BRITISH SUGAR PLC

ANNUAL REPORT AND FINANCIAL STATEMENTS

29 AUGUST 2020

(Registered Number: 315158)

CONTENTS

Company information

Directors	MI Carr QH Heath PR Kenward JP Willis
Company secretary	RS Schofield
Business address	1 Samson Place London Road Hampton Peterborough PE7 8QJ
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 29 August 2020.

Principal activities
British Sugar plc ("the Company") is a wholly owned subsidiary of Associated British Foods plc ("ABF"). During the period, the principal activities continued 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
EU sugar prices increased this year with a reduction in stocks following lower EU sugar production in the last two campaigns. Looking ahead, estimates for EU sugar production in the 2020/21 campaign are lower again due to reduced yields following adverse weather conditions throughout the season and the prevalence of virus yellows disease in the beet. Production volumes in the EU are estimated to be below consumption in the next marketing year. There has also been a recovery in the world sugar price following a sharp decline in March this year.

Revenue was 17% higher than last year and the Company recorded an operating profit of £57.7m (2019: loss of £7.4m).

Our performance improvement programme, which has yielded benefits over several years, delivered further cost reduction and efficiency gains which underpin 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 from the 2019/20 campaign of 1.19 million tonnes was ahead of the prior year with a strong operating performance by the factories overcoming a much-prolonged campaign as a result of adverse weather. Beet processing lasted 208 days, a record for European sugar production. With the higher sales price and some improvement in sales volume the profitability of the Company improved significantly. At this early stage a reduction of over 20% in sugar production is expected next year.

Principal risks and uncertainties
A full description of the principal risks and uncertainties applicable to the ABF group, of which the Company is a wholly owned subsidiary, are disclosed on pages 84 to 90 of the ABF 2020 annual report and accounts, which is available at www.abf.co.uk.

COVID-19
The COVID-19 pandemic has continued across the world. This has highlighted the importance of the UK food supply chain, in which the Company plays an important part. The COVID-19 pandemic has, at the time of approving these financial statements, had no adverse impact on the Company. Uncertainty as to the length of the pandemic and the related measures to combat it mean that the 2021 full year impact cannot yet be known.

Strategic Report

Principal risks and uncertainties (continued)
The Company's functional currency is sterling but sugar prices within the EU sugar market are generally quoted in euros. Accordingly, the Company is exposed to 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 29 August 2020	50 weeks ended 31 August 2019
Euro/sterling spot rate at period end	**1.1175**	1.1025
Euro/sterling average rate for the period	**1.1409**	1.1314

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 variable weather conditions and also crop diseases that can affect yield. These risks are closely monitored and management actions are taken as appropriate to mitigate the risks.

Section 172 statement
The Company is a subsidiary of ABF and as such the Company has adopted and directors have due regard to applicable group policies and procedures which impact on the Company's stakeholders, including those referred to on page 72 of the ABF 2020 annual report and accounts.

The directors are required to act in a way which they consider, in good faith, is most likely to promote the success of the Company for the benefit of its members as a whole and, in doing so, have regard (amongst other matters) to the matters set out in section 172(1)(a) to (f) of the Companies Act 2006.

As part of the identification of key stakeholders, the directors have identified the following stakeholder groups with whom engagement is fundamental to the Company's ongoing success:

- Employees
- Suppliers
- Customers
- Communities and environment
- Government and regulators
- Shareholder
- ABF and other group companies

Strategic Report (continued)

Section 172 statement (continued)
Employees
The Company employs around 1,600 people. Our people are central to the Company's success and employee engagement is crucial to embedding our culture and values, and to helping our people see how their efforts contribute to their Company's strategic objectives. The directors take their responsibility to communicate well and build engaged teams seriously. During the year, the Company launched new engagement tools for our people – including *Workplace* by Facebook – which enables delivery of new and different director communications via video, virtual question and answer sessions and a regular flow of information. Employees were also encouraged to present their suggestions and views, including through our *Insights Survey*. This year our survey results showed our people feel we have improved in 12 out of 15 categories. We continue to focus improvement actions on supporting leadership capability in response. Using focus groups, we have listened to our people on key topics including *Black Lives Matter* and mental health. Ensuring our employees' working environment is safe is a non-negotiable for our directors – nothing we do is worth getting hurt for. This year we have established a new Safety Steering Group to drive stronger leadership behaviours and encouraged our people to share learnings with each other. We have also supported our people with the opportunities to share how they are feeling and support each other online as well as in person.

Suppliers
Our Supplier Code of Conduct, which applies to all companies in the ABF group and which can be found on the ABF website (www.abf.co.uk), sets out our values and standards on how we work and engage with our suppliers on ethical, environmental and other relevant matters including on key issues such as payment practices, responsible sourcing, supply chain sustainability and human rights and modern slavery. The Company is a signatory to the Prompt Payment Code and also makes public disclosure twice a year of its payment practices.

