strategic Report (continued)

During the period the Company transitioned from previously extant United Kingdom Generally Accepted Accounting Practice ("UK GAAP") to Financial Reporting Standard 101 *Reduced Disclosure Framework* ("FRS 101") and has taken advantage of the disclosure exemptions allowed under this Standard. The Company's immediate parent undertaking, ABF Investments plc, was notified of, and did not object to, the use of the EU-adopted IFRS disclosure exemptions. Details of the recognition or measurement differences arising on adoption of FRS 101 are included in Note 31 to these financial statements.

Principal risk and uncertainties

A full description of the principal risks and uncertainties applicable to the ABF group are disclosed on pages 48 to 52 of the 2016 ABF annual report.

Sugar support prices are regulated by the European Commission under the Sugar Regime, as part of the Common Agriculture Policy. British Sugar operates in sterling but support prices for sugar and sugar beet are quoted in euros or are related to the euro. Accordingly, the Company is exposed to a currency risk which is managed using a range of financial instruments. The following table shows the euro/sterling exchange rates for the period:

	53 weeks ended 17 September 2016	52 weeks ended 12 September 2015
Euro spot rate at period end	1.17	1.37
Euro average rate for the period	1.29	1.34

Sugar production requires substantial energy use which exposes the Company to fluctuations in energy prices. This exposure is managed using a range of derivative instruments.

The business is exposed to the risk of poor crop harvests as a result of extreme weather conditions. These risks are closely monitored and management action is taken as appropriate to mitigate the risk.

The regulated nature of the sugar industry means the Company is at risk of incurring penalties for non-compliance. The directors are alert to this issue and have established appropriate review groups, guidance and controls procedures to mitigate this risk.

By Order of the Board



P Kenward

Director

8 December 2016

Directors' Report

The directors present their Annual Report and financial statements for the 53 weeks ended 17 September 2016.

Directors

The directors and Company secretary who served during the year and as at 17 September 2016 are detailed below:

MI Carr
J Cowper
P Frampton (resigned 12 August 2016)
QH Heath
DA Jenssen
PR Kenward (appointed 11 March 2016)
MJ Lee
RN Pike (resigned 11 March 2016)

Company secretary:
RS Schofield

Directors' and officers' liability insurance

During the 53 weeks ended 17 September 2016, Associated British Foods plc ("ABF"), maintained insurance for the directors and major officers to indemnify them against certain liabilities which they may incur in their capacity as directors or officers of the Company, as permitted by section 233 of the Companies Act 2006.

Corporate governance

The Company is a wholly-owned subsidiary of ABF. Particulars of ABF's compliance with the UK Corporate Governance Code are set out in its annual report which is available at www.abf.co.uk.

Dividends

No dividends were paid during the period (2015: £100.0m) and the directors do not recommend the payment of a final dividend (2015: £nil). No dividends were received during the period (2015: £nil).

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.

Research and development

The Company maintained its commitment to research and development with expenditure during the period of £8.1m (2015: £10.5m). It is anticipated that this level of expenditure will continue.

Directors' Report (continued)

Environment

The Company recognises the impact that its business has on the environment. Therefore, as a minimum, it aims to comply with current applicable legislation and its operations are conducted with a view to ensuring that: emissions do not cause unacceptable environmental impacts and do not offend the community; resources are used efficiently; waste is minimised by reducing, reusing or recycling where practical; and our packaging is kept to a minimum, consistent with food safety requirements.

In addition to the consumption of purchased energy, British Sugar generates electricity from highly efficient combined heat and power ("CHP") plants and supplies surplus electricity to the National Grid. The Company participates in the UK Government's CHP quality assurance scheme and qualifies for a full exemption from the UK's Climate Change Levy.

During the financial period British Sugar participated in the EU emissions trading scheme designed to incentivise an overall reduction in carbon emissions.

Employment policies

Details of the number of employees and related costs can be found in Note 10 to the financial statements.

The Company aims to involve employees in all aspects of its development. This is achieved through well-established communication channels and consultation processes 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, age or gender do not hinder people from obtaining jobs or in the development of their careers.

Comprehensive training programmes are designed to give employees the opportunity to improve 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 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.

Disclosure of information to auditor

The directors who held office at the date of approval of this Directors' Report confirm that, so far as they are each aware, there is no relevant audit information of which the Company's auditor is unaware; and each director has taken all steps that they ought to have taken as a director to make themselves aware of any relevant audit information and to establish that the Company's auditor is aware of that information.

Directors' Report (continued)

Auditor

In accordance with section 485 of the Companies Act 2006, Ernst & Young LLP was appointed as auditor of the Company for the financial period ended 17 September 2016. KPMG LLP resigned as auditor of the Company with effect from 5 December 2015 and a notice of resignation was deposited with the Registrar of Companies with effect from that date.

Pursuant to section 487 of the Companies Act 2006, the auditor will be deemed to be reappointed and Ernst & Young LLP will therefore continue in office.

By Order of the Board

A handwritten signature in black ink, appearing to read 'P Kenward', written over a horizontal line.

P Kenward
Director

8 December 2016

Statement of directors' responsibilities in respect of the Strategic Report, the Directors' Report and the financial statements

The directors are responsible for preparing the Strategic Report, the Directors' Report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law they have elected to prepare the financial statements in accordance with UK Accounting Standards and applicable law (UK Generally Accepted Accounting Practice).

