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FINANCIAL STATEMENTS

PERIOD ENDED 12 SEPTEMBER 1998



BRITISH SUGAR plc

Directors' Report and Financial Statements

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BRITISH SUGAR plc

BOARD OF DIRECTORS

Chairman (Non-Executive)

G H Weston *

Managing Director and Chief Executive

P J Jackson *

Executive Directors

H J Davenport

K C Field

W C Francis

J W Sutcliffe

C A Yates
(resigned 1 March 1998)

D J D Yiend

Non-Executive Director

H W Bailey *

Joint Secretaries

M R Gore

W B Wright

* Also Directors of Associated British Foods plc

Registered Office: Weston Centre, Bowater House, 68 Knightsbridge,
London, SW1X 7LQ

Head Office: Oundle Road, Peterborough, PE2 9QU

BRITISH SUGAR plc

Directors' Report

The directors present their annual report and the audited financial statements for the 52 week period ended 12 September 1998.

1 Principal Activities

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

2 Review of Business

The profit and loss account for the period is set out on page 7. Both the level of business and the year end position remain satisfactory, and the directors expect that the present level of activity will be sustained for the foreseeable future.

The European Commission has recently imposed a fine of Ecu 39.6 million, equivalent at current exchange rates to £28 million, on British Sugar plc pursuant to Article 85 of the European Treaty. This was in respect of matters which occurred between 1986 and 1990, prior to Associated British Foods plc acquiring ownership of British Sugar. British Sugar is to appeal against this decision which we believe to be out of all proportion to the alleged offence. Including an additional charge of £18 million in the current year, full provision has been made for the fine.

Year 2000

Associated British Foods plc has recognised that the Year 2000 millennium 'computer bug' is an important issue and has established a programme throughout the Group to address this problem.

British Sugar plc is following the framework set out by Associated British Foods plc and work has been completed on assessing the impact upon the company and remedial project plans are being implemented.

The cost of implementing the Year 2000 compliance programme is estimated at £1.3 million. The costs are to be charged in part to capital expenditure and in part to operating costs, in accordance with Urgent Issues Task Force Abstract 20.

There can be no absolute guarantee that the problem will have been completely eliminated in advance of the Year 2000. However, the company is taking the steps it considers necessary to mitigate the risks and is well advanced in its preparation for compliance.

3 Dividends

On 24 August 1998 the company paid an interim dividend of £60.0 million (1997: 60.0 million).

4 Directors

The directors at 12 September 1998, all of whom have been directors for the whole of the 52 week period ended on that date unless stated otherwise, and joint secretaries of the company are shown on page 1.

P J Jackson, H W Bailey and D J D Yiend retire by rotation and being eligible offer themselves for re-election at the Annual General Meeting.

Messrs Davenport, Field and Sutcliffe were all reappointed at the Annual General Meeting on 22 January 1998.

BRITISH SUGAR plc

Directors' Declarable Interests

G H Weston, H W Bailey and P J Jackson, all being directors of the holding company, Associated British Foods plc, are not required to notify the company of their interests in the ordinary share capital of Associated British Foods plc. No other director has an interest in the ordinary share capital of Associated British Foods plc and no directors have any interests in the debenture stock of British Sugar plc.

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

	<u>At</u> <u>13.09.97</u>	<u>Granted</u> <u>28.04.98</u>	<u>At</u> <u>12.09.98</u>	<u>Exercise</u> <u>Price</u>	<u>Date from</u> <u>which</u> <u>exercisable</u>	<u>Expiry</u> <u>date</u>
H J Davenport	-	50,000	50,000	561.5p	28 April 2003	28 April 2008
K C Field	-	30,000	30,000	561.5p	28 April 2003	28 April 2008
W C Francis	-	35,000	35,000	561.5p	28 April 2003	28 April 2008
J W Sutcliffe	-	40,000	40,000	561.5p	28 April 2003	28 April 2008
D J D Yiend	-	40,000	40,000	561.5p	28 April 2003	28 April 2008

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

5 Corporate Governance

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

6 Going Concern

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

7 Research and Development

The company continued its expenditure on research and development and during the period this amounted to £6.1 million (1997: £5.6 million). It is anticipated that this level of expenditure will continue.

