

Vivergo Fuels Limited

Reports and Financial Statements

31 August 2015

TUESDAY



L51TAW6J

LD2 . 01/03/2016 #118
COMPANIES HOUSE

Company Information

Directors

MI Carr
DE West

Auditors

Ernst & Young LLP
1 Bridgewater Place
Water Lane
Leeds
LS11 5QR

Bankers

Royal Bank of Scotland
City of London Office
PO Box 12258
1 Princes Street
London
EC2R 8PA

Registered office

Shoosmiths Secretaries Limited
Witan Gate House
500-600 Witan Gate West
Milton Keynes
Buckinghamshire
MK9 1SH

Company secretary

Shoosmiths Secretaries Limited

The company is domiciled in England and Wales.

Strategic Report

The directors present their strategic report for the three month period ended 31 August 2015.

Review of the business

The company was originally formed as a joint venture between Associated British Foods plc (“ABF”), BP plc (“BP”) and E. I. du Pont de Nemours and Company (“DuPont”). The management and strategy of the company is set out in a shareholder agreement.

During the prior period BP sold their stake in the company to ABF and as a result the company became a subsidiary of ABF with DuPont retaining a minority equity interest. During the current period, the accounting reference date for the company was changed to 31 August 2015 in order to align with its new parent company. As a result, the comparative information for the 17 month period ended 31 May 2015 shown within this report and financial statements will not be directly comparable to the information for the three month period ended 31 August 2015.

The company’s principal activities for the three month period continued to be the operation of a bioethanol production facility involved in the processing of wheat into ethanol and animal feed.

The company made a loss before tax for the period of £5.4m (2014/15: £437.0m loss).

The company’s key financial and other performance indicators are safety, plant availability and financial performance. The key financial performance indicators during the period were as follows:

| | <i>2015</i> | <i>2014/15</i> |
|---|-----------------|------------------|
| | <i>3 months</i> | <i>17 months</i> |
| | <i>£'000</i> | <i>£'000</i> |
| Revenue | 42,082 | 174,684 |
| Operating loss before exceptional items | (2,818) | (72,994) |
| Loss before tax | (5,407) | (437,018) |

The recent weakness in the EU ethanol market price is directly linked to continued delays by individual member nations in implementing higher ethanol inclusion rates in gasoline that will be required to meet the EU Commission’s targets for development of renewable energy sources by 2020.

The directors consider that trading conditions in the EU ethanol market will remain challenging for the next 12-18 months but consider that the financial performance of the business should thereafter gradually improve as the impact of increasing ethanol inclusion rates across Europe take effect and further operational efficiencies are achieved.

Strategic Report (continued)

Principal risks and uncertainties

The principal risks for the company are health, safety and environmental, commodity pricing and supply stability together with any political, economic or commercial changes that might impact the strategy of the company.

The company has implemented a thorough system of controls to minimise its exposure to the principal risks and uncertainties that it faces. These controls include both a strong system of internal governance and financial risk management activities. The operation of these controls is monitored by the Risk Management and Financial Risk Committees that have been established within the business.

The company continues to develop procedures to manage financial risks with the objectives of limiting undue counterparty exposure and managing and monitoring the exposure to changes in commodity and foreign exchange prices.

Use of forward commodity contracts and forward foreign exchange contracts

The company uses forward commodity contracts to reduce exposure to changes in commodity prices. The company may use forward contracts to purchase wheat and sell ethanol. In addition, where contracts for the sale of ethanol are denominated in foreign currency the company may enter into forward foreign currency contracts.

Exposure to price, credit and liquidity risks

Price risk arises on financial instruments because of changes in commodity prices or foreign exchange rates. The company's main price risks are in relation to wheat and ethanol commodity prices and the pound sterling exchange rate with the euro.

Credit risk is the risk that one party will cause a financial loss for another party by failing to discharge an obligation. Credit exposures are mitigated through terms and conditions on sales contracts for ethanol which typically require payment within five business days, minimising exposures at any one point in time.

Liquidity risk is the risk that an entity will encounter difficulty in meeting obligations associated with financial liabilities. The company actively manages its liquidity risk drawing on shareholder support which provides for its long-term funding by debt and equity contributions and its banking facilities.

Supply stability

The company manages its vulnerability to supply risk through its pre-qualification and approval process, the operation of strategic contracts and a strategic approach to supplier relationship and performance management.

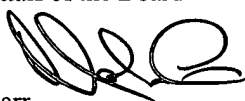
Health, safety and environmental risk

The company is committed to sustaining the wellbeing of employees, suppliers, the local community and the environment. The company complies with all legal, regulatory, health, safety, security and environmental (HSSE) requirements. The company has a strong ethos of workplace safety with Health and Safety policies and practices being embedded within the company. A programme of audits is maintained to verify implementation of practices and support continuous improvement within the plant. The production facility is an Upper Tier COMAH (Control of Major Accidents Hazards Regulations) site and the company takes all measures necessary to prevent major accidents involving dangerous substances.

Political, economic and commercial risk

The company engages with governments and non-governmental organisations to ensure the views of its stakeholders are represented, trying to anticipate and contribute to important changes in public policy.

On behalf of the Board



M I Carr
Director

26 February 2016

Directors' Report

The directors present their report and financial statements for the period ended 31 August 2015.

Directors and their interests

The directors of the company during the period ended 31 August 2015 were as follows:

M I Carr
D E West

No directors have an interest in the shares of the company.

Dividends

No dividends have been paid in the period and the directors do not recommend the payment of a final ordinary dividend (2014/15: £nil).

