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FINANCIAL STATEMENTS

PERIOD ENDED 13 SEPTEMBER 2003



BRITISH SUGAR plc

Directors' Report and Financial Statements

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BRITISH SUGAR plc

BOARD OF DIRECTORS

Chairman

H W Bailey
(resigned on 5 December 2002)

Managing Director and Chief Executive

K C Field

Directors

H J Davenport

J W Sutcliffe

K L Carter

M-L Clayton
(resigned on 31 October 2002)

D R Langlands
(appointed 1 July 2003)

Secretary

R S Mendelsohn

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 13 September 2003.

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 period end position remain satisfactory, and the directors expect that the present level of activity will be sustained for the foreseeable future.

3 Dividends

On 17 February 2003 the company paid an interim dividend of £80 million (2002: £70 million). During the year the company paid dividends on the preference shares totalling £5.1 million (2002: £5.4 million). The directors did not recommend the payment of a final dividend.

4 Directors

The directors at 13 September 2003, all of whom have been directors for the whole of the 52 week period ended on that date unless stated otherwise, and secretary of the company are shown on page 1.

H J Davenport and K L Carter retire by rotation and being eligible offer themselves for re-election at the Annual General Meeting.

On 1 July 2003 David Langlands was appointed as a director of the company.

Directors' Declarable Interests

J W Sutcliffe notified interests in 4,000 ordinary shares of 5 ¹⁵/₂₂p each in Associated British Foods plc both at the end and at the beginning of the period. K C Field notified interests in 787 ordinary shares of 5 ¹⁵/₂₂p each in Associated British Foods plc at both the end and 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 outstanding options to acquire ordinary shares of 5 ¹⁵/₂₂p each in Associated British Foods plc.

		<u>Number at end of period</u>	<u>Number at beginning of period (or on appointment, if later)</u>	<u>Exercise Price</u>	<u>Date from which exercisable</u>	<u>Expiry date</u>
K L Carter	(i)	50,000	50,000	561.5p	28 April 2003	27 April 2008
	(ii)	30,000	30,000	484.0p	17 January 2004	16 January 2011
H J Davenport	(i)	50,000	50,000	561.5p	28 April 2003	27 April 2008
	(ii)	30,000	30,000	484.0p	17 January 2004	16 January 2011
K C Field	(i)	30,000	30,000	561.5p	28 April 2003	27 April 2008
	(ii)	45,000	45,000	484.0p	17 January 2004	16 January 2011
J W Sutcliffe	(i)	40,000	40,000	561.5p	28 April 2003	27 April 2008
	(ii)	40,000	40,000	484.0p	17 January 2004	16 January 2011

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

BRITISH SUGAR plc

Directors' Report continued

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 are 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 £1.2 million (2002: £1.7 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 (2002: £0.1 million).

No political contributions were made (2002: NIL).

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.

BRITISH SUGAR plc

Directors' Report continued

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 45 days purchases (2002: 34 days).

12 Auditors

In accordance with Section 384 of the Companies Act 1985, a resolution for the re-appointment of KPMG Audit Plc as auditors of the company is to be proposed at the forthcoming Annual General Meeting.

By Order of the Board



R S Mendelsohn
Secretary

08 January 2004

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 period 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.

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

We have audited the financial statements on pages 7 to 26.

This report is made solely to the company's members, as a body, in accordance with section 235 of the Companies Act 1985. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditor

The directors are responsible for preparing the directors' report and, as described on page 5, the financial statements in accordance with applicable United Kingdom law and accounting standards. Our responsibilities, as independent auditors, are established in the United Kingdom by statute, the Auditing Practices Board, the Listing Rules of the Financial Services Authority and by our profession's ethical guidance.

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985. We also report to you, if, in our opinion, the directors' report is not consistent with the financial statements, if the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and transactions with the company is not disclosed.

