

BRITISH SUGAR PLC

ANNUAL REPORT AND FINANCIAL STATEMENTS

15 SEPTEMBER 2018

(Registered Number: 315158)

TUESDAY



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Company information

Directors

MI Carr
QH Heath
AK Johnson
PR Kenward
JC Ryan

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 London Place
London
SE1 2AF

Strategic Report

The directors present their Strategic Report for the 52 weeks ended 15 September 2018.

Principal activities

British Sugar plc (“the Company”) is a wholly-owned subsidiary of Associated British Foods plc (“ABF”). During the period, the principal activities continue to be the processing of sugar beet and the manufacture and sale of sugar, animal feed, bioethanol and other co-products of the sugar manufacturing process. These activities are expected to continue for the foreseeable future.

Review of the business

The EU sugar regime ended in October 2017 with the consequent removal of sales quotas. This structural change increased the supply of sugar in the EU market and prices were expected to fall as a result. EU prices have actually fallen faster and more significantly than expected as a consequence of substantially higher EU sugar production in 2017/18, following an increase in crop area and higher than average beet yields.

In light of the above, turnover was 5% lower than last period with lower sugar prices partially offset by a more favourable euro/sterling exchange rate. As a result, the Company recorded an operating profit in the period of £37.9m (2017: £75.7m).

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. All factories performed well with further progress achieved in production efficiency, cost reduction and in health, safety and environmental metrics.

Sugar production increased considerably to 1,370,000 tonnes (2017: 900,000 tonnes) reflecting record beet yields and an increase in crop area. The latest sugar production estimate for 2018/19 is a reduction to some 1,050,000 tonnes as a consequence of late drilling this Spring followed by the unusually dry summer. The Company’s stocks are expected to decline next year as a result.

Looking to the financial year 2019/20, a reduction in beet price has been agreed with our farmers and we expect sugar production to be affected by a lower crop area to be planted in Spring 2019. The Company’s directors and NFU Sugar are disappointed by the UK Government’s decision to reject the emergency application for the use of neonicotinoids as a seed treatment from next year. The directors believe that this decision is ill-founded and disproportionate.

Strategic Report (continued)**Principal risks and uncertainties**

A full description of the principal risks and uncertainties applicable to the ABF group are disclosed on pages 60 to 64 of the 2018 ABF annual report and accounts.

British Sugar's functional currency is sterling but sugar prices within the EU sugar market are generally quoted in euros. 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:

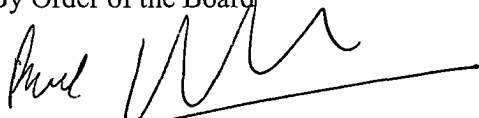
	52 weeks ended 15 September 2018	52 weeks ended 16 September 2017
Euro/sterling spot rate at period end	1.1208	1.1352
Euro/sterling average rate for the period	1.1309	1.1496

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

Up to 1 October 2017, the sugar industry was regulated and, as such, the Company is at risk of incurring penalties for non-compliance for returns made up to that date. 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

30 November 2018

Directors' Report

The directors present their Annual Report and financial statements for the 52 weeks ended 15 September 2018.

Directors

The directors and Company secretary who served during the year and to the date of signing are detailed below:

MI Carr
QH Heath
DA Jenssen (resigned 31 May 2018)
AK Johnson (appointed 22 February 2018)
PR Kenward
JC Ryan (appointed 21 September 2017)

Company secretary:
RS Schofield

Directors' and officers' liability insurance

During the 52 weeks ended 15 September 2018, ABF maintained insurance for the directors and 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 and accounts which is available at www.abf.co.uk.

Dividends

No dividends were paid during the period (2017: £nil) and the directors do not recommend the payment of a final dividend (2017: £nil). No dividends were received during the period (2017: £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 £1.1m (2017: £1.1m). It is anticipated that this level of expenditure will continue.

Directors' Report (continued)

Health, safety and environment

The Company recognises the impact that its business has on the environment. 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 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 its plants qualify for exemptions from the UK's Climate Change Levy of between 60% and 100%.

