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## **FINANCIAL STATEMENTS**

**PERIOD ENDED 18 SEPTEMBER 1999**



**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*

K C Field

### *Executive Directors*

H J Davenport

W C Francis

J W Sutcliffe

D J D Yiend  
(resigned 1 June 1999)

T Strain  
(appointed 1 July 1999)

### *Non-Executive Directors*

H W Bailey \*

P J Jackson \*

### *Secretary*

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 53 week period ended 18 September 1999.

### **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.

#### *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 carrying out the necessary remedial action.

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 12 May 1999 the company paid an interim dividend of £242.0 million (1998: £60.0 million).

### **4 Directors**

The directors at 18 September 1999, all of whom have been directors for the whole of the 53 week period ended on that date unless stated otherwise, and secretary of the company are shown on page 1.

G H Weston, W C Francis and T Strain retire by rotation and being eligible offer themselves for re-election at the Annual General Meeting.

Messrs Jackson, Bailey and Yiend were all reappointed at the Annual General Meeting on 21 January 1999.

## 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. J W Sutcliffe notified interest in 2000 ordinary shares of 5 <sup>15</sup>/<sub>22</sub>p each in Associated British Foods plc at the end of the period and none at the beginning of the period. K C Field notified interest in 787 ordinary shares of 5 <sup>15</sup>/<sub>22</sub>p each in Associated British Foods plc at the end of the period and none at the beginning of the period. No other director has an interest in the ordinary share capital of Associated British Foods plc and no directors have any interests in the debenture stock of British Sugar plc.

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

	<u>Number at end of period and when appointed in the period Shares of 5 <sup>15</sup>/<sub>22</sub>p</u>	<u>At beginning of period shares of 5p each</u>	<u>Exercise Price</u>	<u>Date from which exercisable</u>	<u>Expiry 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
T Strain	15,000	-	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 Combined Code 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 £5.8 million (1998: £6.1 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 (1998: £0.1 million).

No political contributions were made (1998: 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.

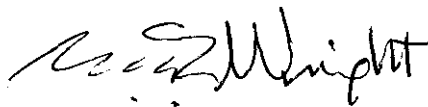
### **11 Creditor Payment Policy**

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 17.6 days purchases (1998: 19.8 days).

By Order of the Board



W B Wright  
*Secretary*

19 October 1999

## **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



W B Wright  
*Secretary*

19 October 1999

# **BRITISH SUGAR plc**

## **Auditor's Report**

### **Report of the auditor to the members of British Sugar plc**

We have audited the financial statements on pages 7 to 24.

#### *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 18 September 1999 and of its profit for the 53 week period then ended and have been properly prepared in accordance with the Companies Act 1985.

*KPMG Audit Plc*

KPMG Audit Plc  
Chartered Accountants  
Registered Auditor  
London

*7 November 1999*



# BRITISH SUGAR plc

## Profit and Loss Account

(£ millions)

		53 week period to 18 September 1999	52 week period to 12 September 1998
Notes			
4	<b>Turnover</b>	737.8	766.8
	Cost of sales	(496.6)	(504.1)
	<b>Gross Profit</b>	241.2	262.7
	Distribution costs	(51.5)	(58.5)
	Administrative expenses	(24.3)	(50.3)
	Other operating income	9.9	-
	<b>Operating Profit</b>	175.3	153.9
	Operating profit before exceptional items	175.3	171.9
7	Exceptional items	-	(18.0)
	Loss on sale and devaluations of properties	(1.8)	(7.5)
5	Interest receivable and income from other Fixed Asset investments	2.2	2.0
6	Interest payable and similar charges	(17.8)	(16.2)
7	<b>Profit on Ordinary Activities before Taxation</b>	157.9	132.2
10	Taxation on Profit on Ordinary Activities	(46.2)	(51.9)
	<b>Profit on Ordinary Activities after Taxation</b>	111.7	80.3
11	Dividends	(242.0)	(60.0)
24	<b>Transfer to Reserves</b>	(130.3)	20.3

A statement of movements on reserves is given in note 24.

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 1999 or 1998. Turnover and profit on ordinary activities, therefore, derive entirely from continuing operations.

The notes on pages 10 to 24 form part of these financial statements.

