

FINANCIAL STATEMENTS

PERIOD ENDED 16 SEPTEMBER 2006

(Registered Number 315158)

FRIDAY



L985EOOX

LD2

13/04/2007

398

COMPANIES HOUSE

BRITISH SUGAR plc

Directors' Report and Financial Statements

CONTENTS	Page
General Information	1
Directors' Report	2 - 4
Statement of Directors' Responsibilities	5
Auditor's Report	6
Profit and Loss Account	7
Note of Historical Cost Profits and Losses	8
Statement of Total Recognised Gains and Losses	9
Balance Sheet	10
Notes to the Financial Statements	11 - 27

BRITISH SUGAR plc

BOARD OF DIRECTORS

Directors

H J Davenport

J W Sutcliffe

K L Carter

D R Langlands

M I Carr

M Rowlands (appointed on 16 February 2006)

R Rankin (appointed on 6 July 2006)

Secretaries

R S Mendelsohn

S J Smith (appointed on 14 July 2006)

Subsequent to the year-end Simon Smith resigned on 29 September 2006
and then Rosalyn Mendelsohn was re-appointed as Secretary

Registered Office

Weston Centre, 10 Grosvenor Street, London, W1K 4QY

Head Office

Sugar Way, Peterborough, PE2 9AY

BRITISH SUGAR plc

Directors' Report

The directors present their annual report and the audited financial statements for the 52 week period ended 16 September 2006

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. Changes to the EU Sugar Regime were implemented by the EU Commission in July 2006 and as one of the most efficient European sugar producers, British Sugar is well placed to meet the challenges of reform and take advantage of any opportunities it offers. In order to maintain this position British Sugar announced a rationalisation of its operations that will result in the closure of its Allscott and York factories with processing being consolidated at its remaining 4 sites. This has resulted in an exceptional charges in the period for asset impairment (£ 67.8 million) and redundancy & other closures costs (£29.2 million).

3 Dividends

On 9 January 2006 the company paid an interim dividend of £110 million (2005: £90 million). The directors did not recommend the payment of a final dividend (2005: NIL).

4 Directors

The directors at 16 September 2006, 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.

D R Langlands and J W Sutcliffe retire by rotation and being eligible offer themselves for re-election at the Annual General Meeting.

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 £4.8 million (2005: £5.0 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.

BRITISH SUGAR plc

Directors' Report continued

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 (2005: £0.1 million).

No political contributions were made (2005: 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, age 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 47 days purchases (2005: 45 days).

12 Disclosure of Information to Auditors

The directors who held office at the date of approval of this directors' report confirm that, so far as they are each aware, there is no relevant audit information of which the Company's auditors are unaware, and each director has taken all steps that he ought to have taken as a director to make himself aware of any relevant audit information and to establish that the Company's auditors are aware of that information.

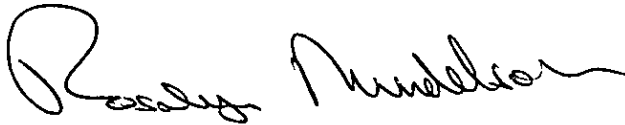
BRITISH SUGAR plc

Directors' Report continued

13 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

A handwritten signature in black ink, appearing to read 'R S Mendelsohn', written in a cursive style.

R S Mendelsohn
Secretary

13th April 2007

BRITISH SUGAR plc

Statement of Directors' responsibilities in respect of the directors report and financial statements

The directors are responsible for preparing the directors report and the financial statements in accordance with applicable law & regulations

Company law requires the directors to prepare financial statements for each financial period, under that law they have elected to prepare the financial statements in accordance with UK accounting standards. The financial statements are required by law to give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing these financial statements, the directors are required to

- select suitable accounting policies and then apply them consistently,
- make judgements and estimates that are reasonable and prudent,
- state whether applicable 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 of British Sugar plc for the 52 week period ended 16 September 2006 which comprise of the Profit and Loss Account, the note of Historical Cost Profits & Losses, the Statement of Total Recognised Gains & Losses, the Balance Sheet and the related notes. These financial statements have been prepared under the accounting policies set out therein.

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 auditors

The Directors' Responsibilities for preparing of the financial statements in accordance with applicable law and UK Accounting Standards (UK Generally Accepted Accounting Practice), are set out in the statement of Directors' Responsibilities on page 5.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

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 whether in our opinion, the information given in the Directors' Report is consistent with the financial statements.

In addition, we report to you if, in our opinion 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 other transactions is not disclosed.

