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# BRITISH SUGAR plc

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ANNUAL REPORT 1986

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## Contents

Page No.

Salient Figures	1
Chairman and Managing Director's Review	2-3
Report of the Directors	4-5
Report of the Auditors	6
Consolidated Statement of Profit and Loss	7
Consolidated Balance Sheet	8
Consolidated Statement of Source and Application of Funds	9
Consolidated Statement of Value Added	10
Notes to the Financial Statements	11-24
Balance Sheet (Company)	25
Historic Cost Financial Information	26-27
Current Cost Financial Information	28-32

**Annual Report****Salient Figures**

	1986 £000	1985 £000	1984 £000	1983 £000	1982 £000
Turnover	595,527	637,712	617,245	594,667	523,742
Dividend per share	399.0p	52.5p	53.0p	54.0p	57.4p
<b>Current Cost Accounts</b>					
Profit before tax*	40,202	36,798	47,345	50,967	47,444
Dividend cover	0.1 times	0.9 times	1.2 times	1.1 times	1.3 times
Net assets per share	634p	952p	892p	833p	784p

\*on ordinary activities

**Board of Directors****Chairman**

E S Margulies\*

**Managing Director**

P A Jacobs\*

**Executive Directors**

R J Bass

R B Begy

M F Branch

T P J Dyke

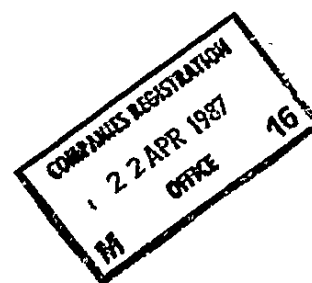
A G Taylor

M S Ansher\*

**Company Secretary**

J W C Letchford

\*Also Directors of S. &amp; W. Berisford PLC



## Chairman and Managing Director's Review

British Sugar was formed in 1936 and hence celebrated its Golden Jubilee in 1986. In the event, 1986 turned out to be a momentous year, with persistent speculation regarding the future ownership of the Company, crystallising in the interests of Tate & Lyle and Gruppo Ferruzzi in acquiring control of British Sugar both being referred for investigation to the Monopolies and Mergers Commission, whose enquiry was completed recently.

The Department of Trade and Industry announced on February 25 1987 that following consideration by the Monopolies and Mergers Commission, neither Gruppo Ferruzzi nor Tate & Lyle should be allowed to proceed with their respective plans to acquire control of British Sugar. Following this news, Berisford has affirmed its continuing commitment to the Company and we are totally confident that under Berisford's ownership, the Company will remain a profitable and successful enterprise. The Company will continue to develop its long-term strategy, aimed at ensuring its continued health and expansion and Berisford has agreed to support our programme of diversification through investment and acquisition.

Since the last report there have been several senior management changes which have helped strengthen the Company. In addition to a new Managing Director, Malcolm Branch and Bob Bass have assumed Board responsibility for Production and Engineering respectively. Their specialist knowledge and long experience with the Company will be most valuable to the Board. Additionally, Roger Begy has joined the Board to direct the Sales, Marketing and Distribution function after two very successful years with the Company as Industrial Sales Manager.

We should like to pay tribute to the long and distinguished career of Bob Chappell who retired from the Board in November 1986 after 36 years of service with the Company. His valuable contribution and great experience in the Sugar Industry will be missed in many areas of the Company.

During the year, British Sugar paid an Interim dividend of £210 million to the Berisford Group. This has not affected the long term funding of British Sugar, as Berisford had previously made available a ten-year interest free loan to the Company.

In 1985/86 conditions in the market place for all our products showed little change from the previous year, with the retail sugar sector being particularly difficult. Despite these problems, the Company maintained market share, and again succeeded in selling its total sugar quota in the home market.

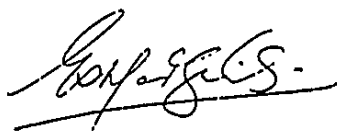
During the year, British Sugar was granted the prestigious "Quality British Foodmark" award in recognition of our high quality standards. This allows our retail sugar products to carry the coveted "Quality British Foodmark" label which assures the consumer of first class products.

Over recent years the cost of fuel at factories has been a major concern. In 1985/86, the purchase price of fuel fell significantly, and the usage of fuel per tonne of product also was reduced. These two factors resulted in good savings in our operating costs and helped bring about the turnaround in our profit trend to the current forecast of year on year improvement.

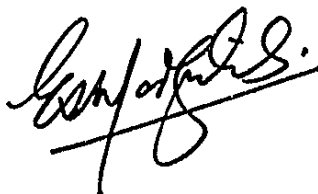
It is necessary to continue to improve our efficiencies, as the EEC price mechanisms have meant that increases in margin over recent years have been very small, and well below the United Kingdom inflation rates.

Despite these constraints, the Company is well placed to capitalise on its undoubted strengths and to develop other related activities in future years. The past year produced current cost profits before taxation of just over £40 million compared with £36.8 million in 1984/85 and we are confident that this recovery in profitability will be continued in the current year.

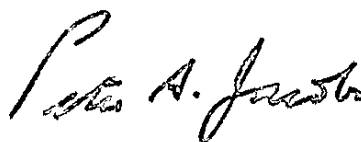
We wish to pay tribute to a loyal and dedicated workforce at all levels, who have helped to achieve a creditable result in 1985/86 despite the distraction of a second Monopolies Commission enquiry in the space of seven years, and who are now contributing to what we confidently expect will be a significantly improved financial performance in 1986/87.



E S Margulies, Chairman



P A Jacobs, Managing Director



# Report of the Directors

The Directors present their report and financial statements for the 52 weeks ended September 28 1986.

## 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. A review of activities is included in the Chairman and Managing Director's Review.

## Basis of Accounting

The Group financial statements have been prepared on a current cost accounting basis to reflect the impact of specific price changes on the business. In addition, historic cost financial information has been prepared and is shown in Note 21, and on pages 26 and 27.

## Results and Dividends

The current cost profit on ordinary activities after taxation for the period shown in the financial statements was £28,403,000 (1985 £29,716,000). The profit has been utilised as follows:

	£000
Interim dividends and recommended final dividend	239,400
Transfer from reserves	(210,997)
	<u>28,403</u>

On April 2 1986 the Company paid an interim dividend of £210,000,000 (350 pence per share) to its holding company. The payment was made without deduction of advance corporation tax under the group election in force.

On November 19 1986 the Company paid a second interim dividend of £20,100,000 (1985 £15,000,000) equivalent to 33.5 pence per share (1985 25.0 pence per share). The second 1986 interim dividend was paid outside the group election for advance corporation tax.

The Directors recommend the payment on April 2 1987 of a final dividend of 15.5 pence per share, making the total for the year 399 pence per share (1985 52.5 pence per share), to shareholders whose names appear on the register at the close of business on January 31 1987, which is equivalent with the associated tax credit to 419.01 pence per share (1985 52.5 pence per share).

## Term Loan

On March 27 1986 S & W Berisford PLC made an interest free loan to British Sugar plc of £210,000,000 repayable in five equal annual instalments commencing in 1992 (see Note 16).

## Fixed Assets

A valuation of land and buildings was undertaken by Gerald Eve and Co, Chartered Surveyors, as at September 26 1982. The valuation was incorporated into the financial statements with effect from that date, as set out in Note 10 to the financial statements.

Directors' valuations have been undertaken as at September 25 1983, September 30 1984, September 29 1985 and September 28 1986 which have been incorporated into the financial statements at the respective dates.