## BRITISH SUGAR plc

### Note of Historical Cost Profits and Losses (£ millions)

	<b>53 week period to <u>18 September 1999</u></b>	<b>52 week period to <u>12 September 1998</u></b>
Reported profit on ordinary activities before taxation	<b>157.9</b>	132.2
Realisation of property revaluation gains of previous years	<b>0.9</b>	0.2
Property revaluations charged in the year	<b>1.8</b>	7.5
Difference between the historical cost depreciation charge and the actual depreciation charge of the year calculated on the revalued amount	<b>3.3</b>	3.6
	<hr/>	<hr/>
Historical cost profit on ordinary activities before taxation	<b>163.9</b>	143.5
	<hr/>	<hr/>
Historical cost (loss) / profit for the year retained after taxation and dividends	<b>(124.3)</b>	31.6
	<hr/>	<hr/>

# BRITISH SUGAR plc

## Balance Sheet

(£ millions)

Notes	18 September 1999	12 September 1998
<b>Fixed Assets</b>		
12 Tangible assets	448.3	448.3
13 Investments	3.2	3.2
<b>Current Assets</b>		
14 Stocks	97.1	108.0
15 Debtors	186.0	363.1
Cash at bank and in hand	27.1	0.7
	<hr/>	<hr/>
	310.2	471.8
16 Creditors: amounts falling due within one year	(128.3)	(154.5)
	<hr/>	<hr/>
<b>Net Current Assets</b>	181.9	317.3
	<hr/>	<hr/>
<b>Total Assets less Current Liabilities</b>	633.4	768.8
17 Creditors: amounts falling due after more than one year	(150.0)	(150.0)
18 Provisions for liabilities and charges	(51.1)	(55.6)
22 Deferred income	(1.9)	(2.5)
	<hr/>	<hr/>
	(203.0)	(208.1)
	<hr/>	<hr/>
<b>Net Assets</b>	430.4	560.7
	<hr/>	<hr/>
<b>Capital and Reserves</b>		
23 Called up share capital	30.0	30.0
24 Revaluation reserve	102.7	108.7
24 Profit and loss account	297.7	422.0
	<hr/>	<hr/>
25 Shareholders' Funds - equity	430.4	560.7
	<hr/>	<hr/>

The notes on pages 10 to 24 form part of these financial statements.

These financial statements were approved by the Board of Directors on 19 October 1999 and were signed on its behalf by:



**K C Field**  
Director

# BRITISH SUGAR plc

## Notes to the Financial Statements

### 1 Accounting Reference Date

The accounting reference date is the Saturday nearest to 15 September. Accordingly these financial statements have been prepared for the 53 week period ended 18 September 1999.

### 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 1999 / 00 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.

### **Other Operating Income**

The revenue generated from Combined Heat and Power plants is included in other operating income.

### **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.

### **Financial Instruments**

The company uses forward foreign exchange contracts to manage exposures to fluctuations in exchange rates. This contract rate is used to determine the book value of the asset or liability. There were no material interest rate swaps, currency swaps or option contracts in place during the year or at the year end.

# BRITISH SUGAR plc

## Notes to the Financial Statements continued ...

### 4 Segmental Information (£ millions)

	53 week period to <u>18 September 1999</u>	52 week period to <u>12 September 1998</u>
<b>Turnover by class of business:</b>		
Sugar	661.0	681.6
Animal feeds	76.8	78.5
Other	-	6.7
	<hr/>	<hr/>
	737.8	766.8
	<hr/>	<hr/>
	53 week period to <u>18 September 1999</u>	52 week period to <u>12 September 1998</u>
<b>Turnover by geographic destination:</b>		
United Kingdom	729.5	755.5
Other EU Countries	8.3	8.8
Non EU Countries	-	2.5
	<hr/>	<hr/>
	737.8	766.8
	<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)

	53 week period to <u>18 September 1999</u>	52 week period to <u>12 September 1998</u>
Interest on advances	1.2	1.3
Interest on bank deposits	0.5	0.1
Income from fixed asset investments	0.5	0.6
	<hr/>	<hr/>
	2.2	2.0
	<hr/>	<hr/>

# BRITISH SUGAR plc

## Notes to the Financial Statements continued ...

### 6 Interest Payable and Similar Charges (£ millions)

	53 week period to <u>18 September 1999</u>	52 week period to <u>12 September 1998</u>
Finance leases	0.1	0.1
10 3/4% Debenture stock	16.3	16.0
Other loans and liabilities	1.4	0.1
	<u>17.8</u>	<u>16.2</u>