Going concern

The company continues to be loss making due primarily to the weak EU ethanol market combined with a weak euro. This has resulted in net liabilities being shown on the company's balance sheet. The company's parent undertaking, ABF Investments plc, continues to provide the necessary support to enable the business to continue to operate and meet its liabilities as they fall due. On this basis the directors are of the opinion that the company has sufficient funding facilities to continue operating for the foreseeable future. Accordingly, the directors continue to adopt the going concern basis of accounting in preparing these financial statements.

Future developments

The focus for the company is to continue to improve plant efficiency whilst working with European, national and regional governmental representatives to highlight the requirement to establish a clear trajectory towards the implementation of higher mandated inclusion rates of ethanol in gasoline.

Disclosure of information to the auditors

So far as each person who was a director at the date of approving this report is aware, there is no relevant audit information, being information needed by the auditor in connection with preparing its report, of which the auditor is unaware. Having made enquiries of fellow directors and the company's auditor, each director has taken all the steps that he is obliged to have taken as a director in order to make himself aware of any relevant audit information and to establish that the auditor is aware of that information.

On behalf of the Board



M I Carr
Director
26 February 2016

Statement of directors' responsibilities in relation to the financial statements

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

Under company law the directors must not approve the financial statements unless they are satisfied that they present fairly the financial position, financial performance and cash flows of the company for that period. In preparing the financial statements the directors are required to:

- select suitable accounting policies and apply them consistently;
- present information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information;
- provide additional disclosures when compliance with the specific requirements with Financial Reporting Standard 101 *Reduced Disclosure Framework* is insufficient to enable users to understand the impact of particular transactions, other events and conditions on the company's financial position and financial performance;
- state that the company has complied with Financial Reporting Standard 101 *Reduced Disclosure Framework*, subject to any material departures disclosed and explained in the financial statements; and
- make judgements and estimates that are reasonable and prudent.

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 company's financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Independent Auditor's Report to the Members of Vivergo Fuels Limited

We have audited the financial statements of Vivergo Fuels Limited for the three month period ended 31 August 2015 which comprise the income statement, the statement of comprehensive income, the balance sheet, the statement of changes in equity and the related notes 1 to 24. The financial reporting framework that has been applied in their preparation is applicable law and UK Accounting Standards (UK Generally Accepted Accounting Practice), including Financial Reporting Standard 101 *Reduced Disclosure Framework*.

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

Respective responsibilities of directors and auditor

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

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the directors; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the financial statements to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

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 31 August 2015 and of its loss for the period then ended;
- have been properly prepared in accordance with UK Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matter prescribed by the Companies Act 2006

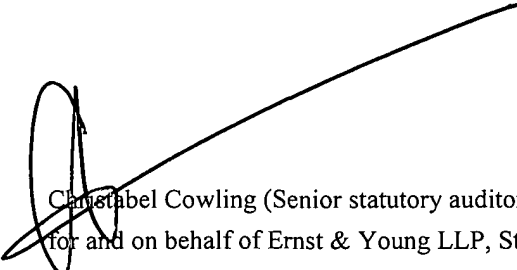
In our opinion the information given in the Strategic Report and the Directors' Report for the financial period for which the financial statements are prepared is consistent with the financial statements.

Independent Auditor's Report to the Members of Vivergo Fuels Limited (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.



Crisabel Cowling (Senior statutory auditor)

for and on behalf of Ernst & Young LLP, Statutory Auditor
Leeds

26 February 2016

Income Statement

For the period ended 31 August 2015

| | <i>Notes</i> | <i>2015 3 months £'000</i> | <i>2014/15 17 months £'000</i> |
|--|--------------|------------------------------------|--|
| Revenue | 2 | 42,082 | 174,684 |
| Cost of sales | | (42,926) | (234,278) |
| Gross loss | | <u>(844)</u> | <u>(59,594)</u> |
| Administrative expenses | | (1,974) | (13,400) |
| Operating loss before exceptional items | 4 | <u>(2,818)</u> | <u>(72,994)</u> |
| Exceptional items | 5 | - | (349,961) |
| Operating loss after exceptional items | | <u>(2,818)</u> | <u>(422,955)</u> |
| Finance income | 2,7 | 1 | 12 |
| Finance costs | 8 | (2,590) | (14,075) |
| Loss before tax | | <u>(5,407)</u> | <u>(437,018)</u> |
| Tax credit | 9 | 1,085 | 34,945 |
| Loss for the financial period | | <u><u>(4,322)</u></u> | <u><u>(402,073)</u></u> |

All results derive from continuing operations.

Statement of Comprehensive Income

For the period ended 31 August 2015

| | | <i>2015</i> | <i>2014/15</i> |
|---|--------------|-----------------|------------------|
| | | <i>3 months</i> | <i>17 months</i> |
| | <i>Notes</i> | <i>£'000</i> | <i>£'000</i> |
| Loss for the financial period | | (4,322) | (402,073) |
| Other comprehensive income: | | | |
| Items that can be reclassified to income statement: | | | |
| Cash flow hedges: | | | |
| Movement in cash flow hedging position | 19 | (763) | - |
| Deferred tax associated with movement in cash flow hedging position | 19 | 153 | - |
| Other comprehensive loss for the period, net of tax | 19 | (610) | - |
| Total comprehensive loss for the period | | <u>(4,932)</u> | <u>(402,073)</u> |

