Registered No 5998024

Vivergo Fuels Limited

Report and Financial Statements

31 December 2012

SATURDAY

A2DICXOW

A39 27/07/2013 #75

COMPANIES HOUSE

Registered No 5998024

Directors

M I Carr
C H Wilks
R N Pike – resigned 19 September 2012
D E West – appointed 11 October 2012
T M Stastny – resigned 11 October 2012
L M Chapman – appointed 11 October 2012

Auditors

Ernst & Young LLP
24 Marina Court
Castle Street
Hull
HU1 1TJ

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

Directors' Report

The directors present their report and financial statements for the year ended 31 December 2012

Results and dividends

The loss for the year, after taxation is £9,091,000 (2011 £6,132,000 profit) No dividends have been paid in the year and the directors do not recommend a final ordinary dividend (2011 £nil)

Principal activity and review of the business

The company is a joint venture between BP, Associated British Foods plc (ABF), and DuPont The management and strategy of the company is set out in a joint venture agreement between the parties

The company's principal activities for the year were the continued engineering, construction and commissioning and then operation of a wheat to ethanol fermentation plant

Grievances arising from a dispute with an engineering contractor during construction of the plant were heard in the Technology and Construction Court in October 2012 At the date of this report the outcome of the hearing is not known However, the directors believe that claims made against the company are unlikely to result in a significant recovery for the contractor

Construction and commissioning activities continued throughout most of 2012 and commercial production commenced in December 2012

The company's key financial and other performance indicators are being developed as the company moves into the operational phase The key performance indicators during the initial operational phase relate to safety, plant availability, product yield, and financial performance

The key safety KPIs used are days away from work cases (DAFWC) and recordable incident frequency (RIF) The company has recently passed 5 million man hours worked without a DAFWC and has a RIF of 0 44, which is well below the UK average for construction sites

Principal Risks and Uncertainties

Now that the business is operational, its principal risks are safety, commodity pricing and supply stability together with any political, economic or commercial changes that might impact the strategy of the company

The company is establishing procedures to manage financial risks with the objectives of limiting undue counterparty exposure and managing and monitoring the exposure to changes in commodity prices

Use of derivatives

The company may use forward foreign currency contracts to reduce exposure to foreign exchange rates by fixing the rate of any material transactional exposures in a foreign currency, although no contracts were used in the year The directors keep the use of derivatives under review

The company may use forward commodity contracts to reduce exposure to changes in commodity prices The company has used forward contracts to purchase wheat and sell animal feed

Exposure to price, credit, liquidity and cash flow risk

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

Credit risk is the risk that one party to a financial instrument will cause a financial loss for that other party by failing to discharge an obligation As the company has only recently commenced trading it is not exposed to any material credit risk

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

Directors' Report

Going Concern

The plant commenced commercial operation in December 2012 The directors are of the opinion that the company has sufficient bank facilities to continue operating for the foreseeable future Further funding is available from shareholders should any additional working capital facility be required beyond that provided by the bank Accordingly, the directors continue to adopt the going concern basis of accounting in preparing the annual financial statements

Directors and their interests

The directors of the company are shown on page 2

No directors have an interest in the shares of the company

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/she is obliged to take as a director in order to made himself/herself aware of any relevant audit information and to establish that the auditor is aware of that information

Auditors

A resolution to reappoint Ernst & Young LLP as auditors will be put to the members at the Annual General Meeting

On behalf of the Board

M I Carr
Director
12 June 2013

Statement of directors' responsibilities in relation to the financial statements

The directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable United Kingdom law and those International Financial Reporting Standards as adopted by the European Union

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 in accordance with IAS 8 *Accounting Policies, Changes in Accounting Estimates and Errors* and then 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 in IFRSs 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 IFRSs, 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 and Article 4 of the IAS Regulation 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 year ended 31 December 2012 which comprise of the Statement of Financial Position, the Statement of Comprehensive Income, the Statement of Cash Flow, the Statements of Changes in Equity and the related notes 1 to 22 The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union

