

BRITISH SUGAR plc
Registered Number: 315158
Directors' Report and Financial Statements

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BRITISH SUGAR plc
Registered Number: 315158

BRITISH SUGAR plc
BOARD OF DIRECTORS

Directors

M I Carr

G De Jaegher (resigned 30 September 2012)

M Rowlands

S D Moon

R N Pike

P Flampton (resigned 18 April 2013)

G Rhodes (appointed 29 April 2013)

Company Secretary
R S Schofield

Registered Office: Weston Centre, 10 Grosvenor Street, London, W1K 4QY
Head Office: Sugar Way, Peterborough, PE2 9AY

BRITISH SUGAR plc

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Directors' Report

The directors present their annual report and the audited financial statements for the 52 week period ended 14 September 2013.

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'). As shown in the Company's profit and loss account on page 10, turnover decreased during the period by 0.7%. Operating profit margin decreased from 31.6% to 29.5%, the Total Operating Profit decreased from £332.1m to £307.5m.

As described in Note 28 the increase in shareholders' funds of £7.6m relates principally to the profit after taxation of £232.4m less the dividend for the period.

3. Dividends

A dividend of £220m was paid during the period (2012: £96.0m). The directors do not recommend the payment of a final dividend (2012: nil). No dividend was received from C Czarnikow Sugar Ltd (2012: £1.3m).

4. Principal Risks and Uncertainties

A full description of the principal risks and uncertainties applicable to the ABF group are disclosed on pages 56-61 of the 2013 ABF Annual Report.

Sugar support prices are regulated by the European Commission under the Sugar Regime, as part of the Common Agriculture Policy. Support prices for sugar and sugar beet are quoted in Euros or related to the Euro; however British Sugar operates in Sterling in the UK. British Sugar is therefore 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:

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Directors' Report continued

4. Principal Risks and Uncertainties continued

	52 Week period to 14 September 2013	52 Week period to 15 September 2012
Euro spot rate at period end	1.19	1.23
Euro Average Rate	1.19	1.21

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.

5. Directors

The directors at 14 September 2013, all of whom have been directors for the whole of the 52 week period ended on that date unless stated otherwise, and the secretary of the Company are shown on page 1.

6. Directors' and Officers' Liability Insurance

During the 52 week period ended 14 September 2013 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.

7. Corporate Governance

British Sugar plc is a wholly owned subsidiary of ABF. Particulars of that Company's compliance with the UK Corporate Governance Code are set out in its Annual Report.

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Directors' Report continued

8. 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

9. Research and Development

The Company maintained its commitment to research and development with expenditure during the period of £1.4 million (2012 £1.6 million). It is anticipated that this level of expenditure will continue.

10. 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 energy, British Sugar generates surplus electricity from highly efficient Combined Heat and Power (CHP) schemes and sells this electricity to the National Grid. The scheme 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 year British Sugar has participated in the EU emissions trading scheme, which is designed to incentivise an overall reduction in carbon emissions.

11. Property Values

The directors are of the opinion that the market value of interests in land and buildings at the end of the period exceeded the amounts included in the balance sheet, but they are unable to quantify the excess.

BRITISH SUGAR plc

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Directors' Report continued

12. Charitable Donations and Political Contributions

Donations to UK charities during the year amounted to £90,000 (2012: £38,000). British Sugar has particular interests in projects in the areas of health and healthcare, education, environment and enterprise, with employee inspired community projects receiving special attention. No political contributions were made (2012: £nil).

13. Employment Policies

Details of the number of employees and related costs can be found in Note 9 to the Financial Statements.

The Company aims to involve employees in all aspects of British Sugar's development and achievements. This is achieved through well-established communication channels and consultative systems that exist between management, trades unions, works advisory committees and individual employees which help to foster the mutual trust and recognition of common goals, essential to the smooth running of the business.

Every effort is made to ensure that procedures and prejudices regarding race, religion, age or 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.

14. Creditor Payment Policy

The Company has an agreement for the purchase of sugar beet with all of the growers who supply the Company. The agreement is called the Inter Professional Agreement ("IPA") and its terms are regularly reviewed with the National Farmers' Union ("NFU") acting on behalf of all growers. Copies of the IPA may be obtained from either the Company or the NFU.