A critical supplier group is our 3,000 grower, hauliers and harvester contractors. Through deep and well-established relationships with individual growers and businesses we drive better decision making and collaborative working. Our Grower and Haulier Handbooks set out our expectations and commitments and we deliver regular and clear communications to all growers, hauliers and harvesters in our supply chain. In the past year we have invested in a new digital platform to enable better sharing of information and engagement in industry topics. Through the British Beet Research Organisation ("BBRO"), a non-profit making company funded jointly by British Sugar and UK sugar beet growers, we collaborate on research to increase the competitiveness and profitability of our industry in a sustainable and environmentally acceptable manner. Our commercial relationship with the National Farmers Union ("NFU"), through NFU Sugar, the representative body for our growers, supports effective advocacy and a well understood contractual dialogue.

Customers
Customer needs are at the heart of business decision making, whether from new products and services, order fulfilment or sustainability and quality policies. The Board and senior management teams are regularly updated on key customer needs from direct engagement with customers, anonymous customer surveys and market insights. We uphold the highest standards for quality and service flexibility and aim to stay one step ahead of our customers' needs, scanning the consumer and supply markets for changes that can impact our customers. We regularly track customer feedback, adopt a continuous improvement approach and strive to be our customers' supplier of choice.

Strategic Report (continued)

Section 172 statement (continued)

Communities and environment

Supporting society and respecting the environment are two of the key ways through which we live our values and make a difference. The Company is committed to seeking sustainable solutions to environmental challenges and adapting our operations to respond to changes in the natural environment.

As a Company, we believe we can have the greatest impact by supporting the charities and communities closest to our sites. Through our *One Team, One Community* programme five of our sites have £5,000 available with colleagues applying for up to £350 per cause and a 30 mile site radius set to maintain the local link. The Company also runs a matched funding scheme called *Supporting You To Support Others* and we encourage our people to get involved in local volunteering opportunities. Supporting our communities during the COVID-19 pandemic was very important. We used alcohol produced at our Wissington factory to help towards meeting the increased national demand for hand sanitiser including providing bottles for public services near to the British Sugar factories, including the National Health Service ("NHS"), police, care homes and schools. We continue to support supplies throughout the pandemic. Food banks across our communities saw a shortage in supplies of sugar during the UK-wide lockdown. In response to this, our teams delivered sugar across our regions to boost these charities' stocks. Our staff members also supported countless smaller causes including providing sugar for home bakers making cakes for NHS workers and to a curry house providing meals to the local hospital.

We are committed to fulfilling our compliance obligations for all applicable environmental legislation and protecting the environment through the prevention of pollution from our sites. During the COVID-19 pandemic we continued to meet all of these requirements and worked on enhancing our environmental performance through the continual improvement of our environment management system and process of monitoring, measuring and reviewing our potential environmental impacts. We are certified by both the ISO 14001 environment and ISO 50001 energy management systems.

We put sustainability at the heart of everything we do and are focused on reducing our environmental impact not just in our factories, but across every aspect of our business. We continue to work closely with our growers to improve on-farm environmental performance and to maintain and improve soil health. We manage waste and water usage carefully across our sites which means that we generate only 200g of waste per tonne of sugar. We have reduced our water usage across the business by 26% over the past six years. Our target is to reduce the carbon emissions across our beet sugar supply chain by 30% by 2030. We have plans to reduce our energy usage to support this and we are working in partnership with our inbound and outbound logistics partners to drive fuel efficiency. Our sites are good places to continue to encourage biodiversity development; we continue to support nesting birds and wildflowers, and continue to plant trees and work with the Royal Society for the Protection of Birds at our Cantley site.

Strategic Report (continued)

Section 172 statement (continued)
Government and regulators
The Company can be impacted by changes in laws and public policy including issues such as COVID-19 and the UK's withdrawal from the EU. To mitigate the Company's exposure to such risks and to contribute to, and anticipate, important changes in public policies impacting our operations and sites, the directors have a regular dialogue, either directly or through being part of the broader ABF group, with government ministers, officials and constituency MPs in relation to policies. The directors recognise the importance of an open dialogue with our regulatory bodies which include the Environment Agency and the Health and Safety Executive.

Shareholder
The Company reports up to its immediate shareholder, ABF Investments plc, and ultimately to the board of ABF, through reports up to the senior management of the Sugar and Grocery divisions of which the Company forms a significant part. The Company takes appropriate steps to ensure that its shareholder is kept up to date on key business activities and decisions.

ABF and other group companies
The Company forms part of the group of companies headed by ABF and the Company's accounts are consolidated into the ABF annual report and accounts. Group companies can provide financial and other support to the Company and the sharing of best practice and know-how between the businesses within the broader group is actively encouraged.

Principal decisions
Below are some examples of the principal decisions taken during the year, how the directors considered stakeholder views and interests and how such consideration impacted on decision-making.

Investment in tools for our people: Responding to the needs of our people and to support greater communication and engagement between teams, this year the directors approved two new workplace digital tools: *Workplace* by Facebook to drive greater collaboration, sharing and celebration and *Recognize* which is an online recognition and reward tool. These investments responded directly to feedback and have seen excellent levels of uptake.