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 5), 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 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 December 2012 and of its loss for the year then ended,
- have been properly prepared in accordance with IFRSs as adopted by the European Union, 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 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

Ernst & Young

Richard Frostick (Senior statutory auditor)
for and on behalf of Ernst & Young LLP, Statutory Auditor
Hull
12 June 2013

Statement of Comprehensive Income

for the year ended 31 December 2012

	Notes	*2012* *£'000*	*2011* *£'000*
Revenue		159	-
Cost of sales		(1,154)	-
Gross (loss)/profit		(995)	-
Other operating income		478	10,822
Administrative expenses	3	(10,206)	(5,253)
Operating (loss)/profit		(10,723)	5,569
Finance revenue	5	1	1
Finance costs	6	(917)	-
(Loss)/profit on continuing operations before taxation		(11,639)	5,570
Tax credit	7	2,548	562
(Loss)/profit for the year		(9,091)	6,132

Statement of financial position

As at 31 December 2012

	Notes	*2012* *£'000*	*2011* *£'000*
Non-current assets			
Intangible assets	8	885	786
Property, plant and equipment	9	397,347	346,112
Deferred tax	7	3,110	-
Current assets			
Inventories	10	3,828	3
Trade and other receivables	11	1,049	1,462
Deferred tax	7	-	562
Cash and cash equivalents	12	879	17,124
Total current assets		5,756	19,151
Total assets		407,098	366,049
Current liabilities			
Trade and other payables	13	18,763	16,025
		18,763	16,025
Non-current liabilities			
Financial liabilities	14	302,984	265,236
Total liabilities		321,747	281,261
Net assets		85,351	84,788
Capital and reserves			
Equity share capital	16	96,027	86,373
Retained earnings		(10,676)	(1,585)
Total equity		85,351	84,788

M I Carr
Director
12 June 2013

Statement of Changes in Equity

For the year ended 31 December 2012

	Share capital £'000	*Retained earnings £'000*	*Total £'000*
At 1 January 2011	73,895	(7,717)	66,178
Share capital issued during the year	12,478	-	12,478
Total profit recognised for the year	-	6,132	6,132
At 1 January 2012	86,373	(1,585)	84,788
Share capital issued during the year	9,654	-	9,654
Total loss recognised for the year	-	(9,091)	(9,091)
At 31 December 2012	96,027	(10,676)	85,351

Statement of Cashflows

For the year ended 31 December 2012

	Notes	2012 £'000	2011 £'000
Operating activities			
(Loss)/profit before tax		(11,639)	5,570
Amortisation of intangible assets		133	70
Depreciation of fixed assets		1,672	100
(Increase)/decrease in stock		(3,825)	(3)
(Increase)/decrease in trade and other receivables		413	943
Increase/(decrease) in trade and other payables		12,540	1,174
Net cash flow from operating activities		(706)	7,854
Investing activities			
Purchase of intangible assets		(232)	(324)
Purchase of property, plant and equipment		(52,907)	(71,690)
Net cash flow from investing activities		(53,139)	(72,014)
Corporation Tax Paid		-	-
Financing activities			
Proceeds from share issues		9,654	12,478
Proceeds from Loan Note issues		27,946	44,284
Net cash flows from financing activities		37,600	56,762
Increase in cash and cash equivalents		(16,245)	(7,398)
Cash and cash equivalents at the beginning of the year	12	17,124	24,522
Cash and cash equivalents at the end of the year	12	879	17,124

Notes to the financial statements

at 31 December 2012

1. Accounting policies

Accounting convention

These financial statements of Vivergo Fuels Limited (the company) for the year ended 31 December 2012 were authorised for issue by the board of directors on 12 June 2012 and the statement of financial position was signed on the board's behalf by M I Carr

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

Basis of preparation

The company's financial statements have been prepared in accordance with International Financial Reporting Standards as adopted by the European Union as they apply to the financial statements of the company for the year ended 31 December 2012 and are applied in accordance with the Companies Act 2006 The accounting policies which follow set out those policies which apply in preparing the financial statements for the year ended 31 December 2012