Balance Sheet

As at 31 August 2015

| | Notes | 31 August 2015 £'000 | 31 May 2015 £'000 |
|--------------------------------------|-------|----------------------------|-------------------------|
| Non-current assets | | | |
| Intangible assets | 10 | - | - |
| Property, plant and equipment | 11 | 573 | 473 |
| Total non-current assets | | <u>573</u> | <u>473</u> |
| Current assets | | | |
| Inventories | 12 | 5,653 | 6,991 |
| Trade and other receivables | 13 | 6,963 | 8,518 |
| Deferred tax | 9 | 46,057 | 47,964 |
| Cash and cash equivalents | 14 | 515 | 857 |
| Derivative financial assets | 15 | 86 | - |
| Total current assets | | <u>59,274</u> | <u>64,330</u> |
| Total assets | | <u>59,847</u> | <u>64,803</u> |
| Current liabilities | | | |
| Trade and other payables | 16 | (32,606) | (48,545) |
| Other financial liabilities | 17 | (13,350) | - |
| Total current liabilities | | <u>(45,956)</u> | <u>(48,545)</u> |
| Net current assets | | 13,318 | 15,785 |
| Non-current liabilities | | | |
| Other financial liabilities | 17 | (374,118) | (371,553) |
| Total non-current liabilities | | <u>(374,118)</u> | <u>(371,553)</u> |
| Total liabilities | | <u>(420,074)</u> | <u>(420,098)</u> |
| Net liabilities | | <u>(360,227)</u> | <u>(355,295)</u> |
| Capital and reserves | | | |
| Share capital | 18 | 106,297 | 106,297 |
| Hedging reserve | 19 | (610) | - |
| Retained earnings | | (465,914) | (461,592) |
| Equity shareholders' deficit | | <u>(360,227)</u> | <u>(355,295)</u> |

M I Carr - Director
26 February 2016
Registered No: 5998024



Statement of Changes in Equity

For the period ended 31 August 2015

| | <i>Notes</i> | <i>Share capital £'000</i> | <i>Hedging reserve £'000</i> | <i>Retained earnings £'000</i> | <i>Total £'000</i> |
|--|--------------|------------------------------------|--------------------------------------|--|------------------------|
| At 1 January 2014 | 18 | 106,297 | - | (59,519) | 46,778 |
| Loss for the period | | - | - | (402,073) | (402,073) |
| At 1 June 2015 | 18 | 106,297 | - | (461,592) | (355,295) |
| Profit for the period | | - | - | (4,322) | (4,322) |
| Other comprehensive loss for the period | 19 | - | (610) | - | (610) |
| At 31 August 2015 | 18 | 106,297 | (610) | (465,914) | (360,227) |

Notes to the financial statements

At 31 August 2015

1. Accounting policies

1.1 Corporate information

The financial statements of Vivergo Fuels Limited (the company) for the three month period ended 31 August 2015 were authorised for issue by the board of directors on 26 February 2016 and the balance sheet was signed on the Board's behalf by M I Carr.

Vivergo Fuels Limited is a limited company incorporated and domiciled in England and Wales. The registered office of the company is Shoosmiths Secretaries Limited, Witan Gate House, 500-600 Witan Gate West, Milton Keynes, Buckinghamshire, MK9 1SH.

1.2 Basis of preparation

The company transitioned from EU-adopted IFRS to Financial Reporting Standard 101 *Reduced Disclosure Framework* ("FRS 101") in the prior period and so has early adopted the new framework for financial reporting in the UK. There were no material measurement or recognition differences on the adoption of FRS 101. The accounting policies which follow have been applied in preparing the financial statements for the period ended 31 August 2015.

The company has taken advantage of the following disclosure exemptions under FRS 101:

- a) the requirements of IFRS 7 *Financial Instruments : Disclosures*;
- b) the requirements of IAS 7 *Statement of Cash Flows*; and
- c) the requirements of paragraph 17 of IAS 24 *Related Party Disclosures*.

The financial statements are presented in pounds sterling and all values are rounded to the nearest thousand pounds except where otherwise indicated.

These financial statements are prepared on a going concern basis, under the historical cost convention.

The preparation of financial statements requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the company's accounting policies. The areas involving a higher degree of judgement or areas where assumptions or estimates are significant to the financial statements are disclosed below in note 1.5.

1.3 Foreign currency translation

The financial statements of the company are presented in the currency of the primary economic environment in which it operates (its functional currency). The results and financial position of the company are expressed in pounds sterling, which is the functional currency of the company and presentational currency for the financial statements.

In preparing the financial statements transactions in currencies other than the company's functional currency (foreign currencies) are recognised at the rates of exchange prevailing on the dates of the transactions. At each balance sheet date, monetary assets and liabilities that are denominated in foreign currencies are retranslated at rates prevailing at that date. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at period end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the income statement except for exchange differences on transactions entered into to hedge certain foreign currency risks (see below under derivative financial instruments).

Notes to the financial statements

At 31 August 2015

1. Accounting policies (continued)

1.4 Revenue recognition

Revenue is recognised to the extent that it is probable that economic benefit will flow to the company and the revenue can be reliably measured, regardless of when payment is made. Revenue is measured at the fair value of the consideration received or receivable, taking into account contractually defined terms of payment and excluding taxes or duty. The company assesses its revenue arrangements against specific criteria to determine if it is acting as principal or agent. The company has concluded that it is acting as a principal in all of its revenue arrangements.

Revenue from the sale of goods is recognised when the significant risks and rewards of ownership of the goods have passed to the buyer, usually on dispatch of the goods.

