BRITISH SUGAR

ANNUAL REPORT AND FINANCIAL STATEMENTS

(Registered Number: 315158)

12 SEPTEMBER 2015

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Strategic Report

The directors present their Strategic Report for the 52 week period ended 12 September 2015

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, bio-ethanol and other co-products of the sugar manufacturing process These activities are expected to continue in the foreseeable future

2. Review of business

The Company is a wholly-owned subsidiary of Associated British Foods plc ('ABF'). Turnover was 15% lower than last year as a result of lower sugar prices and reduced volumes and the business delivered a breakeven operating result for the year Prices were driven down by increased market competition ahead of the removal of quotas in 2017 The world sugar price, which has an impact on EU exports, was low, and fell further throughout the period

The Company has been engaged in a performance improvement programmes for a number of years, aimed at extending our cost leadership to ensure we are well positioned as a globally competitive producer Substantial cost reductions have already been delivered and the programme is continuing

Benefiting from very high yields, British Sugar produced 1 45 million tonnes of sugar compared with 1.32 million tonnes last year All factories performed well with further progress achieved in production efficiency, cost reduction and in health, safety and environmental metrics

The crop for the 2015/16 campaign has progressed well, although a reduction in the contracted area under cultivation will result in lower sugar production volumes

The price payable to growers for the 2015/16 beet crop has been agreed at a 20% reduction over the price for the period under review Negotiations for delivered beet costs for the 2016/17 campaign have now been concluded with a further substantial reduction. This will make a major contribution to ensuring a more sustainable UK sugar beet industry reflective of the new commercial environment for EU sugar.

3. Principal risks and uncertainties

A full description of the principal risks and uncertainties applicable to the ABF group are disclosed on pages 56-59 of the 2015 ABF Annual Report

Sugar support prices are regulated by the European Commission under the Sugar Regime, as part of the Common Agriculture Policy British Sugar operates in sterling but support prices for sugar and sugar beet are quoted in euros or are related to the euro Accordingly, British Sugar is exposed to a currency risk which is managed using a range of financial instruments The following table shows the euro exchange rates for the period

	52 week period to 12 September 2015	52 week period to 13 September 2014
Euro spot rate at period end	**1.37**	1.25
Euro average rate for the year	**1.34**	1.22

Sugar production requires substantial energy use which exposes the Company to fluctuations in energy prices. This exposure is managed using a range of derivative instruments

The business is exposed to the risk of poor crop harvests as a result of extreme weather conditions These risks are closely monitored and management action is taken as appropriate to mitigate the risk.

The regulated nature of the sugar industry means British Sugar is at risk of incurring penalties for non-compliance The directors are alert to this issue and have established appropriate review groups, guidance and audit procedures to mitigate this risk

On behalf of the board

P Frampton
Director

4 December 2015

Directors' Report

The directors present their annual report and the audited financial statements for the 52 week period ended 12 September 2015

1. Directors

The directors and Company Secretary who served during the year and as at 12 September 2015 are detailed below

M I Carr
J Cowper (appointed 2 March 2015)
P Frampton (appointed 12 February 2015)
Q Heath (appointed 24 October 2014)
D Jenssen (appointed 21 November 2014)
M J Lee (appointed 21 November 2014)
R N Pike
M Burns (resigned 14 November 2014)
G Rhodes (resigned 31 October 2014)

Company Secretary

R S Schofield

2. Directors' and officers' liability insurance

During the 52 week period ended 12 September 2015 the parent Company, ABF, maintained insurance for the directors and major officers to indemnify them against certain liabilities which they may incur in their capacity as directors or officers of the Company, as permitted by section 233 of the Companies Act 2006.

3. Corporate governance

British Sugar plc is a wholly-owned subsidiary of ABF Particulars of ABF's compliance with the UK Corporate Governance Code are set out in its Annual Report which is available at www.abf.co uk.

4. Dividends

A dividend of £100m was paid during the period (2014: £350m). The directors do not recommend the payment of a final dividend (2014 £nil) No dividends were received during the period (2014: £nil)

Directors' Report (continued)

5. 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.