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

- select suitable accounting policies and then apply them consistently;
- make judgments and estimates that are reasonable and prudent;
- state whether applicable UK 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 Company will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the financial statements comply with the Companies Act 2006. They have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Company and 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 of British Sugar plc for the 53 weeks ended 17 September 2016 which comprise the profit and loss account, the statement of comprehensive income, the balance sheet, the statement of changes in shareholder's equity and the related Notes 1 to 31. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including Financial Reporting Standard 101 *Reduced Disclosure Framework*.

This report is made solely to the Company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an 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

As explained more fully in the Statement of directors' responsibilities on page 7, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the Company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the directors; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the Annual Report and financial statements to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the Company's affairs as at 17 September 2016 and of its result for the period then ended;
- have been properly prepared in accordance with UK Generally Accepted Accounting Practice, including Financial Reporting Standard 101 *Reduced Disclosure Framework*; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

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

Opinion on other matter prescribed by the Companies Act 2006

In our opinion the information given in the Strategic Report and the Directors' Report for the financial period for which the financial statements are prepared is consistent with the financial statements.

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

Ernst & Young LLP

William Binns (Senior Statutory Auditor)

for and on behalf of Ernst and Young LLP, Statutory Auditor
1 More Place
London
SE1 2AF

12 December 2016

Profit and loss account

for the 53 weeks ended 17 September 2016

		53 weeks ended 17 September 2016 £m	52 weeks ended 12 September 2015 £m
	Note		
Turnover	5	682.2	719.4
Cost of sales		(587.8)	(595.1)
Gross profit		94.4	124.3
Distribution costs		(63.6)	(69.0)
Administrative expenses		(55.6)	(53.1)
Operating (loss)/profit		(24.8)	2.2
Interest receivable and similar income	6	1.0	0.3
Interest payable and similar charges	7	(4.3)	(4.5)
Loss on ordinary activities before taxation	8	(28.1)	(2.0)
Tax credit	13	7.0	1.4
Loss for the period		(21.1)	(0.6)

The Notes on pages 14 to 33 form part of these financial statements.

Statement of comprehensive income

for the 53 weeks ended 17 September 2016

	53 weeks ended 17 September 2016 £m	52 weeks ended 12 September 2015 £m
Loss for the period	(21.1)	(0.6)
Items that may be reclassified subsequently to profit and loss:		
Movement in cash flow hedging position	(16.6)	(9.4)
Deferred tax associated with movement in cash flow hedging position	2.9	1.9
Other comprehensive loss	(13.7)	(7.5)
Total comprehensive loss for the period	(34.8)	(8.1)

Balance sheet

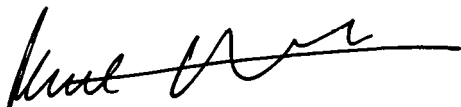
at 17 September 2016

	Note	17 September 2016 £m	12 September 2015 £m
Fixed assets			
Intangible assets	15	11.5	12.4
Tangible assets	16	361.7	351.3
Fixed asset investments	17	3.4	3.4
Total fixed assets		376.6	367.1
Current assets			
Stocks	18	106.2	196.3
Biological assets		0.3	0.3
Derivative assets		1.9	7.3
Debtors	19	147.8	124.6
Cash at bank and in hand		0.8	0.8
Total current assets		257.0	329.3
Creditors: amounts falling due within one year	20	(107.3)	(90.1)
Net current assets		149.7	239.2
Total assets less current liabilities		526.3	606.3
Creditors: amounts falling due after more than one year	21	(351.5)	(392.2)
Provisions for liabilities and charges	22	(31.7)	(37.2)
Net assets		143.1	176.9
Capital and reserves			
Called up share capital	26	80.0	80.0
Share-based payment reserve		7.3	6.3
Revaluation reserve		23.5	25.2
Hedging reserve		(12.6)	1.1
Profit and loss account		44.9	64.3
Total shareholder's equity		143.1	176.9

The Notes on pages 14 to 33 form part of these financial statements.

The financial statements were approved by the Board on 8 December 2016 and signed on its behalf

by:



P Kenward
Director

Statement of changes in shareholder's equity

for the 53 weeks ended 17 September 2016

	Called up share capital ¹ £m	Share- based payment reserve £m	Reval- uation reserve £m	Hedging reserve £m	Profit and loss account £m	Total share- holder's equity £m
At 14 September 2014	80.0	5.5	27.0	8.6	163.1	284.2
Loss for the period	-	-	-	-	(0.6)	(0.6)
Other comprehensive loss	-	-	-	(7.5)	-	(7.5)
Total comprehensive loss for the period	-	-	-	(7.5)	(0.6)	(8.1)
Credit in respect of share- based payments	-	0.8	-	-	-	0.8
Transfer from revaluation reserve to profit and loss account	-	-	(1.8)	-	1.8	-
Dividends paid	-	-	-	-	(100.0)	(100.0)
At 12 September 2015	80.0	6.3	25.2	1.1	64.3	176.9
Loss for the period	-	-	-	-	(21.1)	(21.1)
Other comprehensive loss	-	-	-	(13.7)	-	(13.7)
Total comprehensive loss for the period	-	-	-	(13.7)	(21.1)	(34.8)
Credit in respect of share- based payments	-	1.0	-	-	-	1.0
Transfer from revaluation reserve to profit and loss account	-	-	(1.7)	-	1.7	-
At 17 September 2016	80.0	7.3	23.5	(12.6)	44.9	143.1

¹ See Note 26 for further details.