During the period British Sugar participated in the EU emissions trading scheme which is 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 people's race, religion, age or gender do not hinder them 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.

Directors' Report (continued)

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.

Auditor

Ernst & Young LLP was appointed by the board of directors as auditor of the Company for the financial period ended 15 September 2018 and the Board intends to re-appoint Ernst & Young LLP as auditor for the financial year ending 14 September 2019.

By Order of the Board

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

P Kenward

Director

30 November 2018

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

Opinion

We have audited the financial statements of British Sugar plc for the 52 weeks ended 15 September 2018 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, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 101 *Reduced Disclosure Framework* (United Kingdom Generally Accepted Accounting Practice).

In our opinion the financial statements:

- give a true and fair view of the Company's affairs as at 15 September 2018 and of its profit for the period then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report below. We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the directors' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the Company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

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

(continued)

Other information

The other information comprises the information included in the Annual Report, other than the financial statements and our auditor's report thereon. The directors are responsible for the other information.

Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in this report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of the other information, we are required to report that fact.

Opinions on other matters prescribed by the Companies Act 2006

In our opinion, based on the work undertaken in the course of the audit:

- 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; and
- the Strategic Report and Directors' Report have been prepared in accordance with applicable legal requirements.

Matters on which we are required to report by exception

In the light of the knowledge and understanding of the Company and its environment obtained in the course of the audit, we have not identified material misstatements in the Strategic Report or Directors' Report.

We have nothing to report in respect of the following matters in relation to which 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.

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

(continued)

Responsibilities of directors

As explained more fully in the Statement of directors' responsibilities set out 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, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at <https://www.frc.org.uk/auditorsresponsibilities>. This description forms part of our auditor's report.

Use of our report

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.

Ernst & Young LLP

William Binns (Senior Statutory Auditor)

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

4 December 2018

Profit and loss account

for the 52 weeks ended 15 September 2018

		52 weeks ended 15 September 2018 £m	52 weeks ended 16 September 2017 £m
	Note		
Turnover	5	692.5	729.9
Cost of sales		(541.9)	(542.1)
Gross profit		150.6	187.8
Distribution costs		(70.8)	(58.6)
Administrative expenses		(41.9)	(53.5)
Operating profit		37.9	75.7
Interest receivable and similar income	6	1.1	0.3
Interest payable and similar charges	7	(2.3)	(2.5)
Profit on ordinary activities before taxation	8	36.7	73.5
Tax charge	13	(11.0)	(15.1)
Profit for the period		25.7	58.4

The Notes on pages 15 to 31 form part of these financial statements.

Statement of comprehensive income

for the 52 weeks ended 15 September 2018

	52 weeks ended 15 September 2018 £m	52 weeks ended 16 September 2017 £m
Profit for the period	25.7	58.4
Items that may be reclassified subsequently to profit and loss:		
Movement in cash flow hedging position	10.5	21.1
Deferred tax associated with movement in cash flow hedging position	(1.8)	(3.6)
Other comprehensive income	8.7	17.5
Total comprehensive income for the period	34.4	75.9

Balance sheet

at 15 September 2018

		15 September 2018 £m	16 September 2017 £m
	Note		
Fixed assets			
Intangible assets	15	8.3	11.1
Tangible assets	16	381.0	359.3
Fixed asset investments	17	3.6	3.6
Total fixed assets		392.9	374.0
Current assets			
Stocks	18	81.9	65.4
Biological assets		0.1	-
Derivative assets		20.4	6.5
Debtors	19	173.7	147.1
Assets classified as held for sale	20	1.3	1.3
Cash at bank and in hand		0.3	0.5
Total current assets		277.7	220.8
Creditors: amounts falling due within one year	21	(94.7)	(74.9)
Net current assets		183.0	145.9
Total assets less current liabilities		575.9	519.9
Creditors: amounts falling due after more than one year	22	(275.9)	(261.7)
Provisions for liabilities and charges	23	(45.1)	(38.4)
Net assets		254.9	219.8
Capital and reserves			
Called up share capital	27	80.0	80.0
Share-based payment reserve		8.8	8.1
Revaluation reserve		20.0	21.8
Hedging reserve		13.6	4.9
Profit and loss account		132.5	105.0
Total shareholder's equity		254.9	219.8

The Notes on pages 15 to 31 form part of these financial statements.