6. Research and development

The Company maintained its commitment to research and development with expenditure during the period of £10 5 million (2014 £15 9 million) It is anticipated that this level of expenditure will continue

7. Environment

British Sugar recognises the impact that its business has on the environment Therefore, as a minimum, it aims to comply with current applicable legislation and its operations are conducted with a view to ensuring that emissions do not cause unacceptable environmental impacts and do not offend the community, resources are used efficiently, waste is minimised by reducing, reusing or recycling where practical, and our packaging is kept to a minimum, consistent with food safety requirements

In addition to the consumption of bought-in energy, British Sugar generates electricity from highly efficient Combined Heat and Power ('CHP') plants and sells surplus electricity to the National Grid The Company participates in the UK Government's CHP quality assurance scheme and qualifies for a full exemption from the UK's Climate Change Levy

During the financial period British Sugar participated in the EU emissions trading scheme designed to incentivise an overall reduction in carbon emissions During the financial period the Company achieved a 3% reduction in the carbon emissions per tonne of sugar produced

8. Employment policies

Details of the number of employees and related costs can be found in note 9 to the financial statements.

British Sugar aims to involve employees in all aspects of its development 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

Directors' Report (continued)

8. Employment policies (continued)

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

Comprehensive training programmes are designed to give employees the opportunity to improve 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 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

9. Disclosure of information to auditor

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

10. Auditor

KPMG LLP was appointed by the board of directors as the Company's auditor for the financial period ended 12 September 2015 KPMG LLP will resign as auditor of the Company with effect from 5 December 2015 and a notice of resignation will be deposited with the Registrar of Companies with effect from that date. In accordance with section 485 of the Companies Act 2006, Ernst & Young LLP has been appointed as auditor of the Company for the financial period ending 17 September 2016

On behalf of the board

P Frampton **4 December 2015**
Director

Statement of directors' responsibilities in respect of the Strategic Report, the Directors' Report and the financial statements

The directors are responsible for preparing the Strategic Report, the Directors' Report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year Under that law they have elected to prepare the financial statements in accordance with UK Accounting Standards and applicable law (UK Generally Accepted Accounting Practice)

Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period In preparing these financial statements, the directors are required to

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

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006 They have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the company and to prevent and detect fraud and other irregularities

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

We have audited the financial statements of British Sugar plc for the 52 week period ended 12 September 2015 set out on pages 9 to 29 The financial reporting framework that has been applied in their preparation is applicable law and UK Accounting Standards (UK Generally Accepted Accounting Practice)

This report is made solely to the Company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditor's report and for no other purpose To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members, as a body, for our audit work, for this report, or for the opinions we have formed

Respective responsibilities of directors and auditor

As explained more fully in the Statement of directors' responsibilities on page 6, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view Our responsibility is to audit, and express an opinion on, the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland) Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors

Scope of the audit of the financial statements

A description of the scope of an audit of financial statements is provided on the Financial Reporting Council's website at www frc org.uk/auditscopeukprivate

Opinion on financial statements

In our opinion the financial statements

- give a true and fair view of the state of the Company's affairs as at 12 September 2015 and of its result for the period then ended;
- have been properly prepared in accordance with UK Generally Accepted Accounting Practice, and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matter prescribed by the Companies Act 2006

In our opinion the information given in the Strategic Report and the Directors' Report for the financial period for which the financial statements are prepared is consistent with the financial statements

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

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us, or
- the financial statements are not in agreement with the accounting records and returns, or
- certain disclosures of directors' remuneration specified by law are not made, or
- we have not received all the information and explanations we require for our audit

M Maloney

Michael Maloney (Senior Statutory Auditor)
for and on behalf of KPMG LLP, Statutory Auditor

Chartered Accountants
15 Canada Square
London
E14 5GL

4 December 2015

Profit and Loss Account
(£ millions)