Notes to the financial statements

1. Authorisation of financial statements and statement of compliance with FRS 101

The financial statements of British Sugar plc Limited ("the Company") for the period ended 17 September 2016 were authorised for issue by the board of directors on 8 December 2016. The Company is incorporated and domiciled in England and Wales.

As set out in Note 4, these financial statements were prepared in accordance with Financial Reporting Standard 101 *Reduced Disclosure Framework* ("FRS 101") and in accordance with applicable accounting standards. The Company's financial statements are presented in sterling and all values are rounded to the nearest one hundred thousand pounds except when otherwise indicated. The Company has taken advantage of the exemption under section 400 of the Companies Act 2006 not to prepare group accounts as it is a wholly-owned subsidiary of Associated British Foods plc. The results of the Company are included in the consolidated financial statements of Associated British Foods plc which are available from Weston Centre, 10 Grosvenor Street, London W1K 4QY.

The principal accounting policies adopted by the Company are set out in Note 4.

2. Accounting reference date

The accounting reference date of the Company is the Saturday nearest to 15 September. Accordingly these accounts have been prepared for the 53 weeks ended 17 September 2016.

3. Group accounts

As permitted by sections 402 and 405 of the Companies Act 2006, the directors have excluded from consolidation all subsidiary and associated undertakings detailed in Note 17 as their inclusion is not material for the purpose of giving a true and fair view. As a result, there is no material difference between the parent company's individual financial statements and the financial statements presented on a consolidated basis.

The directors have not disclosed the aggregate amount of capital and reserves of the excluded subsidiary undertakings as it is not material in the context of the parent company financial statements.

There are no dividends received or receivable between the Company and the excluded subsidiary undertakings and the Company has not written down its investments or any amounts due, during the current or preceding period.

4. Accounting policies

The following accounting policies have been applied consistently, to all years presented, in dealing with items which are considered material to the financial statements:

Basis of preparation: (i) Transition to FRS 101

The Company transitioned from previously extant UK GAAP to FRS 101 for all periods presented. Transition tables showing all material adjustments are disclosed in Note 31. The Company has taken advantage of the following disclosure exemptions under FRS 101:

- the requirements of IAS 7 *Statement of Cash Flows*;
- the requirements of paragraphs 17 and 18A of IAS 24 *Related Party Disclosures* in respect of disclosure of key management personnel compensation;

Notes to the financial statements (continued)

- the requirements in IAS 24 *Related Party Disclosures* to disclose related party transactions entered into between two or more members of a group, provided that any subsidiary which is a party to the transaction is wholly owned by such a member;
- the requirement in paragraph 38 of IAS 1 *Presentation of Financial Statements* to present comparative information in respect of paragraph 118 (e) of IAS 38 *Intangible Assets*;
- the requirements of IFRS 7 *Financial Instruments: Disclosures*;
- the requirements of paragraphs 130(f)(ii), 130(f)(iii), 134(d) to 134(f) and 135(c) to 135(e) of IAS 36 *Impairment of Assets* which deal with certain assumptions and sensitivities significant for an impairment review;
- the requirements of paragraphs 6 to 21 of IAS 1 *Presentation of Financial Statements* to present an opening statement of financial position at the date of transition (14 September 2014);
- the requirements of paragraphs 30 and 31 of IAS 8 *Accounting Policies, Changes in Accounting Estimates and Errors* which deals with IFRSs issued but not yet effective; and
- the requirements of paragraphs 10(d), 10(f), 16, 38A, 38B, 38C, 38D, 40A, 40B, 40C, 40D, 111 and 134 to 136 of IAS 1 *Presentation of Financial Statements*.

Other exemptions are available under FRS 101 but these have not been set out above as they are not relevant to the Company's financial statements.

Basis of preparation: (ii) Other

The financial statements have been prepared on a going concern basis, under the historical cost convention and in accordance with applicable accounting standards.

As noted above, these financial statements present information about the Company as an individual undertaking and not about its group.

Intangible assets

Intangible assets consist of purchased goodwill and operating intangibles (primarily computer software and EU emissions trading scheme assets). The UK Companies Act requires goodwill to be reduced by provisions for depreciation on a systematic basis over a period chosen by the directors. However, under IFRS 3 *Business Combinations* goodwill is not amortised. Consequently, the Company does not amortise goodwill, but reviews it for impairment on an annual basis or whenever there are indicators of impairment. The Company is therefore invoking a true and fair view override to overcome the prohibition on the non-amortisation of goodwill in the Companies Act. Had the Company amortised goodwill a period of 20 years would have been chosen as the useful life for goodwill. The profit for the comparative financial period would have been £2,295,000 lower had goodwill been amortised in that year. The profit for the current financial year would not have changed as, under the previous UK GAAP, goodwill would have been fully amortised by 12 September 2015. See page 17 below for the Company's accounting policy in respect of internally-generated intangible assets arising from development costs.

Notes to the financial statements (continued)

Under the EU emissions trading scheme, allowances purchased are recognised at cost as intangible assets and are amortised over their life. Free allowances received from the government are initially recognised at fair value with a corresponding government grant recognised in deferred income. The government grant is subsequently recognised in the profit and loss account on a systematic basis over the compliance period for which the allowances are issued. The emissions liability incurred by the Company is dependent on emissions incurred during the production process, the allowances held as assets will be used to settle the liability.