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 13 September 2003 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

KPMG Audit Plc
Chartered Accountants
Registered Auditor
London

13 January 2004

BRITISH SUGAR plc

Profit and Loss Account

(£ millions)

Notes		
	52 week period to <u>13 September 2003</u>	52 week period to <u>14 September 2002</u>
4	Turnover	738.2
	Cost of sales	(466.0)
		<hr/>
	Gross Profit	272.2
	Distribution costs	(54.9)
	Administrative expenses	(28.9)
	Other operating income	(1.0)
		<hr/>
	Operating Profit	187.4
		<hr/>
	Profit on sale of property	6.0
		<hr/>
5	Interest receivable and income from other	
	Fixed Asset investments	1.6
6	Interest payable and similar charges	(16.1)
		<hr/>
7	Profit on Ordinary Activities before Taxation	178.9
		<hr/>
10	Taxation on Profit on Ordinary Activities	(53.2)
		<hr/>
	Profit on Ordinary Activities after Taxation	125.7
		<hr/>
11	Dividends	(85.1)
		<hr/>
25	Retained profit for the financial period	40.6
		<hr/>

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

The company has made no material acquisitions or discontinued any operations, within the meaning of Financial Reporting Standard 3, during either 2003 or 2002. Turnover and profit on ordinary activities, therefore, derive entirely from continuing operations.

The notes on pages 11 to 26 form part of these financial statements.

BRITISH SUGAR plc

Note of Historical Cost Profits and Losses (£ millions)

	52 week period to <u>13 September 2003</u>	52 week period to <u>14 September 2002</u>
Reported profit on ordinary activities before taxation	178.9	153.9
Realisation of property revaluation gains of previous periods	0.1	10.3
Difference between the historical cost depreciation charge and the actual depreciation charge of the period calculated on the revalued amount	2.2	2.3
	<hr/>	<hr/>
Historical cost profit on ordinary activities before taxation	181.2	166.5
	<hr/>	<hr/>
Historical cost profit for the period retained after taxation and dividends	42.9	48.7
	<hr/>	<hr/>

BRITISH SUGAR plc

Statement of Total Recognised Gains and Losses (£ millions)

	52 week period to <u>13 September 2003</u>	52 week period to <u>14 September 2002</u>
Profit for the financial period	40.6	36.1
Prior period adjustment	-	(55.4)
	<hr/>	<hr/>
Total gains and losses recognised since last annual report	40.6	(19.3)
	<hr/>	<hr/>


BRITISH SUGAR plc

Balance Sheet (£ millions)

Notes	13 September 2003	14 September 2002
Fixed Assets		
12 Intangible assets	8.8	9.9
13 Tangible assets	402.1	409.5
14 Investments	3.2	3.2
	<u>414.1</u>	<u>422.6</u>
Current Assets		
15 Stocks	85.4	78.9
16 Debtors	329.1	277.0
Cash at bank and in hand	3.6	10.0
	<u>418.1</u>	<u>365.9</u>
17 Creditors: amounts falling due within one year	(107.3)	(106.5)
Net Current Assets	<u>310.8</u>	<u>259.4</u>
Total Assets less Current Liabilities	<u>724.9</u>	<u>682.0</u>
18 Creditors: amounts falling due after more than one year	(152.2)	(153.4)
19 Provisions for liabilities and charges	(64.2)	(60.7)
	<u>(216.4)</u>	<u>(214.1)</u>
Net Assets	<u>508.5</u>	<u>467.9</u>
Capital and Reserves		
23 Ordinary share capital	80.0	80.0
23 Preference share capital	75.0	75.0
24 Revaluation reserve	60.3	62.6
24 Profit and loss account	293.2	250.3
25 Shareholders' Funds	<u>508.5</u>	<u>467.9</u>
Total capital and reserves analysed between:		
Equity	433.5	392.9
Non-equity	75.0	75.0
	<u>508.5</u>	<u>467.9</u>

The notes on pages 11 to 26 form part of these financial statements.