The financial statements were approved by the Board on 30 November 2018 and signed on its behalf by:


P Kenward
Director

Statement of changes in shareholder's equity

for the 52 weeks ended 15 September 2018

	Called up share capital¹ £m	Share- based payment reserve £m	Reval- uation reserve² £m	Hedging reserve £m	Profit and loss account £m	Total share- holder's equity £m
At 17 September 2016	80.0	7.3	23.5	(12.6)	44.9	143.1
Profit for the period	-	-	-	-	58.4	58.4
Other comprehensive income	-	-	-	17.5	-	17.5
Total comprehensive income for the period	-	-	-	17.5	58.4	75.9
Credit in respect of share- based payments	-	0.8	-	-	-	0.8
Transfer from revaluation reserve to profit and loss account	-	-	(1.7)	-	1.7	-
At 16 September 2017	80.0	8.1	21.8	4.9	105.0	219.8
Profit for the period	-	-	-	-	25.7	25.7
Other comprehensive income	-	-	-	8.7	-	8.7
Total comprehensive income for the period	-	-	-	8.7	25.7	34.4
Credit in respect of share- based payments	-	0.7	-	-	-	0.7
Transfer from revaluation reserve to profit and loss account	-	-	(1.8)	-	1.8	-
At 15 September 2018	80.0	8.8	20.0	13.6	132.5	254.9

¹ See Note 27 for further details.² This relates to the revaluation of the majority of the Company's freehold land and buildings in September 1990, as carried out by a firm of independent chartered surveyors.

Notes to the financial statements

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

The financial statements of British Sugar plc ("the Company") for the period ended 15 September 2018 were authorised for issue by the board of directors on 30 November 2018. The Company is a private company 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 financial statements have been prepared for the 52 weeks ended 15 September 2018.

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) Disclosure exemptions

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;
- 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;

Notes to the financial statements (continued)

- 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 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 comprise 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 result for the current and comparative financial years would not have changed as, under previous UK GAAP, goodwill would have been fully amortised by 12 September 2015. See page 18 for the Company's accounting policy in respect of internally-generated intangible assets arising from development costs.

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.

Notes to the financial statements (continued)**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' cost and depreciation are disclosed within fixtures, fittings and equipment in Note 16 and are typically depreciated over a period of five 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.

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.

Notes to the financial statements (continued)

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.

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.

Notes to the financial statements (continued)

Share-based payments

The ABF group operates a share incentive plan which allows certain employees to receive allocations of shares subject to the attainment of financial performance criteria, 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 equity. 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.

Assets classified as held for sale

Assets classified as held for sale are measured at the lower of their carrying amount and fair value less costs to sell. Assets are classified as held for sale if their carrying amount will be recovered principally through a sale transaction rather than through continuing use. This condition is regarded as met only when the sale is highly probable and the asset is available for immediate sale in its present condition. Management must be committed to the sale which should be expected to qualify for recognition as a completed sale within 12 months from the date of classification.

Grower financing loans

The Company provides short-term working capital loans to its growers via a third-party finance company. Such loans are recorded as a receivable within other debtors, with a corresponding grower financing liability being recorded within current liabilities.

Notes to the financial statements (continued)

5. Segmental information

	52 weeks ended 15 September 2018 £m	52 weeks ended 16 September 2017 £m
Turnover by class of business:		
Sugar	470.1	567.1
Animal feed	85.3	55.0
CHP	42.8	35.3
Bioethanol	28.6	7.1
Other	65.7	65.4
	692.5	729.9
Turnover by geographic destination:		
UK	616.8	633.0
Other EU countries	74.9	95.7
Rest of world	0.8	1.2
	692.5	729.9

All turnover originates within the UK.