	Notes	**52 week period to 12 September 2015**	52 week period to 13 September 2014
Turnover	4	**719.4**	851 1
Cost of sales		**(595.1)**	(577.9)
Gross profit		**124.3**	273.2
Distribution costs		**(69.0)**	(62.3)
Administrative expenses		**(55.5)**	(70.6)
Total operating (loss)/profit		**(0.2)**	140.3
Interest receivable	5	**0.3**	0 1
Interest payable and similar charges	6	**(4.5)**	(2.1)
(Loss)/profit on ordinary activities before taxation	7	**(4.4)**	138 3
Taxation on (loss)/profit on ordinary activities	12	**1.1**	(28.4)
(Loss)/profit on ordinary activities after taxation		**(3.3)**	109.9

A statement of movements on reserves is given in note 26

There are no recognised gains or losses other than the loss for the period

The notes on pages 11 to 29 form part of these financial statements

Balance Sheet (£ millions)	Notes		**As at 12 September 2015**		As at 13 September 2014
Fixed assets					
Intangible assets	14		**10.1**		13 8
Tangible assets	15		**351.3**		347 8
Fixed asset investments	16		**3.4**		3 4
			364.8		365 0
Current assets					
Stocks	17	**196.6**		127 6	
Derivative assets		**7.3**		12 7	
Debtors due within one year	18	**124.6**		130 7	
Cash at bank and in hand		**0.8**		1 6	
		329.3		272 6	
Creditors: amounts falling due within one year	19	**(89.1)**		(109 4)	
Net current assets			**240.2**		163 2
Total assets less current liabilities			**605.0**		528.2
Creditors: amounts falling due after more than one year	20	**(392.2)**		(193 6)	
Provisions for liabilities and charges	21	**(24.9)**		(36 7)	
			(417.1)		(230 3)
Net assets			**187.9**		297 9
Capital and reserves					
Ordinary share capital	25		**80.0**		80.0
Share-based payment reserve	26		**6.3**		5.5
Revaluation reserve	26		**25.2**		27 0
Hedge reserve	26		**1.1**		8 6
Profit and loss account	26		**75.3**		176 8
Shareholder's funds (all equity)	27		**187.9**		297 9

These financial statements were approved by the Board of Directors on 4 December 2015 and were signed on its behalf by

P Frampton

Fr. Fr. Fr.

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Notes

1 Accounting reference date

The accounting reference date of the Company is the Saturday nearest to 15 September Accordingly these financial statements have been prepared for the 52 week period ended 12 September 2015.

2 Group accounts

As permitted by sections 402 and 405 of the Companies Act 2006, the directors have excluded from the consolidation, all subsidiary and associated undertakings detailed in note 16 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

There are no dividends received or receivable between the Company and the excluded subsidiary undertakings and the Company has not written down its investments or any amounts due, during the current or preceding period

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 2006, except for the departure noted in the investment note below

The following accounting policies have been applied consistently in dealing with items which are considered material to the financial statements

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 ('FRS') 1 (Revised 1996) *Cash flow Statements,* 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 ('ABF').

Notes (continued)

3 Accounting policies (continued)

Intangible assets
Intangible assets consist of purchased goodwill and operating intangibles, which are capitalised in accordance with FRS 10 *Goodwill and Intangible Assets* and amortised in equal instalments over their useful economic lives, not exceeding 20 years.

Under the EU emissions trading scheme, allowances purchased are recognised at cost as intangible assets and are amortised over their life Allowances received from the government are recognised at fair value with a corresponding government grant recognised in deferred income

Depreciation
Depreciation is calculated on a straight line basis and is applied to completed capital expenditure in the month in which the asset is brought into use, at rates calculated to write off the relevant assets over their expected useful lives Land is not depreciated Estimated useful lives are generally deemed to be no longer than

Freehold land	Nil
Industrial buildings and freehold property	66 years
Plant and machinery	20 years
Fixtures, fittings and equipment	20 years
Motor vehicles	10 years

Investments
Investments are held at cost less any provisions for permanent diminution 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 The Companies Act 2006 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 profit for the period by £2 3 million (2014 £3.1 million) and to increase intangible fixed assets by £nil (2014· £2 3 million)