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

These financial statements are prepared on the historical cost convention except for certain financial assets and liabilities including derivative financial instruments that are measured at fair value

In the process of applying the company's accounting policies no major judgements, apart from those involving estimations, which have a significant effect on the reported amounts in the financial statements, have been made

Foreign currency translation

The functional currency is the currency of the primary economic environment in which an entity operates The presentation currency of the company is Sterling Foreign currency transactions are translated into the functional currency using exchange rates prevailing at the dates of transactions

Revenue recognition

Revenue is recognised to the extent that it is probable that the economic benefit will flow to the company and the revenue can be reliably measured, regardless of when the payment is being 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 The specific recognition criteria described below must also be met before revenue is recognised

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 delivery of the goods

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 statement of financial position date and the amounts reported for revenues and expenses during the year 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

Notes to the financial statements

at 31 December 2012

1. Accounting policies (continued)

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 impairment adjustments

Fair value of financial instruments
Where the fair value of financial assets and financial liabilities recorded in the statement of financial position cannot be derived from active markets, they are determined using valuation techniques including the discounted cash flows model The inputs to these models are taken from observable markets where possible, but where this is not feasible, a degree of judgement is required in establishing fair values The judgements include considerations of inputs such as liquidity risk, credit risk and volatility Changes in assumptions about these factors could affect the reported fair value of financial instruments

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 any accumulated impairment charges

Intangible assets with finite lives 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 as follows
- Computer software – over 5 years

Property, plant and equipment
Property, plant and equipment are recognised as assets in the statement of financial position if it is probable that the company will derive future economic benefits from them and the cost of an asset can be reliably estimated Property, plant and equipment are recognised at cost minus accumulated depreciation and any 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
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 10 and 20 years
- Fixtures and fittings – between 5 and 15 years
- Computer equipment – 5 years

The carrying values 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 Useful lives and residual values are reviewed annually and where adjustments are required these are made prospectively An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset Any gain or loss arising on derecognition of the asset is included in the income statement in the period of derecognition.

Interest
Interest on cash and 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 Borrowing costs are amortised over the life of the related assets

Interest on the loan notes following commencement of trade is recognised in the income statement

Notes to the financial statements

at 31 December 2012

1. Accounting policies (continued)

Cash and cash equivalents

Cash and cash equivalents for the purposes of the statement of cash flows comprise cash at bank and in hand

Income taxes

The tax expense represents the sum of current tax and deferred tax

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 statement of financial position 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 Otherwise income tax is recognised in the income statement

Interest bearing loans and borrowings

Obligations for loans and borrowings are recognised when the company becomes party to the related contracts and are measured initially at the fair value of consideration received less directly attributable transaction costs After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost using the effective interest method

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 Where discounting is used, the increase in the provision due to unwinding the discount is recognised as a finance cost

As the plant is anticipated to operate for an indeterminate life, the obligation for the estimated discounted costs of dismantling and removing the facility cannot be measured with any certainty, given the indeterminate settlement date As a result no decommissioning provision has been recognized 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

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 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

Cost of inventories includes the transfer from equity of gains and losses on qualifying cash flow hedges in respect of the purchase of materials Net realisable value is based on estimated selling price less any further costs expected to be incurred to completion and disposal

Notes to the financial statements

at 31 December 2012

1. Accounting policies (continued)

Pension scheme

The group operates a defined contribution pension scheme Contributions are charged in the profit and loss account as they become payable in accordance with the rules of the scheme

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

Capital management

The company's objective when managing capital is to safeguard the company's ability to continue as a going concern in order to provide returns to the shareholders

New standards and interpretations

During the current year the company has adopted the following standards, none of which has had any material impact on the amounts reported or accounting policies