## Directors

The names of the present Directors and the Secretary of the Company are shown on page 1. The following Directors were appointed during the year, and in accordance with the Articles of Association hold office until the next Annual General Meeting and being eligible offer themselves for election.

	Date of Appointment		Date of Appointment
M S Ansher	March 20 1986	M F Branch	July 1 1986
P A Jacobs	July 1 1986	R B Begy	September 27 1986
R J Bass	July 1 1986		

The following Directors resigned during the year:

	Date of Resignation		Date of Resignation
N J Robson	April 2 1986	P W Gibbs	September 26 1986
G E Percival	June 24 1986		

T. H. Edwards, J. A. Friedman and A. H. Morton were appointed directors on March 20 1986 and resigned on November 18 1986.

D. J. Allen and H. P. Wiltshire resigned on November 18 1986.

R. W. Chappell retired on November 12 1986.

Mr A G Taylor retires by rotation and being eligible offers himself for re-election.

### Directors' Declarable Interests

No Director had an interest during the period in the guaranteed debenture stock.

The following Directors of British Sugar plc who are not Directors of S & W Berisford PLC are shareholders in S & W Berisford PLC.

Shareholding in S & W Berisford PLC

	Beneficial Interest		Beneficial Interest
T P J Dyke	{ 1,195 1,045*	A G Taylor	{ 2,376 1,240*

\* Denotes shares held by trustees under the British Sugar Employee Share Purchase Scheme at the end of the year.

The following Directors have been granted an option under the S & W Berisford PLC SAYE Share Option Scheme:

	1984**	1985**
R J Bass	2,151	2,298
M F Branch	2,151	—
A G Taylor	2,151	2,298

\*\*To be exercised between June and December 1989.

\*\*To be exercised between April and October 1990

### Holding Company

The ultimate holding company of British Sugar plc is S & W Berisford PLC a company incorporated in Great Britain. On November 18 1986 a conditional agreement was signed by S & W Berisford PLC and Gruppo Ferruzzi whereby British Sugar plc's parent company agreed to transfer 70% of its interest in British Sugar plc to Gruppo Ferruzzi. This agreement was subject to approval being obtained from the Secretary of State for Trade and Industry and Shareholders of S & W Berisford PLC. On February 25 1987 it was announced by the department of Trade and Industry that the proposed acquisition by Gruppo Ferruzzi should not be allowed to proceed.

### Research and Development

The Group continued to maintain its expenditure on research and development and during the period this amounted to £2,379,000 (1985 £2,280,000). It is anticipated that at least this level of expenditure will continue.

### Charitable Donations and Political Contributions

Donations to UK charities by the Group amounted to £25,555 (1985 £22,779). No political contributions were made.

### Employment Policies

The Group aims to keep employees alerted to all aspects of British Sugar's development and achievements.

Communication channels and consultative systems exist between management, trade unions, works advisory committees (at both office and factory level) and direct to the individual employee. These help to foster the mutual trust and recognition of common goals essential to the smooth running of the business. British Sugar News, a Company newspaper distributed six times a year to all employees, highlights key areas of both Company and individual achievement. Every effort is made to ensure that procedures and prejudices regarding race, religion or sex do not hinder people from obtaining jobs or in the development of their careers.

A comprehensive training programme is designed to give employees the opportunity of advancing 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 who is fortunate enough not to suffer from a disability.

### Auditors

The auditors, Deloitte Haskins & Sells, have indicated their willingness to continue in office and a resolution that they be reappointed for the period prescribed by statute, at a fee to be fixed by the Directors, will be proposed at the Annual General Meeting.

By Order of the Board  
J W C Letchford — Company Secretary

FEBRUARY 25 1987

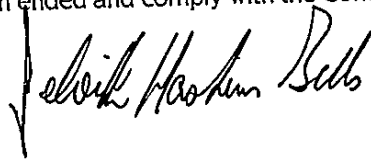
## Report of the Auditors

To the members of British Sugar plc

We have audited the financial statements on pages 7 to 25 in accordance with approved Auditing Standards.

The financial statements have been prepared using the current cost principles, accounting policies and methods described in Note 1 on pages 11 and 12.

In our opinion the financial statements give, on a current cost basis, a true and fair view of the state of affairs of the Company and of the Group at September 28 1986 and of the Group's profit, source and application of funds and value added and its distribution for the period then ended and comply with the Companies Act 1985.



DELOITTE HASKINS & SELLS  
Chartered Accountants  
CAMBRIDGE  
Dated: FEBRUARY 25 1987



**Consolidated Statement of Profit and Loss**

Prepared on the Current Cost Basis of Accounting

For the 52 weeks ended September 28 1986

Notes:	1986		1985	
	£000	£000	£000	£000
3 <b>Turnover</b>		595,527		637,712
Cost of sales		489,896		523,173
Gross profit		105,631		114,539
Distribution costs	42,067		48,147	
Administrative expenses	25,206		23,298	
4 Other operating expenses (net)	2,980		7,033	
		<u>70,253</u>		<u>78,478</u>
<b>Operating profit</b>		35,378		36,061
Interest on term loans	320		349	
Gearing adjustment	(5,144)		(1,086)	
		<u>(4,824)</u>		<u>(737)</u>
5 <b>Profit on ordinary activities before taxation</b>		40,202		36,798
6 Taxation		11,799		7,082
<b>Profit on ordinary activities after taxation</b>		<u>28,403</u>		<u>29,716</u>
7 <b>Earnings per share</b>		47.3p		49.5p
<b>Utilisation of profit</b>				
8 <b>Profit for the financial year</b>		28,403		29,716
Retained profit at September 30 1985		<u>122,543</u>		<u>124,327</u>
		150,946		154,043
9 Dividends		<u>239,400</u>		<u>31,500</u>
19 <b>Retained profit at September 28 1986</b>		<u>(88,454)</u>		<u>122,543</u>

**Consolidated Balance Sheet**

Prepared on the Current Cost Basis of Accounting

As at September 28 1986

		1986		1985	
		£000	£000	£000	£000
Notes:					
	<b>Fixed assets</b>				
10	Tangible assets		565,572		547,057
11	Investments		42		42
	<b>Current assets</b>				
12	Stocks	88,528		91,750	
13	Debtors	47,965		48,585	
	Cash at bank and in hand	11,845		9,680	
		<u>148,338</u>		<u>150,015</u>	
	<b>Current liabilities</b>				
14	Creditors: amounts falling due within one year	<u>99,835</u>		<u>104,544</u>	
	<b>Net current assets</b>		<u>48,503</u>		<u>45,471</u>
	<b>Total assets less current liabilities</b>		614,117		592,570
14	Creditors: amounts falling due after more than one year		229,417		16,687
18	Deferred income		<u>4,532</u>		<u>4,836</u>
	<b>Net assets</b>		<u>380,168</u>		<u>571,047</u>
	<b>Capital and reserves</b>				
	Called up share capital (authorised, allotted and fully paid Ordinary shares of 50p each)		30,000		30,000
19	Current cost reserve				
	Unrealised	305,498		302,313	
	Realised	<u>133,124</u>		<u>116,191</u>	
			438,622		418,504
19	Profit and loss account		<u>(88,454)</u>		<u>122,543</u>
			<u>380,168</u>		<u>571,047</u>

The financial statements on pages 7 to 25 were approved by the Board on FEBRUARY 25 1987 and signed on its behalf by:

E S MARGULIES } Directors  
P A JACOBS }

*Peter A. Jacobs*  
*Paul A. Jacobs*

# Consolidated Statement of Source and Application of Funds

Prepared on the Current Cost Basis of Accounting

For the 52 weeks ended September 28 1986

	1986 £000	1985 £000
<b>Source of funds</b>		
Profit on ordinary activities before taxation	40,202	36,798
Items not involving the movement of funds:		
Depreciation	32,357	33,683
Current cost adjustments	(2,522)	196
	<u>76,037</u>	<u>70,677</u>
Funds generated from operations		
Funds from other sources:		
Term loan	210,000	—
Investment grants and loans	48	1,447
Finance leases	784	4,544
Proceeds of disposals of fixed assets—tangible	1,257	1,113
	<u>288,126</u>	<u>77,781</u>
<b>Total source of funds</b>		
<b>Application of funds</b>		
Purchase of fixed assets—tangible	36,936	28,249
Dividends	226,500	31,200
Corporation tax, group relief and overseas tax	6,903	9,607
Finance lease payments	2,491	2,395
Loan repayments	300	300
	<u>273,130</u>	<u>71,751</u>
<b>Total application of funds</b>		
	<u>14,996</u>	<u>6,030</u>
<b>Net source of funds</b>		
The net source of funds shown above is represented by the following movements in working capital:		
Stocks	(3,222)	(9,648)
Debtors	(620)	(58,156)
Creditors falling due within one year	17,883	62,076
Change in revaluation surplus on product stocks	(1,210)	(251)
	<u>12,831</u>	<u>(5,379)</u>
Movement in net liquid funds:		
Cash at bank and in hand	2,165	6,655
Bank loans and overdrafts	—	4,754
	<u>2,165</u>	<u>11,409</u>
	<u>14,996</u>	<u>6,030</u>
Increase in working capital		

**Consolidated Statement of Value Added**

Prepared on the Current Cost Basis of Accounting

For the 52 weeks ended September 28 1986.

	1986		1985	
	£000	£000	£000	£000
<b>Turnover</b>		595,327		637,712
Cost of beet	254,306		264,385	
Other bought in materials and services	169,851		204,072	
		<u>424,157</u>		<u>468,457</u>
<b>Value added</b>		<u>171,370</u>		<u>169,255</u>
<b>Distributed in the following way:</b>				
<b>Payments to employees</b>				
Wages, social security and pension contributions, canteen, training and other similar payments	66,687		64,681	
Less: Own labour costs on capital	(1,757)		(1,180)	
		64,930		63,501
<b>Payments to lenders of capital</b>				
Interest on term loans	320		349	
Gearing adjustment	(5,144)		(1,086)	
Operating interest	3,472		8,459	
Monetary working capital adjustment	(172)		(1,426)	
		(1,844)		6,296
<b>Payment for tax and levies</b>				
Corporation tax, group relief and overseas tax	11,799		7,082	
Net EEC payments	29,725		28,977	
		41,524		36,059
<b>Provision for maintenance and expansion of assets</b>				
Depreciation	38,357		33,683	
Transferred from reserves	(210,997)		(1,784)	
		(172,640)		31,899
<b>Payments to shareholders</b>				
		239,400		31,500
		<u>171,370</u>		<u>169,255</u>

# Notes to the Financial Statements

## 1 Accounting policies

### (a) Basis of accounting

The financial statements are prepared in accordance with the current cost principles, accounting policies and methods described below.

### (b) Consolidation

The consolidated financial statements incorporate the financial statements of the parent company and those of its subsidiaries (Note 11) for the accounting period ended September 28 1986.

### (c) Taxation

Corporation tax and group relief payable is provided at the current rate on the taxable profit which comprises the profit computed on the historic cost basis adjusted for items permanently disallowable for tax purposes and for the effect of timing differences in the recognition of income or expenses for tax purposes. Provision is made for deferred taxation on the liability method to recognise timing differences between profits stated in the financial statements and profits computed for taxation purposes, except where, in the opinion of the Directors, it is expected that no liability to taxation is likely to arise on such timing differences in the foreseeable future.

### (d) Tangible fixed assets

The current replacement cost of tangible fixed assets has been arrived at by using the depreciated current replacement cost on an existing use basis. The Company's land and buildings have been valued by an independent valuer followed by Directors' revaluations. Plant and machinery values have been arrived at by using the appropriate published index.

Depreciation is calculated on a straight line basis and is applied to completed capital expenditure in the month it is brought into commission at the following rates calculated to write off the relevant assets over their expected useful lives.

Industrial buildings and freehold houses	50 years
Plant and equipment	10 to 30 years
Mobile plant	5 years
Electronic equipment	3 to 5 years

Land is not depreciated.

### (e) Fixed asset investments

Fixed asset investments are stated at historic cost, with adjustments necessary to reflect a permanent diminution in value.

### (f) Deferred income

Deferred income consists of government grants which are released to the profit and loss account over the expected useful life of the related asset.

### (g) Stocks

These are valued as follows:

Consumable stores	At current cost.
Sugar and other products	Closing stocks of sugar and other products have been valued by reference to the latest costs of production
New crop expenditure	All expenditure relating to the 1986/87 crop is carried forward to the next financial period as production work-in-progress at actual cost which equates to current cost.

(h) Research and development expenditure

All expenditure on research and development relating to the activities of the Group is charged to the profit and loss account in the financial period in which it is incurred.

(i) Turnover

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

(j) Cost of sales adjustment

The cost of sales adjustment represents the amount required to adjust historic cost of sales to the replacement cost of stocks consumed. For seasonal agricultural products the replacement cost has been computed by comparing the costs of production in the periods to September 29 1985 and September 28 1986. For consumable stores the cost of sales adjustment has been computed on the averaging method based on indices for mechanical engineering materials.

(k) Monetary working capital adjustment

The monetary working capital adjustment allows for the effect of specific price changes on the monetary working capital of the Group. Monetary working capital represents:

Trade debtors and new crop expenditure, less trade creditors, bank overdrafts and other short term borrowings.

It has been calculated by reference to the movement of white sugar prices and the appropriate published indices applied to the actual balances at each period end. The Group's borrowings fluctuate significantly during the period due to the volume of stock and other working capital movements. Consequently bank overdrafts and other short term borrowings have been treated as monetary working capital. The interest relating to these borrowings is shown under other operating expenses (Note 4).

(l) Gearing adjustment

The gearing adjustment represents the proportion of the current cost adjustments which relates to the net operating assets which have been financed by term loans rather than by the shareholders. It has been calculated by applying the following formula to the total of the current cost adjustments.

Average term loans

Average term loans plus Average shareholders' funds

Deferred income has not been brought into the gearing adjustment calculations.

(m) Foreign currencies

Foreign currencies are translated into sterling at the rate ruling at the day of the transaction. Assets and liabilities in foreign currencies are translated into sterling at the year end rate. All exchange differences are taken to the profit and loss account.

(n) Leases

Finance leases are capitalised and depreciated over the shorter of the lease term and the expected useful life of the asset. Operating leases are charged to the profit and loss account on a straight line basis.

**2 Profit and loss account**

The Company has taken advantage of the exemption from presenting its own profit and loss account.

**3 Turnover and profit on ordinary activities before taxation**

	Turnover	
	1986 £000	1985 £000
Class of business:		
Sugar	514,830	540,608
Animal feeds	71,202	83,300
Other	9,495	13,804
	<u>595,527</u>	<u>637,712</u>
Geographic market supplied:		
United Kingdom	555,899	557,042
Europe	1,625	14,532
Africa	5,900	6,385
Other	32,103	59,753
	<u>595,527</u>	<u>637,712</u>

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.