8 Property Values

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

9 Charitable Donations and Political Contributions

Donations to UK charities are funded through the British Sugar Foundation, a charitable organisation funded and managed by British Sugar plc. The Foundation has particular interests in projects in the areas of health and healthcare, education, environment and enterprise, with employee inspired community projects receiving special attention. The Foundation matches employees' efforts pound for pound. Donations amounted to £0.1 million (1997 £0.1 million).

No political contributions were made (1997: NIL).

BRITISH SUGAR plc

10 Employment Policies

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

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

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

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

11 Creditor Payment Policy

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

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

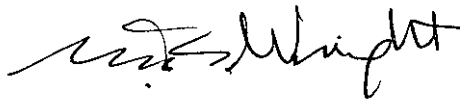
The outstanding trade creditors at the balance sheet date, as a proportion of the invoices received from suppliers during the year, represent 19.8 days purchases (1997: 10.2 days)

By Order of the Board



M R Gore

W B Wright
Joint Secretaries



14 October 1998

BRITISH SUGAR plc

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

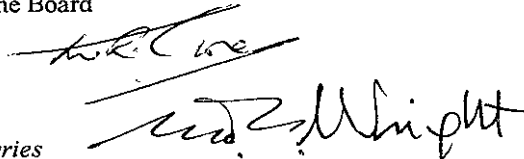
Company law requires the directors to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing those financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the company and to enable them to ensure that the financial statements comply with the Companies Act 1985. They safeguard the assets of the company and have general responsibility for taking such steps as are reasonably open to them to prevent and detect fraud and other irregularities.

By order of the Board

M R Gore
W B Wright
Joint Secretaries

The block contains two handwritten signatures in black ink. The first signature, positioned above the name M R Gore, is a cursive signature that appears to read 'M R Gore'. The second signature, positioned above the name W B Wright, is a more stylized cursive signature that appears to read 'W B Wright'.

14 October 1998

BRITISH SUGAR plc

Auditors' Report

Report of the auditors to the members of British Sugar plc

We have audited the financial statements on pages 7 to 22.

Respective responsibilities of directors and auditors

As described on page 5 the company's directors are responsible for the preparation of financial statements. It is our responsibility to form an independent opinion, based on our audit of those statements and to report our opinion to you.

Basis of opinion

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

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

Opinion

In our opinion the financial statements give a true and fair view of the state of the company's affairs at 12 September 1998 and of its profit for the 52 week period then ended and have been properly prepared in accordance with the Companies Act 1985.



KPMG Audit Plc
Chartered Accountants
Registered Auditor
London

26 November 1998

BRITISH SUGAR plc

Profit and Loss Account (£ millions)

		52 week period to <u>12 September 1998</u>	52 week period to <u>13 September 1997</u>
Notes			
4	Turnover	766.8	828.6
	Cost of sales	(504.1)	(556.4)
	Gross Profit	262.7	272.2
	Distribution costs	(58.5)	(55.3)
	Administrative expenses	(50.3)	(35.4)
	Operating Profit	153.9	181.5
	Operating profit before exceptional items	171.9	181.5
7	Exceptional items	(18.0)	-
	Loss on sale and devaluations of properties	(7.5)	(2.0)
5	Interest receivable and income from other Fixed Asset investments	2.0	1.7
6	Interest payable and similar charges	(16.2)	(16.4)
7	Profit on Ordinary Activities before Taxation	132.2	164.8
10	Taxation on Profit on Ordinary Activities	(51.9)	(59.6)
	Profit on Ordinary Activities after Taxation	80.3	105.2
11	Dividends	(60.0)	(60.0)
23	Transfer to Reserves	20.3	45.2

A statement of movements on reserves is given in note 23.