We read the Directors' Report and consider the implications for our report if we become aware of any apparent misstatements within it.

Basis of audit opinion

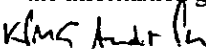
We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgments 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, in accordance with UK Generally Accepted Accounting Practice, of the state of the company's affairs as at 16 September 2006 and of its loss for then ended,
- the financial statements have been properly prepared in accordance with the Companies Act 1985, and
- the information given in the Directors' report is consistent with the financial statements.


KPMG Audit Plc
Chartered Accountants
Registered Auditor
London

13 April 2007

BRITISH SUGAR plc

Profit and Loss Account (£ millions)

Notes	52 week period to 16 September 2006	52 week period to 17 September 2005
4 Turnover	749.6	764 0
Cost of sales – ordinary	(539.9)	(509 8)
8 Cost of sales – exceptional	(67.8)	-
Cost of sales – total	(607.7)	(509 8)
Gross Profit	141.9	254 2
Distribution costs	(66.1)	(62 2)
Administrative expenses – ordinary	(42.5)	(35 8)
8 Administrative expenses – exceptional	(29 2)	-
Administrative expenses – total	(71.7)	(35 8)
Total operating profit	4.1	156 2
Split as		
Operating Profit – excluding exceptional items	101.1	156 2
8 Exceptional items	(97.0)	-
 Profit on sale of property	4.0	26 7
5 Interest receivable and income from Fixed Asset investments	4.7	14 1
6 Interest payable and similar charges	(24.0)	(21 2)
30 Other financial income	1.0	0 4
8 Settlement gain on transfer of pension scheme – exceptional	(30.2)	-
 7 (Loss)/Profit on Ordinary Activities Before Taxation	(40.4)	176 2
8/11 Taxation on (Loss)/Profit on Ordinary Activities	10.8	(43 3)
 (Loss)/Profit on Ordinary Activities after Taxation	(29.6)	132 9

A statement of movements on reserves is given in note 26

The company has made no material acquisitions or discontinued any operations, within the meaning of Financial reporting Standard 3, during 2006

The notes on pages 11 to 27 form part of these financial statements

BRITISH SUGAR plc

Note of Historical Cost Profits and Losses (£ millions)

	52 week period to <u>16 September 2006</u>	52 week period to <u>17 September 2005</u>
Reported (loss)/profit on ordinary activities before taxation	(40.4)	176.2
Difference between the historical cost depreciation charge and the actual depreciation charge of the period calculated on the revalued amount	4.0	2.1
	<hr/>	<hr/>
Historical cost (loss)/profit on ordinary activities before taxation	(36.4)	178.3
	<hr/>	<hr/>
Historical cost retained (loss)/profit for the financial period	(135.6)	42.7
	<hr/>	<hr/>

BRITISH SUGAR plc

Statement of Total Recognised Gains and Losses (£ millions)

	52 week period to <u>16 September 2006</u>	52 week period to <u>17 September 2005</u>
(Loss)/Profit for the financial period	(139.6)	40.6
Actuarial gain on pension schemes (see note 30)	39.6	1.9
Deferred taxation on actuarial gain on pension schemes	(12.1)	(0.6)
	<hr/>	<hr/>
Total recognised gains and losses for the period	<u>(112.1)</u>	<u>41.9</u>

BRITISH SUGAR plc

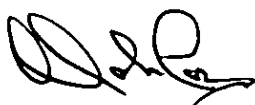
Balance Sheet

(£ millions)

Notes	<u>16 September 2006</u>	<u>17 September 2005</u>
Fixed Assets		
13 Intangible assets	39.0	44.0
14 Tangible assets	325.2	394.5
15 Investments	3.4	3.4
	<u>367.6</u>	<u>441.9</u>
Current Assets		
16 Stocks	67.2	78.4
17 Debtors	337.8	268.4
Cash at bank and in hand	3.0	6.0
	<u>408.0</u>	<u>352.8</u>
18 Creditors amounts falling due within one year	(191.5)	(95.6)
Net Current Assets	<u>216.5</u>	<u>257.2</u>
Total Assets less Current Liabilities	<u>584.1</u>	<u>699.1</u>
19 Creditors amounts falling due after more than one year	(150.5)	(150.9)
20 Provisions for liabilities and charges	(71.9)	(67.6)
	<u>(222.4)</u>	<u>(218.5)</u>
Net Assets excluding pension liability	<u>361.7</u>	<u>480.6</u>
30 Pension liability	-	(6.8)
Net Assets including pension liability	<u>361.7</u>	<u>473.8</u>
Capital and Reserves		
25 Ordinary share capital	80.0	80.0
26 Revaluation reserve	51.3	55.3
26 Profit and loss account	230.4	338.5
27 Shareholders' Funds (all equity)	<u>361.7</u>	<u>473.8</u>

The notes on pages 11 to 27 form part of these financial statements

These financial statements were approved by the Board of Directors on 13th April 2007 and were signed on its behalf by



M I Carr
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 16 September 2006.