**4 Other operating expenses (net)**

	1986 £000	1985 £000
Interest payable:		
On bank loans, overdrafts and other loans repayable within 5 years, not by instalments	6,978	11,574
On finance leases	329	76
On amounts owed to group companies	10	41
Monetary working capital adjustment	(492)	(1,426)
Interest receivable:		
On bank and other loans	(3,663)	(2,023)
On amounts owed from group companies	(182)	(1,209)
	<u>2,980</u>	<u>7,033</u>

**5 Profit on ordinary activities before taxation is stated after:**

	1986		1985	
	£000	£000	£000	£000
(a) Hire of plant and machinery under operating leases:				
included in cost of sales	2,773		2,500	
included in distribution costs	3,148		2,826	
included in administrative expenses	<u>627</u>		<u>1,472</u>	
		6,548		6,798
(b) Depreciation on owned tangible assets including adjustments on disposal of tangible assets		37,467		33,136
Depreciation on leased tangible assets under finance leases including adjustments on disposal of leased tangible assets		890		547
(c) Net EEC production/marketing levies payments included in cost of sales		29,725		28,977
(d) Auditors remuneration including expenses		126		113
(e) Directors' emoluments:		£		£
As Directors		3,000		6,000
Management remuneration		378,612		278,504
Compensation for loss of office		78,182		—

The emoluments of the Chairman were £NIL (1985 £NIL).

The emoluments of the highest paid Director were £76,568 (1985 £64,562).

The emoluments of the Directors, excluding pension scheme contributions, fell within the following ranges:

	1986 Number	1985 Number
Up to £5,000	11	4
£5,001–£10,000	—	1
£15,001–£20,000	2	—
£50,001–£55,000	—	2
£55,001–£60,000	1	—
£60,001–£65,000	—	2
£70,001–£75,000	1	—
£75,001–£80,000	2	—

Sixteen Directors have agreed to waive their entitlement under the articles to their Directors' fees. The aggregate amount waived was £47,000 (1985 £44,000).



(f) Remuneration of employees, other than Directors, in excess of £30,000 per annum:

	1986 Number	1985 Number
£30,001–£35,000	17	12
£35,001–£40,000	3	4
£40,001–£45,000	2	1

## 6 Taxation

	1986 £000	1985 £000
UK corporation tax at 37½% (42½%):	22,152	7,845
Advance corporation tax recovered	(10,234)	(5,400)
Group relief at 12½%	—	4,406
Prior years' adjustment	(119)	231
	<u>11,799</u>	<u>7,082</u>
The tax charge for the year has been increased by:		
Excess of depreciation over tax allowances	7,974	2,384
Other	(897)	(134)
	<u>7,077</u>	<u>2,250</u>

### Deferred tax

No provision has been made for tax, deferment of which is reasonably certain for the foreseeable future.

In view of the planned level of capital investment it is the opinion of the Directors that timing differences will not reverse in the foreseeable future. The potential full deferred tax liability, arising on timing differences between the treatment of items for accounts and tax purposes, is as follows:

	1986 £000	1985 £000
Liability deferred by accelerated tax depreciation allowances	77,247	72,254
The effect of timing differences available for future tax relief	(16)	(44)
	<u>77,231</u>	<u>72,210</u>
Less: advance corporation tax not immediately recoverable	—	(10,809)
	<u>77,231</u>	<u>61,401</u>

There is a maximum potential corporation tax liability on the capital gains in respect of the revalued land and buildings amounting to £46,030,000 (1985 £45,595,000).

## 7 Earnings per share

The calculation of earnings per share shown in the consolidated statement of profit and loss is based on 60,000,000 ordinary shares in issue throughout the two financial periods ended September 28 1986 and profit on ordinary activities after taxation. The earnings per share on the nil distribution basis is 30.3p (1985 22.9p). This calculation is based on adjusted profits of £18,169,000 (1985 £13,742,000) after deducting advance corporation tax written off in previous years.

**8 Profit for the financial year**

	1986 £000	1985 £000
Dealt with in the accounts of the holding company	28,476	29,540
Profits/(losses) in subsidiary companies	(73)	176
	<u>28,403</u>	<u>29,716</u>

**9 Dividends**

	1986 per share	1985 per share	1986 £000	1985 £000
First interim	350.0p	—	210,000	—
Second interim	33.5p	25.0p	20,100	15,000
Final (recommended)	15.5p	27.5p	9,300	16,500
	<u>399.0p</u>	<u>52.5p</u>	<u>239,400</u>	<u>31,500</u>

**10 Tangible fixed assets—Group**

	Freehold land and buildings £000	Plant and machinery Owned £000	Leased £000	Fixtures, fittings tools and equipment Owned £000	Leased £000	Total £000
Cost or valuation						
At September 30 1985	213,268	562,111	12,890	23,838	1,907	814,014
Surplus on revaluation	(2,738)	24,267	561	1,033	76	23,199
Additions	4,544	29,140	—	2,468	784	36,936
Disposals	(1,461)	(10,275)	—	(2,319)	—	(14,055)
Reclassifications	—	(5)	—	5	—	—
At September 28 1986	<u>213,613</u>	<u>605,238</u>	<u>13,451</u>	<u>25,025</u>	<u>2,767</u>	<u>860,094</u>
Depreciation						
At September 30 1985	—	254,175	394	12,134	254	266,957
Adjustment on revaluation	(5,808)	8,132	29	(541)	(43)	1,769
Charge for year	5,863	25,023	555	2,455	335	34,231
Elimination in respect of disposals	(55)	(7,024)	—	(1,356)	—	(8,435)
At September 28 1986	<u>—</u>	<u>280,306</u>	<u>978</u>	<u>12,692</u>	<u>546</u>	<u>294,522</u>
Net book value						
At September 28 1986	<u>213,613</u>	<u>324,932</u>	<u>12,473</u>	<u>12,333</u>	<u>2,221</u>	<u>565,572</u>
At September 29 1985	<u>213,268</u>	<u>307,936</u>	<u>12,496</u>	<u>11,704</u>	<u>1,653</u>	<u>547,057</u>

Substantially, all the Group tangible fixed assets are held by the Company and therefore no equivalent Company information has been presented.

In September 1982 Gerald Eve & Co, Chartered Surveyors, carried out a revaluation of the majority of the Company's land and buildings and the results were incorporated into the financial statements at September 26 1982.

In September 1983, 1984, 1985 and 1986 a Directors' valuation was made and incorporated into the financial statements at September 25 1983, September 30 1984, September 29 1985 and September 28 1986 respectively.

**11 Fixed asset investments**

	1986		1985	
	Group £000	Company £000	Group £000	Company £000
Shares in Group Companies	—	1	—	2
Other investments	42	42	42	42
	<u>42</u>	<u>43</u>	<u>42</u>	<u>44</u>

(a) British Sugar plc had a 100% interest in all the share capital of the following subsidiaries incorporated and operating principally in Great Britain. The issued capital of the subsidiaries consists of ordinary shares. On October 1 1985, British Sugar plc's interest in Bristar (North Sea) Limited was transferred at cost to the holding company, as no further trading activities were likely.

Barrico Limited\*  
 BSD Limited  
 Bristar Agricultural Management Services Limited  
 British Sugar Allied Products Limited  
 British Sugar Pension Trustees Limited\*  
 Crystal Fund (Management) Limited\*  
 Trident Feeds Limited\*

\*These companies are dormant.