Depreciation

Depreciation is calculated on a straight line basis and is applied to completed capital expenditure in the month in which the asset is brought into use, at rates calculated to write off the relevant assets over their expected useful lives. Land is not depreciated. Estimated useful lives are generally deemed to be no longer than:

Freehold land	Nil
Industrial buildings and freehold property	66 years
Plant and machinery	20 years
Fixtures, fittings and equipment	20 years
Motor vehicles	10 years

Investments

Unlisted investments are stated at cost, less any provision for impairment. The carrying amounts of the Company's investments are reviewed for impairment when events or changes in circumstances indicate that the carrying amount of the investment may not be recoverable. If any such indication exists, the investment's recoverable amount is estimated and an impairment loss is recognised in the profit and loss account whenever the recoverable amount of an asset is lower than its carrying amount. The recoverable amount of an investment is the greater of the net realisable value of the investment and its value-in-use. In assessing value-in-use, the expected future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the investment.

Deferred income

Government grants, including EU energy trading scheme credits, are released to the profit and loss account over the relevant accounting period.

Leases

Operating lease rentals are charged to the profit and loss account in equal instalments over the term of the lease.

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 activity levels.
New crop expenditure	All expenditure relating to the following year's crop is carried forward to the next financial period, as production work-in-progress or finished goods at the lower of cost and net realisable value.

Turnover

Turnover comprises the net invoiced value of sales of sugar and other products delivered to customers, and excludes sales tax.

The Company recognises sales in respect of bioethanol, animal feeds and other co products (horticulture, surplus electricity generation and betaine) within turnover as these income streams are relevant to revenue rather than waste products.

Revenue is recognised when risks and rewards of the underlying products have been substantially transferred to the customer. In practice this means that turnover is recognised when goods are supplied to external customers in accordance with the terms of sale. Revenue is stated net of price discounts, certain promotional activities and similar items.

Taxation

The charge for taxation is based on the profit for the period. Deferred taxation is recognised on all temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. Deferred tax assets and liabilities are measured on an undiscounted basis at the tax rates that are expected to apply when the related asset is realised or liability settled, based on tax rates and laws enacted or substantively enacted at the balance sheet date. The carrying amount of deferred tax assets is reviewed at each balance sheet date. Deferred tax assets and liabilities are presented on a net basis in the balance sheet as they relate to income taxes levied by the same taxation authority.

Research and development

Research costs are expensed as incurred. Development expenditure on an individual project is recognised as an intangible asset when the Company is able to demonstrate: the technical feasibility of completing the intangible asset so that it will be available for use or sale; its intention to complete, and its ability to use or sell, the asset; how the asset will generate future economic benefits; the availability of resources to complete the asset; and the ability to measure reliably the expenditure during development.

Notes to the financial statements (continued)

Following initial recognition of the development expenditure as an asset, the cost model is applied requiring the asset to be carried at cost less any accumulated amortisation and accumulated impairment losses. Amortisation of the asset begins when development is complete and the asset is available for use. It is amortised evenly over the period of expected future benefit. During the period of development, the asset is tested for impairment annually.

Pension costs

Contributions to defined contribution pension schemes are charged to the profit and loss account in the period in which they arise.

The Company is a member of ABF's UK defined benefit scheme, the assets of which are held in trustee administered funds. The scheme is a multi-employer scheme. As the Company is unable to identify its share of the scheme assets and liabilities on a consistent and reasonable basis, the scheme is accounted for by the Company as if it was a defined contribution scheme. Particulars of the latest actuarial valuation are detailed in Note 12.

Share-based payments

The ABF group operates a share incentive plan which allows employees to receive allocations of shares subject to the attainment of certain financial performance criteria and typically after a three-year performance period. The fair value of the shares awarded at grant date is recognised as an employee expense with a corresponding increase in reserves. The fair value is charged to the profit and loss account over the period during which the employee becomes unconditionally entitled to the shares. The fair value of the shares allocated is measured taking into account the terms and conditions under which the shares were allocated. The amount recognised as an expense is adjusted to reflect the actual number of shares that vest.

Foreign currencies

The Company's functional currency is pounds sterling. Transactions in foreign currencies are translated into sterling at the rate ruling on the day of the transaction. Monetary assets and liabilities in foreign currencies are translated at the rate prevailing at the balance sheet date. Any resulting differences are taken to the profit and loss account.

Derivative financial instruments and hedging activities

Derivatives are used to manage the Company's economic exposure to financial and commodity risks. The principal instruments used are foreign exchange and commodity contracts.

Derivatives are recognised in the balance sheet, at fair value, based on market prices or rates. Changes in the value of derivatives are recognised in the profit and loss account unless they qualify for hedge accounting.

Changes in the fair value of derivatives used as hedges of future cash flows are recognised through the hedging reserve with any ineffective portion recognised immediately within operating profit in the profit and loss account.

Notes to the financial statements (continued)

5. Segmental information

	53 weeks ended 17 September 2016 £m	52 weeks ended 12 September 2015 £m
Turnover by class of business:		
Sugar	456.9	470.6
Animal feed	64.9	91.9
Bioethanol	21.5	27.2
Other	138.9	129.7
	682.2	719.4
Turnover by geographic destination:		
UK	585.4	647.7
Other EU countries	95.9	70.6
Rest of world	0.9	1.1
	682.2	719.4

All turnover originates within the UK.