COVID-19 investment: Since the start of the COVID-19 pandemic the focus of the directors has been on keeping our people safe and our customers supplied. We invested £0.9m across our processing sites on employee personal protective equipment, workplace screens, secondary control room constructions, cabin hire for increased employee segregation and cleaning equipment and supplies. We also took the decision to convert our bioethanol plant in order to supply alcohol for use in hand sanitising gel which we issue to all our employees.

Strategic Report (continued)

Section 172 statement (continued)

<u>Principal decisions</u> (continued)

Investment in our growers: In the contract package agreed with NFU Sugar for our growers this year and in response to challenges on farm and grower feedback, we included a ground-breaking new virus yellows assurance fund and an innovative futures-linked contract pilot. The virus yellows assurance fund will be introduced from 2021 and will compensate growers for a proportion of yield losses suffered where a grower has virus yellows present in their crop. This is a three-year, £12 million fund underwritten by the Company covering all new and existing contracts. The directors also agreed with the NFU to pilot an innovative futures-linked variable priced contract, giving growers the ability to make their own pricing decisions for a portion of their contract. Growers will have access to the sugar futures market for the first time in the UK in order to decide when to fix the price of beet on their contracts. Together with investment in our new *My British Sugar* digital platform for growers we have put grower feedback at the centre of our decision making.

Conservation of cash: The COVID-19 pandemic and the rapid global spread of the virus around the world had a profound effect on the ABF group when all Primark stores had to close. In response, the directors decided to implement measures to conserve cash, including cutting back on discretionary spend and rephasing non-essential capital expenditure.

By Order of the Board

P Kenward
Director

23 December 2020

Directors' Report

The directors present their Annual Report and financial statements for the 52 weeks ended 29 August 2020.

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

MI Carr
QH Heath
PR Kenward
JC Ryan (resigned 31 May 2020)
JP Willis (appointed 15 April 2020)

Company secretary:
RS Schofield

Directors' and officers' liability insurance
During the 52 weeks ended 29 August 2020, 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 and is part of the broader ABF group of companies. ABF reports against the UK Corporate Governance Code 2018.The Company is heavily influenced by the governance arrangements relating to ABF but the Company itself does not apply the 2018 Code or Wates Principles. Instead, the corporate governance framework followed is generally based on that of ABF.

Purpose and leadership
The purpose of the Company is to process sugar beet and the manufacture and sale of sugar, animal feed, bioethanol and other co-products of the sugar manufacturing process.

Board composition
The board of the Company comprises the Group CEO and the HR Director of the AB Sugar business, and the Managing Director and Finance Director of the British Sugar business. The composition of the board ensures a range of views and experience can be taken into account in making decisions, as well as the know-how of the broader AB Sugar business.

Director responsibilities - policies and procedures
The directors formally meet at least four times a year and more frequently as and when required. Due to the involvement of the Group CEO and the HR Director of the AB Sugar business, one of the world's largest and most efficient sugar businesses, the board has ready access to a broad range of information sources and a better scope to identify opportunities and risks from experience across the broader AB Sugar businesses and markets.

Directors' Report (continued)

Corporate governance (continued)

Opportunity and risk

In terms of oversight and management of risk, key policies flow down from ABF group level. Key policies, such as minimum standards on whistleblowing, competition law and Anti-Bribery and Corruption policies, are set centrally, as are financial controls. Support in respect of these areas is provided by group central functions such as legal, finance and internal audit.

Stakeholder relationships and engagement

See pages 3 to 7 of the section 172 statement for details of engagement with stakeholders.

Streamlined energy and carbon reporting

In compliance with UK reporting requirements (Streamlined energy and carbon reporting), the directors provide the Company's UK energy and greenhouse ("GHG") emissions data in the table below.

Scope 1 emissions	970,282 tCO_2e
Scope 2 emissions	5,169 tCO_2e
Energy use	4,324,127,882 kWh
Emissions intensity (scopes 1 and 2 emissions)	1,403 tonnes of CO_2e per £1m of revenue

The period for which the information is reported (namely 1 August 2019 to 31 July 2020) is different to the period in respect of which the Directors' Report is prepared as the information for the period 1 August 2019 to 31 July 2020 has been externally assured. The principal energy efficiency measures to reduce our carbon emissions this year include LED lighting replacements and upgrades to production machinery to improve efficiencies. These include improvements to compressors, upgrades to improve heater cleaning for better heat recovery, bulk local exhaustion ventilation ducting to reduce fan loading and installation of standard liquor evaporators. In addition, the Company's factories operate using management systems certified to ISO 50001 (energy management).

We report our GHG inventory using the WRI/WBCSD GHG Protocol Corporate Accounting and Reporting Standard Revised Edition as our framework for calculations and disclosure. We use carbon conversion factors published by the UK's Department for Business, Energy and Industrial Strategy ("BEIS") in July 2020, other internationally recognised sources, and bespoke factors based on laboratory calculations at selected locations. This includes all activities where we have operational control.

Dividends

No dividends were paid during the period (2019: £nil) and the directors do not recommend the payment of a final dividend (2019: £nil).