6. Interest receivable and similar income

	52 weeks ended 15 September 2018 £m	52 weeks ended 16 September 2017 £m
Interest on advances	0.2	0.2
Foreign exchange gains	-	0.1
Other interest income	0.9	-
	1.1	0.3

Notes to the financial statements (continued)**7. Interest payable and similar charges**

	52 weeks ended 15 September 2018 £m	52 weeks ended 16 September 2017 £m
Interest payable to fellow group companies	2.3	2.5
	2.3	2.5

8. Profit on ordinary activities before taxation

Profit on ordinary activities before taxation is stated after charging:

	52 weeks ended 15 September 2018 £m	52 weeks ended 16 September 2017 £m
Hire of land and buildings under operating leases	3.9	3.3
Hire of plant and machinery under operating leases	0.8	0.7
Depreciation and impairment of owned tangible assets	29.8	33.0
Amortisation of intangible assets	2.2	2.1
Gain on sale of property, plant and equipment	1.8	-
Research and development expenditure	1.1	1.1
Auditor's remuneration, including expenses: - for statutory audit of this Company	0.4	0.4

9. Directors' emoluments

	52 weeks ended 15 September 2018 £m	52 weeks ended 16 September 2017 £m
Directors' emoluments	2.0	2.3
	2.0	2.3

The emoluments of the highest paid director were £636,189 (2017: £876,267). This includes a payment in lieu of pension of £105,271 (2017: £102,875).

Four (2017: three) of the directors were members of the ABF defined contribution pension scheme.

Directors' emoluments excludes the aggregate amount of any gains made by directors on the exercise of share awards and excludes the share-based payments charge relating to the current period.

Notes to the financial statements (continued)**9. Directors' emoluments (continued)**

Three (2017: three) 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 (see Note 11 for further information).

10. Employees

	52 weeks ended 15 September 2018 £m	52 weeks ended 16 September 2017 £m
Staff costs during the period:		
Wages and salaries	73.8	72.8
Share-based payment charge	0.7	0.8
Social security costs	8.5	8.2
Other pension costs	9.4	8.6
	92.4	90.4

The average monthly number of employees, including directors, of the Company during the period was 1,667 (2017: 1,717).

11. Share-based payments

The Company had the following equity-settled share-based payment plans 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 are released if, and to the extent that, certain performance targets are satisfied, typically over a three-year performance period. The Share Incentive Plan expired in December 2013, with the last grant of allocations made in November 2013. The last allocations made under the Share Incentive Plan either vested or lapsed during the year and it is now closed.

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 takes the form of conditional allocations of shares in ABF which are released if, and to the extent that, certain performance targets are satisfied, typically over a three-year performance period.

Notes to the financial statements (continued)**11. Share-based payments (continued)**

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

	52 weeks ended 15 September 2018	(restated ¹) 52 weeks ended 16 September 2017
Shares outstanding at the beginning of the period	131,612	130,939
Awarded	67,499	79,649
Vested	(23,428)	(23,569)
Lapsed	(7,158)	(55,407)
Shares outstanding at the end of the period	168,525	131,612

¹ Amounts disclosed in the above table are in respect of all employees of the Company who receive share awards. The prior period figures are shown as restated to match the current period presentation as previously they related only to directors.

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 2,861 pence (2017: 2,449 pence) and the weighted average share price was 3,076 pence (2017: 2,633 pence). The dividend yield used was 2.5% (2017: 2.5%).

The Company recognised a total equity-settled share-based payment expense of £0.7m (2017: £0.8m), with a corresponding entry in equity.

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 £5.5m (2017: £4.9m) and are recorded as a cost in the profit and loss account. For the defined contribution scheme, contributions for the period amounted to £3.9m (2017: £3.7m), also recorded as a cost in the profit and loss account. No pension contributions were accrued or prepaid at the period end (2017: £nil).

The Scheme was valued at 15 September 2018 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 £571m (2017: £277m). 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 2017 and revealed a surplus of £176m.