Notes (continued)

3 **Accounting policies** (continued)

Deferred income
Deferred income consists of government grants and premiums on issue of debenture stock Government grants, including EU/ETS credits, are released to the profit and loss account over the relevant accounting period and debenture premiums over the debenture term Debenture stock is held at amortised cost

Leases
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 activity levels
New crop expenditure	All expenditure relating to the 2015/16 crop is carried forward to the next financial period, as production work-in-progress or finished goods at the lower of cost and net realisable value

Turnover
Turnover comprises the net invoiced value of sales of sugar and other products delivered to customers, and excludes sales tax

The Company has recognised sales in respect of bio-ethanol, animal feeds and other co products (horticulture, surplus electricity generation and Betaine) within turnover as these income streams are relevant to revenue rather than waste products

Revenue is recognised when risks and rewards of the underlying products have been substantially transferred to the customer In practice this means that turnover is recognised when goods are supplied to external customers in accordance with the terms of sale Revenue is stated net of price discounts, certain promotional activities and similar items

Notes (continued)

3 Accounting policies (continued)

Taxation
The charge for taxation is based on the profit for the period. 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 periods. 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

Pension costs
In accordance with FRS17 *Retirement Benefits*, contributions to defined contribution pension schemes are charged to the profit and loss account in the period in which they arise

The Company is a member of the funded UK defined benefit scheme of ABF, the assets of which are held in trustee administered funds. The scheme is a multi-employer scheme.

Because the Company is unable to identify its share of the scheme assets and liabilities on a consistent and reasonable basis, as permitted by FRS17, the scheme is accounted for by the Company as if it was a defined contribution scheme

Particulars of the latest actuarial valuation are detailed in note 11

Share-based payments
The ABF group operates a share incentive plan which allows employees to receive allocations of shares subject to the attainment of certain financial performance criteria and typically after a three-year performance period The fair value of the shares awarded at grant date is recognised as an employee expense with a corresponding increase in reserves The fair value is charged to the profit and loss account over the period during which the employee becomes unconditionally entitled to the shares The fair value of the shares allocated is measured taking into account the terms and conditions under which the shares were allocated The amount recognised as an expense is adjusted to reflect the actual number of shares that vest

Foreign currencies
Transactions in foreign currencies are translated into sterling at the rate ruling on the day of the transaction Monetary assets and liabilities in foreign currencies are translated at the rate prevailing at the balance sheet date Any resulting differences are taken to the profit and loss account

Notes (continued)

3 Accounting policies (continued)

Derivative financial instruments and hedging activities
Derivatives are used to manage the Company's economic exposure to financial and commodity risks. The principal instruments used are foreign exchange and commodity contracts

Derivatives are recognised in the balance sheet, at fair value, based on market prices or rates Changes in the value of derivatives are recognised in the profit and loss account unless they qualify for hedge accounting.

Changes in the fair value of derivatives used as hedges of future cash flows are recognised through the hedge reserve with any ineffective portion recognised immediately within operating profit in the profit and loss account

4 Segmental information

	2015	2014
Turnover by class of business:	**(£ millions)**	(£ millions)
Sugar	**470.6**	626 4
Animal feed	**91.9**	98 1
Bio-ethanol	**27.2**	28 6
Other	**129.7**	98 0
	719.4	851 1

	2015	2014
Turnover by geographic destination:		
United Kingdom	**647.7**	788 9
Other EU countries	**70.6**	60.9
Rest of world	**1.1**	1.3
	719.4	851 1

All turnover originates within the UK

5 Interest receivable

	2015	2014
	(£ millions)	(£ millions)
Interest on advances	**0.2**	-
Interest receivable from fellow group companies	**0.1**	0 1
	0.3	0 1

Notes (continued)

6 Interest payable and similar charges

	2015 (£ millions)	2014 (£ millions)
Amounts payable on:		
Interest payable to fellow group companies	**3.6**	1 5
Other interest payable	**0.9**	0 6
	4.5	2 1