These financial statements were approved by the Board of Directors on 08 January 2004 and were signed on its behalf by:


H J Davenport
 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 13 September 2003.

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.

Intangible Fixed Assets

Intangible Fixed Assets consist of purchased goodwill, which is capitalised in accordance with FRS10 and amortised over its useful economic life, not exceeding 20 years.

Depreciation

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% - 33 1/3%
Motor vehicles	20%

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.

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.

BRITISH SUGAR plc

Notes to the Financial Statements continued ...

Stocks

These are valued as follows:

- | | | |
|--------------------------|---|--|
| Consumable stores | - | At the lower of cost and net realisable value. |
| Sugar and other products | - | At the lower of cost and net realisable value. Cost comprises the direct cost of materials and labour together with associated overheads allocated on the basis of normal activity levels. |
| New crop expenditure | - | All expenditure relating to the 2003 / 04 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 net income generated from Combined Heat and Power plants is included in other operating income.

Taxation

The charge for taxation is based on the profit for the year and takes into account deferred tax in respect of all timing differences that have originated but not reversed at the balance sheet date. Deferred tax is not discounted.

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 period 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. The contract rate is used to determine the book value of the asset or liability.

BRITISH SUGAR plc

Notes to the Financial Statements continued ...

4 Segmental Information (£ millions)

	52 week period to <u>13 September 2003</u>	52 week period to <u>14 September 2002</u>
Turnover by class of business:		
Sugar	656.1	607.0
Animal feeds	82.1	80.8
	<hr/>	<hr/>
	738.2	687.8
	<hr/>	<hr/>
	52 week period to <u>13 September 2003</u>	52 week period to <u>14 September 2002</u>
Turnover by geographic destination:		
United Kingdom	730.1	675.2
Other EU Countries	8.1	12.6
	<hr/>	<hr/>
	738.2	687.8
	<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)

	52 week period to <u>13 September 2003</u>	52 week period to <u>14 September 2002</u>
Interest on advances	0.7	0.7
Interest on bank deposits	-	0.1
Income from fixed asset investments	0.9	0.9
	<hr/>	<hr/>
	1.6	1.7
	<hr/>	<hr/>

6 Interest Payable and Similar Charges (£ millions)

	52 week period to <u>13 September 2003</u>	52 week period to <u>14 September 2002</u>
Amounts payable on:		
10 3/4% Debenture stock	16.0	16.0
Other	0.1	(1.9)
	<hr/>	<hr/>
	16.1	14.1
	<hr/>	<hr/>

BRITISH SUGAR plc

Notes to the Financial Statements continued ...

7 Profit on Ordinary Activities before Taxation (£ millions)

	52 week period to <u>13 September 2003</u>	52 week period to <u>14 September 2002</u>
Profit on ordinary activities before taxation is stated after (crediting) / charging:		
Hire of land and buildings under operating leases	4.8	3.2
Hire of plant and machinery under operating leases	2.2	2.5
Depreciation on owned tangible assets	27.5	22.7
Amortisation of intangible assets	1.1	0.8
Research and Development expenditure	1.2	1.7
Net EU production/marketing levies	15.0	29.1
Auditor's remuneration, including expenses:		
- for audit services	0.2	0.2
- non audit services	0.1	-
Government grants released	(0.1)	(0.1)

8 Directors' emoluments (£ millions)

	52 week period to <u>13 September 2003</u>	52 week period to <u>14 September 2002</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 £304,251 (2002: £264,558). He is a member of a defined benefit pension scheme, under which his accrued pension at the year end was £122,589 (2002: £97,170).

Each of 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>13 September 2003</u>	52 week period to <u>14 September 2002</u>
Staff costs during the period:		
Wages and salaries	51.0	52.9
Social security costs	4.2	4.1
Other pension costs	5.7	5.6
	<u>60.9</u>	<u>62.6</u>

The average monthly number of employees, including directors, of the company during the period was 1,661 (2002: 1,729). In the opinion of the directors all employees fall into a single category.