1.5 Judgements and key sources of estimation uncertainty

The preparation of financial statements requires management to make judgements, estimates and assumptions that affect the amounts reported for assets and liabilities as at the balance sheet date and the amounts reported for revenues and expenses during the period. However, the nature of estimation means that actual outcomes could differ from those estimates.

The following judgements (apart from those involving estimates) have had the most significant effect on amounts recognised in the financial statements:

Going concern

The directors have, at the time of approving the financial statements, a reasonable expectation that the company has adequate resources to continue in operational existence for the foreseeable future. Thus they continue to adopt the going concern basis of accounting in preparing the financial statements.

The following estimates are dependent upon assumptions which could change in the next financial period and have a material effect on the carrying amount of assets and liabilities recognised at the balance sheet date:

Recoverable amount of property, plant and equipment

The recoverable amount of property, plant and equipment is based on estimates and assumptions regarding, in particular, the expected market outlook and future cash flows associated with the assets. Any changes in these assumptions may have a material impact on the measurement of the recoverable amount and could result in further impairment adjustments. During the prior period the directors reviewed the recoverable amount of property, plant and equipment and, following their review reflected an impairment in the carrying value of the plant in the prior period.

Recoverable amount of deferred tax

The recoverable amount of deferred tax is based on assumptions regarding the timing of the company making taxable profits against which losses can be relieved and therefore in turn are based on the expected market outlook and performance of the company. Any changes in these assumptions may have a material impact on the measurement of the recoverable amount and could result in impairment of the asset.

1.6 Intangible assets

Intangible assets acquired separately are measured on initial recognition at cost. Following initial recognition, intangible assets are carried at cost less any accumulated amortisation and impairment charges.

Intangible assets are amortised over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired.

Amortisation is provided on all computer software, after it has been brought into use, on a straight-line basis over its expected useful life of five years.

Notes to the financial statements

At 31 August 2015

1. Accounting policies (continued)

1.7 Property, plant and equipment

Property, plant and equipment are recognised as assets in the balance sheet if it is probable that the company will derive future economic benefits from them and the cost of the asset can be reliably estimated. Property, plant and equipment are recognised at cost less any accumulated depreciation and impairment charges. Cost includes purchase price plus expenses directly attributable to the asset in order to bring it to the location and condition to be operated in the intended manner.

Property, plant and equipment in the course of construction are carried at cost. Depreciation of these assets commences when the assets are ready for their intended use.

Depreciation is provided on all property, plant and equipment, other than land, after it has been brought into use, on a straight-line basis over its expected useful life as follows:

- Buildings – 30 years
- Plant and equipment – between 8 and 20 years
- Computer equipment, fixtures and fittings – between 5 and 15 years

1.8 Impairment of intangible assets and property, plant and equipment

The carrying values of intangible assets and of property, plant and equipment are reviewed for impairment if events or changes in circumstances indicate the carrying value may not be recoverable, and are written down immediately to their recoverable amount. The recoverable amount of property, plant and equipment is based upon estimates and assumptions regarding, in particular, the expected market outlook and future cash flows associated with the cash-generating unit. Useful lives and residual values are reviewed annually and where adjustments are required they are made prospectively.

1.9 Interest

Interest on cash, cash equivalents, and borrowings held at amortised cost, is recognised in the income statement using the effective interest method.

All interest on the loan notes prior to the commencement of trade is considered to relate to the construction of the plant and has been capitalised.

1.10 Income taxes

Current tax is based on taxable profit or loss for the period. Deferred tax is provided in full, using the liability method, on temporary differences arising between the tax base of assets and liabilities and their carrying amounts in the financial information. Deferred tax arising from initial recognition of an asset or liability in a transaction, other than an acquisition, that at the time of the transaction affects neither accounting nor taxable profit or loss, is not recognised. Deferred tax is measured using tax rates that have been enacted or substantively enacted by the balance sheet date and are expected to apply when the asset is realised or the liability is settled. Deferred tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

Income tax is charged or credited directly to equity if it relates to items that are credited or charged to equity and is otherwise recognised in the income statement.

Notes to the financial statements

At 31 August 2015

1. Accounting policies (continued)

1.11 Derivative financial instruments

The company enters into a variety of derivative financial instruments to manage its exposure to commodities and foreign currency exchange rate risk, including commodity swaps, forward foreign exchange contracts and foreign exchange swaps.

Derivatives are initially recognised at fair value at the date a derivative contract is entered into and are subsequently measured at fair value at each balance sheet date. The resulting gain or loss is recognised in the income statement immediately unless the derivative is designated and effective as a hedging instrument, in which case the resulting gain or loss is recognised in the statement of comprehensive income. The timing of the recognition in the income statement depends on the nature of the hedge relationship. The company designates certain derivatives as hedges of highly probable forecast transactions or hedges of foreign currency risk of firm commitments (cash flow hedges).

A derivative with a positive fair value is recognised as a financial asset whereas a derivative with a negative fair value is recognised as a financial liability.

1.12 Hedge accounting

The company designates certain hedging instruments, which include derivatives, embedded derivatives and non-derivatives in respect of commodity and foreign currency risk, as cash flow hedges. Hedges of commodity risk and foreign currency exchange risk on firm commitments are accounted for as cash flow hedges.

At the inception of the hedge relationship, the entity documents the relationship between the hedging instrument and the hedged item, along with its risk management objectives and its strategy for undertaking various hedge transactions. Furthermore, at the inception of the hedge and on an ongoing basis, the company documents whether the hedging instrument is highly effective in offsetting changes in fair values or cash flows of the hedged item.