(b) Included under other investments are:

- (i) an investment of £31,500 in Hereward Radio Limited, an unlisted company, being 21,000 ordinary shares of £1 each and 10,500 8% Redeemable Cumulative Preference Shares of £1 each. No dividend has been received during the period. In the Directors' opinion the valuation is equivalent to historic cost.
- (ii) an investment of £10,000 in Peterborough Independent Hospital PLC, an unlisted company, being 10,000 ordinary shares of £1 each. No dividend has been received during the period. In the Directors' opinion the valuation is equivalent to historic cost.

**12 Stocks**

	1986 £000	1985 £000
Consumable stores	34,085	41,069
Sugar and other products	54,062	50,367
New crop expenditure	381	314
	<u>88,528</u>	<u>91,750</u>

**13 Debtors**

	1986		1985	
	Group £000	Company £000	Group £000	Company £000
Amounts falling due within one year				
Trade debtors	31,870	31,782	35,461	35,373
Amounts owed by Group Companies	10,027	10,327	116	256
Other debtors	4,025	4,025	4,817	4,817
Prepayments and accrued income	2,027	2,014	8,163	8,129
	<u>47,949</u>	<u>48,148</u>	<u>48,557</u>	<u>48,575</u>
Amounts falling due after more than one year				
Other debtors	16	16	28	28
	<u>47,965</u>	<u>48,164</u>	<u>48,585</u>	<u>48,603</u>

**14 Creditors**

	1986		1985	
	Group £000	Company £000	Group £000	Company £000
Amounts falling due within one year				
Debenture loan (Note 15)	300	300	300	300
Trade creditors	22,907	22,882	29,282	29,272
Other creditors including taxation:				
Dividends payable	29,400	29,400	16,500	16,500
Taxation and social security costs	10,150	10,150	4,450	4,392
Obligations under finance leases (Note 17)	3,092	3,092	2,468	2,468
Accruals	28,644	28,644	25,970	25,954
Amounts owed to Group Companies	5,342	5,342	25,574	25,711
	<u>99,835</u>	<u>99,810</u>	<u>104,544</u>	<u>104,597</u>
Amounts falling due after more than one year				
Debenture loan (Note 15)	2,700	2,700	3,000	3,000
Term loans (Note 16)	210,115	210,115	—	—
Obligations under finance leases (Note 17)	4,684	4,684	7,015	7,015
UK corporation tax	11,918	11,914	2,228	2,228
Accruals	—	—	39	39
Amounts owed to Group Companies	—	—	4,405	4,405
	<u>229,417</u>	<u>229,413</u>	<u>16,687</u>	<u>16,687</u>

Amounts owed to Group Companies are interest free and, other than the term loan, have no fixed repayment dates.

# 15 Debenture loan

	Group and Company	
	1986	1985
	£000	£000
Debenture loan	<u>3,000</u>	<u>3,300</u>

9¾% guaranteed secured debenture stock 1991/1996 repayable at par at the rate of £300,000 per annum, repayment having commenced in the period to September 30 1977. The stock is guaranteed by H M Treasury and secured by a floating charge on the Company's assets.

	Group and Company	
	1986	1985
	£000	£000
Repayment table		
Within one year	300	300
After one but within two years	300	300
Between two and five years	900	900
In five years or more	<u>1,500</u>	<u>1,800</u>
	<u>3,000</u>	<u>3,300</u>

# 16 Term loans

	Group and Company	
	1986	1985
	£000	£000
S & W Berisford PLC (a)	210,000	—
Investors in Industry plc (b)	<u>115</u>	<u>—</u>
	<u>210,115</u>	<u>—</u>

(a) S & W Berisford PLC — Interest free loan, repayable in five equal annual instalments commencing on March 27 1992, or earlier at the Company's option.

(b) Investors in Industry plc — 11% loan repayable in four equal annual instalments commencing December 18 1990. The interest rate is subject to a rebate of 3% subject to the Company consuming a specified tonnage of coal. It is anticipated that the required consumption will be met.

	Group and Company	
	1986	1985
	£000	£000
Repayment table		
Within one year	—	—
After one but within two years	—	—
Between two and five years	29	—
In five years or more	<u>210,086</u>	<u>—</u>
	<u>210,115</u>	<u>—</u>

**17 Lease commitments**

The future minimum lease payments to which the Group is committed as at September 28 1986 under finance leases and non-cancellable operating leases are as follows:

	Group and Company	
	1986	1985
	£000	£000
(a) Finance leases		
Payable within one year	3,417	2,622
Payable between two and five years	5,112	7,200
Payable thereafter	54	561
	<u>8,583</u>	<u>10,383</u>
Less finance charges allocated to future periods	807	900
	<u>7,776</u>	<u>9,483</u>

**(b) Operating leases**

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

Leases expiring within one year	1,071	463
Leases expiring between two and five years	2,111	1,581
Leases expiring thereafter	310	115
	<u>3,492</u>	<u>2,159</u>

**18 Deferred income**

	Group and Company	
	1986	1985
	£000	£000
At September 30 1985	4,836	3,606
Government grants for period	(67)	1,447
	<u>4,769</u>	<u>5,053</u>
Released to profit in respect of current period	(237)	(217)
At September 28 1986	<u>4,532</u>	<u>4,836</u>

## 19 Reserves

	1986		1985	
	£000	£000	£000	£000
(a) Current cost reserve— Group and Company At September 30 1985		418,504		380,938
Surplus on valuations				
Land and buildings	3,070		12,126	
Plant and machinery	18,360		24,993	
Stocks of products	<u>1,210</u>		<u>251</u>	
		22,640		37,370
Adjustments				
Gearing	(5,144)		(1,086)	
Cost of sales	3,114		2,708	
Monetary working capital	<u>(492)</u>		<u>(1,426)</u>	
		(2,522)		196
At September 28 1986		<u>438,622</u>		<u>418,504</u>
(b) Profit and loss account				
Retained profit: Parent company		(88,237)		122,681
Subsidiaries		<u>(217)</u>		<u>(138)</u>
		<u>(88,454)</u>		<u>122,543</u>

## 20 Historical cost information

### (a) Tangible fixed assets at September 28 1986

	Gross historical cost £ million	Accumulated depreciation £ million	Net book value £ million
Land and buildings	99.8	21.6	78.2
Plant and machinery:			
Owned	265.9	81.4	184.5
Leased	12.2	0.9	11.3
Fixtures, fittings, tools and equipment:			
Owned	14.6	5.7	8.9
Leased	<u>2.6</u>	<u>0.5</u>	<u>2.1</u>
	<u>395.1</u>	<u>110.1</u>	<u>285.0</u>

	1986 £ million	1985 £ million
(b) Historical cost profit		
Current cost operating profit	35.4	36.1
Current cost adjustments:		
Depreciation	23.2	20.2
Cost of sales	3.1	2.7
Monetary working capital	<u>(0.5)</u>	<u>(1.4)</u>
Historical cost operating profit	61.2	57.6
Interest on term loans	<u>0.3</u>	<u>0.3</u>
Historical cost profit on ordinary activities before taxation	60.9	57.3
Taxation	<u>11.8</u>	<u>7.1</u>
Historical cost profit on ordinary activities after taxation	<u>49.1</u>	<u>50.2</u>

The historical cost profit on ordinary activities before taxation is calculated without reference to depreciation on the revaluation proportion of tangible fixed assets. If depreciation on this revaluation proportion were included the historic cost profit would be as shown in note 21.