7 (Loss)/profit on ordinary activities before taxation

	2015 (£ millions)	2014 (£ millions)
(Loss)/profit on ordinary activities before taxation is stated after charging		
Hire of land and buildings under operating leases	**6.2**	2 1
Hire of plant and machinery under operating leases	**0.7**	0 7
Depreciation and impairment on owned tangible assets	**32.1**	30 4
Amortisation of intangible assets	**4.5**	5 0
Research and development expenditure	**10.5**	15 9
EU levies	**10.3**	10.7
Restructuring costs	**-**	11.5
Auditor's remuneration, including expenses.		
- for statuory audit of this Company	**0.2**	0 3

Notes (continued)

8 Directors' emoluments

	2015 (£ millions)	2014 (£ millions)
Directors' emoluments excluding pension scheme contributions	**2.2**	1 4
Compensation for loss of office	**-**	0 3
Pension scheme contributions	**0.2**	0 1
Payment in lieu of pension contributions	**0.1**	0 1
Share-based payments	**0.3**	0 3
	2.8	2 2

The emoluments of the highest paid director, excluding pension scheme contributions, were £706,903 (2014 £554,479) This includes a payment in lieu of pension of £97,941 (2014 £95,455)

Four of the directors were either members of the ABF defined contribution scheme or the ABF employer funded retirement benefits scheme

Five of the directors who served during the period, including the highest paid director, received shares under long-term incentive plans in respect of qualifying services The value of these services was £304,188 (2014 £262,949) See note 10 for further information

9 Employees

	2015 (£ millions)	2014 (£ millions)
Staff costs during the period		
Wages and salaries	**76.3**	77 3
Share-based payment charge	**0.8**	0 4
Social security costs	**7.8**	8.3
Other pension costs	**10.3**	12 0
	95.2	98 0

The average monthly number of employees, including directors, of the Company during the period was 1,909 (2014 2,066).

Notes (continued)

10 Share-based payments

The Company had the following equity-settled share-based payment plans in operation during the period

ABF's Executive Share Incentive Plan 2003 ('the Share Incentive Plan'). The Share Incentive Plan was approved and adopted by ABF at its annual general meeting held on 5 December 2003 It takes the form of conditional allocations of shares in ABF, which will be released if, and to the extent that, certain performance targets are satisfied over a three-year performance period

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

	12 September 2015	13 September 2014
Shares outstanding at the beginning of the period	**168,989**	189,568
Awarded	**35,498**	35,187
Vested	**(25,587)**	(59,152)
Lapsed	**(40,270)**	(24,684)
Shares outstanding at the end of the period	**138,630**	140,919

The opening balance has been restated to include 28,070 shares in respect of prior period awards for directors who were appointed during the period

Fair values

The weighted average fair value of shares awarded was determined by taking the market price of the shares at the time of grant and discounting for the fact that dividends are not paid on conditionally allocated shares during the vesting period The dividend yield used was 2 5%

The weighted average fair value of shares awarded during the period was 2,873 (2014 – 2,226) pence per share and the weighted average share price was 3,089 (2014 – 2,393) pence per share

The Company recognised a total equity-settled share-based payment expense of £0 83m (2014 - £0 35m), with a corresponding entry in reserves

Notes (continued)

11 Pensions

The company is a member of the Associated British Foods Pension Scheme which provides benefits based on final pensionable pay As the company is unable to identify its share of the Scheme's assets and liabilities on a consistent basis, as permitted by FRS 17 the Scheme is accounted for by the Company as if it were a defined contribution scheme On 30 September 2002 the Scheme was closed to new members and a defined contribution arrangement was put in place for other employees Employer's contributions to the defined benefit scheme for the period totalled £6 7m (2014 £7 9m) and are recorded as a cost in the profit and loss account For the defined contribution scheme, contributions for the period amounted to £3 6m (2014 £4 1m), also recorded as a cost in the profit and loss account No pension contributions were accrued or prepaid at the period end (2014 £nil)