2 Group Accounts

As permitted by s229 of the Companies Act 1985, the Directors have excluded from the consolidation all subsidiary undertakings detailed in note 15 as their inclusion is not material for the purpose of giving a true and fair view. As a result, there is no material difference between the parent company's individual financial statements and the financial statements presented on a consolidated basis.

The Directors have not disclosed the aggregate amount of capital and reserves of the excluded subsidiary undertakings as it is not material in the context of the parent company financial statements.

Between the company and the excluded subsidiary undertakings, there are no dividends received or receivable by the company and the company has not written down its investment or any amounts due during the current or preceding period.

3 Accounting Policies

The financial statements have been prepared in accordance with applicable Accounting Standards in the United Kingdom and with the requirements of the Companies Act 1985, except for the departure noted in the investment note below.

In these financial statements the following new standards have been adopted for the first time:

- FRS 21 'Events after the balance sheet date',
- FRS 28 'Corresponding amounts'.

The adoption of these new standards has no material effect on the results or financial position of the company. FRS 28 'corresponding amounts' has had no material effect as it imposes the same requirements for the comparatives hitherto required by the Companies Act 1985.

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.

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 FRS 10 and amortised in equal instalments 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%
Motor vehicles	20%

BRITISH SUGAR plc

Notes to the Financial Statements

3. Accounting Policies continued

Investments

Investments are held at cost less any permanent diminutions in value, with the exception of the company's investment in the Billington Food Group Ltd

In 2005 the trade and net assets of the Billington Food Group Ltd were transferred to the company at their book value which was less than their fair value. The cost of the company's investment in that subsidiary undertaking reflected the underlying fair value of its net assets and goodwill at the time of acquisition. As a result of this transfer, the value of the company's investment in that subsidiary undertaking fell below the amount at which it was stated in the company's accounting records. Schedule 4 to the Companies Act 1985 requires that the investment be written down accordingly and that the amount be charged as a loss in the company's profit and loss account. However, the directors considered that, as there has been no overall loss to the company, it would have failed to give a true and fair view to charge that diminution to the company's profit and loss account and it should instead be re-allocated to goodwill and the identifiable net assets transferred, so as to recognise in the company's individual balance sheet the effective cost to the company of those net assets and goodwill.

The effect of this departure is to decrease the holding company's loss for the period by £26.8 million (2005 £29.8 million) and to increase intangible fixed assets by £26.8 million (2005 £29.8 million).

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 in equal instalments over the term of the lease.

Stocks

These are valued as follows:

Consumable stores	-	At the lower of cost and net realisable value
Sugar and other products	-	At the lower of cost and net realisable value. Cost comprises the direct cost of materials and labour together with associated overheads allocated on the basis of normal activity levels.
New crop expenditure	-	All expenditure relating to the 2006 / 07 crop is carried forward to the next financial period as production work-in-progress at actual cost.

Turnover

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

Taxation

The charge for taxation is based on the profit for the year. Deferred taxation is provided on timing differences arising from the different treatment for accounts and taxation purposes of transactions and events recognised in the financial statements of the current and previous years. Deferred taxation is calculated at the rates at which it is estimated that tax will arise. Deferred tax assets and liabilities are not discounted.

Research and Development

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

BRITISH SUGAR plc

Notes to the Financial Statements

3. Accounting Policies continued

Pension Costs

In accordance with FRS17, for defined contribution schemes, contributions are charged to the profit and loss account in the period in which they arise. For defined benefit schemes the amounts charged to operating profit are the current service cost, past service cost and gains and losses on settlements and curtailments. An amount which represents the expected increase in the present value of scheme liabilities net of the expected return on scheme assets is included as other financial income.