**21 Historic cost financial information**(a) Consolidated statement of profit and loss  
for the 52 weeks ended September 28 1986

	1986		1985	
	£000	£000	£000	£000
<b>Turnover</b>		595,527		637,712
Cost of sales		469,254		505,234
Gross profit		126,273		132,478
Distribution costs	41,209		47,281	
Administrative expenses	24,137		22,825	
Other operating expenses (net)	3,472		8,459	
		<u>68,818</u>		<u>78,565</u>
<b>Operating profit</b>		57,455		53,913
Interest on term loans		320		347
<b>Profit on ordinary activities before taxation</b>		57,135		53,564
Taxation		11,799		7,082
<b>Profit on ordinary activities after taxation</b>		<u>45,336</u>		<u>46,482</u>
<b>Earnings per share</b>		75.6p		77.5p
<b>Utilisation of profit</b>				
<b>Profit for the financial year</b>		45,336		46,482
Retained profit at September 30 1985		<u>238,734</u>		<u>223,752</u>
		284,070		270,234
Dividends		<u>239,400</u>		<u>31,500</u>
<b>Retained profit at September 28 1986</b>		<u>44,670</u>		<u>238,734</u>



(b) Consolidated balance sheet  
as at September 28 1986

	1986		1985	
	£000	£000	£000	£000
<b>Fixed Assets</b>				
Tangible assets		420,426		402,437
Investments		42		42
<b>Current Assets</b>				
Stocks	81,609		86,041	
Debtors	47,965		48,585	
Cash at bank and in hand	11,845		9,680	
	<u>141,419</u>		<u>144,306</u>	
<b>Current Liabilities</b>				
<b>Creditors: Amounts falling due within one year</b>	<u>99,835</u>		<u>104,544</u>	
<b>Net Current Assets</b>		<u>41,584</u>		<u>39,762</u>
<b>Total Assets Less Current Liabilities</b>		462,052		442,241
<b>Creditors: Amounts falling due after more than one year</b>		229,417		16,687
<b>Deferred Income</b>		<u>4,532</u>		<u>4,836</u>
<b>Net Assets</b>		<u>228,103</u>		<u>420,718</u>
<b>Capital and Reserves</b>				
Called up share capital (authorised, allotted and fully paid Ordinary shares of 50 pence each)		30,000		30,000
Revaluation reserve		153,433		151,984
Profit and loss account		<u>44,670</u>		<u>238,734</u>
		<u>228,103</u>		<u>420,718</u>

The historic cost financial information reflects the revaluation of land and buildings at Director's valuation.

## 22 Capital expenditure commitments

Projects authorised by the Directors of the Company amount to £38,900,000 (1985 £41,519,000) including £1,014,000 (1985 £2,455,000) for which contracts have already been committed. The subsidiaries have no capital expenditure commitments.

## 23 Contingent liabilities

(a) During the year the European Commission issued a statement of objections concerning certain of the Company's trading policies. While reserving its position upon the facts and allegations contained in the statement, the Company gave various undertakings relating to its trading policies.

The final outcome of the Commission's enquiries is still awaited and it may be that a fine will be levied against the Company, but there is at present no indication of the amount, if any, which may arise. No financial provision has therefore been made in these accounts in view of the uncertainty of the outcome.

(b) British Sugar plc has entered into guarantees in respect of its employee pension funds which are described in note 24.

(c) Other contingent liabilities which have arisen in the ordinary course of business are as follows:

- (i) uncompleted foreign exchange contracts and documentary credits outstanding amounting to £1,633,000 (1985 £1,134,000).
- (ii) Trade bills discounted amounting to £619,000 (1985 £418,000).

## 24 Pension commitments

The Company operates a self-administered Occupational Pension Scheme for all permanent employees who have completed a minimum period of service and are aged 21 or over. The Scheme is established by a Trust Deed and is subject to the surveillance of a Committee consisting of management and representatives elected by the contributing members. The triennial Actuarial Valuation was undertaken in 1986, the results of which will be known during 1987.

## 25 Employees

	1986	1985
Staff cost during the year:	£000	£000
Wages and salaries	55,864	54,123
Social security costs	4,330	3,776
Other pension costs	5,201	4,929

The average weekly number of employees, including Directors, of the Group during the year was 4,699 (1985 4,854).

In the opinion of the Directors all employees fall into a single category.

**Balance Sheet**

Prepared on the Current Cost Basis of Accounting

As at September 28 1986

Notes:		1986	1985
		£000	£000
	<b>Fixed assets</b>		
10	Tangible assets	565,560	546,788
11	Investments	43	44
	<b>Current assets</b>		
12	Stocks	88,528	91,747
13	Debtors	48,164	48,603
	Cash at bank and in hand	11,845	10,123
		<u>148,537</u>	<u>150,473</u>
	<b>Current liabilities</b>		
14	Creditors: amounts falling due within one year	<u>99,810</u>	<u>104,597</u>
	<b>Net current assets</b>	<u>48,727</u>	<u>45,876</u>
	<b>Total assets less current liabilities</b>	<u>614,330</u>	<u>592,708</u>
14	Creditors: amounts falling due after more than one year	229,413	16,687
18	Deferred income	4,532	4,836
	<b>Net assets</b>	<u>380,385</u>	<u>571,185</u>
	<b>Capital and reserves</b>		
	Called up share capital (authorised, allotted and fully paid Ordinary shares of 50p each)	30,000	30,000
19	Current cost reserve		
	Unrealised	305,498	302,313
	Realised	<u>133,124</u>	<u>116,191</u>
		438,622	418,504
19	Profit and loss account	<u>(88,237)</u>	<u>122,681</u>
		<u>380,385</u>	<u>571,185</u>

E S MARGULIES } Directors  
P A JACOBS }

*Peter A. Jacobs*  
*Paul Jacobs*

**Historic Cost Financial Information**

	1986 £000	1985 £000	1984 £000
<b>Turnover and profits</b>			
Turnover	595,527	637,712	617,245
Profit before items below (a)	60,927	62,372	70,473
Interest—term loans	320	349	380
—operating	3,472	8,459	8,353
Profit on ordinary activities before tax	57,135	53,564	61,740
Tax	11,799	7,082	8,314
Profit on ordinary activities after tax	45,336	46,482	53,426
Extraordinary charge	—	—	(123)
Dividends	239,400	31,500	31,800
Retained profits	(194,064)	14,982	21,749
<b>Capital employed</b>			
Subscribed capital	30,000	30,000	30,000
Revaluation reserve	153,433	151,984	140,314
Retained profits	44,670	238,734	223,752
Deferred income	4,532	4,836	3,600
Term loans	213,115	3,300	3,600
Creditors falling due after more than one year	16,602	13,687	15,521
	462,352	442,541	416,793
<b>Represented by</b>			
Fixed assets	420,468	402,479	381,002
Net current assets	41,884	40,062	35,791
	462,352	442,541	416,793
<b>Earnings and Dividends</b>			
Return on capital employed (b)	12.7%	12.5%	15.6%
Earnings per ordinary share (c)	75.6p	77.5p	89.0p
Dividends per ordinary share (c)	399.0p	52.5p	53.0p

- (a) For 1980 and subsequent years, the "profit before items below" is stated after charging depreciation on revalued assets.
- (b) Profit before tax and term loan interest are stated as a percentage of the average of the historic capital employed at the beginning and end of the year.
- (c) The earnings per ordinary share and dividends per ordinary share have been restated to reflect the capitalisation issue and sub-division of shares on March 2 1976. The 1986 dividends include the first interim dividend of £210,000,000.