For all other suppliers, it is the Company's policy to apply the Company's standard terms of payment which are advised to suppliers at the time of placing orders, and then to make payment in accordance with those standard terms

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Directors' Report continued

The Company is a signatory to the UK government's 'Prompt Payment Code' and undertakes to:

- Pay suppliers on time
- Give clear guidance to suppliers, and
- Encourage good practice

The outstanding trade creditors at the balance sheet date, as a proportion of the invoices received from suppliers during the period represent 38 days purchases (2012: 36 days).

15. 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.

16. Auditor

Pursuant to Section 487 of the Companies Act 2006, the auditor will be deemed to be reappointed and KPMG Audit Plc will therefore continue in office. However KPMG Audit Plc has instigated an orderly transfer of its business to its parent company, KPMG LLP. Therefore a resolution for the appointment of KPMG LLP as auditor of the Company will be proposed at the forthcoming Annual General Meeting.

On Behalf of the board



R N Pike
Director

Date 3rd December 2013

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

The directors are responsible for preparing the Directors' Report and the financial statements in accordance with applicable law 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 14 September 2013 set out on pages 10 to 32. 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, 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 Directors' Responsibilities Statement set out on page 7, 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 14 September 2013 and of its profit 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 Directors' Report for the financial year 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.



Michael Maloney

(Senior Statutory Auditor)

for and on behalf of KPMG Audit plc, Statutory Auditor

Chartered Accountants

15 Canada Square

London

E14 5GL

Date 3 December 2013

BRITISH SUGAR plc
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Profit & Loss Account (£ millions)		52 Week Period to 14 September 2013	52 Week Period to 15 September 2012
	Notes		
Turnover	4	1,043.2	1,050.5
Cost of sales		(625.4)	(613.6)
Gross Profit		417.8	436.9
Distribution Costs		(61.9)	(69.8)
Administrative expenses		(49.3)	(35.6)
Other operating income		0.9	0.6
Total operating profit		307.5	332.1
Interest receivable and income from fixed asset investments	5	2.5	3.9
Interest payable and similar charges	6	(13.2)	(19.7)
Profit on Ordinary Activities Before Taxation	7	296.8	316.3
Taxation on Profit on Ordinary Activities	12	(64.4)	(81.5)
Profit on Ordinary Activities after Taxation		232.4	234.8

A statement of movements on reserves is given in note 27

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

The notes on pages 12 to 32 form part of these financial statements.

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Balance Sheet		As at 14 September 2013	As at 15 September 2012
(£ millions)			
	Notes		
Fixed Assets			
Intangible assets	14	17.5	26.1
Tangible assets	15	335.1	343.8
Investments	16	3.4	3.4
		<u>356.0</u>	<u>373.3</u>
Current Assets			
Stocks	17	77.7	86.4
Derivative assets		5.6	13.1
Debtors due within one year	18	97.4	83.4
Debtors due after more than one year	18	162.4	297.3
Cash at bank and in hand		1.7	1.2
		<u>344.8</u>	<u>481.4</u>
Creditors: amounts falling due within one year	19	<u>(131.0)</u>	<u>(296.4)</u>
Net Current Assets		213.8	185.0
Total Assets less Current Liabilities		<u>569.8</u>	<u>558.3</u>
Creditors: amounts falling due after more than one year	20	(8.0)	(7.2)
Provisions for liabilities and charges	21	<u>(32.5)</u>	<u>(29.4)</u>
		<u>(40.5)</u>	<u>(36.6)</u>
Net Assets		<u>529.3</u>	<u>521.7</u>
Capital and Reserves			
Ordinary share capital	26	80.0	80.0
Share based payment reserve	27	5.1	4.0
Revaluation reserve	27	28.7	30.6
Hedge reserve	27	0.3	6.2
Profit and loss account	27	415.2	400.9
Shareholder's Funds (all equity)	28	<u>529.3</u>	<u>521.7</u>

The notes on pages 12 to 32 form part of these financial statements.

These financial statements were approved by the Board of Directors on 31st December 2013 and were signed on its behalf by:


R N Pike
 3rd December 2013

BRITISH SUGAR plc
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Notes to the Financial Statements

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 14 September 2013.

2 Group Accounts

As permitted by s402 and s405 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 1 the Company is exempt from the requirement to prepare a cash flow statement on the grounds that it is a wholly owned subsidiary undertaking. A group cash flow statement is included in the financial statements of Associated British Foods plc.