- IFRS 7 - Disclosures - Transfers of Financial Assets (amendment) effective 1 July 2011
- IFRS 1 - Severe Hyperinflation and Removal of Fixed Dates for First-time Adopters (amendment) effective 1 July 2011
- IAS 12 - Deferred Tax Recovery of Underlying Assets (amendment) effective 1 January 2012

At the date of authorisation of these financial statements the IASB and IFRIC have issued the following standards and interpretations which are only effective for accounting periods commencing on, or after, the effective date and have not, therefore, been applied in these financial statements

- IFRS 9 - Financial Instruments (effective for accounting periods beginning from 1 January 2015)
- IFRS 10 - Consolidated Financial Statements (effective for accounting periods beginning from 1 January 2013)
- IFRS 11 - Joint Arrangements (effective for accounting periods beginning from 1 January 2013)
- IFRS 12 - Disclosure of Interests in Other Entities (effective for accounting periods beginning from 1 January 2013)
- IFRS 13 - Fair Value Measurement (effective for accounting periods beginning from 1 January 2013)
- IAS 27 (Revised) - Separate Financial Statements (effective for accounting periods beginning from 1 January 2013)
- IAS 28 (Revised) - Investments in Associates and Joint Ventures (effective for accounting periods beginning from 1 January 2013)
- IAS 1 (Amendment) - Presentation of Items of Other Comprehensive Income (effective for accounting periods beginning from 1 July 2012)
- IAS 19 (Revised) - Employee Benefits (effective for accounting periods beginning from 1 January 2013)
- Amendment to IAS 32 - Offsetting Financial Assets and Financial Liabilities (effective for accounting periods beginning from 1 January 2014)
- IFRS 7 (Amendment)- Disclosures - Offsetting Financial Assets and Financial Liabilities (effective for accounting periods beginning from 1 January 2013)
- IFRS 7 and IFRS 9 (Amendment) - Mandatory Effective Date and Transition Disclosures (effective for accounting periods beginning from 1 January 2015)
- IFRIC Interpretation 20 - Stripping Costs in the Production Phase of a Surface Mine (effective for accounting periods beginning from 1 January 2013)

Notes to the financial statements

at 31 December 2012

1. Accounting policies (continued)

- Amendments to IFRS 1 - Government Loans (effective for accounting periods beginning from 1 January 2013)
- Annual Improvements to IFRSs 2009-2011 Cycle (effective for accounting periods beginning from 1 January 2013)

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

2. Segment analysis

Analysis by business segment

The company has only one business segment the operation of an ethanol plant Information presented elsewhere in these financial statements relates to that segment only

Analysis by geography

In the period all revenues, assets, liabilities and capital expenditure originated in the United Kingdom

3. Operating expenses

The operating profit / loss is stated after charging

	2012	*2011*
	£'000	*£'000*
Amortisation of intangible assets	133	70
Depreciation	1,672	100
Auditors' remuneration – audit services	48	26
Auditors remuneration – tax services	3	1

4. Staff costs

The average number of direct employees during the year was 60 (2011 55) None of the directors received any remuneration as directors of the company and no consideration was paid to any third party for their services

	2012	*2011*
	£'000	*£'000*
Staff Costs		
Salary and benefit costs	1,447	989
Social security costs	119	84
Defined contribution pension scheme	46	27
	1,612	1,100

Notes to the financial statements

at 31 December 2012

5. Finance revenue

	2012	*2011*
	£'000	*£'000*
Other interest receivable	1	1
Total finance revenue	1	1

6. Finance costs

	2012	*2011*
	£'000	*£'000*
Loan note interest payable	9,802	8,163
Less Loan note interest capitalised	(8,885)	(8,163)
Total finance costs	917	-

7. Tax

(a) Analysis of the tax credit for the period

	2012	*2011*
	£'000	*£'000*
UK Corporation tax		
Current income tax charge	-	-
Deferred tax		
Origination and reversal of temporary differences	(2,548)	(562)
Tax credit in the income statement	(2,548)	(562)

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

A reconciliation of the tax credit applicable to the company's loss before tax at the applicable tax rate of 24 5% (2011 26 5%) to the provision for income taxes is as follows