6. Interest receivable and similar income

	53 weeks ended 17 September 2016 £m	52 weeks ended 12 September 2015 £m
Interest on advances	0.1	0.2
Interest receivable from fellow group companies	0.1	0.1
Other interest receivable	0.8	-
	1.0	0.3

7. Interest payable and similar charges

	53 weeks ended 17 September 2016 £m	52 weeks ended 12 September 2015 £m
Interest payable to fellow group companies	4.3	3.6
Other interest payable	-	0.9
	4.3	4.5

Notes to the financial statements (continued)**8. Loss on ordinary activities before taxation**

Loss on ordinary activities before taxation is stated after charging:

	53 weeks ended 17 September 2016 £m	52 weeks ended 12 September 2015 £m
Hire of land and buildings under operating leases	5.3	6.2
Hire of plant and machinery under operating leases	0.7	0.7
Depreciation and impairment of owned tangible assets	31.8	32.1
Amortisation of intangible assets	2.1	2.2
Research and development expenditure	8.1	10.5
EU levies	-	10.3
Auditor's remuneration, including expenses: - for statutory audit of this Company	0.3	0.2

9. Directors' emoluments

	53 weeks ended 17 September 2016 £m	52 weeks ended 12 September 2015 £m
Directors' emoluments excluding pension scheme contributions	3.2	2.1
Compensation for loss of office	0.3	-
Pension scheme contributions	0.1	0.2
Payment in lieu of pension contributions	0.1	0.1
Share-based payments	0.6	0.3
	4.3	2.7

The emoluments of the highest paid director, excluding pension scheme contributions, were £840,558 (2015: £706,903). This includes a payment in lieu of pension of £100,438 (2015: £97,941).

Four (2015: four) of the directors were either members of the ABF defined contribution scheme or the ABF employer funded retirement benefits scheme.

Six of the directors who served during the period, including the highest paid director, received shares under long-term incentive plans in respect of qualifying services. The value of these services was £628,632 (2015: £304,188). See Note 11 for further information.

Notes to the financial statements (continued)**10. Employees**

	53 weeks ended 17 September 2016 £m	52 weeks ended 12 September 2015 £m
Staff costs during the period:		
Wages and salaries	77.2	76.3
Share-based payment charge	1.0	0.8
Social security costs	8.6	7.8
Other pension costs	10.4	10.3
	97.2	95.2

The average monthly number of employees, including directors, of the Company during the period was 1,834 (2015: 1,909).

11. Share-based payments

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

The Executive Share Incentive Plan 2003 ("the Share Incentive Plan") was approved and adopted by ABF at its annual general meeting on 5 December 2003. It takes the form of conditional allocations of shares in ABF which will be released if, and to the extent that, certain performance targets are satisfied over a three-year performance period. The Share Incentive Plan expired in December 2013, with the last grant of allocations made in November 2013. Conditional shares allocated under the Share Incentive Plan will vest under the terms of that plan.

The Associated British Foods Long-Term Incentive Plan ('the LTIP') was approved and adopted by ABF at its annual general meeting on 6 December 2013. It also takes the form of conditional allocations of shares in ABF which will be released if, and to the extent that, certain performance targets are satisfied, typically over a three-year performance period.

Details of the shares outstanding under the Company's equity-settled share-based payment plan are as follows:

	53 weeks ended 17 September 2016	52 weeks ended 12 September 2015
Shares outstanding at the beginning of the period	146,267	168,989
Awarded	40,927	35,498
Vested	(20,268)	(25,587)
Lapsed	(61,093)	(40,270)
Shares outstanding at the end of the period	105,833	138,630

The opening balance has been restated to include 7,637 shares in respect of prior period awards for directors who were appointed during the period.

Notes to the financial statements (continued)

11. Share-based payments (continued)

Fair values

The weighted average fair value of shares awarded was determined by taking the market price of the shares at the time of grant and discounting for the fact that dividends are not paid on conditionally allocated shares during the vesting period.

The weighted average fair value of conditional shares allocated during the period was 3,185 pence (2015: 2,873 pence) and the weighted average share price was 3,425 pence (2015: 3,089) pence. The dividend yield used was 2.5% (2015: 2.5%).

The Company recognised a total equity-settled share-based payment expense of £1.0m (2015: £0.8m), with a corresponding entry in reserves.

12. Pensions

The Company is a member of the Associated British Foods Pension Scheme which provides benefits based on final pensionable pay. As the Company is unable to identify its share of the Scheme's assets and liabilities on a consistent basis, the Scheme is accounted for by the Company as if it were a defined contribution scheme. On 30 September 2002 the Scheme was closed to new members and a defined contribution arrangement was put in place for other employees. Employer's contributions to the defined benefit scheme for the period totalled £6.7m (2015: £6.7m) and are recorded as a cost in the profit and loss account. For the defined contribution scheme, contributions for the period amounted to £3.8m (2015: £3.6m), also recorded as a cost in the profit and loss account. No pension contributions were accrued or prepaid at the period end (2015: £nil).

The Scheme was valued at 17 September 2016 on the basis of IAS19 *Employee Benefits* ("IAS19") by an independent qualified actuary for inclusion in the ABF group financial statements. The valuation of the Scheme showed a surplus of £79m (2015: surplus £79m). Full IAS 19 disclosures can be found within the annual report and accounts of the ABF group, which are available for download from the group's website at www.abf.co.uk. The most recent triennial funding valuation of the Scheme, using the current unit method, was carried out as at 5 April 2014.