There are no recognised gains or losses other than the profit for the period and the previous period, therefore no statement of recognised gains or losses is given.

The company has made no acquisitions or discontinued any operations, within the meaning of Financial Reporting Standard 3, during either 1998 or 1997. Turnover and profit on ordinary activities, therefore, derive entirely from continuing operations.

The notes on pages 10 to 22 form part of these financial statements.

BRITISH SUGAR plc**Note of Historical Cost Profits and Losses**
(£ millions)

	52 week period to <u>12 September 1998</u>	52 week period to <u>13 September 1997</u>
Reported profit on ordinary activities before taxation	132.2	164.8
Realisation of property revaluation gains of previous years	0.2	-
Property revaluations charged in the year	7.5	2.0
Difference between the historical cost depreciation charge and the actual depreciation charge of the year calculated on the revalued amount	3.6	3.6
	<hr/>	<hr/>
Historical cost profit on ordinary activities before taxation	143.5	170.4
	<hr/>	<hr/>
Historical cost profit for the year retained after taxation and dividends	31.6	50.8
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BRITISH SUGAR plc

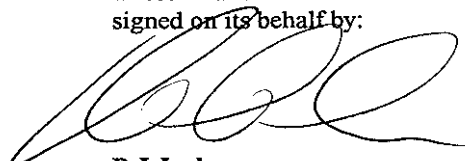
Balance Sheet

(£ millions)

Notes	12 September 1998	13 September 1997
Fixed Assets		
12 Tangible assets	448.3	441.2
13 Investments	3.2	3.2
Current Assets		
14 Stocks	108.0	98.4
15 Debtors	363.1	341.3
Cash at bank and in hand	0.7	3.0
	<u>471.8</u>	<u>442.7</u>
16 Creditors: amounts falling due within one year	(154.5)	(152.5)
	<u>317.3</u>	<u>290.2</u>
Net Current Assets		
	<u>768.8</u>	<u>734.6</u>
Total Assets less Current Liabilities		
17 Creditors: amounts falling due after more than one year	(150.0)	(152.7)
18 Provisions for liabilities and charges	(55.6)	(39.1)
21 Deferred income	(2.5)	(2.4)
	<u>(208.1)</u>	<u>(194.2)</u>
Net Assets	<u>560.7</u>	<u>540.4</u>
Capital and Reserves		
22 Called up share capital	30.0	30.0
23 Revaluation reserve	108.7	120.0
23 Profit and loss account	422.0	390.4
	<u>560.7</u>	<u>540.4</u>
24 Shareholders' Funds - equity	<u>560.7</u>	<u>540.4</u>

The notes on pages 10 to 22 form part of these financial statements.

These financial statements were approved by the Board of Directors on 14 October 1998 and were signed on its behalf by:



P J Jackson
Director

BRITISH SUGAR plc

Notes to the Financial Statements

1 Accounting Reference Date

The accounting reference date is the Saturday nearest to 15 September. Accordingly these financial statements have been prepared for the 52 week period ended 12 September 1998.

2 Group Accounts

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

3 Accounting Policies

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

Basis of Accounting

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

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

Tangible Fixed Assets

The cost of fixed assets is their purchase cost, together with any incidental costs of acquisition. Depreciation is calculated on a straight line basis and is applied to completed capital expenditure in the month it is brought into commission at rates calculated to write off the relevant assets over their expected useful lives.

Freehold land	NIL
Industrial buildings and freehold property	2 - 3%
Plant and equipment	5% - 10%
Motor vehicles	20%
Electronic equipment	12 1/2% - 33 1/3%

Investments

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

Deferred Income

Deferred income consists of government grants and premiums on issue of debenture stock.

Government grants are released to the profit and loss account over the expected useful life of the related asset and debenture premiums over the debenture term.

BRITISH SUGAR plc

Notes to the Financial Statements continued ...