Actuarial gains and losses are recognised immediately in the statement of total recognised gains and losses. These consist of differences between actual and expected returns on scheme assets during the year, experience losses on scheme liabilities and the impact of any changes in assumptions. Pension liabilities are recognised on the balance sheet and represent the difference between the market value of scheme assets and the present value of scheme liabilities at the balance sheet date, net of deferred taxation. Scheme liabilities are determined on an actuarial basis using the projected unit method and discounted at a rate equivalent to the rate of return on AA rated corporate bonds of greater than 15 year term.

Foreign Currencies

Transactions in foreign currencies are translated into sterling at the rate ruling on the day of the transaction, or if hedged forward, at the rate of exchange under the related forward currency contract. 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 a range of derivative instruments, including forward foreign exchange contracts to manage exposures to fluctuations in exchange rates and energy based forward contracts. The contract rate is used to determine the book value of the asset or liability.

4 Segmental Information

(£ millions)

	52 week period to 16 September 2006	52 week period to 17 September 2005
Turnover by class of business.		
Sugar	652.3	673.2
Animal feeds	97.3	90.8
	<hr/> 749.6	<hr/> 764.0
	52 week period to 16 September 2006	52 week period to 16 September 2006
Turnover by geographic destination.		
United Kingdom	729.1	748.3
Other EU Countries	19.5	15.3
Rest of World	1.0	0.4
	<hr/> 749.6	<hr/> 764.0

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.

BRITISH SUGAR plc

Notes to the Financial Statements

5 Interest receivable and income from fixed asset investments (£ millions)

	52 week period to <u>16 September 2006</u>	52 week period to <u>17 September 2005</u>
Interest on advances	0.6	0.7
Income from fixed asset investments	1.1	9.3
Interest on bank deposits	0.1	-
Interest receivable from fellow group companies	2.9	4.1
	<u>4.7</u>	<u>14.1</u>

6 Interest Payable and Similar Charges (£ millions)

	52 week period to <u>16 September 2006</u>	52 week period to <u>17 September 2005</u>
Amounts payable on 10 3/4% Debenture stock	16.0	16.0
Interest payable to fellow group companies	8.0	5.2
	<u>24.0</u>	<u>21.2</u>

7 Profit on Ordinary Activities before Taxation (£ millions)

	52 week period to <u>16 September 2006</u>	52 week period to <u>17 September 2005</u>
Profit on ordinary activities before taxation is stated after (crediting) / charging		
Hire of land and buildings under operating Leases	0.6	1.6
Hire of plant and machinery under operating leases	0.4	2.3
Depreciation on owned tangible fixed assets	30.0	29.8
Impairment on owned tangible fixed assets	64.1	-
Impairment of Beet Contracts	3.7	-
Amortisation of intangible assets	5.0	2.8
Research and Development expenditure	4.8	5.0
EU production levies	15.8	30.9
Auditor's remuneration, including expenses - for statutory audit services	0.2	0.2
Government grants released	-	(0.1)
	<u></u>	<u></u>

8 Exceptional Items

In respect of restructuring an exceptional charge of £97.0m has been included in the profit & loss account comprising £67.8m of asset write down, charged to cost of sales, and £29.2m of restructuring and redundancy costs charged to administrative expenses. The tax impact of the above was to reduce the charge for current tax by £4.2m and reduce the deferred tax liability by £22.8m.

During the year the company transferred its defined benefit pension scheme to the ABF defined benefit pension scheme, upon settlement a gain of £30.2m was realised. The tax impact of this was to reduce the deferred tax liability by £12.1 million.

BRITISH SUGAR plc

Notes to the Financial Statements

9 Directors' emoluments (£ millions)

	52 week period to <u>16 September 2006</u>	52 week period to <u>17 September 2005</u>
Directors' emoluments excluding Pension scheme contributions	1.4	1.2
Pension scheme contributions	0.3	0.2
	<u>1.7</u>	<u>1.4</u>

The emoluments of the highest paid director, excluding pension scheme contributions, were £296,977. Employer funded retirement benefits paid by the company on his behalf were £109,792 in the 52 week period ending 16 September 2006.

During the year those directors who were members of the British Sugar defined benefit pension scheme transferred to the ABF defined benefit pension scheme.

The other directors are either members of the ABF defined contribution scheme or the ABF employer funded retirement benefits scheme.

10 Employees (£ millions)

	52 week period to <u>16 September 2006</u>	52 week period to <u>17 September 2005</u>
Staff costs during the period:		
Wages and salaries	59.2	56.8
Social security costs	5.3	5.0
Other pension costs	11.1	10.7
	<u>75.6</u>	<u>72.5</u>

The average monthly number of employees, including directors, of the company during the period was 1,832 (2005: 1,776). In the opinion of the directors all employees fall into a single category.