Going concern

The Company has received a letter of support from its intermediate parent company, ABF Investments plc, indicating that it will receive the financial and other support necessary for the Company to trade and meet its liabilities as and when they become due for a period of at least 12 months from the date of signing of these financial statements.

Directors' Report (continued)

Going concern (continued)
After making enquiries, and considering the impact of COVID-19 and the support available from the intermediate parent company described above, the directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for 12 months from the date of signing of these financial statements. These considerations included the impact of COVID-19 on the wider ABF group, the ABF group's directors' assessment of going concern (as set out in the ABF 2020 annual report and accounts dated 3 November 2020 and available at www.abf.co.uk), which included the significant levels of cash and undrawn committed long-term facilities available to the group and the ABF group's directors' stress testing of cash flow forecasts through to February 2022, and an assessment of any developments since that date that would adversely affect that conclusion. Accordingly, the financial statements have been prepared on the going concern basis.

Research and development
The Company maintained its commitment to research and development with expenditure during the period of £1.2m (2019: £0.5m).

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, the Company 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 the Company 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.

Directors' Report (continued)

Employment policies (continued)
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 living with 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.

Auditor
Ernst & Young LLP was appointed by the board of directors as auditor of the Company for the financial period ended 29 August 2020 and the Board intends to re-appoint Ernst & Young LLP as auditor for the financial year ending 28 August 2021.

Engagement with employees
Details of how the directors have engaged with employees and how the directors have had regard to employee interests, and the effect of that regard including on the principal decisions taken by the Company are set out on pages 3 to 7.

Engagement with suppliers, customers and others in a business relationship with the Company
Details of how the directors have had regard to the need to foster the Company's business relationships with suppliers, customers and others, and the effect of that regard including on the principal decisions taken by the Company are set out on pages 3 to 7.

By Order of the Board

Paul Ke

P Kenward
Director

23 December 2020

Statement of directors' responsibilities

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 judgements 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 29 August 2020 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 29 August 2020 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.

Emphasis of matter – disclosures in relation to the impact of COVID-19

We draw attention to Note 4 of the financial statements, which describes the financial and operational consequences the Company faces as a result of COVID-19. Our opinion is not modified in respect of this matter.

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 12 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 set out on pages 2 to 12, 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 12, 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

23 December 2020

Profit and loss account

for the 52 weeks ended 29 August 2020

	Note	52 weeks ended 29 August 2020 £m	50 weeks ended 31 August 2019 £m
Revenue	5	**695.2**	594.3
Cost of sales		**(534.0)**	(493.5)
Gross profit		**161.2**	100.8
Distribution costs		**(60.8)**	(62.3)
Administrative expenses		**(42.7)**	(45.9)
Operating profit/(loss)		**57.7**	(7.4)
Interest receivable and similar income	6	**0.2**	0.4
Interest payable and similar charges	7	**(3.3)**	(3.4)
Profit/(loss) on ordinary activities before taxation	8	**54.6**	(10.4)
Tax charge	13	**(20.2)**	(3.2)
Profit/(loss) for the period		**34.4**	(13.6)

The Notes on pages 20 to 38 form part of these financial statements.

Statement of comprehensive income

for the 52 weeks ended 29 August 2020

	52 weeks ended 29 August 2020 £m	50 weeks ended 31 August 2019 £m
Profit/(loss) for the period	**34.4**	(13.6)
Items that may be reclassified subsequently to profit and loss:		
Movement in cash flow hedging position	**6.2**	(24.1)
Deferred tax associated with movement in cash flow hedging position	**(1.2)**	4.1
Other comprehensive profit/(loss)	**5.0**	(20.0)
Total comprehensive profit/(loss) for the period	**39.4**	(33.6)

BRITISH SUGAR PLC
Registered Number: 315158

Balance sheet

at 29 August 2020

	Note	**29 August 2020 £m**	31 August 2019 £m
Fixed assets			
Intangible assets	15	**15.5**	15.0
Tangible assets	16	**380.7**	371.5
Right-of-use assets	17	**3.6**	-
Fixed asset investments	18	**3.6**	3.6
Total fixed assets		**403.4**	390.1
Current assets			
Stocks	19	**112.3**	105.6
Derivative assets		**8.0**	2.0
Debtors	20	**138.8**	146.3
Assets classified as held for sale	21	**2.9**	1.9
Cash at bank and in hand		**0.2**	0.2
Total current assets		**262.2**	256.0
Creditors: amounts falling due within one year	22	**(97.0)**	(96.9)
Net current assets		**165.2**	159.1
Total assets less current liabilities		**568.6**	549.2
Creditors: amounts falling due after more than one year	23	**(264.7)**	(289.2)
Provisions for liabilities and charges	24	**(41.5)**	(37.8)
Net assets		**262.4**	222.2
Capital and reserves			
Called up share capital	27	**80.0**	80.0
Share-based payment reserve		**10.5**	9.7
Revaluation reserve		**16.7**	18.3
Hedging reserve		**(1.4)**	(6.4)
Profit and loss account		**156.6**	120.6
Total shareholder's equity		**262.4**	222.2

The Notes on pages 20 to 38 form part of these financial statements.