Leases

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

Stocks

These are valued as follows:

- | | | |
|--------------------------|---|--|
| Consumable stores | - | At the lower of cost and net realisable value. |
| Sugar and other products | - | At the lower of cost and net realisable value. Cost comprises the direct cost of materials and labour together with associated overheads allocated on the basis of normal activity levels. |
| New crop expenditure | - | All expenditure relating to the 1998/99 crop is carried forward to the next financial period as production work-in-progress at actual cost. |

Turnover

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

Deferred Taxation

Provision is made for deferred taxation on the liability method in order to recognise timing differences between profits stated in the financial statements and profits computed for taxation purposes, except where, in the opinion of the directors, it is expected that no liability to taxation is likely to arise on such timing differences in the foreseeable future.

Research and Development

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

Pension Costs

The pension cost charged to the profit and loss account is equal to the regular cost of providing benefits to members, adjusted for any actuarially determined deficiencies or surpluses. Such adjustments are spread over a period equal to the expected average remaining service lives of the current employees in the scheme after making suitable allowances for future withdrawals.

Foreign Currencies

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

BRITISH SUGAR plc

Notes to the Financial Statements continued ...

4 Segmental Information (£ millions)

	52 week period to <u>12 September 1998</u>	52 week period to <u>13 September 1997</u>
Turnover by class of business:		
Sugar	681.6	728.3
Animal feeds	78.5	94.7
Other	6.7	5.6
	<hr/>	<hr/>
	766.8	828.6
	<hr/>	<hr/>
	52 week period to <u>12 September 1998</u>	52 week period to <u>13 September 1997</u>
Turnover by geographic destination:		
United Kingdom	755.5	818.5
Other EU Countries	8.8	10.1
Non EU Countries	2.5	-
	<hr/>	<hr/>
	766.8	828.6
	<hr/>	<hr/>

All turnover originates within the UK.

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

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

	52 week period to <u>12 September 1998</u>	52 week period to <u>13 September 1997</u>
Interest on advances	1.3	1.1
Interest on bank deposits	0.1	0.1
Income from fixed asset investments	0.6	0.5
	<hr/>	<hr/>
	2.0	1.7
	<hr/>	<hr/>

BRITISH SUGAR plc

Notes to the Financial Statements continued ...

6 Interest Payable and Similar Charges (£ millions)

	52 week period to <u>12 September 1998</u>	52 week period to <u>13 September 1997</u>
Finance leases	0.1	0.2
10 3/4% Debenture stock	16.0	16.0
Other loans and liabilities	0.1	0.2
	<u>16.2</u>	<u>16.4</u>

7 Profit on Ordinary Activities before Taxation (£ millions)

	52 week period to <u>12 September 1998</u>	52 week period to <u>13 September 1997</u>
Profit on ordinary activities before taxation is stated after charging:		
Hire of land and buildings under operating leases	4.2	3.2
Hire of plant and machinery under operating leases	2.3	4.7
Depreciation on owned tangible assets	29.1	29.1
Depreciation on tangible assets held under finance leases	0.3	0.3
Loss on disposal of fixed assets	0.3	0.2
Research and Development expenditure	6.1	5.6
Net EU production/marketing levies	26.4	34.9
Auditors' remuneration, including expenses:		
- for audit services	0.2	0.2
- for other services	0.2	0.1
Exceptional item	18.0	-
	<u></u>	<u></u>

The exceptional item arising in the year relates to an increase in provisions of £18 million for the fine imposed by the European Commission

BRITISH SUGAR plc

Notes to the Financial Statements continued ...

8 Directors' emoluments (£ millions)

	52 week period to <u>12 September 1998</u>	52 week period to <u>13 September 1997</u>
Directors' emoluments excluding pension scheme contributions	1.0	1.0
Pension scheme contributions	0.2	0.2
	<u>1.2</u>	<u>1.2</u>

The emoluments of the highest paid director, excluding pension scheme contributions, were £267,713 (1997: £250,273). He is a member of a defined benefit pension scheme, under which his accrued pension at the year end was £105,000 (1997: £92,200).

All the directors are members of the British Sugar Pension Fund, which is a defined benefit pension scheme.