### 7 Profit on Ordinary Activities before Taxation (£ millions)

	53 week period to <u>18 September 1999</u>	52 week period to <u>12 September 1998</u>
Profit on ordinary activities before taxation is stated after charging:		
Hire of land and buildings under operating leases	3.9	4.2
Hire of plant and machinery under operating leases	2.3	2.3
Depreciation on owned tangible assets	29.3	29.1
Depreciation on tangible assets held under finance leases	0.3	0.3
Loss on disposal of fixed assets	-	0.3
Research and Development expenditure	5.8	6.1
Net EU production/marketing levies	28.2	26.4
Auditor's remuneration, including expenses:		
- for audit services	0.2	0.2
- for other services	0.3	0.2
Exceptional item	-	18.0
	<u></u>	<u></u>

The exceptional item in 1998 related to an increase in provisions of £18 million for a fine imposed by the European Commission.

# BRITISH SUGAR plc

## Notes to the Financial Statements continued ...

### 8 Directors' emoluments (£ millions)

	53 week period to <u>18 September 1999</u>	52 week period to <u>12 September 1998</u>
Directors' emoluments excluding pension scheme contributions	0.9	1.0
Pension scheme contributions	0.2	0.2
	<u>1.1</u>	<u>1.2</u>

The emoluments of the highest paid director, excluding pension scheme contributions, were £208,106 (1998: £267,713). He is a member of a defined benefit pension scheme, under which his accrued pension at the year end was £121,100 (1998: £105,000).

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

### 9 Employees (£ millions)

	53 week period to <u>18 September 1999</u>	52 week period to <u>12 September 1998</u>
<b>Staff costs during the year:</b>		
Wages and salaries	50.4	50.6
Social security costs	4.2	4.2
Other pension costs	1.9	2.3
	<u>56.5</u>	<u>57.1</u>

The average monthly number of employees, including directors, of the company during the period was 1,895 (1998: 1,947). In the opinion of the directors all employees fall into a single category.

### 10 Taxation (£ millions)

	53 week period to <u>18 September 1999</u>	52 week period to <u>12 September 1998</u>
The tax charge for the period comprises:		
UK corporation tax at 30.54% (1998: 31%)	46.0	45.6
Group relief payment	0.2	6.3
	<u>46.2</u>	<u>51.9</u>



# BRITISH SUGAR plc

## Notes to the Financial Statements continued ...

### 11 Dividends

An interim dividend of 403.33p per share (1998: 100p) was paid on 12 May 1999. This amounted to a total payment of £242 million (1998: £60 million)

### 12 Tangible Fixed Assets

	Freehold land and buildings	Plant & machinery		Fixtures, fittings tools & equipment	
		Owned	Leased	Owned	Total
(£ millions)					
<b>Cost or valuation</b>					
At 12 September 1998	264.2	452.1	5.4	41.5	763.2
Additions	6.1	30.8	-	0.4	37.3
Disposals	(0.9)	(2.2)	(0.2)	(1.6)	(4.9)
Revaluation	(1.8)	-	-	-	(1.8)
<b>At 18 September 1999</b>	<b>267.6</b>	<b>480.7</b>	<b>5.2</b>	<b>40.3</b>	<b>793.8</b>
<b>Depreciation</b>					
At 12 September 1998	54.3	229.0	2.5	29.1	314.9
Charge for period	6.2	20.4	0.2	2.8	29.6
Additions	1.9	2.1	-	-	4.0
Disposals	-	(1.3)	(0.1)	(1.6)	(3.0)
<b>At 18 September 1999</b>	<b>62.4</b>	<b>250.2</b>	<b>2.6</b>	<b>30.3</b>	<b>345.5</b>
<b>Net book value</b>					
<b>At 18 September 1999</b>	<b>205.2</b>	<b>230.5</b>	<b>2.6</b>	<b>10.0</b>	<b>448.3</b>
At 12 September 1998	209.9	223.1	2.9	12.4	448.3
<b>Cost or valuation</b>					
<b>At 18 September 1999</b>					
<b>is represented by</b>					
Valuation	209.5	-	-	-	209.5
Cost	58.1	480.7	5.2	40.3	584.3
	267.6	480.7	5.2	40.3	793.8

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

Included in fixed assets are sites held for disposal which at 18 September 1999, have been valued by the directors at £11 million on an open market valuation basis. At 18 September 1999, the value of freehold land and buildings included £236.3 million (1998: £239.8 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:

	18 September 1999	12 September 1998
Historical cost	146.6	139.9
Depreciation based on cost	(42.3)	(38.8)
Net book value	104.3	101.1

### 13 Fixed asset investments (£ millions)

	18 September 1999	12 September 1998
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)

	18 September 1999	12 September 1998
Consumable stores	11.2	10.8
Sugar and other products	85.6	97.0
New crop expenditure	0.3	0.2
	<hr/>	<hr/>
	97.1	108.0
	<hr/>	<hr/>

### 15 Debtors

(£ millions)

	18 September 1999	12 September 1998
Trade debtors	47.8	45.4
Amounts owed by group undertakings	131.4	311.9
Other debtors	5.3	4.3
Prepayments and accrued income	1.5	1.5
	<hr/>	<hr/>
	186.0	363.1
	<hr/>	<hr/>

Of the above £52.2 million of amounts owed by group undertakings is recoverable after more than one year (1998: £46.5 million).

### 16 Creditors: amounts falling due within one year

(£ millions)

	18 September 1999	12 September 1998
Obligations under finance leases (Note 21)	-	0.8
Trade creditors	15.9	15.4
Amounts owed to group undertakings	0.6	17.7
Mainstream corporation tax	46.4	45.2
Other creditors including tax and social security costs	2.4	3.1
Accruals and deferred income	63.0	72.3
	<hr/>	<hr/>
	128.3	154.5
	<hr/>	<hr/>

# BRITISH SUGAR plc

## Notes to the Financial Statements continued ...

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

	<u>18 September 1999</u>	<u>12 September 1998</u>
Debenture stock (Note 19)	150.0	150.0

### 18 Provisions for liabilities and charges (£ millions)

	<u>Regulatory, compliance and other provisions</u>
At 12 September 1998	55.6
Profit & loss account - charged	1.4
- released	(3.0)
Exchange movements	(2.6)
Utilised in year	(0.3)
	<hr/>
At 18 September 1999	51.1

### 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>18 September 1999</u>	<u>12 September 1998</u>
Liability deferred by accelerated capital allowances	63.3	63.7
The effect of other timing differences available for future tax relief	(4.8)	(5.6)
	<hr/>	<hr/>
	58.5	58.1

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 £34.4 million (1998: £33.7 million).

The deferred tax liability has been calculated using the current rate of UK corporation tax of 30% (1998: 31%).

# BRITISH SUGAR plc

Notes to the Financial Statements continued ...

## 19 Debenture Stock (£ millions)

	<u>18 September 1999</u>	<u>12 September 1998</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>18 September 1999</u>	<u>12 September 1998</u>
In five years or more	150.0	150.0

## 20 Financial Instruments (£ millions)

### Interest rate risk profile of financial assets and financial liabilities

#### Financial Assets

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

#### Financial Liabilities

Other than short term creditors, the only material financial liability held is the redeemable debenture stock (see note 19).

### Borrowing facilities

At 18 September 1999, the company had the following undrawn committed borrowing facilities, of which all conditions precedent had been met:

Expiring in more than two years	<u>4</u>
---------------------------------	----------

### Currency exposure

The table below shows an analysis as at 18 September 1999 of the net monetary assets / liabilities that are not denominated in their functional currency. Gains and losses arising from these exposures will be recognised in the profit and loss account. The amounts in the table take into account the effect of forward contracts used to manage these exposures

	<b>Functional currency Sterling</b>
<b>Net foreign currency monetary assets / (liabilities)</b>	
US Dollar	0.9
Euro	0.9
Danish Kroner	0.1
Singapore Dollar	(0.1)
<b>Total</b>	<u>1.8</u>

# BRITISH SUGAR plc

## Notes to the Financial Statements continued ...

### Fair values

There are no differences between current and book values of financial instruments at 18 September 1999 other than those listed below:

	<u>Net Book Value</u>	<u>Estimated Fair Value</u>
<b>Primary financial instruments</b>		
Long term debt (see note 19)	150.0	208.2
<b>Derivative financial instruments</b>		
Forward exchange rate contracts	2.9	2.8

The estimated fair value of the foreign exchange forward contracts and long term debt are based on quoted market prices where available.