The financial statements were approved by the Board on 23 December 2020 and signed on its behalf by:

Paul K

P Kenward
Director
Registered Number: 315158

Statement of changes in shareholder's equity

for the 52 weeks ended 29 August 2020

	Called up share capital[1] £m	Share-based payment reserve £m	Revaluation reserve[2] £m	Hedging reserve £m	Profit and loss account £m	Total shareholder's equity £m
At 15 September 2018	80.0	8.8	20.0	13.6	132.5	254.9
Loss for the period	-	-	-	-	(13.6)	(13.6)
Other comprehensive loss	-	-	-	(20.0)	-	(20.0)
Total comprehensive income for the period	**-**	**-**	**-**	**(20.0)**	**(13.6)**	**(33.6)**
Credit in respect of share-based payments	-	0.9	-	-	-	0.9
Transfer from revaluation reserve to profit and loss account	-	-	(1.7)	-	1.7	-
At 31 August 2019	**80.0**	**9.7**	**18.3**	**(6.4)**	**120.6**	**222.2**
Profit for the period	-	-	-	-	34.4	34.4
Other comprehensive income	-	-	-	5.0	-	5.0
Total comprehensive income for the period	**-**	**-**	**-**	**5.0**	**34.4**	**39.4**
Credit in respect of share-based payments	-	0.8	-	-	-	0.8
Transfer from revaluation reserve to profit and loss account	-	-	(1.6)	-	1.6	-
At 29 August 2020	**80.0**	**10.5**	**16.7**	**(1.4)**	**156.6**	**262.4**

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 29 August 2020 were authorised for issue by the board of directors on 23 December 2020. 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 where 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 ABF. The results of the Company are included in the consolidated financial statements of ABF 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 31 August. Accordingly, these financial statements have been prepared for the 52 weeks ended 29 August 2020 (see Note 4 for further details).

3. Group accounts

The Company is exempt under section 400 of the Companies Act 2006 from the requirements to prepare consolidated financial statements as it, and its subsidiary undertakings are included in the consolidated financial statements of its ultimate parent, ABF. These financial statements present information about the Company as an individual undertaking and not about its group.

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 for items 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)

4. **Accounting policies** (continued)
Basis of preparation: (i) Disclosure exemptions (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) COVID-19

The COVID-19 pandemic has continued across the world. This has highlighted the importance of the UK food supply chain, in which the Company plays an important part. The COVID-19 pandemic has, at the time of approving these financial statements, had no adverse impact on the Company. Uncertainty as to the length of the pandemic and the related measures to combat it mean that the 2021 full year impact cannot yet be known.

Basis of preparation: (iii) Going concern

As set out in Note 31, the smallest group in which the results of the Company are consolidated is that headed by ABF, which confirmed in its annual report and accounts dated 3 November 2020 that its directors have a reasonable expectation that the ABF group has adequate resources to continue in operational existence for the foreseeable future.

The Company has received a letter of support from its intermediate parent company, ABF Investments plc, indicating that it will receive the financial and other support necessary for the Company to trade and meet its liabilities as and when they become due for a period of at least twelve months from the date of signing of these financial statements.

After making due enquiries and considering the impact of COVID-19 and the support available from the intermediate parent company described above, the directors have a reasonable expectation that the Company has adequate resources to continue in operation for 12 months from the date of signing of these financial statements. These considerations included the impact of COVID-19 on the wider ABF group, the ABF group's directors' assessment of going concern (as set out in the ABF 2020 annual report and accounts dated 3 November 2020 and available at www.abf.co.uk), which included the significant levels of cash and undrawn committed long-term facilities available to the group and the ABF group's directors' stress testing of cash flow forecasts through to February 2022, and an assessment of any developments since that date that would adversely affect that conclusion. Accordingly, the financial statements have been prepared on the going concern basis.

Notes to the financial statements (continued)

4. Accounting policies (continued)

Basis of preparation: (iv) Other

The financial statements have been prepared 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.

During the previous financial year, the directors decided to align year end dates within the division. British Sugar plc therefore changed its reporting date to the Saturday nearest to 31 August. As such the financial statements to 31 August 2019 were prepared for a period of 50 weeks.

Intangible assets

Intangible assets comprise purchased goodwill and operating intangibles (primarily computer software and EU emissions trading scheme assets). See page 25 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 in line with the utilisation of the allowances. The emissions liability incurred by the Company is dependent on emissions incurred during the production process. The allowances held as assets are 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' cost and depreciation are disclosed within fixtures, fittings and equipment in Note 16 and are typically depreciated over a period of five years.

Investments in subsidiaries and associated undertakings

Investments in subsidiaries and associated undertakings are stated at cost, less any provision for impairment. The carrying amounts of these 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.

Notes to the financial statements (continued)

4. Accounting policies (continued)

Deferred income

Government grants, including EU energy trading scheme credits, are released to the profit and loss account in line with the utilisation of the allowances.

Leases

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

In the prior year, the Company only had operating leases and did not have any finance leases. Operating lease rentals were charged to the profit and account in equal instalments over the term of the leases.