9 Employees (£ millions)

	52 week period to <u>12 September 1998</u>	52 week period to <u>13 September 1997</u>
Staff costs during the year:		
Wages and salaries	50.6	57.1
Social security costs	4.2	4.5
Other pension costs	2.3	2.3
	<u>57.1</u>	<u>63.9</u>

The average monthly number of employees, including directors, of the company during the period was 1,947 (1997: 2,062). In the opinion of the directors all employees fall into a single category.

10 Taxation (£ millions)

	52 week period to <u>12 September 1998</u>	52 week period to <u>13 September 1997</u>
The tax charge for the period comprises:		
UK corporation tax at 31% (1997: 32.08%)	45.6	55.5
Adjustment in respect of previous periods	-	(0.7)
Group relief payment	6.3	4.8
	<u>51.9</u>	<u>59.6</u>

11 Dividends

An interim dividend of 100p per share (1997: 100p) was paid on 24 August 1998. This amounted to a total payment of £60 million (1997: £60 million).

BRITISH SUGAR plc

Notes to the Financial Statements continued ...

12 Tangible Fixed Assets

	Freehold land and buildings	Plant & machinery		Fixtures, fittings tools & equipment		Total
		Owned	Leased	Owned	Leased	
(£ millions)						
Cost or valuation						
At 13 September 1997	269.6	414.9	5.4	38.8	-	728.7
Additions	2.3	39.3	-	3.2	-	44.8
Disposals	(0.2)	(2.1)	-	(0.5)	-	(2.8)
Revaluation	(7.5)	-	-	-	-	(7.5)
At 12 September 1998	264.2	452.1	5.4	41.5	-	763.2
Depreciation						
At 13 September 1997	47.9	211.2	2.2	26.3	-	287.6
Charge for period	6.5	19.3	0.3	3.3	-	29.4
Disposals	(0.1)	(1.5)	-	(0.5)	-	(2.1)
At 12 September 1998	54.3	229.0	2.5	29.1	-	314.9
Net book value						
At 12 September 1998	209.9	223.1	2.9	12.4	-	448.3
At 13 September 1997	221.7	203.7	3.2	12.5	-	441.1
Cost or valuation						
At 12 September 1998						
is represented by						
Valuation	212.7	-	-	-	-	212.7
Cost	51.5	452.1	5.4	41.6	-	550.6
	264.2	452.1	5.4	41.6	-	763.3

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

Included in fixed assets are sites held for disposal which at 12 September 1998, have been valued by the directors at £13 million on an open market valuation basis. At 12 September 1998, the value of freehold land and buildings included £239.8 million (1997: £237.7 million) of depreciable assets.

BRITISH SUGAR plc

Notes to the Financial Statements continued ...

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

	12 September 1998	13 September 1997
Historical cost	139.9	137.8
Depreciation based on cost	(38.8)	(36.0)
Net book value	101.1	101.8

13 Fixed asset investments (£ millions)

	12 September 1998	13 September 1997
Unlisted subsidiary undertakings	0.3	0.3
Fixed asset investments	2.9	2.9
	3.2	3.2

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

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

The predominant area of operations of Wereham Gravel Co Ltd and C Czarnikow Sugar Ltd is the United Kingdom.

Group financial statements have not been prepared as the company is a wholly owned subsidiary of another company, which is incorporated in the EU.

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

BRITISH SUGAR plc

Notes to the Financial Statements continued ...

14 Stocks (£ millions)

	12 September 1998	13 September 1997
Consumable stores	10.8	10.8
Sugar and other products	97.0	87.5
New crop expenditure	0.2	0.1
	<hr/>	<hr/>
	108.0	98.4
	<hr/>	<hr/>

15 Debtors (£ millions)

	12 September 1998	13 September 1997
Trade debtors	45.4	57.4
Amounts owed by group undertakings	311.9	278.1
Other debtors	4.3	3.6
Prepayments and accrued income	1.5	2.2
	<hr/>	<hr/>
	363.1	341.3
	<hr/>	<hr/>