The Scheme was valued at 12 September 2015 on the basis of IAS19 *Employee Benefits* ('IAS19') by an independent qualified actuary for inclusion in the ABF group financial statements. The valuation of the Scheme showed a surplus of £79m (2014. surplus £87m) There are no material differences in the valuation methodologies under IAS 19 and FRS 17 Full IAS 19 disclosures can be found within the annual report and accounts of the ABF group, which are available for download from the group's website at www abf co uk The most recent triennial funding valuation of the Scheme, using the current unit method, was carried out as at 5 April 2014

Notes (continued)

12 Taxation

	2015 (£ millions)	2014 (£ millions)
The tax (credit)/charge for the period comprises		
UK corporation tax		
Current tax on income for the period	-	32 1
Adjustments in respect of prior periods	**0.8**	-
Total current tax charge	**0.8**	32 1
Deferred tax		
Origination/reversal of timing differences	**0.7**	(0 3)
Adjustments in respect of prior periods	**(2.6)**	(3 4)
Tax (credit)/charge on (loss)/profit on ordinary activities	**(1.1)**	28.4

Current tax reconciliation

	2015 (£ millions)	2014 (£ millions)
(Loss)/profit on ordinary activities before tax	**(4.4)**	138.3
Current tax at effective rate of 20 5% (2014 – 22 1%)	**(0.9)**	30.5
Effects of		
Expenses not deductible for tax purposes	**1.3**	1 8
Depreciation in excess of capital allowances	**(0.2)**	(0 2)
Tax suffered on overseas operations	**2.0**	-
Other timing differences	**(0.5)**	-
Adjustments to tax charge in respect of previous years	**(0.9)**	-
Total current tax charge	**0.8**	32 1

Notes (continued)

12 Taxation (continued)

The UK corporation tax rate was reduced from 21% to 20% with effect from 1 April 2015 The legislation to effect these rate changes had been enacted before the prior year balance sheet date As deferred tax is measured at the rates that are expected to apply in the periods when the underlying timing differences reverse, opening and closing deferred tax balances have been calculated using a rate of 20%.

Since the balance sheet date legislation has been substantively enacted to reduce the rate further to 19% from 1 April 2017 and 18% from 1 April 2020 The effect of these new rates on deferred tax balances will accordingly be reflected in the accounts for the 2015/16 financial year

13 Dividends

A dividend of £100 0m was paid during the period (2014 £350 0m)

14 Intangible assets

(£ millions)	Goodwill	Operating intangibles	Total
Cost			
At 13 September 2014	50 2	14 9	65 1
Additions	-	5 4	5 4
Disposals	-	(4.6)	(4 6)
At 12 September 2015	**50.2**	**15.7**	**65.9**
Amortisation			
At 13 September 2014	47 9	3.4	51 3
Charge for the period	2 3	2.2	4 5
Disposals	-	-	-
At 12 September 2015	**50.2**	**5.6**	**55.8**
Net book value			
At 13 September 2014	2 3	11.5	13 8
At 12 September 2015	**-**	**10.1**	**10.1**

Notes (continued)

15 Tangible assets

(£ millions)	Freehold land and buildings	Plant and machinery	Fixtures, fittings and equipment	Total
Cost or valuation				
At 13 September 2014	236 3	635 2	38 9	910.4
Additions	4 2	24 6	8 5	37 3
Disposals	(0 7)	(11 7)	(0.6)	(13 0)
Reclassifications	(0 6)	0 7	(0 1)	-
At 12 September 2015	**239.2**	**648.8**	**46.7**	**934.7**
Depreciation				
At 13 September 2014	118 4	412 9	31.3	562.6
Charge for period	5 0	25 7	1.4	32 1
Disposals	(0 4)	(10 4)	(0.5)	(11.3)
At 12 September 2015	**123.0**	**428.2**	**32.2**	**583.4**
Net book value				
At 13 September 2014	117.9	222 3	7.6	347 8
At 12 September 2015	**116.2**	**220.6**	**14.5**	**351.3**
Cost or valuation				
At 12 September 2015 is represented by				
Valuation	122 6	-	-	122 6
Cost	116.6	648.8	46 7	812 1
	239.2	**648.8**	**46.7**	**934.7**