11 Taxation (£ millions)

	52 week period to <u>16 September 2006</u>	52 week period to <u>17 September 2005</u>
The tax (credit)/charge for the period comprises		
UK corporation tax at 30% (2005: 30%) on ordinary activities	18.4	42.5
UK corporation taxation on exceptional items	4.2	-
Amounts over provided in prior periods	-	(0.2)
	<u>22.6</u>	<u>42.3</u>
Total current tax		
Deferred tax		
Origination and reversal of timing differences		
- Ordinary	1.5	-
- Exceptional	(34.9)	1.0
	<u>(10.8)</u>	<u>43.3</u>
Tax on profit on ordinary activities		

BRITISH SUGAR plc

Notes to the Financial Statements

11 Taxation continued

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>2006</u>	<u>2005</u>
Profit on ordinary activities before tax	(40.4)	176.2
Profit on ordinary activities before tax at the standard rate of corporation tax	(12.1)	52.9
Expenses not deductible for tax purposes	2.1	1.3
Non taxable income	(0.3)	(2.7)
Capital allowances for period in excess of depreciation	19.3	(0.2)
Utilisation of tax losses	(1.2)	(8.0)
Adjustments to tax charges in respect of previous periods	-	(0.2)
Other timing differences	14.8	(0.8)
Total current tax	22.6	42.3

12 Dividends

An interim dividend of 68.75 p per share (2005 56.25p) was paid on 10 January 2005. This amounted to a total payment of £110 million (2005 £90 million).

13 Intangible assets (£ millions)

	<u>Goodwill</u>
Cost	
At 17 September 2005 & 16 th September 2006	50.2
Amortisation	
At 17 September 2005	6.2
Charge for period	5.0
At 16 September 2006	11.2
Net book value	
At 16 September 2006	39.0
At 17 September 2005	44.0

BRITISH SUGAR plc

Notes to the Financial Statements

14 Tangible Fixed Assets

(£ millions)	Freehold land and buildings	Plant & machinery	Fixtures, fittings tools & equipment Owned	Total
Cost or valuation				
At 17 September 2005	252.2	534.6	47.3	834.1
Additions	4.5	20.0	2.6	27.1
Disposals	(1.6)	(10.5)	(3.2)	(15.3)
At 16 September 2006	255.1	544.1	46.7	845.9
Depreciation				
At 17 September 2005	102.0	301.4	36.2	439.6
Charge for period	5.3	21.9	2.8	30.0
Impairment	23.1	40.8	0.2	64.1
Disposals	(0.3)	(9.7)	(3.0)	(13.0)
At 16 September 2006	130.1	354.4	36.2	520.7
Net book value				
At 16 September 2006	125.0	189.7	10.5	325.2
At 17 September 2005	150.2	233.2	11.1	394.5
Cost or valuation				
At 16 September 2006				
is represented by				
Valuation	150.6	-	-	150.6
Cost	104.5	544.2	46.6	695.3
	255.1	544.2	46.6	845.9

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 16th September 2006, have been valued by the directors at £0.8m on an open market valuation basis (2005: £1.3m). At 16 September 2006, the value of freehold land and buildings included £213.9 million (2005: £214.2 million) of depreciable assets.

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

	16 September 2006	17 September 2005
Historical cost	174.2	170.5
Depreciation based on cost	(101.6)	(75.5)
Net book value	72.6	95.0

BRITISH SUGAR plc

Notes to the Financial Statements

15 Fixed asset investments (£ millions)

	Unlisted subsidiary undertakings	Associated undertakings	Total
Cost and net book value At 17 September 2005	0.5	2.9	3.4
At 16 September 2006	0.5	2.9	3.4

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 Ltd	Great Britain	Trading	42.5% Ord Shares
Broomco (2704) Ltd	Great Britain	Dormant	100% Ord Shares
The Billington Food Group Ltd	Great Britain	Dormant	100% Ord Shares
Sukpak	Mauritius	Trading	30% Ord Shares

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

C Czarnikow Ltd has an accounting period end of 31 December

Sukpak are a sugar packaging company operating in Mauritius with an accounting period end of 30 September

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

16 Stocks (£ millions)

	16 September 2006	17 September 2005
Consumable stores	26.9	15.3
Sugar and other products	40.3	62.8
New crop expenditure	-	0.3
	67.2	78.4