Of the above, £46.5 million of amounts owed by group undertakings is recoverable after more than one year (1997: £43.4 million)

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

	12 September 1998	13 September 1997
Obligations under finance leases (Note 20)	0.8	0.8
Trade creditors	15.4	17.5
Amounts owed to group undertakings	17.7	16.6
Mainstream corporation tax	45.2	55.1
Other creditors including tax and social security costs	3.1	1.9
Accruals and deferred income	72.3	60.6
	<hr/>	<hr/>
	154.5	152.5
	<hr/>	<hr/>

BRITISH SUGAR plc

Notes to the Financial Statements continued ...

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

	<u>12 September 1998</u>	<u>13 September 1997</u>
Debenture stock (Note 19)	150.0	150.0
Obligations under finance leases (Note 20)	-	0.8
Other accruals	-	1.9
	<u>150.0</u>	<u>152.7</u>

18 Provisions for liabilities and charges (£ millions)

	<u>Restructuring claims and other provisions</u>
At 13 September 1997	39.1
Profit & loss account - charged	18.0
- released	(0.7)
Utilised in year	(0.8)
	<u>55.6</u>
At 12 September 1998	<u>55.6</u>

Deferred Taxation (£ millions)

No provision has been made for tax, deferment of which is reasonably certain for the foreseeable future. In view of the planned level of capital investment, it is the opinion of the Directors that timing differences will not reverse in the foreseeable future. The potential full deferred tax liability, arising on timing differences between the treatment of items for accounts and tax purposes, is as follows:

	<u>12 September 1998</u>	<u>13 September 1997</u>
Liability deferred by accelerated capital allowances	63.7	61.4
The effect of other timing differences available for future tax relief	(5.6)	(5.9)
	<u>58.1</u>	<u>55.5</u>

There is a maximum potential corporation tax liability subject to indexation allowance on the capital gains in respect of the revalued land and buildings amounting to £33.7 million (1997: £37.2 million).

The deferred tax liability has been calculated using the current rate of UK corporation tax of 31% (1997: 31%).

BRITISH SUGAR plc

Notes to the Financial Statements continued ...

19 Debenture Stock (£ millions)

	<u>12 September 1998</u>	<u>13 September 1997</u>
10¾% redeemable debenture stock 2013	150.0	150.0

The 10¾% redeemable debenture stock 2013 is quoted on the London Stock Exchange, and is secured by a floating charge over the assets of the company.

The debenture stock is repayable as follows:

	<u>12 September 1998</u>	<u>13 September 1997</u>
In five years or more	150.0	150.0

20 Lease Commitments Details of lease commitments are as follows: (£ millions)

	<u>12 September 1998</u>	<u>13 September 1997</u>
Finance leases		
Obligations, including future finance charges falling due:		
Within one year	0.9	0.9
Between two and five years	-	0.9
	<u>0.9</u>	<u>1.8</u>
Less: finance charges allocated to future periods	(0.1)	(0.2)
	<u>0.8</u>	<u>1.6</u>

Operating leases

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

Leases expiring:

Within one year		
- land & buildings	0.7	0.8
- other	0.1	0.1
Between two and five years		
- land and buildings	-	-
- other	0.3	0.2
	<u>1.1</u>	<u>1.1</u>

BRITISH SUGAR plc

Notes to the Financial Statements continued ...

21 Deferred Income (£ millions)

	12 September 1998	13 September 1997
Government Grants		
At beginning of period	1.4	1.5
Amortisation in period	(0.2)	(0.1)
At end of period	1.2	1.4
Premium on issue of Debenture	0.8	0.8
Other deferred revenue	0.5	0.2
Total deferred income	2.5	2.4

Government grants received include £965,574 of regional development grants on buildings purchased between 1973 and 1984, along with various grants for plant and equipment purchased between 1985 and 1989, totalling £1,828,513. The grants on the buildings are being amortised over 50 years and those relating to plant and equipment over 20 years, this being the estimated useful lives of the related assets.