The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges is recognised in the statement of comprehensive income. The gain or loss relating to the ineffective portion is recognised immediately, and is included in the line item of the income statement relating to the hedged item.

Amounts previously recognised in the statement of comprehensive income and accumulated in equity are reclassified to the income statement in the periods when the hedged item is recognised in the income statement, in the same line as the hedged item.

Hedge accounting is discontinued when the company revokes the hedging relationship, the hedging instrument expires or is sold, terminated or exercised, or no longer qualifies for hedge accounting. The fair value adjustment to the carrying amount of the hedged item arising from the hedged risk is recognised in the income statement from that date.

1.13 Provisions

A provision is recognised when the company has a legal or constructive obligation as a result of a past event, it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. If the effect is material, expected future cash flows are discounted using a current pre-tax rate that reflects, where appropriate, the risks specific to the liability.

The expected scrap proceeds of the plant are anticipated to exceed the estimated discounted costs of dismantling and removing the facility at the end of its useful life. As a result no decommissioning provision has been recognised in these financial statements. However, the company will perform periodic reviews of the facility for any changes in facts and circumstances that might require the recognition of a decommissioning provision.

Notes to the financial statements

At 31 August 2015

1. Accounting policies (continued)

1.14 Inventories

Inventories are stated at the lower of cost and net realisable value. Cost includes all costs incurred in bringing each product to its present location and condition, as follows:

- Raw materials, consumables, engineering spares and goods for resale
 - purchase cost on a first-in, first-out basis
- Work in progress and finished goods
 - cost of direct materials plus directly attributable overheads, excluding borrowing costs.

Net realisable value is based on estimated selling price less any further costs expected to be incurred to completion and disposal.

1.15 Pension scheme

The group operates a defined contribution pension scheme. Contributions are charged to the income statement as they become payable in accordance with the rules of the scheme.

1.16 Operating leases

Lease payments under operating leases are recognised as an expense on a straight line basis over the lease term unless another systematic basis is more representative of the time pattern of the benefit provided.

1.17 New standards and interpretations

During the current period the company has not adopted any new standards or interpretations.

The company is assessing the impact of the following revised standards and interpretations or amendments that are not yet effective. Where already endorsed by the EU, these changes will be adopted on the effective dates noted. Where not yet endorsed by the EU, the adoption date is less certain. The impact of these standards is currently under review:

- IFRS 11 *Accounting for Acquisitions of Interests in Joint Operations — Amendments to IFRS 11* (effective for accounting periods beginning from 1 January 2016)
- IFRS 14 *Regulatory Deferral Accounts* (effective for accounting periods beginning from 1 January 2016)
- IAS 16 and IAS 38 — *Clarification of Acceptable Methods of Depreciation and Amortisation — Amendments to IAS 16 and IAS 38* (effective for accounting periods beginning from 1 January 2016)
- IAS 16 and IAS 41 *Agriculture — Bearer Plants — Amendments to IAS 16 and IAS 41* (effective for accounting periods beginning from 1 January 2016)
- IAS 27 — *Equity Method in Separate Financial Statements — Amendments to IAS 27* (effective for accounting periods beginning from 1 January 2016)
- IFRS 15 *Revenue from Contracts with Customers* (effective for accounting periods beginning from 1 January 2018)
- IFRS 9 *Financial Instruments* (effective for accounting periods beginning from 1 January 2018)

The directors do not anticipate that the adoption of these standards and interpretations will have a material impact on the company's financial information in the period of initial application.

Notes to the financial statements

At 31 August 2015

2. Revenue

Revenue recognised in the income statement is analysed as follows:

| | <i>2015</i> | <i>2014/15</i> |
|----------------|-----------------|------------------|
| | <i>3 months</i> | <i>17 months</i> |
| | <i>£'000</i> | <i>£'000</i> |
| Sale of goods | 42,082 | 174,684 |
| Finance income | 1 | 12 |
| Total revenue | <u>42,083</u> | <u>174,696</u> |

No revenue was derived from exchanges of goods or services (2014/15: £nil).

3. Segment analysis

The company has only one business segment; the operation of an ethanol plant in the UK. All revenues, assets, liabilities and capital expenditure and other information presented elsewhere in these financial statements relates to that segment only.

4. Operating expenses

The operating loss is stated after charging:

| | <i>2015</i> | <i>2014/15</i> |
|---|-----------------|------------------|
| | <i>3 months</i> | <i>17 months</i> |
| | <i>£'000</i> | <i>£'000</i> |
| Amortisation of intangible assets | - | 273 |
| Impairment of intangible assets | - | 408 |
| Depreciation of property, plant and equipment | - | 26,733 |
| Impairment of property, plant and equipment | - | 354,463 |
| Loss on disposal of property, plant and equipment | - | 45 |
| Auditor's remuneration – audit services | 55 | 93 |
| Auditor's remuneration – tax services | 3 | 69 |
| Auditor's remuneration – assurance services | 7 | 3 |
| Auditor's remuneration – other services | - | 27 |
| | <u>-</u> | <u>408</u> |

5. Exceptional items

| | <i>2015</i> | <i>2014/15</i> |
|---|-----------------|------------------|
| | <i>3 months</i> | <i>17 months</i> |
| | <i>£'000</i> | <i>£'000</i> |
| Impairment of intangible assets | - | 408 |
| Impairment of property, plant and equipment | - | 354,463 |
| Waiver of amounts due to former joint venture partner | - | (4,910) |
| Total exceptional items | <u>-</u> | <u>349,961</u> |