Notes (continued)

16 Fixed asset investments

(£ millions)	Unlisted subsidiary undertakings	Associated undertakings	Total
Cost and net book value			
At 13 September 2014	0.5	2 9	3 4
At 12 September 2015	**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
Wereham Gravel Co Ltd	Great Britain	Growing of sugar beet	Ordinary shares 100%
C Czarnikow Ltd	Great Britain	Trading	Ordinary shares 42 5%
Broomco (2704) Ltd	Great Britain	Dormant	Ordinary shares 100%
The Billington Food Group Ltd	Great Britain	Dormant	Ordinary shares 100%
Sukpak Limitée	Mauritius	Trading	Ordinary shares 30%
British Beet Research Organisation	Great Britain	Trading	50%

The predominant geographic area of operations of Wereham Gravel Company Limited and C Czarnikow Ltd is the United Kingdom

C Czarnikow Ltd has an accounting period end of 31 December

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

British Beet Research Organisation ('BBRO') is a company limited by guarantee of which British Sugar plc has a £1 liability in the event of the company being wound up. It has an accounting period end of 31 December

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

Notes (continued)

17 Stocks

	2015 (£ millions)	2014 (£ millions)
Consumable stores	**20.3**	20.1
Sugar and other products	**176.3**	107 5
	196.6	127 6

18 Debtors

	2015 (£ millions)	2014 (£ millions)
Trade debtors	**48.3**	54 6
Corporation tax	**19.8**	-
Amounts owed by group undertakings	**19.3**	34 8
Other debtors	**22.1**	25 0
Prepayments and accrued income	**15.1**	16 3
	124.6	130 7

Of the amounts owed by group undertakings, £14 3 million relates to amounts recoverable after more than one year (2014 £32.0 million)

19 Creditors: amounts falling due within one year

	2015 (£ millions)	2014 (£ millions)
Trade creditors	**39.9**	45 5
Corporation tax	**-**	10 5
Other creditors including tax and social security costs	**0.3**	0 1
Derivative liabilities	**5.7**	2 9
Amounts owed to group undertakings	**1.0**	1 3
Accruals and deferred income	**42.2**	49 1
	89.1	109 4

Notes (continued)

20 Creditors: amounts falling due after more than one year

	2015 (£ millions)	2014 (£ millions)
Amounts owed to group undertakings	**391.3**	192 9
Government grant	**0.9**	0 7
	392.2	193 6

The amounts owed to group undertakings are expected to be paid in more than five years

21 Provision for liabilities and charges

	Deferred tax (£ millions)	**Other (£ millions)**	**Total (£ millions)**
At 13 September 2014	21 8	14 9	36 7
Credited to profit and loss	(1 9)	(1 4)	(3.3)
Utilised	-	(6 6)	(6.6)
Charged to reserves	(1 9)	-	(1.9)
At 12 September 2015	**18.0**	**6.9**	**24.9**

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

22 Deferred tax

	2015 (£ millions)	2014 (£ millions)
Accelerated capital allowances	**20.0**	20 9
Other short term timing differences	**(2.2)**	(1.2)
Deferred tax on hedging reserve	**0.2**	2 1
Total deferred tax provision	**18.0**	21 8

Notes (continued)

23 Financial instruments

As a wholly owned subsidiary of ABF (which prepares consolidated accounts under IFRS), British Sugar is exempt from the scope of FRS 29 *Financial Instruments Disclosures*

24 Operating leases

	2015 (£ millions)	2014 (£ millions)
Payments to which the Company is committed in the following year are as follows		
Leases expiring		
Within one year		
- land and buildings	**4.0**	1.4
- plant and machinery	**0.5**	0.4
Between two and five years		
- land and buildings	**2.8**	1.0
- plant and machinery	**0.8**	0.6
	8.1	3.4

25 Ordinary share capital

	2015		2014	
	Number ('000s)	**£ millions**	Number ('000s)	£ millions
Issued and fully paid				
Ordinary shares of 50 pence each	**160,000**	**80.0**	160,000	80.0
	160,000	**80.0**	160,000	80.0