BRITISH SUGAR plc

Notes to the Financial Statements continued ...

10 Taxation (£ millions)

	52 week period to <u>13 September 2003</u>	52 week period to <u>14 September 2002</u>
The tax charge for the period comprises:		
UK corporation tax at 30% (2002: 30%)	49.6	41.2
Amounts under-provided in prior periods	1.0	-
	<hr/>	<hr/>
Total current tax	50.6	41.2
Deferred tax		
Origination and reversal of timing differences	2.6	1.2
	<hr/>	<hr/>
Tax on profit on ordinary activities	53.2	42.4
	<hr/>	<hr/>

Factors affecting current tax charge for period

The tax assessed for the period is lower than the standard rate of corporation tax in the UK (30%). The differences are explained below:

	<u>2003</u>	<u>2002</u>
Profit on ordinary activities before tax	178.9	153.9
	<hr/>	<hr/>
Profit on ordinary activities before tax at the standard rate of corporation tax	53.7	46.2
Expenses not deductible for tax purposes	0.4	0.9
Non taxable income	(0.3)	(2.8)
Capital allowances for period in excess of depreciation	(2.1)	(1.9)
Utilisation of tax losses	(2.1)	(1.2)
Adjustments to tax charges in respect of previous periods	1.0	-
	<hr/>	<hr/>
Total current tax	50.6	41.2
	<hr/>	<hr/>

11 Dividends

An interim and final dividend of 50.00p per share (2002: 43.75p) was paid on 17 February 2003. This amounted to a total payment of £80 million (2002: £70 million).

Quarterly dividend payments totalling £5.1 million (2002: £5.4 million) were paid in respect of the preference shares.

BRITISH SUGAR plc

Notes to the Financial Statements continued ...

12 Intangible assets (£ millions)

	<u>Goodwill</u>
Cost	
At 14 September 2002	10.7
Additions	-
	<hr/>
At 13 September 2003	10.7
	<hr/>
Amortisation	
At 14 September 2002	0.8
Charge for period	1.1
	<hr/>
At 13 September 2003	1.9
	<hr/>
Net book value	
At 13 September 2003	8.8
	<hr/>
At 14 September 2002	9.9
	<hr/>

13 Tangible Fixed Assets (£ millions)

	Freehold land and buildings	Plant & machinery	Fixtures, fittings tools & equipment Owned	Total
Cost or valuation				
At 14 September 2002	262.8	487.6	37.9	788.3
Additions	6.8	17.7	3.6	28.1
Disposals	(6.3)	(6.6)	(0.5)	(13.4)
Re-classifications	1.0	(1.5)	0.5	-
	<hr/>	<hr/>	<hr/>	<hr/>
At 13 September 2003	264.3	497.2	41.5	803.0
	<hr/>	<hr/>	<hr/>	<hr/>
Depreciation				
At 14 September 2002	103.3	244.9	30.6	378.8
Charge for period	5.1	20.8	1.6	27.5
Disposals	(0.1)	(4.8)	(0.5)	(5.4)
	<hr/>	<hr/>	<hr/>	<hr/>
At 13 September 2003	108.3	260.9	31.7	400.9
	<hr/>	<hr/>	<hr/>	<hr/>
Net book value				
At 13 September 2003	156.0	236.3	9.8	402.1
	<hr/>	<hr/>	<hr/>	<hr/>
At 14 September 2002	159.5	242.7	7.3	409.5
	<hr/>	<hr/>	<hr/>	<hr/>
Cost or valuation				
At 13 September 2003 is represented by				
Valuation	195.6	-	-	195.6
Cost	68.7	497.2	41.5	607.4
	<hr/>	<hr/>	<hr/>	<hr/>
	264.3	497.2	41.5	803.0
	<hr/>	<hr/>	<hr/>	<hr/>

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

BRITISH SUGAR plc

Notes to the Financial Statements continued ...