Notes to the financial statements

At 31 August 2015

6. Staff costs

The average number of direct employees during the period was:

| | 2015 | 2014/15 |
|----------------|-----------|-----------|
| Production | 65 | 61 |
| Administration | 31 | 28 |
| Total | <u>96</u> | <u>89</u> |

| | 2015 3 months £'000 | 2014/15 17 months £'000 |
|-------------------------------------|---------------------------|-------------------------------|
| <i>Staff costs</i> | | |
| Salary and benefit costs | 1,189 | 6,953 |
| Social security costs | 134 | 789 |
| Defined contribution pension scheme | 98 | 365 |
| Total staff costs | <u>1,421</u> | <u>8,107</u> |

None of the directors received any remuneration as directors of the company and no consideration was paid to any third party for their services.

7. Finance income

| | 2015 3 months £'000 | 2014/15 17 months £'000 |
|---------------------------|---------------------------|-------------------------------|
| Other interest receivable | 1 | 12 |
| Total finance income | <u>1</u> | <u>12</u> |

8. Finance costs

| | 2015 3 months £'000 | 2014/15 17 months £'000 |
|--|---------------------------|-------------------------------|
| Shareholder loan note interest payable | 2,565 | 13,929 |
| Bank interest payable | 6 | 17 |
| Other interest payable | 19 | 129 |
| Total finance costs | <u>2,590</u> | <u>14,075</u> |

Notes to the financial statements

At 31 August 2015

9. Tax

(a) Analysis of the tax credit for the period

| | 2015 3 months £'000 | 2014/15 17 months £'000 |
|---|---------------------------|-------------------------------|
| UK corporation tax: | | |
| Adjustments in respect of prior periods | - | 5,625 |
| | <u>-</u> | <u>5,625</u> |
| Group relief: | | |
| Tax credit on losses available for surrender | (3,145) | - |
| | <u>(3,145)</u> | <u>-</u> |
| Deferred tax: | | |
| Origination and reversal of temporary differences | 2,060 | (35,699) |
| Effect of change in tax rate | - | 2,086 |
| Adjustment in respect of previous periods | - | (6,957) |
| | <u>2,060</u> | <u>(40,570)</u> |
| Total tax credit in the income statement | <u>(1,085)</u> | <u>(34,945)</u> |

(b) Reconciliation of the total tax credit for the period

A reconciliation of the tax credit applicable to the company's loss before tax at the applicable tax rate of 20.00% (2014/15: 21.23%) to the provision for income taxes is as follows:

| | 2015 3 months £'000 | 2014/15 17 months £'000 |
|---|---------------------------|-------------------------------|
| Loss before tax | (5,407) | (437,018) |
| | <u>(5,407)</u> | <u>(437,018)</u> |
| Tax at the rate of 20.00% (2014/15: 21.23%) | (1,081) | (92,783) |
| Deferred tax rate changes | - | 2,086 |
| Permanent differences | (4) | 57,084 |
| Prior period adjustment – UK tax | - | 5,625 |
| Prior period adjustment – deferred tax | - | (6,957) |
| | <u>(1,085)</u> | <u>(34,945)</u> |
| Total tax credit in the income statement | <u>(1,085)</u> | <u>(34,945)</u> |

The permanent differences recognised during 2014/15 arose principally as a result of one-off adjustments to taxable profit required as a result of the company becoming connected with the ABF group, for tax purposes, during the period.

Notes to the financial statements

At 31 August 2015

9. Tax (continued)

(c) Deferred tax

A net deferred tax asset of £46,057,000 (2014/15: £47,964,000) has been recognised in the period. No amounts remain unrecognised at 31 August 2015 (2014/15: £nil). This relates to the items included in the table below:

| | 2015 3 months £'000 | 2014/15 17 months £'000 |
|---|---------------------------|-------------------------------|
| Asset in respect of fixed assets and capital allowances | 45,904 | 47,964 |
| Asset in respect of cash flow hedges | 153 | - |
| Total | <u>46,057</u> | <u>47,964</u> |
| | 2015 3 months £'000 | 2014/15 17 months £'000 |
| Deferred tax balance brought forward | 47,964 | 7,394 |
| Recognised in the income statement in the period | (2,060) | 40,570 |
| Recognised in respect of cash flow hedges | 153 | - |
| Deferred tax balance carried forward | <u>46,057</u> | <u>47,964</u> |

A deferred tax asset has been recognised as the directors consider it probable that suitable taxable income will arise within the group against which the asset can be reversed. The majority of the deferred tax asset arises as a result of timing differences between depreciation and capital allowances. The company expects to be able to claim capital allowances in excess of depreciation in future years.

d) Factors that may affect future tax charges

The main rate of corporation tax during the period was 20%. The company's profits for the 3 month period to 31 August 2015 are taxed at 20% being the rate for that accounting period.

Reductions to the UK corporation tax rate have been announced, to 19% and 18% from 1 April 2017 and 1 April 2020 respectively, but had not been substantively enacted at the balance sheet date. As deferred tax is measured at the substantively enacted rates that are expected to apply in the periods when the underlying timing differences reverse, opening and closing deferred tax balances have been calculated using a rate of 20%. Revaluing deferred tax balances at the rates now enacted since the balance sheet date would result in a charge to profit and loss of between £2m and £3m.

The company is now a member of the ABF group relief group. In accordance with group policy, tax losses surrendered for group relief will be reimbursed at the rate of tax prevailing in the period.