IFRS 16 *Leases* introduces a new model for the identification and recording of leases. The Company adopted IFRS 16 on 1 September 2019 and applied it for the first time in the 2020 financial year using the modified retrospective approach. In the current year, where the Company is a lessee, the following accounting policy applies:

The Company recognises a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. The Company applies a single recognition and measurement approach for all leases, except for short-term leases and leases of low-value assets. The Company recognises lease liabilities to make lease payments and right-of-use assets representing the right to use the underlying asset.

Right-of-use assets

The Company recognises right-of-use assets at the commencement date of the lease, which is the date the underlying asset is available for use. Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses. The cost of the right-of-use assets is calculated as the amount of lease liability recognised, initial direct costs incurred, and lease payments made at or before the commencement date, less any incentives received. Right-of-use assets are depreciated on a straight-line basis over the shorter of the lease term and the estimated useful life of the assets. Right-of-use assets are subject to impairment.

Lease liabilities

At the commencement date of the lease, the Company recognises lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments less any incentive receivable. The lease payment also includes any penalty payments for cancellation of the lease if applicable. Variable lease payments that do not depend on an index or a rate are recognised as expenses in the period in which the event occurs. In calculating the present value of lease payments, the Company uses the Group's incremental borrowing rate. After the commencement date the lease liability is increased by the interest and reduced for lease payments made. Remeasurements of lease liabilities occur if any modifications to the lease agreements occurs.

Short-term leases and leases of low-value assets

The Company applies the short-term lease recognition exemption to those leases that have a lease term of 12 months or less. It also applies the low-value asset recognition exemption to groups of underlying leases that are considered low value. Lease payments on short-term leases and leases of low-value assets are recognised as an expense on a straight-line basis over the lease term.

Notes to the financial statements (continued)

4. **Accounting policies** (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.

Revenue

Revenue 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 revenue as these income streams are relevant to revenue rather than waste products.

Revenue is recognised when performance obligations are satisfied, goods are delivered to customers and control of goods is transferred to the buyer. In practice this means that revenue is recognised when goods are supplied to external customers in accordance with the terms of sale. Receipts are received after the performance obligations are met. 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.

Notes to the financial statements (continued)

4. Accounting policies (continued)

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.

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.

Notes to the financial statements (continued)

4. Accounting policies (continued)

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 has previously provided 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 29 August 2020 £m	50 weeks ended 31 August 2019 £m
Revenue by class of business:		
Sugar	**466.2**	370.1
Animal feed	**87.8**	81.8
CHP	**34.2**	43.0
Bioethanol	**31.9**	35.7
Other	**75.1**	63.7
	695.2	594.3
Revenue by geographic destination:		
UK	**669.5**	556.9
Other EU countries	**25.2**	36.8
Rest of world	**0.5**	0.6
	695.2	594.3

All revenue originates within the UK.

6. Interest receivable and similar income

	52 weeks ended 29 August 2020 £m	50 weeks ended 31 August 2019 £m
Interest on advances	**0.2**	0.2
Other interest income	**-**	0.2
	0.2	0.4

7. Interest payable and similar charges

	52 weeks ended 29 August 2020 £m	50 weeks ended 31 August 2019 £m
Interest payable to fellow group companies	**3.3**	3.4
	3.3	3.4

Notes to the financial statements (continued)

8. Profit on ordinary activities before taxation

Profit on ordinary activities before taxation is stated after charging:

	52 weeks ended 29 August 2020 £m	50 weeks ended 31 August 2019 £m
Depreciation and impairment of owned tangible assets	**30.4**	28.7
Amortisation of intangible assets	**0.9**	1.3
Gain on sale of property, plant and equipment	**7.0**	-
Research and development expenditure	**1.2**	0.5
Auditor's remuneration, including expenses:		
- for statutory audit of this Company	**0.4**	0.4
Inventories recognised as an expense	**368.1**	331.0

The gain on sale of property, plant and equipment relates to the disposal of a closed sugar factory and the part-disposal of a former head office site.

9. Directors' emoluments

	52 weeks ended 29 August 2020 £m	50 weeks ended 31 August 2019 £m
Directors' emoluments	**2.6**	2.0
	2.6	2.0

The emoluments of the highest paid director were £1,198,031 (2019: £819,405). This includes a payment in lieu of pension of £109,753 (2019: £102,808).

During the period, three (2019: three) of the directors were members of the ABF defined contribution pension scheme.

Directors' emoluments exclude 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.

Three (2019: 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).

Notes to the financial statements (continued)

10. Employees

	52 weeks ended 29 August 2020 £m	50 weeks ended 31 August 2019 £m
Staff costs during the period:		
Wages and salaries	**76.2**	71.5
Share-based payment charge	**0.9**	0.9
Social security costs	**9.4**	9.4
Other pension costs	**8.6**	8.3
	95.1	90.1

The average monthly number of employees, including directors, of the Company during the period was 1,616 (2019: 1,639).

11. Share-based payments

The ABF Long-Term Incentive Plan ("the LTIP") was originally approved and adopted by ABF in December 2013 and was later reviewed and updated at its annual general meeting on 9 December 2016. 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.