Notes (continued)

26 Reserves

(£ millions)	**Share - based payment reserve**	**Revaluation reserve**	**Hedge reserve**	**Profit and loss account**
At beginning of period	5.5	27.0	8 6	176 8
Loss for the financial period	-	-	-	(3 3)
Dividends paid	-	-	-	(100.0)
Hedge reserve movement	-	-	(7 3)	-
Tax on hedge reserve	-	-	(0 2)	-
Share-based payment reserve	0 8	-	-	-
Movement in reserves (i)	-	(1 8)	-	1 8
At end of period	**6.3**	**25.2**	**1.1**	**75.3**

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

27 Reconciliation of movement in shareholder's funds

	2015 (£ millions)	2014 (£ millions)
(Loss)/profit on ordinary activities for the financial period after tax	**(3.3)**	109 9
Equity dividends	**(100.0)**	(350 0)
Hedge reserve movement	**(7.5)**	8 3
Share-based payment charge	**0.8**	0 4
	(110.0)	(231 4)
Opening shareholder's funds	**297.9**	529 3
Closing shareholder's funds	**187.9**	297.9

28 Commitments

Capital expenditure
Projects authorised and contracted for amount to £11.5 million (2014: £6 9 million)

Notes (continued)

29 Contingent liabilities

(£ millions)	**2015**	2014
Trading guarantees	**15.2**	12 1

No security has been given against these contingent liabilities.

Where the Company enters into financial guarantee contracts to guarantee the indebtedness of other companies within its group, the Company considers these to be insurance arrangements and accounts for them as such The guarantee contract is treated as a contingent liability until such time as it becomes probable that the Company will be required to make a payment under the guarantee

30 Related party transactions

The Company, being a 100 per cent subsidiary of ABF Investments plc, has taken advantage of the FRS 8 *Related Party Disclosures* exemption not to disclose related party transactions with 100 per cent entities in the same group British Sugar plc's other related parties, as defined by FRS 8, the nature of the relationship and the extent of transactions with them are summarised below

(£ millions)	Notes	**C Czarnikow Sugar Ltd**	**Sukpak Limitée**	**Sugar Bureau**	**Frontier Agriculture Limited**	**BBRO**	**Total**
Sales to associated undertakings on normal trading terms	(i)(iii)	24 4	-	-	-	1 6	26 0
Purchases from associated undertakings on normal trading terms	(i) (ii)(iii) (iv)&(v)	0 4	1 1	0 4	3 8	3 1	8 8
Amounts due from associated undertakings	(i)	2 4	-	-	-	-	2 4
Amounts due to associated undertakings	(iv)	-	-	-	0 2	-	0 2

Notes (continued)

30 Related party transactions (continued)

(i) C Czarnikow Sugar Ltd is a 100% subsidiary of C Czarnikow Ltd. Details of the associated undertakings, C Czarnikow Ltd and Sukpak, are given in note 16 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 managers of British Sugar plc

(iii) The BBRO is a non-profit making company that commissions and implements research and technology transfer designed to increase the competiveness and profitability of the UK beet sugar industry The board of directors consists of four members, two of whom are senior managers of British Sugar plc

(iv) Frontier Agriculture Limited is an agricultural services company providing supplies to farming business. The company is a joint venture between ABF and Cargill plc.

(v) Sukpak Limitée, an associate undertaking, is a sugar packaging company operating in Mauritius

31 Holding company

The ultimate holding company and controlling party as defined by FRS 8 is Wittington Investments Limited which is incorporated in Great Britain and registered in England

The largest group in which the results of the Company are consolidated is that headed by Wittington Investments Limited The smallest group in which they are consolidated is that headed by ABF, which is incorporated in Great Britain and registered in England and Wales The consolidated accounts of ABF are available to the public and may be obtained from its registered office at Weston Centre, 10 Grosvenor street, London W1K 4QY or by download from the group's website at www abf co uk