17 Debtors (£ millions)

	16 September 2006	17 September 2005
Trade debtors	77.7	89.0
Amounts owed by group undertakings	152.9	163.5
Other debtors	8.6	10.0
Prepayments and accrued income	98.6	5.9
	337.8	268.4

Of the above £6.9 million relates to amounts owed by group undertakings which were recoverable after more than one year (2005 £10.3 million)

BRITISH SUGAR plc

Notes to the Financial Statements

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

	16 September 2006	17 September 2005
Trade creditors	12.8	11.5
Corporation tax	18.9	19.2
Other creditors including tax and social security costs	3.6	3.7
Accruals and deferred income	156.2	61.2
	<u>191.5</u>	<u>95.6</u>

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

	16 September 2006	17 September 2005
Debenture stock (Note 22)	150.0	150.0
Accruals and deferred income	-	0.4
Government grant	0.5	0.5
	<u>150.5</u>	<u>150.9</u>

20 Provisions for liabilities and charges (£ millions)

	Deferred tax	Restructuring	Other	Total
At 17 September 2005	66.5	-	1.1	67.6
Charged to profit and loss	(24.4)	29.2	0.5	5.3
Provisions utilised	-	(0.6)	(0.4)	(1.0)
At 16 September 2006	<u>42.1</u>	<u>28.6</u>	<u>1.2</u>	<u>71.9</u>

Other provisions primarily comprise amounts provided to cover regulatory and compliance matters

BRITISH SUGAR plc

Notes to the Financial Statements

21 Deferred tax (£ millions)

	16 September 2006	17 September 2005
Accelerated capital allowances	47.9	66.5
Other short term timing differences	(5.8)	-
	<hr/>	<hr/>
Total deferred tax provision	42.1	66.5
	<hr/>	<hr/>

22 Debenture stock (£ millions)

	16 September 2006	17 September 2005
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

	16 September 2006	17 September 2005
In five years or more	150.0	150.0
	<hr/>	<hr/>

23 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. These have been excluded from all the following disclosures other than currency risk as relevant. The fair value of current asset receivables approximates to the carrying values because of their short maturity. In accordance with FRS13 deferred tax has been excluded from the following disclosures.

Financial Liabilities

Other than short term creditors, the only material financial liability held is the redeemable debenture stock (see note 22). This is a Sterling denominated fixed interest rate liability. The weighted average interest rate is 10.8% and the weighted average period for which the rate is fixed is 7 years.

Borrowing facilities

At 16 September 2006, the company had the following undrawn committed borrowing facilities, of which all conditions precedent had been met

	16 September 2006	17 September 2005
Expiring in less than one year	5	5

BRITISH SUGAR plc

Notes to the Financial Statements

23 Financial instruments continued

Currency exposure

The table below shows an analysis as at 16 September 2006 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	16 September 2006	17 September 2005
Net foreign currency monetary assets / (liabilities)		
Euro	31.2	31.9
US Dollar	-	0.2
	<u>31.2</u>	<u>32.1</u>
	<u><u>31.2</u></u>	<u><u>32.1</u></u>

Fair values

There are no material differences between current and book values of financial instruments at 16 September 2006 other than those listed below.

	16 September 2006		17 September 2005	
	<u>Net Book Value</u>	<u>Estimated Fair Value</u>	<u>Net Book Value</u>	<u>Estimated Fair Value</u>
Primary financial instruments				
Long term debt (see note 22)	150.0	194.2	150.0	204.1

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

Hedges

As explained on page 13 of the Notes to the Financial Statements the company's policy is to hedge the following exposures:

- (i) Transactional currency exposures - using forward foreign currency contracts,
- (ii) Energy price fluctuations - using physical hedges through the operation of energy supply and trading activities together with financial products.

Gains and losses on instruments used for hedging are not recognised until the exposure that is being hedged is itself recognised or expires. Unrecognised gains and losses on instruments used for hedging and the movements therein, are as follows:

BRITISH SUGAR plc

Notes to the Financial Statements

23 Financial instruments continued

	<u>Foreign exchange £m</u>	<u>Energy derivatives £m</u>	<u>Total net gain / (loss) £m</u>
Unrecognised gains and (losses) on hedges at 17 September 2005	0.3	(3.7)	(3.4)
Gains and (losses) arising in previous years that were recognised in the year ended 16 September 2006	0.3	(3.7)	(3.4)
Gains and (losses) arising in previous years that were not recognised in the year ended 16 September 2006	-	-	-
Gains and (losses) arising in the year ended 16 September 2006 that were not recognised in the year	0.2	(5.1)	(4.9)
Unrecognised gains and (losses) on hedges at 16 September 2006	0.2	(5.1)	(4.9)
Of which			
Gains and (losses) expected to be recognised in the year ended 15 September 2007	0.2	(5.0)	(4.8)