1983 £000	1982 £000	1981 £000	1980 £000	1979 £000	1978 £000	1977 £000
594,667	523,742	488,200	439,380	381,031	304,223	268,267
76,947	77,957	64,930	49,335	39,029	29,374	23,008
2,428	6,889	7,064	7,685	4,334	2,321	2,404
10,330	6,422	6,711	7,483	3,179	1,477	136
64,189	64,646	51,155	34,167	31,516	25,576	20,468
13,078	2,095	6,477	3,969	1,980	1,567	1,335
51,111	62,551	44,678	30,198	29,536	24,009	19,133
421	83	13,717	-	-	-	-
32,400	34,444	15,000	9,240	4,620	3,181	2,591
18,290	28,024	15,961	20,958	24,916	20,828	16,542
30,000	30,000	30,000	30,000	30,000	30,000	15,000
133,775	129,265	120,612	77,409	-	-	-
202,003	183,713	155,689	139,728	118,770	101,286	95,458
2,246	2,096	2,094	2,103	1,669	2,091	2,371
3,900	45,867	47,833	49,800	30,600	20,400	20,700
8,617	1,529	397	-	-	-	-
380,541	392,470	356,625	299,040	181,239	153,777	133,529
355,609	361,959	301,490	248,929	149,161	121,977	92,868
24,932	30,511	55,135	50,111	32,078	31,800	40,661
380,541	392,470	356,625	299,040	181,239	153,777	133,529
17.2%	19.1%	17.8%	17.4%	21.4%	19.4%	20.6%
85.2p	104.3p	74.5p	50.3p	49.2p	40.0p	42.3p
54.0p	57.4p	25.0p	15.4p	7.7p	5.304p	4.7496p

**Current Cost Financial Information**

	PUBLISHED				
	1986 £000	1985 £000	1984 £000	1983 £000	1982 £000
Turnover	595,527	637,712	617,245	594,667	523,742
Operating profit	35,378	36,061	46,897	49,470	48,879
Profit before tax	40,202	36,798	47,345	50,967	47,444
Earnings attributable to ordinary shareholders	28,403	29,716	39,031	36,206	45,380
Net operating assets	614,117	592,570	557,692	514,410	510,672
Total equity interest	380,168	571,047	535,265	499,947	470,147
Earnings per share	47.3p	49.5p	65.1p	63.1p	75.6p
Dividends per share	399.0p	52.5p	53.0p	54.0p	57.4p
Net assets per share	633.6p	951.7p	892.1p	833.2p	783.6p
Operating profit/turnover	5.9%	5.6%	7.6%	8.3%	9.3%
Profit before tax/turnover	6.8%	5.8%	7.7%	8.6%	9.1%

	ADJUSTED TO 1986 PRICES				
	1986 £000	1985 £000	1984 £000	1983 £000	1982 £000
Turnover	595,527	662,808	679,595	687,470	634,978
Operating profit	35,378	37,480	51,634	57,190	59,260
Profit before tax	40,202	38,246	52,127	58,921	57,520
Earnings attributable to ordinary shareholders	28,403	30,885	42,974	41,856	55,018
Net operating assets	614,117	615,890	614,026	594,688	619,132
Total equity interest	380,168	593,520	589,334	577,968	570,000
Earnings per share	47.3p	51.4p	71.7p	72.9p	91.7p
Dividends per share	399.0p	54.6p	58.4p	62.4p	69.6p
Net assets per share	633.6p	989.2p	982.2p	963.2p	950.0p
Operating profit/turnover	5.9%	5.6%	7.6%	8.3%	9.3%
Profit before tax/turnover	6.8%	5.8%	7.7%	8.6%	9.1%
Average RPI	382.69	368.2	347.58	331.03	315.65

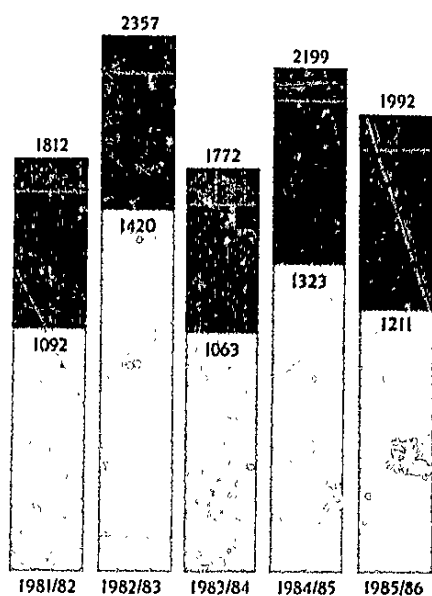
### Production

The campaign was noted for high sugar contents in the beet and enhanced rates of sugar production in the factories. Over one million tonnes of sugar was produced for the eighth consecutive year during an average campaign length of 109 days, being some 23 days less than in the previous year's operations.

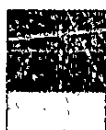
### Sales

Although total sugar sales declined to £515 million reflecting the competitive situation in the retail market and change in mix to industrial sugars, actual volumes in the U.K. increased and brand share was maintained. Lower availability of animal feed led to a decrease in turnover from Trident Feeds – despite a successful year.

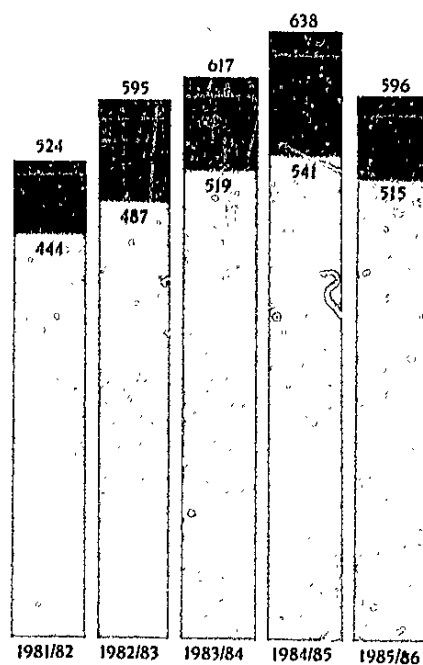
PRODUCTION 000 TONNES



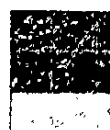
OTHER  
ANIMAL FEED  
SUGAR



TOTAL SALES VALUE £ MILLION



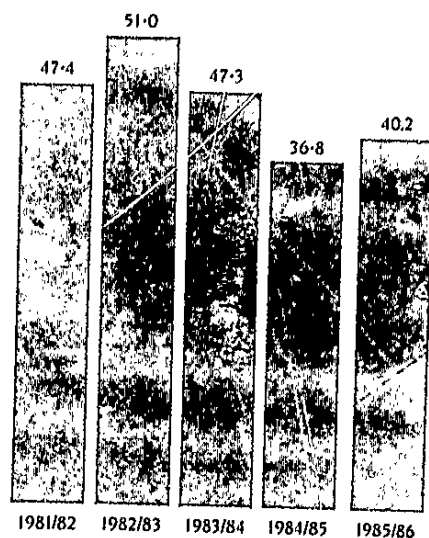
OTHER  
ANIMAL FEED  
SUGAR



### Current cost profits

An all round increase in efficiency enabled the Company to return profit slightly higher than the previous year, £40.2 million compared with £36.8 million. The beet crop had a high sugar content of around 17½% making beet more expensive, and selling prices were down due to competition in the market place. However, on the credit side factory operating costs were lower, which coupled with lower borrowings and an EEC price change on July 1 1986, helped to obtain some improvement in profit.