### Hedges

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

	<u>Gains / (losses)</u>
At 12 September 1998	(0.3)
Realised in the year	0.3
Arising in the year	(0.1)
	<hr/>
At 18 September 1999	(0.1)
	<hr/>
Expected to be recognised	
Within one year or less	(0.1)
In more than one year	-

### 21 Lease Commitments

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

	<u>18 September 1999</u>	<u>12 September 1998</u>
<b>Finance leases</b>		
Obligations, including future finance charges falling due:		
Within one year	-	0.9
Between two and five years	-	-
	<hr/>	<hr/>
	-	0.9
Less: finance charges allocated to future periods	-	(0.1)
	<hr/>	<hr/>
Net obligations	-	0.8
	<hr/>	<hr/>

# BRITISH SUGAR plc

## Notes to the Financial Statements continued ...

	<u>18 September 1999</u>	<u>12 September 1998</u>
<b>Operating leases</b>		
Payments to which the company is committed in the following year are as follows:		
Leases expiring:		
Within one year		
- land & buildings	2.8	0.7
- other	0.1	0.1
Between two and five years		
- land and buildings	1.0	-
- other	0.3	0.3
	<u>4.2</u>	<u>1.1</u>

## 22 Deferred Income (£ millions)

	<u>18 September 1999</u>	<u>12 September 1998</u>
<b>Government Grants</b>		
At beginning of period	1.2	1.4
Amortisation in period	(0.1)	(0.2)
At end of period	1.1	1.2
<b>Premium on issue of Debenture</b>	0.7	0.8
<b>Other deferred revenue</b>	0.1	0.5
<b>Total deferred income</b>	<u>1.9</u>	<u>2.5</u>

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.

## 23 Called up Share Capital (£ millions)

	<u>18 September 1999</u>		<u>12 September 1998</u>	
	<u>Number</u>	<u>£millions</u>	<u>Number</u>	<u>£millions</u>
<b>Authorised, allotted, called up and fully paid</b>				
Ordinary shares of 50p each	<b>60,000,000</b>	<b>30.0</b>	60,000,000	30.0

# BRITISH SUGAR plc

## Notes to the Financial Statements continued ...

### 24 Reserves (£ millions)

	<u>Revaluation Reserve</u>	<u>Profit and Loss Account</u>
At beginning of period	108.7	422.0
Deduction from reserves for the financial period	-	(130.3)
Movement in Reserves (i)	(6.0)	6.0
	<hr/>	<hr/>
At end of period	102.7	297.7
	<hr/>	<hr/>

- (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.

### 25 Reconciliation of movements in Shareholders' Funds (£ millions)

	<u>18 September 1999</u>	<u>12 September 1998</u>
Profit for the financial period	111.7	80.3
Dividends	(242.0)	(60.0)
	<hr/>	<hr/>
Net (deduction from) / additions to shareholders' funds	(130.3)	20.3
Opening shareholders' funds	560.7	540.4
	<hr/>	<hr/>
Closing shareholders' funds	430.4	560.7
	<hr/>	<hr/>

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

### 26 Commitments

#### Capital Expenditure

Projects authorised and contracted for amount to £3.4 million (1998: £13.4 million).

#### Other

Other commitments, which have arisen in the ordinary course of business, relate to outstanding foreign exchange contracts amounting to £2.9 million (1998: £13.3 million).



# BRITISH SUGAR plc

## Notes to the Financial Statements continued ...

### 27 Contingent Liabilities (£ millions)

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

	<u>18 September</u> <u>1999</u>	<u>12 September</u> <u>1998</u>
Trading Guarantees	0.6	0.6
No security has been given against these contingent liabilities.		

### 28 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 1998 using the projected unit funding method. The main assumptions were that future investment returns would be 7% per annum, that general salary increases would average 5% per annum, that pensions in payment and deferred pensions would be increased at 3% per annum and that the level of dividends generated by the current fund would increase at 3% per annum.

The total market value of the assets at the valuation date was £370.1 million and the actuarial value of these assets was sufficient to cover 111% 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 total pension cost for the year was £2.0 million (1998: £2.3 million). An accrual of £2.8 million (1998: £0.7 million) 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.

### 29 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:

	<u>Sub Notes</u>	<u>1999</u> <u>£million</u>
Sales to associated undertakings on normal trading terms	(i)	49.2
Dividends received from associated undertakings	(i)	0.5
Amounts due from associated undertakings	(i)	3.5
Subscriptions to the Sugar Bureau	(ii)	0.8

## **BRITISH SUGAR plc**

### **Notes to the Financial Statements continued ...**

#### **Sub Notes**

- (i) Details of the principal 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.

#### **30 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.