Notes to the financial statements

At 31 August 2015

10. Intangible assets

| | <i>Computer software £'000</i> |
|--|--|
| Cost: | |
| <i>At 1 June 2015 and 31 August 2015</i> | 1,122 |
| Accumulated amortisation: | |
| <i>At 1 June 2015 and 31 August 2015</i> | 1,122 |
| Net book value: | |
| <i>At 1 June 2015 and 31 August 2015</i> | - |

11. Property, plant and equipment

| | <i>Land and buildings £'000</i> | <i>Computer equipment, fixtures and fittings £'000</i> | <i>Plant and equipment £'000</i> | <i>Total £'000</i> |
|--|---|--|--|------------------------|
| Cost: | | | | |
| <i>At 1 June 2015</i> | 15,967 | 800 | 386,464 | 403,231 |
| Additions | - | - | 100 | 100 |
| <i>At 31 August 2015</i> | 15,967 | 800 | 386,564 | 403,331 |
| Accumulated depreciation: | | | | |
| <i>At 1 June 2015 and 31 August 2015</i> | 15,967 | 800 | 385,991 | 402,758 |
| Net book value: | | | | |
| <i>At 31 August 2015</i> | - | - | 573 | 573 |
| <i>At 1 June 2015</i> | - | - | 473 | 473 |

Plant and equipment comprises design, engineering and construction work and the related capitalised interest costs for the wheat-to-ethanol fermentation plant.

Notes to the financial statements

At 31 August 2015

12. Inventories

| | <i>31 August</i> | <i>31 May</i> |
|------------------|------------------|---------------|
| | <i>2015</i> | <i>2015</i> |
| | <i>£'000</i> | <i>£'000</i> |
| Raw materials | 2,207 | 1,556 |
| Work in progress | 1,949 | 1,846 |
| Finished goods | 1,497 | 3,589 |
| | <u>5,653</u> | <u>6,991</u> |

During the current period, a £260,000 charge (2014/15: £596,000 credit) was recognised in the income statement, representing the net movement for inventories carried at net realisable value. This has been recognised in cost of sales.

13. Trade and other receivables

| | <i>31 August</i> | <i>31 May</i> |
|------------------------------------|------------------|---------------|
| | <i>2015</i> | <i>2015</i> |
| | <i>£'000</i> | <i>£'000</i> |
| Trade receivables | 2,502 | 2,511 |
| Amounts owed by group undertakings | 3,005 | 3,916 |
| Prepayments | 1,042 | 1,399 |
| Other receivables | 414 | 692 |
| | <u>6,963</u> | <u>8,518</u> |

The carrying value of trade and other receivables also represents their fair value. All other receivables are neither past due nor impaired. There is no provision against other receivables.

14. Cash and cash equivalents

| | <i>31 August</i> | <i>31 May</i> |
|--------------------------|------------------|---------------|
| | <i>2015</i> | <i>2015</i> |
| | <i>£'000</i> | <i>£'000</i> |
| Cash at bank and in hand | 515 | 857 |
| | <u>515</u> | <u>857</u> |

Cash at bank attracts interest at a floating rate.

Notes to the financial statements

At 31 August 2015

15. Derivative financial assets

| | <i>31 August</i> 2015 £'000 | <i>31 May</i> 2015 £'000 |
|------------------------------------|-----------------------------------|--------------------------------|
| Forward commodity contracts | 4 | - |
| Forward foreign exchange contracts | 82 | - |
| Total derivative financial assets | <u>86</u> | <u>-</u> |

16. Trade and other payables

| | <i>31 August</i> 2015 £'000 | <i>31 May</i> 2015 £'000 |
|---|-----------------------------------|--------------------------------|
| Trade payables | 915 | 2,843 |
| Amounts owed to group undertakings | 16,086 | 18,891 |
| Amounts owed to associated undertakings | 7,238 | 17,910 |
| Accrued liabilities | 8,367 | 8,901 |
| Total trade and other payables | <u>32,606</u> | <u>48,545</u> |

17. Other financial liabilities

| | <i>31 August</i> 2015 £'000 | <i>31 May</i> 2015 £'000 |
|---|-----------------------------------|--------------------------------|
| Current | | |
| Bank overdrafts | 12,501 | - |
| Forward commodity contracts | 85 | - |
| Forward foreign exchange contracts | 764 | - |
| Total current other financial liabilities | <u>13,350</u> | <u>-</u> |

The bank overdrafts are repayable on demand.

| | <i>31 August</i> 2015 £'000 | <i>31 May</i> 2015 £'000 |
|---|-----------------------------------|--------------------------------|
| Non-current | | |
| Loan notes | 322,703 | 322,703 |
| Accrued interest | 51,415 | 48,850 |
| Total non-current other financial liabilities | <u>374,118</u> | <u>371,553</u> |

All loan notes have been issued to shareholders.

Loan notes are repayable at three monthly intervals from 21 December 2016 through to 21 December 2024. The accrued interest is repayable on 21 December 2016.

Notes to the financial statements

At 31 August 2015

18. Share capital

| <i>Authorised</i> | <i>31 August 2015 £'000</i> | <i>31 May 2015 £'000</i> |
|---|-------------------------------------|----------------------------------|
| Ordinary shares of £1 each | 106,297 | 106,297 |
| | <u>106,297</u> | <u>106,297</u> |
| | | |
| <i>Allotted, called up and fully paid</i> | <i>31 August 2015 £'000</i> | <i>31 May 2015 £'000</i> |
| At the start of the period | 106,297 | 106,297 |
| Shares issued | - | - |
| At the end of the period | <u>106,297</u> | <u>106,297</u> |

All shares have equal rights and there are no restrictions or preferences to repayment of capital.