	2012	*2011*
	£'000	*£'000*
Profit/(loss) before tax	(11,639)	5,570
Tax at the rate of 24 5% (2011 26 5%)	(2,852)	1,476
Movements in unprovided deferred tax	-	(2,038)
Deferred tax rate changes	213	-
Permanent differences	20	-
Prior year adjustment – deferred tax	71	-
Total tax credit in the income statement	(2,548)	(562)

Notes to the financial statements

at 31 December 2012

7. Tax (continued)

(c) Deferred taxation

A net deferred tax asset of £3,110k (2011 £562k) has been recognised in the year No amounts remain unrecognised at 31 December 2012 (2011 nil) This relates to the items included in the table below

	2012	*2011*
	£'000	*£'000*
Liability on capitalised interest	(2,638)	(2,868)
Asset in respect of pre-trade expenditure/trading losses	14,819	3,362
Asset/liability in respect of fixed assets and capital allowances	(9,071)	68
Total	3,110	562

	2012	*2011*
	£'000	*£'000*
Deferred tax balance brought forward	562	-
Recognised in the income statement in the year	2,619	562
Adjustments in respect of prior years	(71)	-
Deferred tax balance carried forward	3,110	562

A deferred tax asset has therefore been recognised this year as trade has commenced in 2012 as it is probable that suitable taxable income will arise against which the asset can be reversed

d) Factors that may affect future tax charges

The main rate of corporation tax in the UK reduced from 26% to 24% from 1 April 2012 The company's profits for the period to 31 December 2012 are taxed at 24 5% being the average rate for that accounting period

A further reduction in the corporation tax rate to 23% was enacted before the Balance Sheet date Deferred tax is therefore provided at 23%

Further reductions in the corporation tax rate have been announced but not yet enacted It is anticipated that by 1 April 2015, the main rate of corporation tax in the UK will be reduced to 20% The overall net effect of these reductions on the deferred tax asset will be approximately £406k

Notes to the financial statements
at 31 December 2012

8. Intangible Assets

	Computer Software £'000
Cost	
At 1 January 2012	914
Additions	232
At 31 December 2012	1.146
Depreciation	
At 1 January 2012	128
Charge for the year	133
At 31 December 2012	261
Net book value	
At 31 December 2012	885
At 1 January 2012	786

9. Property, plant and equipment

	Land & Buildings £'000	*Computer Equipment, Fixtures & Fittings* £'000	*Plant and equipment* £'000	*Plant and equipment in the course of construction* £'000	*Total* £'000
Cost					
At 1 January 2012	-	783	-	345,469	346,252
Additions		43		52,864	52,907
Transfer of assets	16,100	-	382,233	(398,333)	-
At 31 December 2012	16,100	826	382,233	-	399,159
Depreciation					
At 1 January 2012	-	140	-	-	140
Charge for the year	46	111	1,515	-	1,672
At 31 December 2012	46	251	1,515	-	1,812
Net book value					
At 31 December 2012	16,054	575	380,718	-	397,347
At 1 January 2012	-	643	-	345,469	346,112

Notes to the financial statements

at 31 December 2012

9. Property, plant and equipment (continued)

Plant and equipment comprises design, engineering and construction work and the related capitalised interest costs for the wheat to ethanol fermentation plant Plant & equipment includes £23,926,000 capitalised interest (2011 £15,209,000 included within assets in the course of construction)

10. Inventories

	2012	*2011*
	£'000	*£'000*
Raw materials (at cost)	1,643	3
Work in progress (at cost)	380	-
Finished goods (at cost or net realisable value)	1,805	-
	3,828	3

During 2012, £488,000 (2011 £nil) was recognised as an expense for inventories carried at net realisable value This is recognised in cost of sales

11. Trade and other receivables

	2012	*2011*
	£'000	*£'000*
Trade receivables	216	-
Prepayments	50	23
Other receivables	783	1,439
	1,049	1,462