24 Operating Leases (£ millions)

	<u>16 September 2006</u>	<u>17 September 2005</u>
Payments to which the company is committed in the following year are as follows		
Leases expiring		
Within one year		
- land & buildings	-	1.7
- plant & machinery	0.1	0.1
Between two and five years		
- plant & machinery	0.2	0.3
Greater than five years		
- land & buildings	0.6	0.6
- plant & machinery	-	-
	<u>0.9</u>	<u>2.7</u>

25 Called up Share Capital (£ millions)

		<u>16 September 2006</u>		<u>17 September 2005</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
		<u>80.0</u>		<u>80.0</u>
Allotted, called up and fully paid				
Ordinary shares of 50p each	160,000,000	80.0	160,000,000	80.0
		<u>80.0</u>		<u>80.0</u>

BRITISH SUGAR plc

Notes to the Financial Statements

26 Reserves (£ millions)

	<u>Revaluation Reserve</u>	<u>Profit and Loss Account</u>
At beginning of period as previously stated	55.3	338.5
(Loss) for the financial period	-	(139.6)
Actuarial gain on pension scheme	-	39.6
Deferred taxation on actuarial gain on pension scheme	-	(12.1)
Movement in Reserves (1)	<u>(4.0)</u>	<u>4.0</u>
At end of period	<u>51.3</u>	<u>230.4</u>

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

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

	<u>16 September 2006</u>	<u>17 September 2005</u>
(Loss)/Profit on ordinary activities for the financial period after tax	(29.6)	132.9
Equity dividends	(110.0)	(90.0)
Non-equity dividends	-	(2.3)
Actuarial gain net of deferred taxation on pension schemes	27.5	1.3
	<u> </u>	<u> </u>
Retained profit for the financial period	(112.1)	41.9
Redemption of preference shares	-	(75.0)
Opening shareholders' funds	473.8	506.9
Closing shareholders' funds	<u>361.7</u>	<u>473.8</u>

28 Commitments

Capital Expenditure

Projects authorised and contracted for amount to £1.8 million (2005: £2.9 million)

Other

Other commitments, which have arisen in the ordinary course of business, relate to outstanding foreign exchange contracts amounting to £1.3 million (2005: £25.4 million)

BRITISH SUGAR plc

Notes to the Financial Statements

29 Contingent Liabilities (£ millions)

The Company has entered into guarantees in respect of its employee pension funds. Pension details are disclosed in Note 30.

	<u>16 September 2006</u>	<u>17 September 2005</u>
Trading Guarantees	4.9	4.5

No security has been given against these contingent liabilities.

30 Pension Commitments

(a) Defined Contribution Scheme

The company operates the ABF defined contribution scheme. The pension cost charge for the period represents contributions payable by the company to the scheme and amounted to £0.3 million (2005: £0.3 million).

(b) Defined Benefits Scheme

At the beginning of the year the company operated a defined benefit pension scheme, however, during the year the company transferred its defined benefit pension scheme to the ABF defined benefit pension scheme. The contribution made by the company prior to the transfer was £5.7m (2005: £17.8 million).

The last full actuarial valuation of the British Sugar Pension Scheme was carried out as at 1 October 2004. At the valuation date the total market value of the scheme's assets was £515.7 million and the value of these assets for actuarial valuation purposes represented 90% of the benefits that had accrued to members after allowing for expected future increases in earnings.

This valuation was updated for FRS17 purposes to 5th April 2006 (date of transfer) by a qualified independent actuary. The market value of scheme assets at 5th April 2006 was £626.4 million (17th September 2005: £585.5 million) and the present value of the scheme liabilities was £619.9 million (17th September 2006: £595.2 million).

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 scheme's 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.