3 Accounting Policies continued

Intangible Fixed Assets

Intangible fixed assets consist of purchased goodwill and operating intangibles, which are capitalised in accordance with FRS 10 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 commission, at rates calculated to write off the relevant assets over their expected useful lives.

Freehold land	Nil
Industrial buildings and freehold property	2 - 3%
Plant and machinery	5 - 33%
Fixtures, Fittings and Equipment	5 - 33%
Motor vehicles	20%

Investments

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

In 2005 the trade and net assets of the Billington Food Group Ltd were transferred to the Company at their book value which was less than their fair value. The cost of the Company's investment in that subsidiary undertaking reflected the underlying fair value of its net assets and goodwill at the time of acquisition. As a result of this transfer, the value of the Company's investment in that subsidiary undertaking fell below the amount at which it was stated in the Company's accounting records. 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 £3.1 million (2012: £3.1 million) and to increase intangible fixed assets by £5.2 million (2012: £8.3 million).

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Notes to the Financial Statements 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 2013/14 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 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.

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Notes to the Financial Statements 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, 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 Associated British Foods plc, 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 'Retirement benefits', 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 Associated British Foods plc 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.

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Notes to the Financial Statements 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.

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Notes to the Financial Statements continued

4 Segmental Information

(£ millions)	52 Week Period to 14 September 2013	52 Week Period to 15 September 2012
Turnover by class of business:		
Sugar	803.1	831.7
Animal feed	96.2	91.6
Bio-ethanol	38.0	25.4
Other	105.9	101.8
	<u>1,043.2</u>	<u>1,050.5</u>
	52 Week Period to 14 September 2013	52 Week Period to 15 September 2012
Turnover by geographic destination:		
United Kingdom	969.1	949.6
Other EU Countries	61.9	81.8
Rest of world	12.2	19.1
	<u>1,043.2</u>	<u>1,050.5</u>

All turnover originates within the UK

5 Interest Receivable and Income from Fixed Asset Investments

(£ millions)	52 Week Period to 14 September 2013	52 Week Period to 15 September 2012
Interest on advances	0.7	1.2
Interest receivable from fellow group companies	1.8	1.4
Other finance income	-	1.3
	<u>2.5</u>	<u>3.9</u>

Other finance income relates to a dividend received from C Czarnikow Sugar Ltd.

BRITISH SUGAR plc**Registered Number: 315158****Notes to the Financial Statements continued****6 Interest Payable and Similar Charges**

(£ millions)	52 Week Period to 14 September 2013	52 Week Period to 15 September 2012
Amounts payable on, 10 ¾% Debenture Stock	12.8	16.0
Interest payable to fellow group companies	0.1	2.6
Other interest payable	0.3	1.1
	<u>13.2</u>	<u>19.7</u>

The 10 ¾% Debenture Stock was redeemed in July 2013.

7 Profit on Ordinary Activities Before Taxation

(£ millions)	52 Week Period to 14 September 2013	52 Week Period to 15 September 2012
Profit on ordinary activities before taxation is stated after charging:		
Hire of land and buildings under operating leases	1.0	1.7
Hire of plant and machinery under operating leases	0.7	0.7
Depreciation and impairment on owned tangible assets	34.2	41.9
Amortisation of intangible assets	3.6	5.9
Research and Development expenditure	1.4	1.6
EU levies	10.3	10.3
Restructuring costs	5.2	-
Auditor's remuneration, including expenses, - for statutory audit of this Company	0.2	0.2

BRITISH SUGAR plc**Registered Number: 315158****Notes to the Financial Statements continued****8 Directors' Emoluments**

(£ millions)	52 Week Period to 14 September 2013	52 Week Period to 15 September 2012
Directors' emoluments excluding pension scheme contributions	1.7	2.5
Compensation for loss of office	-	0.4
Pension scheme contributions	0.1	0.2
Payment in lieu of pension contributions	0.1	0.1
Share based payments	1.2	1.1
	<u>3.1</u>	<u>4.3</u>

The emoluments of the highest paid director, excluding pension scheme contributions, were £664,536 (2012: £767,624). This includes a payment in lieu of pension of £91,958 (2012: £90,000).