Notes to the financial statements (continued)

13. Taxation

	53 weeks ended 17 September 2016 £m	52 weeks ended 12 September 2015 £m
The tax credit/(charge) for the period comprises:		
<i>UK corporation tax</i>		
Current tax on loss for the period	5.4	-
Adjustments in respect of prior periods	(1.2)	(0.8)
Total current tax credit/(charge)	4.2	(0.8)
<i>Deferred tax</i>		
Origination/reversal of timing differences	8.4	(0.4)
Effect of change in tax rate	(4.6)	-
Adjustments in respect of prior periods	(1.0)	2.6
Tax credit on loss on ordinary activities	7.0	1.4

A reconciliation of total tax is as follows:

	53 weeks ended 17 September 2016 £m	52 weeks ended 12 September 2015 £m
Loss on ordinary activities before tax	(28.1)	(2.0)
Tax credit at effective rate of 20.0% (2015: 20.5%)	5.6	0.4
Effects of:		
Expenses not deductible for tax purposes	(0.2)	(0.6)
Change in tax rates	3.9	(0.1)
Tax suffered on overseas operations	(0.1)	(2.0)
Adjustments to tax charge in respect of previous periods	(2.2)	3.7
Total tax credit	7.0	1.4

The UK corporation tax rate was reduced from 21% to 20% with effect from 1 April 2015 and further reductions to 19% and 17% have also now been enacted which will take effect in April 2017 and April 2020, respectively. Accordingly, deferred tax has been calculated using these rates, as appropriate.

Tax amounts disclosed above for the 52 weeks ended 12 September 2015 have been restated from the 2015 Annual Report and financial statements (in which a total tax credit of £1.1m was presented) as a result of the adoption of FRS 101, as explained in further detail in Note 31.

Notes to the financial statements (continued)**14. Dividends**

No dividends were paid during the period (2015: £100.0m).

15. Intangible assets

	Goodwill £m	Operating intangibles £m	Total £m
Cost:			
At 12 September 2015	2.3	15.7	18.0
Additions	-	6.6	6.6
Disposals	-	(5.4)	(5.4)
At 17 September 2016	2.3	16.9	19.2
Amortisation			
At 12 September 2015	-	(5.6)	(5.6)
Charge for the period	-	(2.1)	(2.1)
At 17 September 2016	-	(7.7)	(7.7)
Net book value			
At 12 September 2015	2.3	10.1	12.4
At 17 September 2016	2.3	9.2	11.5

Goodwill impairment review

At 17 September 2016 and 12 September 2015, £2.3m of goodwill was included in the Company's balance sheet relating to the Billington business which was acquired in 2005.

This balance has been allocated to one cash generating unit ("CGU"). Goodwill must be assessed for impairment annually or more frequently if events or circumstances indicate that the carrying value may not be recoverable. The recoverable amount of the CGU has been determined based on a value-in-use calculation using cash flow projections based on financial budgets approved by the Board. The cash flow projections have been discounted using a pre-tax discount rate of 8.6% (2015: 9.7%).

Notes to the financial statements (continued)

16. Tangible assets

	Freehold land and buildings £m	Plant and machinery £m	Fixtures, fittings and equipment £m	Assets under construction £m	Total £m
Cost or valuation:					
At 12 September 2015 (restated ¹)	223.5	623.1	38.1	50.0	934.7
Additions	1.6	34.1	3.1	4.7	43.5
Transfers between categories	11.0	-	-	(11.0)	-
Disposals	(0.4)	(7.2)	(1.1)	-	(8.7)
At 17 September 2016	235.7	650.0	40.1	43.7	969.5
Depreciation					
At 12 September 2015	(123.0)	(428.2)	(32.2)	-	(583.4)
Charge for the period	(5.1)	(25.2)	(1.5)	-	(31.8)
Disposals	0.1	6.2	1.1	-	7.4
At 17 September 2016	(128.0)	(447.2)	(32.6)	-	(607.8)
Net book value					
At 12 September 2015 (restated ¹)	100.5	194.9	5.9	50.0	351.3
At 17 September 2016	107.7	202.8	7.5	43.7	361.7

1 In the 2015 Annual Report and financial statements, assets under construction ("AUC") totalling £50.0m were classified within freehold land and buildings, plant and machinery and fixtures, fitting and equipment. However, the directors are of the opinion that presenting AUC within its own category is more useful to the users of the financial statements. Consequently, prior period amounts are shown as restated to match with the current period's presentation.

17. Fixed asset investments

	Unlisted subsidiary undertakings £m	Associated undertakings £m	Total £m
Cost and net book value:			
At 12 September 2015	0.5	2.9	3.4
At 17 September 2016	0.5	2.9	3.4

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

Undertaking	Country of incorporation	Principal activity	Class and percentage of shares held
AB Sugar Africa Limited (formerly AB Sugar Limited and Broomco (2704) Limited)	Great Britain	Holding company	Ordinary shares 100%
British Beet Research Organisation	Great Britain	Research for the UK sugar beet industry	50% subscription in a company limited by guarantee
C. Czarnikow Limited	Great Britain	Sugar and ethanol trading	Ordinary shares 42.5%
Sukpak Limitée	Mauritius	Sugar packaging	Ordinary shares 30%
The Billington Food Group Limited	Great Britain	Dormant	Ordinary shares 100%
Wereham Gravel Company Limited	Great Britain	Growing of sugar beet	Ordinary shares 100%

Notes to the financial statements (continued)**17. Fixed asset investments (continued)**

British Beet Research Organisation (“BBRO”) is a company limited by guarantee of which British Sugar plc has a £1 liability in the event of the company being wound up. It has an accounting period end of 31 December.

The predominant geographic area of operations of C. Czarnikow Limited and Wereham Gravel Company Limited and is the UK.

C. Czarnikow Limited has an accounting period end of 31 December.

Sukpak Limitée is a sugar packaging company operating in Mauritius with an accounting period end of 30 September.

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.