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 13 September 2003, have been valued by the directors at £3.9 million on an open market valuation basis. At 13 September 2003, the value of freehold land and buildings included £207.4 million (2002: £204.2 million) of depreciable assets.

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

	<u>13 September 2003</u>	<u>14 September 2002</u>
Historical cost	155.2	153.6
Depreciation based on cost	(59.4)	(56.3)
Net book value	<u>95.8</u>	<u>97.3</u>

14 Fixed asset investments (£ millions)

	<u>13 September 2003</u>	<u>14 September 2002</u>
Unlisted subsidiary undertakings	0.3	0.3
Fixed asset investments	2.9	2.9
	<u>3.2</u>	<u>3.2</u>

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

	<u>Country of Incorporation</u>	<u>Principal Activity</u>	<u>Class and percentage of shares held</u>
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
Broomco (2704) Ltd	Great Britain	Dormant	100% Ord Shares

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

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 ...

15 Stocks (£ millions)

	<u>13 September 2003</u>	<u>14 September 2002</u>
Consumable stores	12.7	12.3
Sugar and other products	72.3	66.3
New crop expenditure	0.4	0.3
	<u>85.4</u>	<u>78.9</u>

16 Debtors (£ millions)

	<u>13 September 2003</u>	<u>14 September 2002</u>
Trade debtors	54.3	50.8
Amounts owed by group undertakings	263.2	216.1
Other debtors	6.4	8.7
Prepayments and accrued income	5.2	1.4
	<u>329.1</u>	<u>277.0</u>

Of the above £77.5 million of amounts owed by group undertakings is recoverable after more than one year (2002: £82.7 million).

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

	<u>13 September 2003</u>	<u>14 September 2002</u>
Trade creditors	16.1	12.7
Corporation tax	25.3	21.1
Other creditors including tax and social security costs	1.7	2.0
Accruals and deferred income	64.2	70.7
	<u>107.3</u>	<u>106.5</u>

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

	<u>13 September 2003</u>	<u>14 September 2002</u>
Debenture stock (Notes 20 & 21)	150.0	150.0
Accruals and deferred income	2.2	3.4
	<u>152.2</u>	<u>153.4</u>

BRITISH SUGAR plc

Notes to the Financial Statements continued ...

19 Provisions for liabilities and charges (£ millions)

	<u>13 September 2003</u>	<u>14 September 2002</u>
Accelerated capital allowances	61.7	60.5
Other short term timing differences	(2.5)	(3.9)
	<hr/>	<hr/>
Total deferred tax provision	59.2	56.6
Regulatory, compliance and other provisions	5.0	4.1
	<hr/>	<hr/>
Total provisions for liabilities and charges	64.2	60.7
	<hr/>	<hr/>

Movement on provision for liabilities and charges

	<u>13 September 2003</u>	<u>14 September 2002</u>
Opening balance	60.7	68.0
Amount charged / (credited) to profit and loss account		
- Deferred taxation	2.6	1.2
- Regulatory, compliance and other provisions	0.9	(8.5)
	<hr/>	<hr/>
Closing balance	64.2	60.7
	<hr/>	<hr/>

20 Debenture stock (£ millions)

	<u>13 September 2003</u>	<u>14 September 2002</u>
10¼% redeemable debenture stock 2013	150.0	150.0
	<hr/>	<hr/>

The 10¼% 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>13 September 2003</u>	<u>14 September 2002</u>
In five years or more	150.0	150.0
	<hr/>	<hr/>

BRITISH SUGAR plc

Notes to the Financial Statements continued ...

21 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 20).

Borrowing facilities

At 13 September 2003, 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 13 September 2003 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.