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

	52 weeks ended 29 August 2020	50 weeks ended 31 August 2019
Shares outstanding at the beginning of the period	**222,891**	168,525
Awarded	**78,719**	84,176
Vested	**(29,156)**	(16,079)
Lapsed	**(77,702)**	(13,731)
Shares outstanding at the end of the period	**194,752**	222,891

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 2,332 pence (2019: 2,341 pence) and the weighted average share price was 2,507 pence (2019: 2,517 pence). The dividend yield used was 2.5% (2019: 2.5%).

The Company recognised a total equity-settled share-based payment expense of £0.8m (2019: £0.9m), with a corresponding entry in equity.

Notes to the financial statements (continued)

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 £4.2m (2019: £4.4m) and are recorded as a cost in the profit and loss account. For the defined contribution scheme, contributions for the period amounted to £4.4m (2019: £3.9m), also recorded as a cost in the profit and loss account. No pension contributions were accrued or prepaid at the period end (2019: £nil).

The Scheme was valued at 12 September 2020 on the basis of IAS 19 *Employee Benefits* ("IAS 19") by an independent qualified actuary for inclusion in the ABF group financial statements. The valuation of the Scheme showed a surplus of £94m (2019: £220m). Full IAS 19 disclosures can be found within the ABF 2020 annual report and accounts 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.

13. Taxation

	52 weeks ended 29 August 2020 £m	50 weeks ended 31 August 2019 £m
The tax charge for the period comprises:		
UK corporation tax		
Current tax on profit/(loss) for the period	**(14.7)**	1.7
Adjustments in respect of prior periods	**(0.3)**	(2.3)
Total current tax charge	**(15.0)**	(0.6)
Deferred tax		
Origination/reversal of timing differences	**(1.6)**	(2.3)
Change in tax rate	**(3.7)**	0.2
Adjustments in respect of prior periods	**0.1**	(0.5)
Tax charge on profit on ordinary activities	**(20.2)**	(3.2)

Notes to the financial statements (continued)

13. Taxation (continued)

A reconciliation of total tax is as follows:

	52 weeks ended 29 August 2020 £m	50 weeks ended 31 August 2019 £m
Profit/(loss) on ordinary activities before tax	**54.6**	(10.4)
Tax (charge)/credit at effective rate of 19.0% (2019: 19.0%)	**(10.4)**	2.0
Effects of:		
Expenses not deductible for tax purposes	**(13.3)**	(2.6)
Change in tax rates	**3.4**	0.2
Adjustments to tax charge in respect of previous periods	**0.1**	(2.8)
Total tax charge	**(20.2)**	(3.2)

A UK corporation tax rate of 19% (effective 1 April 2020) was substantively enacted on 17 March 2020, reversing the previously enacted reduction in the rate from 19% to 17%. 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.

14. Dividends

No dividends were paid during the period (2019: £nil).

15. Intangible assets

	Goodwill £m	Operating intangibles £m	Total £m
Cost			
At 31 August 2019	2.3	26.0	28.3
Additions	-	19.5	19.5
Disposals	-	(18.1)	(18.1)
At 29 August 2020	**2.3**	**27.4**	**29.7**
Amortisation			
At 31 August 2019	-	(13.3)	(13.3)
Charge for the period	-	(0.9)	(0.9)
At 29 August 2020	-	**(14.2)**	**(14.2)**
Net book value			
At 31 August 2019	2.3	12.7	15.0
At 29 August 2020	**2.3**	**13.2**	**15.5**

Notes to the financial statements (continued)

15. Intangible assets (continued)

Goodwill impairment review

At 29 August 2020 and 31 August 2019, £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 9.9% (2019: 9.2%).

16. Tangible assets

	Note	Freehold land and buildings £m	Plant and machinery £m	Fixtures, fittings and equipment £m	Assets under construction £m	Total £m
Cost or valuation						
At 31 August 2019		247.0	708.0	76.9	26.1	1,058.0
Additions		22.1	4.9	2.1	16.1	45.2
Transfers between categories		(1.1)	49.8	(29.6)	(19.1)	-
Assets classified as held for sale	21	(9.8)	-	-	-	(9.8)
Disposals		(2.5)	(6.1)	(0.3)	-	(8.9)
At 29 August 2020		**255.7**	**756.6**	**49.1**	**23.1**	**1,084.5**
Depreciation						
At 31 August 2019		(142.3)	(511.6)	(32.6)	-	(686.5)
Charge for the period		(5.3)	(22.6)	(2.5)	-	(30.4)
Transfers between categories		0.1	(0.6)	0.5	-	-
Assets classified as held for sale	21	6.9	-	-	-	6.9
Disposals		0.2	5.7	0.3	-	6.2
At 29 August 2020		**(140.4)**	**(529.1)**	**(34.3)**	-	**(703.8)**
Net book value						
At 31 August 2019		104.7	196.4	44.3	26.1	371.5
At 29 August 2020		**115.3**	**227.5**	**14.8**	**23.1**	**380.7**

Notes to the financial statements (continued)

17. Leases

Set out below are the carrying amounts of the right-of-use assets recognised and the movements during the period:

	Land and buildings £m	Plant and machinery £m	Total £m
IFRS 16 opening balance adjustment at 1 September 2019	**1.0**	**1.8**	**2.8**
Additions	0.1	2.6	2.7
Depreciation expense	(0.3)	(1.6)	(1.9)
At 29 August 2020	**0.8**	**2.8**	**3.6**

Set out below are the carrying amounts of lease liability and the movement during the period:

	Land and buildings £m	Plant and machinery £m	Total £m
IFRS 16 opening balance adjustment at 1 September 2019	**(1.2)**	**(1.9)**	**(3.1)**
Additions	(0.1)	(2.6)	(2.7)
Payments	0.3	1.6	1.9
At 29 August 2020	**(1.0)**	**(2.9)**	**(3.9)**

The total lease liability is split as follows:

	Note	£m
Current	22	(1.9)
Non-current	23	(2.0)
		(3.9)

The following are the amounts recognised in profit or loss:

	52 weeks ended 29 August 2020 £m
Depreciation expense right-of-use assets	1.9
Expense relating to short-term leases	1.9

Notes to the financial statements (continued)

18. Fixed asset investments

	Unlisted subsidiary undertakings £m	Associated undertakings £m	Total £m
Cost and net book value:			
At 31 August 2019	0.5	3.1	3.6
At 29 August 2020	**0.5**	**3.1**	**3.6**

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:			
The Billington Food Group Limited	Great Britain	Dormant	Ordinary shares 100%
The Wereham Gravel Company Limited	Great Britain	Growing of sugar beet	Ordinary shares 100%
Associated undertakings:			
British Beet Research Organisation	Great Britain	Research for the UK sugar beet industry	50.0% subscription in a company limited by guarantee
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 March.

The 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 31 August.

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.

19. Stocks

	29 August 2020 £m	31 August 2019 £m
Consumable stores	**26.5**	25.9
Sugar and other products	**85.8**	79.7
	112.3	105.6

Notes to the financial statements (continued)

20. Debtors

	29 August 2020 £m	31 August 2019 £m
Trade debtors	**63.7**	58.0
Amounts owed by group undertakings	**35.9**	56.6
Other debtors	**28.8**	19.3
Prepayments and accrued income	**10.4**	12.4
	138.8	146.3

Other debtors includes an amount of £4.7m which is receivable after more than one year (2019: £nil).

21. Assets classified as held for sale

At 31 August 2019, £1.9m of assets were classified as held for sale. This related to a closed sugar factory which was sold during the year ended 29 August 2020.

During the year ended 29 August 2020, part of the site of the former head office of British Sugar was also disposed of. Contracts for the sale of the remainder of the site are due to be exchanged in the year ending 28 August 2021 and the asset was available for immediate sale in its present condition. The carrying value of this asset is £2.9m (see Note 16).

22. Creditors: amounts falling due within one year

	Note	29 August 2020 £m	31 August 2019 £m
Trade creditors		**31.0**	31.0
Corporation tax		**15.1**	4.4
Other creditors including tax and social security costs		**1.2**	0.5
Derivative liabilities		**9.8**	9.7
Amounts owed to group undertakings		**1.2**	8.1
Accruals and deferred income		**36.8**	43.2
Lease liabilities	17	**1.9**	-
		97.0	96.9

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

	Note	29 August 2020 £m	31 August 2019 £m
Amounts owed to group undertakings		**262.7**	289.2
Lease liabilities	17	**2.0**	-
		264.7	289.2

Notes to the financial statements (continued)

24. Provisions for liabilities and charges

	Deferred tax (net, see Note 25) £m	Other provisions £m	Total £m
At 31 August 2019	32.7	5.1	37.8
Charged to profit and loss	5.2	1.1	6.3
Utilised	-	(3.5)	(3.5)
Released	-	(0.3)	(0.3)
Charged to equity	1.2	-	1.2
At 29 August 2020	**39.1**	**2.4**	**41.5**

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

25. Deferred tax liabilities

	29 August 2020 £m	31 August 2019 £m
Accelerated capital allowances	**34.5**	31.1
Other short-term timing differences	**4.7**	2.9
Derivative financial instruments	**(0.1)**	(1.3)
	39.1	32.7

26. 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.*

27. Called up share capital

	2020		2019	
	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

28. Commitments

Capital expenditure projects authorised and contracted for amount to £10.2m (2019: £6.1m).

Notes to the financial statements (continued)

29. Contingent liabilities

	29 August 2020 £m	31 August 2019 £m
Trading guarantees	**6.5**	5.4

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* ("IAS 24") 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
BBRO	-	(2.6)	-
C. Czarnikow Limited	22.1	(0.2)	2.3
Frontier Agriculture Limited	-	(2.8)	-
Proper Nutty Limited	-	(0.8)	-
Sukpak Limitée	-	(1.1)	-
Total	**22.1**	**(7.5)**	**2.3**

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 18, 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.

Proper Nutty Limited, an associated undertaking as set out in Note 18, is a food manufacturing company.

Sukpak Limitée, an associate undertaking as set out in Note 18, 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.