Notes to the financial statements (continued)

13. Taxation

	52 weeks ended 15 September 2018 £m	52 weeks ended 16 September 2017 £m
The tax charge for the period comprises:		
<i>UK corporation tax</i>		
Current tax on profit for the period	(6.0)	(16.1)
Adjustments in respect of prior periods	0.6	(0.4)
Total current tax charge	(5.4)	(16.5)
<i>Deferred tax</i>		
Origination/reversal of timing differences	(1.6)	0.6
Adjustments in respect of prior periods	(4.0)	0.8
Tax charge on profit on ordinary activities	(11.0)	(15.1)

A reconciliation of total tax is as follows:

	52 weeks ended 15 September 2018 £m	52 weeks ended 16 September 2017 £m
Profit on ordinary activities before tax	36.7	73.5
Tax charge at effective rate of 19.0% (2017: 19.5%)	(7.0)	(14.3)
Effects of:		
Expenses not deductible for tax purposes	(1.6)	(1.2)
Change in tax rates	0.6	-
Group relief not paid for	0.4	-
Adjustments to tax charge in respect of previous periods	(3.4)	0.4
Total tax charge	(11.0)	(15.1)

The UK corporation tax rate was reduced from 20% to 19% with effect from 1 April 2017, with a further reduction to 17% effective from 1 April 2020. The legislation to effect these rate changes had been enacted before the balance sheet date. Accordingly, deferred tax has been calculated using these rates, as appropriate.

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

No dividends were paid during the period (2017: £nil).

15. Intangible assets

	Goodwill £m	Operating intangibles £m	Total £m
Cost:			
At 16 September 2017	2.3	18.6	20.9
Additions	-	3.2	3.2
Disposals	-	(3.8)	(3.8)
At 15 September 2018	2.3	18.0	20.3
Amortisation			
At 16 September 2017	-	(9.8)	(9.8)
Charge for the period	-	(2.2)	(2.2)
At 15 September 2018	-	(12.0)	(12.0)
Net book value			
At 16 September 2017	2.3	8.8	11.1
At 15 September 2018	2.3	6.0	8.3

Goodwill impairment review

At 15 September 2018 and 16 September 2017, £2.3m of goodwill was included in the Company's balance sheet which arose on the acquisition of The Billington Food Group Limited 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 9.8% (2017: 10.3%).

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 construct ion £m	Total £m
Cost or valuation:					
At 16 September 2017	238.9	681.0	46.6	29.6	996.1
Additions	1.9	2.1	-	48.3	52.3
Transfers between categories	0.7	32.3	3.3	(36.3)	-
Disposals	(0.2)	(2.8)	(5.9)	-	(8.9)
At 15 September 2018	241.3	712.6	44.0	41.6	1,039.5
Depreciation					
At 16 September 2017	(133.1)	(469.3)	(34.4)	-	(636.8)
Charge for the period	(4.8)	(23.0)	(2.0)	-	(29.8)
Disposals	0.1	2.1	5.9	-	8.1
At 15 September 2018	(137.8)	(490.2)	(30.5)	-	(658.5)
Net book value					
At 16 September 2017	105.8	211.7	12.2	29.6	359.3
At 15 September 2018	103.5	222.4	13.5	41.6	381.0

17. Fixed asset investments

	Unlisted subsidiary undertakings £m	Associated undertakings £m	Total £m
Cost and net book value:			
At 16 September 2017	0.5	3.1	3.6
At 15 September 2018	0.5	3.1	3.6

In the prior financial period, the Company acquired 40.1% of the ordinary share capital of Proper Nutty Limited, a private company incorporated in Great Britain, for cash consideration of £0.2m (see page 27 for further details).

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

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
Unlisted subsidiary undertakings:			
British Beet Research Organisation	Great Britain	Research for the UK sugar beet industry	50.0% subscription in a company limited by guarantee
The Billington Food Group Limited	Great Britain	Dormant	Ordinary shares 100%
Wereham Gravel Company Limited	Great Britain	Growing of sugar beet	Ordinary shares 100%
Associated undertakings:			
C. Czarnikow Limited	Great Britain	Sugar and ethanol trading	Ordinary shares 42.5%
Proper Nutty Limited	Great Britain	Food manufacturer	Ordinary shares 40.1%
Sukpak Limitée	Mauritius	Sugar packaging	Ordinary shares 30.0%

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 reference date of 31 December.