The carrying value of trade and other receivables also represents their fair value All other receivables are neither past due or impaired There is no provision against other receivables

12. Cash and cash equivalents

	2012	*2011*
	£'000	*£'000*
Cash at bank and in hand	879	17,124

Cash at bank attracts interest at floating rate

Notes to the financial statements

at 31 December 2012

13. Trade and other payables

	2012	*2011*
	£'000	*£'000*
Trade payables	6,367	1,074
Other accrued liabilities	12,396	14,951
	18,763	16,025

14. Financial Liabilities

Non-current	*2012*	*2011*
	£'000	*£'000*
Loan Notes	302,984	265,236

On 27 March 2009, the company, in line with the terms of the shareholders agreement, entered into a Loan Note agreement with its shareholders to provide debt funding, up to a total of £176,000,000 to be repaid in full by 2022 This was fully drawn down by the end of 2010 Interest is payable on these Loan Notes at a rate of LIBOR at date of first draw down plus 200bps Interest due to date, of £20,814,000 (2011 £13,716,000), has been accrued and added to the outstanding Loan Note balance

The company entered into a further loan note agreement with its shareholders to provide additional debt funding in 2010 £101,973,000 (2011 £74,027,000) had been drawn down against this facility at 31 December 2012 Interest is payable on the drawn down element of these Loan Notes at a rate of LIBOR plus 200bps Interest due to date, of £4,197,000, (2011 £1,493,000) has been accrued and added to the outstanding Loan Notes balance

Both Loan Notes together with their accrued interest are repayable on 30 days notice to the company at three-monthly intervals from 25 March 2017

15. Financial instruments

An explanation of the company's financial instrument risk management policies are set out in the Directors' Report

Financial assets comprise cash and cash equivalents as set out in note 12, and trade and other receivables as set out in note 11

Financial liabilities comprise the loan notes as set out in note 14

Financial liabilities are amortised at cost

All financial assets and liabilities are denominated in sterling The company had no derivative financial instruments, including foreign exchange contracts, at the statement of financial position date (2011 – none) The company had no hedges during the period

Notes to the financial statements

at 31 December 2012

15. Financial instruments (continued)

Liquidity risk

Year ended 31 December 2012	*On demand*	*Less than 3 months*	*3 months to 5 years*	*Over 5 years*	*Total*
	£'000	*£'000*	*£'000*	*£'000*	*£'000*
Non derivative financial liabilities					
Interest bearing loan notes	-	-	-	302,984	302,984
Trade & other payables	-	18,763	-	-	18,763
	-	18,763	-	302,984	321,747

Year ended 31 December 2011	*On demand*	*Less than 3 months*	*3 months to 5 years*	*Over 5 years*	*Total*
	£'000	*£'000*	*£'000*	*£'000*	*£'000*
Non derivative financial liabilities					
Interest bearing loan notes	-	-	-	265,236	265,236
Trade & other payables	-	16,025	-	-	16,025
	-	16,025	-	265,236	281,261

Fair value of financial assets and financial liabilities

The carrying value of financial assets and liabilities is equal to, or approximates, their fair value

	Book Value		Fair Value	
	2012	*2011*	*2012*	*2011*
	£'000	*£'000*	*£'000*	*£'000*
Financial assets				
Cash at bank and in hand	879	17,124	879	17,124
Financial liabilities				
Loan Notes – fixed rate	(196,814)	(189,716)	(196,814)	(189,716)
Loan Notes – variable rate	(106,170)	(75,520)	(106,170)	(75,520)

Notes to the financial statements

at 31 December 2012

15. Financial instruments (continued)

Interest rate risk profile of financial assets and liabilities

The interest rate profile of the interest bearing liabilities of the company at 31 December 2012 and their weighted average interest rates is set out below

The weighted average effective interest rate is 2 85% (2011 – 3 43%) Of the balance of the loan notes, £196,814,000 (2011 £189,716,000) is at a fixed interest rate and £106,170,000 is at a variable interest rate (2011 £75,520,000)