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

Three of the directors who served during the year, including the highest paid director, received shares under long-term incentive plans in respect of qualifying services. The value of these services was £1,145,404 (2012: £1,072,333). See note 10 Share Based Payments for further information.

9 Employees

(£ millions)	52 Week Period to 14 September 2013	52 Week Period to 15 September 2012
Staff costs during the period:		
Wages and salaries	77.7	75.6
Share based payment charge	1.1	0.4
Social security costs	8.4	8.2
Other pension costs	10.2	9.2
	<u>97.4</u>	<u>93.4</u>

The average monthly number of employees, including directors, of the Company during the period was 2,036 (2012: 2,056)

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Notes to the Financial Statements continued

10 Share Based Payments

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

Associated British Foods Executive Share Incentive Plan 2003 (the Share Incentive Plan). The Share Incentive Plan was approved and adopted by Associated British Foods plc at its annual general meeting held on 5 December 2003. It takes the form of conditional allocations of shares in Associated British Foods, 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:

	14 September 2013	15 September 2012
Balance outstanding at the beginning of the period	222,991	308,450
Awarded	60,496	93,635
Vested	(85,242)	(87,370)
Lapsed	(8,677)	(91,724)
Balance outstanding at the end of the period	<u>189,568</u>	<u>222,991</u>

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 1,345 (2012 – 1,022) pence per share and the weighted average share price was 1,446 (2012 – 1,099) pence.

The Company recognised a total equity-settled share-based payment expense of £1.1m (2012 - £0.4m), with a corresponding entry in reserves

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Notes to the Financial Statements continued

11 Pensions

Pensions

The Company is a member of the Associated British Foods Pension Scheme which provides benefits based on final pensionable pay. Because 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 September 2002 the scheme was closed to new members and a defined contribution arrangement was put in place for other employees. For the defined contribution scheme, the pension costs are the contributions payable.

The last actuarial valuation of the Associated British Foods Pension Scheme was carried out as at 5 April 2011. At the valuation date the total market value of the assets of the Scheme was £2,559m and represented 101% of the benefits that had accrued to members after allowing for expected future increases in earnings.

The Company makes payments to Associated British Foods plc based on the pensionable remuneration of its employees. Total payments in the financial period were £10.2m (2012: £9.2m).

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Notes to the Financial Statements continued

12 Taxation

(£ millions)	52 Week Period to 14 September 2013	52 Week Period to 15 September 2012
The tax charge for the period comprises:		
UK corporation tax at 23.5% (2012: 25.1%) on ordinary activities	73.2	84.4
Adjustments in respect of prior years	(4.0)	--
Total current tax	<u>69.2</u>	<u>84.4</u>
Deferred tax		
Origination and reversal of timing differences	(4.8)	(2.9)
Tax on profit on ordinary activities	<u>64.4</u>	<u>81.5</u>

Factors affecting current tax charge for period

The tax assessed for the period is lower than the standard rate of corporation tax in the UK (23.5%). The differences are explained below:

(£ millions)	52 Week Period to 14 September 2013	52 Week Period to 15 September 2012
Profit on ordinary activities before tax	<u>296.8</u>	<u>316.3</u>
Profit on ordinary activities before tax at the standard rate of corporation tax	69.9	79.4
Expenses not deductible for tax purposes	3.7	4.4
Amounts over / (under) provided in prior periods	(4.0)	-
Other timing differences	(0.4)	0.6
Total current tax	<u>69.2</u>	<u>84.4</u>

The UK corporation tax rate was reduced from 24% to 23% with effect from 1 April 2013, with further reductions to 21% and 20% due to take effect on 1 April 2014 and 1 April 2015 respectively. The legislation to effect these rate changes had been enacted before the 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, closing deferred tax balances have been calculated using a rate of 20%.

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13 Dividends

A dividend of £220m was paid during the period (2012: £96m) No dividend was received from C Czarnikow Sugar Ltd (2012: £1.3m).