Wereham Gravel Company Limited's predominant geographic area of operations is the UK and it has an accounting reference date of the Saturday closest to 15 September.

C. Czarnikow Limited's predominant geographic area of operations is the UK and it has an accounting reference date of 31 December.

Proper Nutty Limited and Sukpak Limitée have accounting reference dates of 31 March and 30 September, respectively.

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

18. Stocks

	15 September 2018 £m	16 September 2017 £m
Consumable stores	18.5	17.9
Sugar and other products	63.4	47.5
	81.9	65.4

Notes to the financial statements (continued)**19. Debtors**

	15 September 2018 £m	16 September 2017 £m
Trade debtors	62.0	70.0
Corporation tax	7.4	8.2
Amounts owed by group undertakings	63.2	33.6
Other debtors	27.6	25.9
Prepayments and accrued income	13.5	9.4
	173.7	147.1

20. Assets classified as held for sale

During the prior financial period, the Company entered into a negotiation to sell a closed sugar factory site for approximately £9.7m. At 16 September 2017, the asset was available for immediate sale in its present condition, the transaction had progressed sufficiently for management to consider the sale to be highly probable and completion was expected within 12 months of the date of classification. The transaction did not complete during the current financial period but is expected to do so during the next 12 months. Consequently, the asset's net book value of £1.3m continues to be classified as held for sale at 15 September 2018.

21. Creditors: amounts falling due within one year

	15 September 2018 £m	16 September 2017 £m
Trade creditors	44.6	47.9
Other creditors including tax and social security costs	0.5	0.3
Derivative liabilities	3.5	0.6
Amounts owed to group undertakings	0.7	0.3
Accruals and deferred income	45.4	25.8
	94.7	74.9

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

	15 September 2018 £m	16 September 2017 £m
Amounts owed to group undertakings	271.7	259.4
Grower financing liabilities	3.4	1.6
Government grants	0.8	0.7
	275.9	261.7

Notes to the financial statements (continued)

23. Provisions for liabilities and charges

	Deferred tax (net, see Note 24) £m	Other provisions £m	Total £m
At 16 September 2017	26.8	11.6	38.4
Charged to profit and loss	5.6	0.4	6.0
Utilised	-	(1.1)	(1.1)
Charged to equity	1.8	-	1.8
At 15 September 2018	34.2	10.9	45.1

Other provisions primarily comprise amounts provided to cover regulatory, restructuring and compliance matters and are expected to be utilised within two years from the balance sheet date.

24. Deferred tax liabilities/(assets)

	15 September 2018 £m	16 September 2017 £m
Accelerated capital allowances	29.3	28.5
Other short-term timing differences	2.1	(2.7)
Derivative financial instruments	2.8	1.0
	34.2	26.8

25. Financial instruments

As a wholly-owned subsidiary of ABF (which prepares consolidated accounts under IFRS), the Company is exempt from the scope of IFRS 7 *Financial instruments: Disclosures*.

26. 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:

	15 September 2018 £m	16 September 2017 £m
Within one year	3.4	1.9
Later than one year but less than five years	2.2	1.9
After five years	0.7	1.0
	6.3	4.8

27. Called up share capital

	2018		2017	
	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

Notes to the financial statements (continued)**28. Commitments**

Capital expenditure projects authorised and contracted for amount to £3.9m (2017: £8.8m).

29. Contingent liabilities

	15 September 2018 £m	16 September 2017 £m
Trading guarantees	4.1	5.9

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.

30. 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 related parties on normal trading terms £m	Purchases from related parties on normal trading terms £m	Amounts due from related parties £m	Amounts due to related parties £m
BBRO	-	(3.0)	-	-
C. Czarnikow Limited	35.3	(0.2)	3.1	-
Frontier Agriculture Limited	-	(4.1)	-	-
Sukpak Limitée	-	(0.9)	-	(0.1)
Total	35.3	(8.2)	3.1	(0.1)

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 Limited, 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)

31. 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. 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.