22 Called up Share Capital (£ millions)

	12 September 1998		13 September 1997	
	<u>Number</u>	<u>£millions</u>	<u>Number</u>	<u>£millions</u>
Authorised, allotted, called up and fully paid				
Ordinary shares of 50p each	60,000,000	30.0	60,000,000	30.0

23 Reserves (£ millions)

	Revaluation Reserve	Profit and Loss Account
At beginning of period	120.0	390.4
Retained profit for the financial period	-	20.3
Movement in Reserves (i)	(11.3)	11.3
At end of period	108.7	422.0

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

(ii) Deferred taxation has not been provided on the revaluation surplus. Details of the maximum potential liability are set out in note 18.

BRITISH SUGAR plc

Notes to the Financial Statements continued ...

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

	12 September 1998	13 September 1997
Profit for the financial period	80.3	105.2
Dividends	(60.0)	(60.0)
Net additions to shareholders' funds	20.3	45.2
Opening shareholders' funds	540.4	495.2
Closing shareholders' funds	560.7	540.4

All of the shareholders' funds are attributable to equity interests.

25 Commitments

Capital Expenditure

Projects authorised and contracted for amount to £13.4 million (1997: £2.4 million).

Other

Other commitments, which have arisen in the ordinary course of business, relate to outstanding foreign exchange contracts amounting to £13.3 million (1997: £6.7 million).

26 Contingent Liabilities (£ millions)

The Company has entered into guarantees in respect of its employee pension funds. Pension details are disclosed in Note 27.

	12 September 1998	13 September 1997
Trading Guarantees	0.6	0.6

No security has been given against these contingent liabilities.

27 Pension Commitments

The company's pensions arrangements provide benefits based on final pensionable pay and are funded by means of assets which are held in trustee-administered funds, separate from the company's own resources.

The latest formal independent actuarial valuation was carried out as at 1 October 1995 using the projected unit funding method. The main assumptions were that future investment returns would be 8% per annum, that general salary increases would average 6% per annum, that pensions in payment and deferred pensions would be increased at 4% per annum and that the level of dividends generated by the current fund would increase at 3½% per annum.

The total market value of the assets at the valuation date was £395.1 million and the actuarial value of these assets was sufficient to cover 112% of the benefits that had accrued to members, after allowing for expected future increases in earnings. In order to reduce the level of the scheme surplus the company has reduced the level of its contributions to the scheme. Additionally, enhanced benefits have been provided for the scheme's members.

The actuarial valuation noted above takes into account the impact of charges to Advanced Corporation Tax in the UK that took effect from 2 July 1997.

BRITISH SUGAR plc

Notes to the Financial Statements continued ...

The total pension cost for the year was £2.3 million (1997: £2.4 million). An accrual of £0.7 million (1997: £1.6 million prepayment) is included under creditors in respect of payments due into the pension fund based on the pension cost for accounting purposes charged to the profit and loss account, as adjusted for the surplus arising on actuarial valuation.

28 Related Party Transactions

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

British Sugar plc's other related parties, as defined by Financial Reporting Standard 8, the nature of the relationship and the extent of transactions with them are summarised below:

	Sub Notes	1998 <u>£million</u>
Sales to associated undertakings on normal trading terms	(i)	73.0
Dividends received from associated undertakings	(i)	0.6
Amounts due from associated undertakings	(i)	2.0
Subscriptions to the Sugar Bureau	(ii)	0.9

Sub Notes

- (i) Details of the associated undertaking, C Czarnikow, are given in note 13 to the financial statements.
- (ii) The Sugar Bureau is an unincorporated association promoting the use of sugar and undertaking research into its role in a balanced diet. The board of directors consists of nine members, of whom four are directors or senior management of British Sugar plc.

29 Holding Company

The ultimate holding company 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 Investments plc, which is incorporated in Great Britain and registered in England. The consolidated accounts of these groups are available to the public and may be obtained from Weston Centre, Bowater House, 68 Knightsbridge, London, SW1X 7LQ.