	Functional currency Sterling
Net foreign currency monetary assets / (liabilities)	
Euro	2.4
US Dollar	0.3
	<u>2.7</u>

Fair values

There are no material differences between current and book values of financial instruments at 13 September 2003 other than those listed below:

	<u>Net Book Value</u>	<u>Estimated Fair Value</u>
Primary financial instruments		
Long term debt (see note 20)	150.0	205.5

The estimated fair value of the long term debt is based on quoted market prices where available.

BRITISH SUGAR plc

Notes to the Financial Statements continued ...

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 14 September 2002	(0.2)
Realised in the period	0.2
Arising in the period	0.1
	<hr/>
At 13 September 2003	0.1
	<hr/>
Expected to be recognised	
Within one year or less	0.1
In more than one year	-

22 Operating Leases (£ millions)

	<u>13 September 2003</u>	<u>14 September 2002</u>
Payments to which the company is committed in the following year are as follows:		
Leases expiring:		
Within one year		
- land & buildings	4.3	2.6
Between two and five years		
- plant & machinery	0.1	0.2
	<hr/>	<hr/>
	4.4	2.8
	<hr/>	<hr/>

23 Called up Share Capital (£ millions)

		<u>13 September 2003</u>		<u>14 September 2002</u>
	<u>Number</u>	<u>£millions</u>	<u>Number</u>	<u>£millions</u>
Authorised				
Ordinary shares of 50p each	160,000,000	80.0	160,000,000	80.0
Non cumulative redeemable				
Preference shares of £1 each	85,000,000	85.0	85,000,000	85.0
		<hr/>		<hr/>
		165.0		165.0
		<hr/>		<hr/>
Allotted, called up and fully paid				
Ordinary shares of 50p each	160,000,000	80.0	160,000,000	80.0
Non cumulative redeemable				
Preference shares of £1 each	75,000,000	75.0	75,000,000	75.0
		<hr/>		<hr/>
		155.0		155.0
		<hr/>		<hr/>

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 as previously stated	62.6	250.3
Profit for the financial period	-	40.6
Movement in Reserves (i)	(2.3)	2.3
At end of period	60.3	293.2

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

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

	<u>13 September 2003</u>	<u>14 September 2002</u>
Profit for the financial period	125.7	111.5
Equity dividends	(80.0)	(70.0)
Non-equity dividends	(5.1)	(5.4)
Retained profit for the financial period	40.6	36.1
Opening shareholders' funds	467.9	431.8
Closing shareholders' funds	508.5	467.9

26 Commitments

Capital Expenditure

Projects authorised and contracted for amount to £3.4 million (2002: £3.9 million).

Other

Other commitments, which have arisen in the ordinary course of business, relate to outstanding foreign exchange contracts amounting to £9.7 million (2002: £11.7 million).

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>13 September 2003</u>	<u>14 September 2002</u>
Trading Guarantees	4.7	4.8

No security has been given against these contingent liabilities.

BRITISH SUGAR plc

Notes to the Financial Statements continued ...

28 Pension Commitments

The Group has continued to account for pensions in accordance with SSAP 24 and the disclosures given in (a) are those required by that standard. FRS 17 Retirement Benefits was issued in November 2000 but will not be mandatory for the company until the year ending 13 September 2005. Prior to this, phased transitional disclosures are required and are set out in (b).

(a) British Sugar pension scheme

The pension cost charge for the year was £6.0 million (2002: £5.6 million). The pension costs are assessed in accordance with the advice of independent qualified actuaries using the projected unit method. The last actuarial valuation of the British Sugar Pension Scheme was carried out as at 1 October 2001. This valuation used a traditional actuarial approach in which it was assumed that the investment return would exceed price inflation by 3.25% per annum and that salary increases would exceed price inflation by 2% per annum.

At the valuation date the total market value of the schemes assets was £477.4 million and the value of these assets for actuarial valuation purposes represented 102% of the benefits that had accrued to members after allowing for expected future increases in earnings.

(b) FRS 17 Retirement Benefits

For the purposes of FRS 17 disclosures, the most recent actuarial valuations referred to above have been updated to 13 September 2003 by an independent qualified actuary.