18. Stock

	17 September 2016 £m	12 September 2015 £m
Consumable stores	17.2	20.3
Sugar and other products	89.0	176.0
	106.2	196.3

19. Debtors

	17 September 2016 £m	12 September 2015 £m
Trade debtors	67.9	48.3
Corporation tax	21.2	19.8
Amounts owed by group undertakings	24.0	19.3
Other debtors	17.3	22.1
Prepayments and accrued income	17.4	15.1
	147.8	124.6

Of the amounts owed by group undertakings, £18.6m relates to amounts recoverable after more than one year (2015: £14.3m).

Notes to the financial statements (continued)

20. Creditors: amounts falling due within one year

	17 September 2016 £m	12 September 2015 £m
Trade creditors	39.9	39.9
Other creditors including tax and social security costs	0.2	0.3
Derivative liabilities	19.0	5.7
Amounts owed to group undertakings	1.1	1.0
Accruals and deferred income	47.1	43.2
	107.3	90.1

21. Creditors: amounts falling due after more than one year

	17 September 2016 £m	12 September 2015 £m
Amounts owed to group undertakings	350.6	391.3
Government grant	0.9	0.9
	351.5	392.2

22. Provisions for liabilities and charges

	Deferred tax (net, see Note 23) £m	Other provisions £m	Total £m
At 12 September 2015	30.3	6.9	37.2
(Credited)/charged to profit and loss	(2.8)	3.7	0.9
Utilised	-	(3.5)	(3.5)
Charged to reserves	(2.9)	-	(2.9)
At 17 September 2016	24.6	7.1	31.7

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

23. Deferred tax

	17 September 2016 £m	12 September 2015 £m
Accelerated capital allowances	29.1	32.5
Other short-term timing differences	(1.8)	(2.4)
Derivative financial instruments	(2.7)	0.2
	24.6	30.3

Notes to the financial statements (continued)**24. Financial instruments**

As a wholly-owned subsidiary of ABF (which prepares consolidated accounts under IFRS), British Sugar is exempt from the scope of IAS 39 *Financial instruments: Hedge accounting*.

25. Operating leases

The Company has entered into commercial leases on certain properties and items of plant and machinery.

Future minimum lease payments under non-cancellable operating leases are as follows:

	17 September 2016 £m	12 September 2015 £m
Within one year	4.3	4.5
Later than one year but less than five years	3.1	3.6
After five years	1.0	-
	8.4	8.1

26. Called up share capital

	2016		2015	
	Number of shares 000s	Value £m	Number of shares 000s	Value £m
Issued and fully paid:				
Ordinary shares of 50 pence each	160,000	80.0	160,000	80.0

27. Commitments

Capital expenditure projects authorised and contracted for amount to £7.8m (2015: £11.5m).

28. Contingent liabilities

	17 September 2016 £m	12 September 2015 £m
Trading guarantees	5.8	15.2

No security has been given against these contingent liabilities.

Where the Company enters into financial guarantee contracts to guarantee the indebtedness of other companies within its group, the Company considers these to be insurance arrangements and accounts for them as such. The guarantee contract is treated as a contingent liability until such time as it becomes probable that the Company will be required to make a payment under the guarantee.

Notes to the financial statements (continued)**29. Related party transactions**

The Company, being a wholly-owned subsidiary of ABF, has taken advantage of the exemption in IAS 24 *Related Party Disclosures* not to disclose related party transactions with wholly-owned entities in the same group. The Company's other related parties, as defined by IAS 24, the nature of the relationship and the extent of transactions with them are summarised below:

	Sales to associated undertakings on normal trading terms £m	Purchases from associated undertakings on normal trading terms £m	Amounts due from associated undertakings £m	Amounts due to associated undertakings £m
BBRO	-	(2.1)	-	-
C. Czarnikow Limited	37.8	(0.1)	3.4	-
Frontier Agriculture Limited	-	(3.5)	-	-
Sukpak Limitée	-	(1.6)	-	(0.2)
Total	37.8	(7.3)	3.4	(0.2)

BBRO is a non-profit making company that commissions and implements research and technology transfer designed to increase the competitiveness and profitability of the UK beet sugar industry. The board of directors consists of four members, two of whom are senior managers of British Sugar plc.

C. Czarnikow, an associate undertaking as set out in Note 17, is a sugar and ethanol trading company.

Frontier Agriculture Limited is an agricultural services company providing supplies to farming businesses. The company is a joint venture between ABF and Cargill plc.

Sukpak Limitée, an associate undertaking as set out in Note 17, is a sugar packaging company operating in Mauritius.

Notes to the financial statements (continued)

30. Holding company

The ultimate holding company and controlling party as defined by IAS 24 *Related Party Disclosures* is Wittington Investments Limited 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, which is incorporated in Great Britain and registered in England and Wales. The consolidated accounts of ABF are available to the public and may be obtained from its registered office at Weston Centre, 10 Grosvenor street, London W1K 4QY or by download from the group's website at www.abf.co.uk.

31. Transition to FRS 101

For all periods up to and including the 52 weeks ended 12 September 2015, the Company prepared its financial statements in accordance with previously extant United Kingdom Generally Accepted Accounting Practice ("UK GAAP"). The financial statements for the 53 weeks ended 17 September 2016 are the first that the Company has prepared in accordance with FRS 101.

Accordingly, the Company has prepared individual financial statements which comply with FRS 101 for periods beginning on or after 1 January 2014 and the significant accounting policies meeting those requirements are described in Note 4.