19. Hedging reserve

| | <i>31 August 2015 £'000</i> | <i>31 May 2015 £'000</i> |
|--|-------------------------------------|----------------------------------|
| At the start of the period | - | - |
| Loss recognised on forward foreign exchange contracts | (669) | - |
| Loss recognised on forward commodity contracts | (81) | - |
| Transfer to income on forward foreign exchange contracts | (13) | - |
| Deferred tax | 153 | - |
| At the end of the period | <u>(610)</u> | <u>-</u> |

Notes to the financial statements

At 31 August 2015

20. Related parties

Transactions with associated undertakings

Transactions with ABF (including Frontier Agriculture Limited, a company in which ABF is a joint venture partner) and DuPont, all shareholders of the company during the period are set out below:

Period ended 31 August 2015

| | <i>Receipts from related parties</i> | <i>Payments to related parties</i> | <i>Amounts owed by related parties</i> | <i>Amounts owed to related parties</i> |
|--------|--|--|--|--|
| | <i>£'000</i> | <i>£'000</i> | <i>£'000</i> | <i>£'000</i> |
| ABF | 9,788 | 27,128 | 3,005 | 10,577 |
| DuPont | - | - | - | - |
| | <u> </u> | <u> </u> | <u> </u> | <u> </u> |

Period ended 31 May 2015

| | <i>Receipts from related parties</i> | <i>Payments to related parties</i> | <i>Amounts owed by related parties</i> | <i>Amounts owed to related parties</i> |
|--------|--|--|--|--|
| | <i>£'000</i> | <i>£'000</i> | <i>£'000</i> | <i>£'000</i> |
| ABF | 53,936 | 156,607 | 3,916 | 21,160 |
| DuPont | - | - | - | - |
| | <u> </u> | <u> </u> | <u> </u> | <u> </u> |

Terms and conditions of transactions with shareholders are generally for payment by the end of the month following the date of invoice.

In addition to the above transactions, the long-term borrowings of £322,703,000 (2014/15: £322,703,000) and accrued interest of £51,415,000 (2014/15: £48,850,000) have been provided by the shareholders, in the following amounts:

Period ended 31 August 2015

| | <i>Loan notes</i> | <i>Accrued interest</i> |
|--------|-------------------|-----------------------------|
| | <i>£'000</i> | <i>£'000</i> |
| ABF | 305,103 | 47,529 |
| DuPont | 17,600 | 3,886 |
| | <u> </u> | <u> </u> |

Period ended 31 May 2015

| | <i>Loan notes</i> | <i>Accrued interest</i> |
|--------|-------------------|-----------------------------|
| | <i>£'000</i> | <i>£'000</i> |
| ABF | 305,103 | 45,127 |
| DuPont | 17,600 | 3,723 |
| | <u> </u> | <u> </u> |

Notes to the financial statements

At 31 August 2015

21. Obligations under operating leases

The company has entered into a commercial property lease for the production site and for office accommodation. These leases have terms for renewal but no purchase options. The option to renew the production site lease is at the option of the lessee. The minimum lease rentals payable under non-cancellable operating leases are as follows:

| | <i>31 August</i> | <i>31 May</i> |
|---|------------------|---------------|
| | <i>2015</i> | <i>2015</i> |
| | <i>£'000</i> | <i>£'000</i> |
| Within one year | 164 | 164 |
| After one year but not more than five years | 496 | 518 |
| After five years | 465 | 484 |
| | <u>1,125</u> | <u>1,166</u> |

The main production site at Saltend Industrial Park, Hull is leased on normal commercial terms.

The cost recognised through the income statement during the period in relation to the leases included above was £31,000 (2014/15: £218,000)

22. Capital commitments

At 31 August 2015, amounts contracted for but not provided in the financial statements for acquisition of property, plant and equipment amounted to £13,000 (2014/15: £42,000).

23. Pension scheme

The company operates a defined contribution pension scheme. Contributions are charged in the income statement as they become payable in accordance with the rules of the scheme. As at 31 August 2015, contributions of £27,000 (2014/15: £54,000) due in respect of the current reporting period had not been paid over to the scheme.

24. Controlling party

The immediate parent undertaking is ABF Investments plc.

The largest group in which the results of the company are consolidated is that headed by Wittington Investments Limited ("Wittington"), the accounts of which are available at Companies House, Crown Way, Cardiff CF14 3UZ. Wittington is the ultimate holding company, is incorporated in Great Britain and is registered in England.

The smallest group in which the results of the company are consolidated is that headed by Associated British Foods plc ("ABF"), which is incorporated in the UK and registered in England. Wittington, and, through their control of Wittington, the trustees of the Garfield Weston Foundation ("the Foundation") are controlling shareholders of ABF. Certain other individuals, including certain members of the Weston family who hold shares in ABF (and including two of ABF's company directors, George Weston and Emma Adamo) are, under the Listing Rules, treated as acting in concert with Wittington and the trustees of the Foundation and are therefore also treated as controlling shareholders of ABF. Wittington, the trustees of the Foundation and these individuals together comprise the controlling shareholders of ABF. The consolidated accounts of ABF are available to the public and may be obtained from its registered office at Weston Centre, 10 Grosvenor Street, London W1K 4QY or by download from the group's website at www.abf.co.uk.