The variable interest rate loan interest is sensitive to a change in interest rates as follows A 100 basis point change in variable rates would have a £1,061,700 impact on profit before tax and equity

Liquidity Risk

The maturity profile of the company's financial liabilities at 31 December 2012, based on contractual undiscounted payments, is £302,984,000 due on demand with 30 days' notice from 25 March 2017

16. Equity share capital

Allotted, called up and fully paid	*2012*	*2011*
	£'000	*£'000*
At 1 January 2012	86,373	73,895
Shares issued	9,654	8,473
Shares to be issued from cash consideration received	-	4,005
At 31 December 2012	96,027	86,373

8,011,000 ordinary shares were issued at par £1 on 28 June 2012 for a cash consideration of £8,011,000 of which £4,005,000 was received during 2011 5,648,000 ordinary shares were issued at par £1 on 27 December 2012 for a cash consideration of £5,648,000

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

Notes to the financial statements

at 31 December 2012

17. Additional cash flow information

Analysis of net debt	*1 January 2012*	*Cash flow*	*Non-cash movements*	*31 December 2012*
	£'000	*£'000*	*£'000*	*£'000*
Cash and cash equivalents	17,124	(16,245)	-	879
Loan notes	(265,236)	(27,946)	(9,802)	(302,984)
	(248,112)	(44,191)	(9,802)	(302,105)

Analysis of net debt	*1 January 2011*	*Cash flow*	*Non-cash movements*	*31 December 2011*
	£'000	*£'000*	*£'000*	*£'000*
Cash and cash equivalents	24,522	(7,398)	-	17,124
Loan notes	(220,952)	(36,122)	(8,162)	(265,236)
	(196,430)	(43,520)	(8,162)	(248,112)

18. Obligations under operating leases

The company has entered into a commercial property lease for the production site and for off-site 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

	2012	*2011*
	£'000	*£'000*
Within one year	87	97
After one year but not more than five years	232	207
After five years	467	519
	786	823

The main production site at Salt End is leased from BP on normal commercial terms, see note 20

The cost recognised through the Statement of Comprehensive Income during 2012 in relation to the leases included above was £58,354 (2011-£5,000)

19. Capital Commitments

At 31 December 2012, amounts contracted for but not provided in the financial statements for acquisition of property, plant and equipment amounted to £1,300,000 (2011- £4,471,000)

Notes to the financial statements

at 31 December 2012

20. Related parties

Transactions with associated undertakings

Transactions with BP, ABF, (including Frontier Agriculture, a company in which ABF is a joint venture partner) and DuPont, all shareholders of the company

Year ended 31 December 2012	*Receipts from related parties*	*Payments to related parties*	*Amounts owed by related parties*	*Amounts owed to related parties*
	£'000	*£'000*	*£'000*	*£'000*
BP Group	-	3,552	-	2,873
ABF Group	1,397	4,589	156	2,790
DuPont	-	273	-	25

Year ended 31 December 2011	*Receipts from related parties*	*Payments to related parties*	*Amounts owed by related parties*	*Amounts owed to related parties*
	£'000	*£'000*	*£'000*	*£'000*
BP Group	-	1,697	-	1,697
ABF Group	-	946	-	946
DuPont	-	41	-	41

Terms and conditions of transactions with shareholders are generally for payment at the end of the month following the date of invoice, except for transactions with Frontier Agriculture and KW Trident, both of which are part of the ABF Group, which are payable on the 15th of the month following the date of invoice

In addition to the above transactions, the long-term borrowings of £302,984,000 have been provided by the shareholders, in the same proportion as their respective shareholdings

21. Pension scheme

The group operates a defined contribution pension scheme Contributions are charged in the profit and loss account as they become payable in accordance with the rules of the scheme There were no pension contributions outstanding at the year end (2011 – £nil)

22. Controlling Parties

The company is a joint venture between ABF (46 83%), BP (46 83%) and Dupont (6 33%) No one shareholder has a controlling interest