The Company's transition date to FRS 101 was 14 September 2014 which is the date from which any changes in accounting policies, restatements or presentational changes required on adoption of FRS 101 have been made. The comparative financial information for the 52 weeks ended 12 September 2015 has been re-presented in line with FRS 101. The principal differences between previous UK GAAP and FRS 101 are set out below.

Notes to the financial statements (continued)

31. Transition to FRS 101 (continued)

i) Reconciliation of equity as at 12 September 2015

	Note	UK GAAP £m	FRS 101 reclassifications and re-measurements £m	FRS 101 £m
Fixed assets				
Intangible assets	a	10.1	2.3	12.4
Tangible assets		351.3	-	351.3
Fixed asset investments		3.4	-	3.4
Total fixed assets		364.8	2.3	367.1
Current assets				
Stocks	b	196.6	(0.3)	196.3
Biological assets	b	-	0.3	0.3
Derivative assets		7.3	-	7.3
Debtors		124.6	-	124.6
Cash at bank and in hand		0.8	-	0.8
Total current assets		329.3	-	329.3
Creditors: amounts falling due within one year	c	(89.1)	(1.0)	(90.1)
Net current assets		240.2	(1.0)	239.2
Total assets less current liabilities		605.0	1.3	606.3
Creditors: amounts falling due after more than one year		(392.2)	-	(392.2)
Provisions for liabilities and charges	c, d	(24.9)	(12.3)	(37.2)
Net assets		187.9	(11.0)	176.9
Capital and reserves				
Called up share capital		80.0	-	80.0
Share-based payment reserve		6.3	-	6.3
Revaluation reserve		25.2	-	25.2
Hedging reserve		1.1	-	1.1
Profit and loss account		75.3	(11.0)	64.3
Total shareholder's equity		187.9	(11.0)	176.9

Notes to the financial statements (continued)

31. Transition to FRS 101 (continued)

ii) Reconciliation of equity as at 14 September 2014

	Note	UK GAAP £m	FRS 101 reclassifications and re-measurements £m	FRS 101 £m
Fixed assets				
Intangible assets	a	13.8	-	13.8
Tangible assets		347.8	-	347.8
Fixed asset investments		3.4	-	3.4
Total fixed assets		365.0	-	365.0
Current assets				
Stocks	b	127.6	(0.3)	127.3
Biological assets	b	-	0.3	0.3
Derivative assets		12.7	-	12.7
Debtors		130.7	-	130.7
Cash at bank and in hand		1.6	-	1.6
Total current assets		272.6	-	272.6
Creditors: amounts falling due within one year	c	(109.4)	(1.1)	(110.5)
Net current assets		163.2	(1.1)	162.1
Total assets less current liabilities		528.2	(1.1)	527.1
Creditors: amounts falling due after more than one year		(193.6)	-	(193.6)
Provisions for liabilities and charges	c, d	(36.7)	(12.6)	(49.3)
Net assets		297.9	(13.7)	284.2
Capital and reserves				
Called up share capital		80.0	-	80.0
Share-based payment reserve		5.5	-	5.5
Revaluation reserve		27.0	-	27.0
Hedging reserve		8.6	-	8.6
Profit and loss account		176.8	(13.7)	163.1
Total shareholder's equity		297.9	(13.7)	284.2

Notes to the financial statements (continued)**31. Transition to FRS 101 (continued)****iii) Reconciliation of loss for the period ended 12 September 2015**

	Note	12 September 2015 £m
Loss for the 52 weeks ended 12 September 2015 under UK GAAP		(3.3)
Reversal of amortisation of goodwill	a	2.3
Change in holiday pay accrual	c	0.1
Deferred tax credit	d	0.3
Loss for the 52 weeks ended 12 September 2015 under FRS 101		(0.6)

a Goodwill

Under previous UK GAAP, goodwill was amortised over its useful life. On transition to FRS 101 goodwill is considered to have an indefinite life in accordance with IAS 38 *Intangibles*, and is tested annually for impairment in accordance with IAS 36 *Impairment of Assets*. On transition to FRS 101 the Company took advantage of the exemption under FRS 101 not to restate its business combinations and the carrying value of goodwill remains unchanged at £2,295,000 at 14 September 2014. Accordingly, the amortisation previously recorded in the 52 weeks ended 12 September 2015 of £2,295,000 has been reversed on transition to FRS 101.

b Biological assets

Under previous UK GAAP, expenditure related to any unharvested crop of tomatoes was held at actual cost and presented as stock. Under FRS 101, the unharvested tomatoes are presented as a biological asset in the balance sheet and held at fair value less costs to sell. The difference between the two valuation methods was less than £0.1m at 12 September 2015 and 14 September 2014.

c Holiday pay accrual

Under previous UK GAAP, the Company was not required to recognise a liability for outstanding paid annual leave held by employees at the balance sheet date. However, under FRS 101 the Company is required to recognise a liability for this obligation and therefore, on transition to FRS 101, a holiday pay accrual of £951,000 has been recognised at 12 September 2015 (14 September 2014: £1,083,000), together with a related deferred tax asset of £190,000 (14 September 2014: £217,000).

d Deferred tax

Under previous UK GAAP, the Company was not allowed to carry any deferred tax in respect of industrial buildings which had once been eligible for industrial buildings allowances. However, under FRS 101, while the tax base of the relevant industrial buildings allowance assets is still £nil, the net book value of these assets is recognised as a timing difference and gives rise to an increased deferred tax liability at 12 September 2015 of £12,532,000 (14 September 2014: £12,830,000).