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

	<u>2006</u> UK %	<u>2005</u> UK %	<u>2004</u> UK %
Rate of general increase in salaries	4.70	4.50	4.80
Rate of increase in pensions in payment	2.70	2.50	2.80
Rate of increase of deferred pensions	2.90	2.80	2.80
Discount rate of scheme liabilities	5.00	5.00	5.60
Inflation	2.90	2.80	2.80

The expected rates of return and market values of the assets of the principal funds at 5th April 2006 (date of transfer) were as follows:

BRITISH SUGAR plc

Notes to the Financial Statements

30 Pension Commitments continued

	At 5 April 2006 UK		At 17 September 2005 UK		At 18 September 2004 UK	
	Expected Long term rate of return	Market Value	Expected Long term rate of return	Market Value	Expected Long term rate of return	Market Value
	%	£million	%	£million	%	£million
Fund assets						
Equities	n/a	290.2	6.50	250.9	7.00	211.2
Government Bonds	n/a	198.9	4.30	192.9	4.80	165.5
Non-government Bonds	n/a	135.1	5.00	132.4	5.60	115.8
Other	n/a	2.2	4.50	9.3	4.80	21.3
		<u>626.4</u>		<u>585.5</u>		<u>513.8</u>
Present value of scheme liability		<u>(619.9)</u>		<u>(595.2)</u>		<u>(533.4)</u>
Surplus/(deficit) in the scheme		6.5		(9.7)		(19.6)
Deferred tax		<u>(2.0)</u>		<u>2.9</u>		<u>5.9</u>
Net pension asset/(liability)		<u>4.5</u>		<u>(6.8)</u>		<u>(13.7)</u>

Amounts included in the financial statements

	<u>2006</u>	<u>2005</u>	<u>2004</u>
Amounts charged to operating profit			
Current service cost of defined benefit schemes	6.4	9.9	11.4
Past service costs	-	0.3	0.4
Gain on settlements	-	-	(2.5)
Total operating charge	<u>6.4</u>	<u>10.2</u>	<u>9.3</u>

	<u>2006</u>	<u>2005</u>	<u>2004</u>
Amounts included as other finance income / (costs)			
Expected return on pension scheme assets	17.3	30.0	29.0
Interest on pension scheme liabilities	(16.3)	(29.6)	(28.3)
Net return included in other financial income	<u>1.0</u>	<u>0.4</u>	<u>0.7</u>
Actual return less expected return on pension scheme assets	39.6	46.7	5.4
Experience gains arising on the scheme liabilities	-	5.4	
Changes in assumptions underlying the present value of the scheme liabilities	-	(50.2)	6.6
Actuarial gain	<u>39.6</u>	<u>1.9</u>	<u>12.0</u>

BRITISH SUGAR plc

Notes to the Financial Statements

30 Pension Commitments continued

	<u>2006</u>	<u>2005</u>	<u>2004</u>
The movement in deficit during the year			
Deficit at start of year	(9.7)	(19.6)	(34.7)
Employer contributions paid	5.7	17.8	11.7
Current service cost	(6.4)	(9.9)	(11.4)
Past service costs	-	(0.3)	(0.4)
Other financial income	1.0	0.4	0.7
Actuarial gain	39.6	1.9	12.0
Settlement gain	(30.2)	-	2.5
Deficit at end of year	-	(9.7)	(19.6)

The experience gains and losses were as follows

	<u>2006</u>	<u>2005</u>	<u>2004</u>	<u>2003</u>
Difference between the expected and actual return on the scheme assets				
- amount (£m)	39.6	46.7	5.4	18.6
- percentage of scheme assets	6.3%	8.0%	1.0%	3.7%
Experience gains and losses on scheme liabilities				
- amount (£m)	-	5.4	-	4.2
- percentage of the present value of scheme liabilities	-	0.9%	-	0.8%
Total amount recognised in statement of total recognised gains and losses				
- amount (£m)	39.6	1.9	12.0	(20.1)
- percentage of the present value of scheme liabilities	6.3%	0.3%	2.2%	3.7%

31 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

BRITISH SUGAR plc

Notes to the Financial Statements

Transactions and balances with associated undertakings (£ millions)

	Sub Notes	C Czarnikow Ltd	Sukpak	Total 2006
Sales to associated undertakings on normal trading terms	(i)	117.0	-	117.0
Purchases from associated undertakings on normal trading terms	(i)	(1.0)	(0.6)	(1.6)
Dividends received from associated undertakings	(i)	1.1	-	1.1
Amounts due from associated undertakings	(i)	27.0	-	27.0
				Total 2006
Subscriptions to the Sugar Bureau	(ii)			0.6

Sub Notes

- (i) Details of the associated undertakings, C Czarnikow Ltd and Sukpak, are given in note 15 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

32 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, 10 Grosvenor Street, London, W1K 4QY