The financial assumptions used to calculate scheme liabilities under FRS 17 are:

	<u>2003</u> UK %	<u>2002</u> UK %
Rate of general increase in salaries	4.50	4.25
Rate of increase in pensions in payment	2.50	2.25
Rate of increase of deferred pensions	2.50	2.25
Discount rate of scheme liabilities	5.25	5.50
Inflation	2.50	2.25

On 30 September 2002 the defined benefit scheme was closed to new members. As a result, the scheme has an ageing population. In accordance with FRS17, the valuation of the schemes liabilities has been determined using the projected unit method. In these circumstances the use of this method can lead to the contribution rate implicit in the current service cost increasing in future years.

BRITISH SUGAR plc

Notes to the Financial Statements continued ...

(b) FRS 17 Retirement Benefits (continued)

The expected rates of return and market values of the assets of the principal funds at 13 September 2003 were as follows:

	At 13 September 2003		At 14 September 2002	
	UK		UK	
	Expected Long term rate of return	Market Value	Expected Long term rate of return	Market Value
	%	£million	%	£million
Fund assets				
Equities	7.00	208	6.75	160
Government Bonds	4.75	157	4.50	145
Non-government Bonds	5.25	117	5.50	155
Property	-	-	6.00	-
Other	3.50	23	4.00	8
		<hr/>		<hr/>
		505		468
Present value of scheme liability		(540)		(484)
		<hr/>		<hr/>
Deficit in the scheme		(35)		(16)
Deferred tax		11		5
		<hr/>		<hr/>
Net pension liability		(24)		(11)
		<hr/>		<hr/>

The company's net assets and profit and loss account under FRS17 would have been analysed as follows:

(£ millions)

	Net assets at 13 September 2003	Profit and loss account at 13 September 2003
Excluding pension liability	509	294
Pension liability	(24)	(24)
	<hr/>	<hr/>
Including pension liability	485	270
	<hr/>	<hr/>

BRITISH SUGAR plc

Notes to the Financial Statements continued ...

Had FRS17 been adopted the amounts that would have been included in the profit and loss account would have been as follows:

	<u>2003</u>
Current service cost of defined benefit schemes	10
Curtailment costs	1
Total operating charge	<u>11</u>
Expected return on pension scheme assets	26
Interest on pension scheme liabilities	(26)
Net return included in other financial income	<u>-</u>
Actual return less expected return on pension scheme assets	19
Experience gains arising on the scheme liabilities	4
Changes in assumptions underlying the present value of the scheme liabilities	(43)
Actuarial loss included in the statement of total recognised gains and losses	<u>(20)</u>

UK
2003

The movement in the surplus / (deficit) during the year arose as follows:

Deficit at start of year	(16)
Employer contributions paid	13
Current service cost	(10)
Curtailment costs	(1)
Other financial costs / (income)	(1)
Actuarial loss	(20)
Deficit at end of year	<u>(35)</u>

The experience gains and losses were as follows:

Difference between the expected and actual return on the scheme assets:	
- amount (£m)	19
- percentage of scheme assets	3.8%
Experience gains and losses on scheme liabilities	
- amount (£m)	4
- percentage of the present value of scheme liabilities	0.7%
Total amount recognised in statement of total recognised gains and losses	
- amount (£m)	(20)
- percentage of the present value of scheme liabilities	3.7%

BRITISH SUGAR plc

Notes to the Financial Statements continued ...

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:

	Sub Notes	2003 <u>£million</u>
Sales to associated undertakings on normal trading terms	(i)	49.7
Dividends received from associated undertakings	(i)	0.9
Amounts due from associated undertakings	(i)	2.6
Subscriptions to the Sugar Bureau	(ii)	0.8

Sub Notes

- (i) Details of the principal associated undertaking, C Czarnikow, are given in note 14 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 eleven 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 company's immediate holding company is ABF Investments plc, 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.