CURRENT COST PROFIT\*  
BEFORE TAX £ MILLION

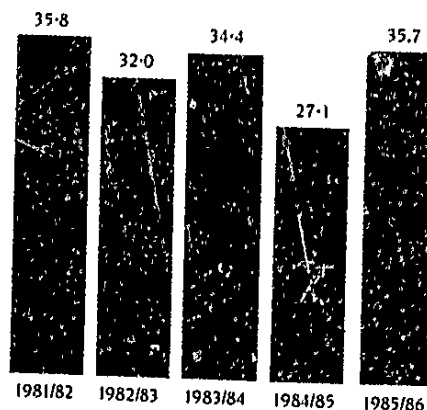


\*on ordinary activities

### Investment

During the year, capital expenditure was £35.7 million. We intend to continue a high level of investment in order to improve our factory efficiency and to reduce the impact of cost increases.

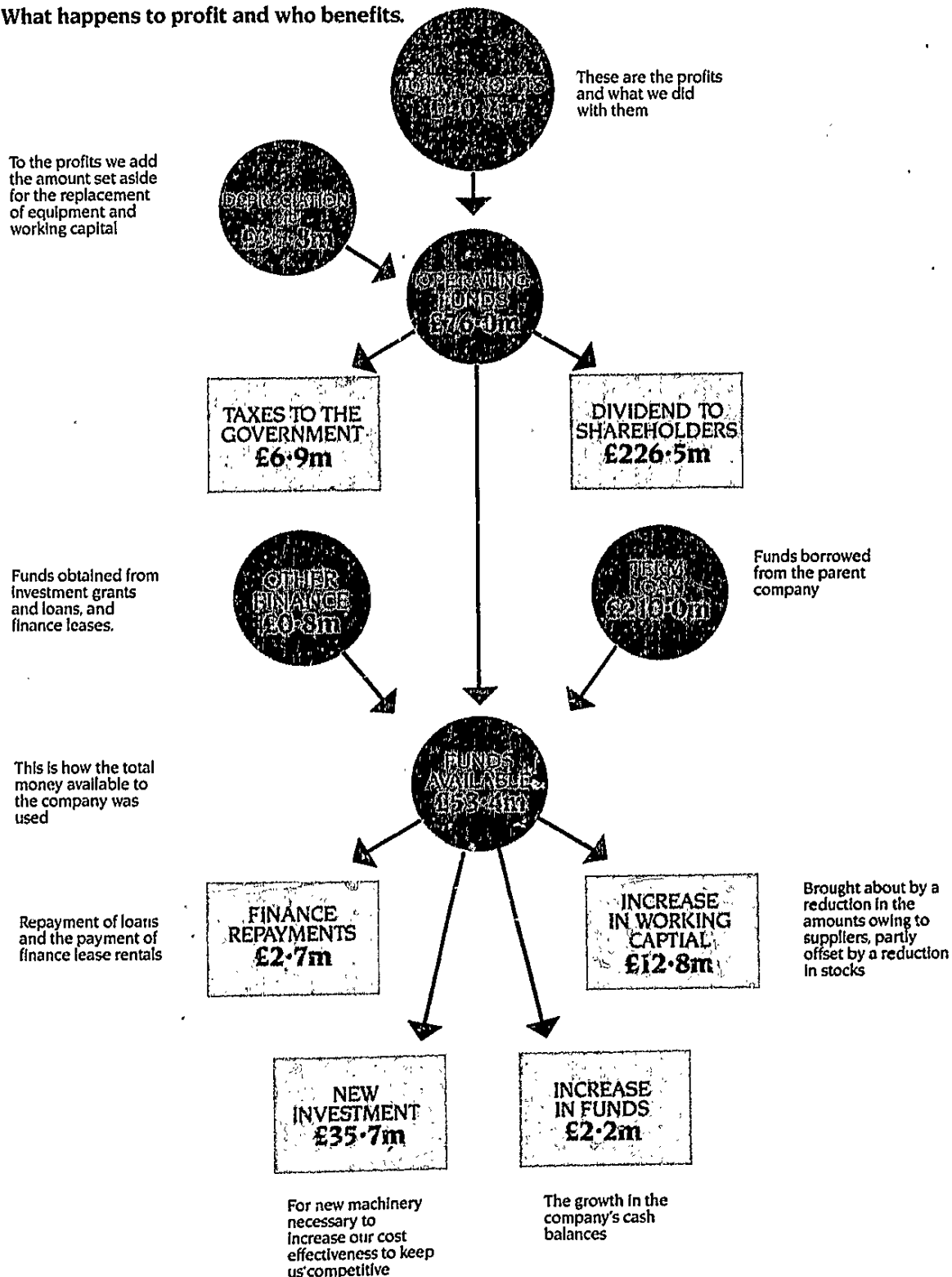
CAPITAL INVESTMENT £ MILLION





# Financial Information

What happens to profit and who benefits.



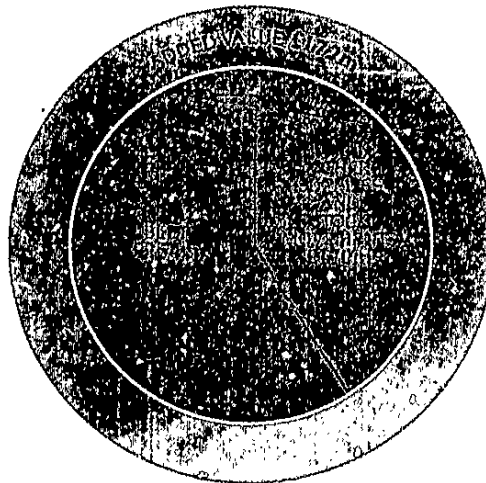
### Added value

To make sugar and animal feed the company has to buy in a whole range of goods such as beet, fuel, limestone and electricity. These, together with other bought in items cost £424 million.

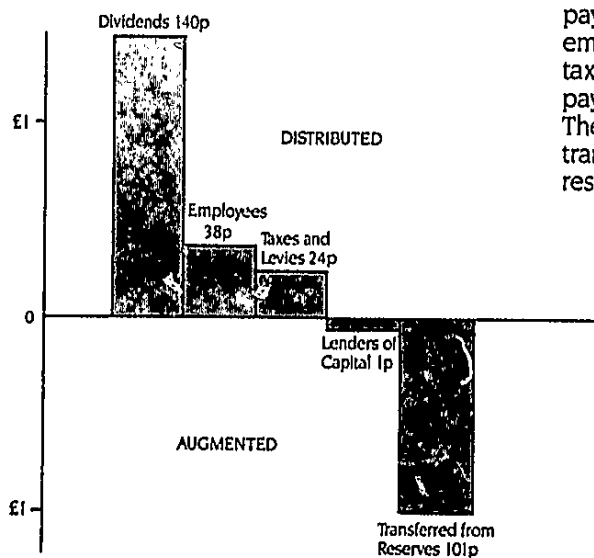
We added value to these supplies through the production of sugar and animal feed, which we sold for £596 million.

So we added value of £172 million.

TOTAL SALES £596m



EACH £1 OF ADDED VALUE  
WAS DISTRIBUTED/AUGMENTED:



In 1986, the added value of £172 million was not sufficient to cover payments to shareholders, employees' pay and other costs, taxes and levies, and interest payments on our borrowings. Therefore it was necessary to transfer £173 million from our reserves.