14 Intangible Assets

(£ millions)	Goodwill	Operating Intangibles	Total
<i>Cost</i>			
At 15 September 2012	50.2	19.1	69.3
Additions	-	9.9	9.9
Disposals	-	(15.4)	(15.4)
At 14 September 2013	<u>50.2</u>	<u>13.6</u>	<u>63.8</u>
<i>Amortisation</i>			
At 15 September 2012	41.2	2.0	43.2
Charge for the period	3.2	10.7	13.9
Disposals	-	(10.8)	(10.8)
At 14 September 2013	<u>44.4</u>	<u>1.9</u>	<u>46.3</u>
<i>Net Book value</i>			
At 14 September 2013	<u>5.8</u>	<u>11.7</u>	<u>17.5</u>
At 15 September 2012	<u>9.0</u>	<u>17.1</u>	<u>26.1</u>

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15 Tangible Assets

(£ millions)	Freehold land & buildings	Plant & machinery	Fixtures, fittings & equipment owned	Total
<i>Cost or Valuation</i>				
At 15 September 2012	238.0	597.8	50.9	886.7
Additions	1.2	26.8	2.2	30.2
Disposals	(13.3)	(7.3)	(14.0)	(34.6)
At 14 September 2013	225.9	617.3	39.1	882.3
<i>Depreciation</i>				
At 15 September 2012	120.2	383.9	38.8	542.9
Charge for period	5.7	26.9	1.6	34.2
Disposals	(13.0)	(6.3)	(10.6)	(29.9)
Impairments	-	-	-	-
At 14 September 2013	112.9	404.5	29.8	547.2
<i>Net Book Value</i>				
At 14 September 2013	113.0	212.8	9.3	335.1
At 15 September 2012	117.8	213.9	12.1	343.8
<i>Cost or Valuation</i>				
At 14 September 2013				
is represented by				
Valuation	122.6	-	-	122.6
Cost	103.3	617.3	39.1	759.7
	225.9	617.3	39.1	882.3

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16 Fixed Asset Investment

(£ millions)	Unlisted Subsidiary Undertakings	Associated Undertakings	Total
Cost and net book value At 15 September 2012	0.5	2.9	3.4
At 14 September 2013	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
Wexham Gravel Co Ltd	Great Britain	Growing of Sugar Beet	Ord. Shares 100%
C Czarnikow Ltd	Great Britain	Trading	Ord. Shares 42.5%
Broomco (2704) Ltd	Great Britain	Dormant	Ord. Shares 100%
The Billington Food Group Ltd	Great Britain	Dormant	Ord. Shares 100%
Sukpak	Mauritius	Trading	Ord. Shares 30%
BBRO	Great Britain	Trading	50%

The predominant area of operations of Wexham Gravel Co Ltd and C Czarnikow Ltd is the United Kingdom.

C Czarnikow Ltd has an accounting period end of 31 December.

Sukpak 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.

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Notes to the Financial Statements continued

17 Stocks

(£ millions)	14 September 2013	15 September 2012
Consumable Stores	20.5	22.5
Sugar and other products	57.2	63.9
	<u>77.7</u>	<u>86.4</u>

18 Debtors

(£ millions)	14 September 2013	15 September 2012
Trade debtors	52.6	52.7
Amounts owed by group undertakings	164.9	299.6
Other debtors	25.0	22.4
Prepayments and accrued income	17.3	6.0
	<u>259.8</u>	<u>380.7</u>

Of the amounts owed by group undertakings, £162.4 million relates to amounts recoverable after more than one year (2012 £297.3 million).

19 Creditors: Amounts Falling Due Within One Year

(£ millions)	14 September 2013	15 September 2012
Trade creditors	47.6	44.2
Corporation tax	32.2	51.6
Other creditors including tax and social security costs	0.1	0.2
Derivative liabilities	5.4	5.3
Debenture stock (Note 23)	-	150.0
Amounts owed to group undertakings	0.6	1.0
Accruals and deferred income	45.1	44.1
	<u>131.0</u>	<u>296.4</u>

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20 Creditors: Amounts Falling Due After More Than One Year

(£ millions)	14 September 2013	15 September 2012
Amounts owed to group undertakings	7.1	5.8
Government grant	0.9	1.4
	<u>8.0</u>	<u>7.2</u>

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

21 Provision for Liabilities & Charges

(£ millions)	Deferred tax	Other	Total
At 15 September 2012	28.2	1.2	29.4
(Credited)/Charged to profit & loss	(4.8)	7.9	3.1
At 14 September 2013	<u>23.4</u>	<u>9.1</u>	<u>32.5</u>

Other provisions primarily comprise amounts provided to cover regulatory, restructuring and compliance matters. Included in the £7.9m current year charge is a restructuring provision of £5.2m which was recognised during the year (see note 7).

22 Deferred Tax

(£ millions)	14 September 2013	15 September 2012
Accelerated capital allowances	25.5	28.6
Other short term timing differences	(2.2)	(2.2)
Deferred tax on hedging reserve	0.1	1.8
Total deferred tax provision	<u>23.4</u>	<u>28.2</u>

BRITISH SUGAR plc**Registered Number: 315158****Notes to the Financial Statements continued****23 Debenture Stock**

(£ millions)	14 September 2013	15 September 2012
10 ¼ % redeemable debenture stock 2013	-	150.0

The 10¼% redeemable debenture stock 2013 was listed on the London Stock Exchange and was secured by a floating charge over the assets of the Company. It was redeemed in July 2013.

24 Financial Instruments

As a wholly owned subsidiary of Associated British Foods plc (which prepares consolidated accounts under IFRS), British Sugar is exempt from the scope of FRS 29 Financial instruments, disclosures.

BRITISH SUGAR plc**Registered Number: 315158****Notes to the Financial Statements continued****25 Operating Leases**

(£ millions)	14 September 2013	15 September 2012
Payments to which the Company is committed in the following year are as follows:		
Leases expiring:		
Within one year		
- land & buildings	0.6	0.7
- plant & machinery	0.5	0.3
Between two and five years		
- land & buildings	1.6	2.6
- plant & machinery	0.8	0.4
Greater than five years		
- land & buildings	-	-
- plant & machinery	-	0.1
	<u>3.5</u>	<u>4.1</u>

26 Called Up Share Capital

	14 September 2013		15 September 2012	
	Number	£ millions	Number	£ millions
Issued and Fully Paid				
Ordinary shares of 50p each	160,000,000	80.0	160,000,000	80.0
		<u>80.0</u>		<u>80.0</u>

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Notes to the Financial Statements continued

27 Reserves

(£ millions)	Share Based payment	Revaluation Reserves	Hedge Reserve	Profit & Loss Account
At beginning of period	4.0	30.6	6.2	400.9
Profit for the financial period				232.4
Dividends paid				(220.0)
Hedge reserve movement			(5.8)	
Tax on hedge reserve			(0.1)	
Share based payment reserve	1.1			
Movement in reserves (i)		(1.9)		1.9
At end of period	5.1	28.7	0.3	415.2

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

28 Reconciliation of Movement in Shareholder's Funds

(£ millions)	14 September 2013	15 September 2012
Profit on ordinary activities for the financial period after tax	232.4	234.8
Equity dividends	(220.0)	(96.0)
Hedge reserve movement	(5.9)	6.2
Share based payment charge	1.1	0.4
	7.6	145.4
Opening shareholder's funds	521.7	376.3
Closing shareholder's funds	529.3	521.7

29 Commitments

Capital Expenditure

Projects authorised and contracted for amount to £9.7 million (2012: £5.4 million).

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30 Contingent Liabilities

(£ millions)	14 September 2013	15 September 2012
Trading Guarantees	<u>13.5</u>	<u>24.0</u>

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.

31 Related Party Transactions

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

(£ millions)	Sub Notes	C Czarnikow Sugar Ltd	Sulapak	Sugar Bureau	Frontier	BBRO	Total
Sales to associated undertakings on normal trading terms	(i)(iii) & (iv)	13,498	-	-	33	1,354	14,885
Purchases from associated undertakings on normal trading terms	(i) (ii)(iii) (iv)&(v)	180	1,450	382	2,201	2,077	6,290
Amounts due from associate undertakings	(i)(iii)& (iv)	365	-	-	11	305	681
Amounts due to associate undertakings	(ii)(iv) & (v)	-	78	64	252	-	394

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31 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 British Beet Research Organisation is a non-profit making company that commissions and implements research and technology transfer designed to increase the competitiveness and profitability of the UK beet sugar industry. The board of directors consists of four members, of whom two 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) Sukpac Limitee, an associate undertaking, is a sugar packaging company operating in Mauritius.

32 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 Associated British Foods plc, which is incorporated in Great Britain and registered in England and Wales. The consolidated accounts of Associated British Foods plc 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