Registered No. 5998024

Vivergo Fuels Limited

Report and Financial Statements

31 December 2013

Registered No: 5998024

Directors

M I Carr
D E West
F S Graudus – appointed 23 October 2013
D Anderson – appointed 28 February 2014

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

Strategic Report

Results

The directors present their strategic report for the year ended 31 December 2013.

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 operation of a wheat to ethanol and animal feed plant.

The company made a loss for the year, after taxation of £48.9m (2012: £9.1m).

The long standing dispute with an engineering contractor during construction of the plant was resolved in the Technology and Construction Court in December 2013. Although Vivergo was found to have been in breach of contract, the contractor was also in material breach of its contract at the time of termination and was responsible for the vast majority of the delays to the construction works. The resulting settlement of £2.1m was within the company's prior year provision.

During the year a number of design and commissioning faults were identified and continuous production only commenced during the second half of 2013. Total output volumes of ethanol and animal feed were therefore lower than expected. By the end of 2013 production was more stable and the focus for 2014 is to achieve design capability. The company has considered any impairment to the plant that could have arisen from the delays in reaching full production, but have concluded that no impairment is currently required.

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

	2013 £'000	2012 £'000	Change %
Turnover	51,807	159	32,483
Operating loss	(50,344)	(10,723)	369
Loss before tax	(60,398)	(11,639)	419
Equity shareholders' funds	46,778	85,351	(45)

During the year additional shareholder funding of £40m was provided by the issuing of further ordinary shares and loan notes. The two main shareholders, BP and ABF, injected funds on an equal basis.

Strategic Report

Principal risks and uncertainties

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 uses 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. Credit exposures are mitigated through terms and conditions on sales contracts for Ethanol which require payment within 5 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 manages liquidity risk via the shareholder agreement which provides for its long-term funding by debt and equity contributions and its banking facilities.

On behalf of the Board

M I Carr
Director
5 March 2014

Directors' Report

The directors present their report and financial statements for the year ended 31 December 2013.

Directors and their interests

The current directors are shown on page 2.

The directors of the company during the year ended 31 December 2013 were;

M I Carr	
C H Wilks	– resigned 23 October 2013
D E West	
L M Chapman	– resigned 28 February 2014
F S Graudus	– appointed 23 October 2013
D Anderson	– appointed 28 February 2014

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

Dividends

No dividends have been paid in the year and the directors do not recommend a final ordinary dividend (2012: £nil).

Going Concern

Operational performance has gradually improved during 2013. The directors are of the opinion that the company has sufficient bank facilities to continue operating for the foreseeable future. Accordingly, the directors continue to adopt the going concern basis of accounting in preparing the annual financial statements.

Research & development

Investment in research and development will be made to ensure the production plant achieves design capability.

Future developments

The focus for 2014 is to achieve design capability, following which the focus will be to run consistently at plant design.

Financial instruments

Details of the company's use of financial instruments, can be found in note 15 and referenced in the Strategic Report on page 3.

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.

On behalf of the Board

M I Carr
Director
5 March 2014

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 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 2013 which comprise 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 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. 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 2013 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 LLP

Richard Frostick (Senior statutory auditor)
for and on behalf of Ernst & Young LLP, Statutory Auditor
Hull
5 March 2014

Statement of comprehensive income

for the year ended 31 December 2013

	Notes	*2013* *£'000*	*2012* *£'000*
Revenue		51,807	159
Cost of sales		(93,539)	(1,154)
Gross loss		(41,732)	(995)
Other operating income		-	478
Administrative expenses		(8,612)	(10,206)
Operating loss	3	(50,344)	(10,723)
Finance income	5	1	1
Finance costs	6	(10,055)	(917)
Loss on continuing operations before taxation		(60,398)	(11,639)
Tax credit	7	11,555	2,548
Loss for the year		(48,843)	(9,091)

Throughout the year there has been no (2012: nil) movement through other comprehensive income.

Statement of financial position

As at 31 December 2013

	Notes	2013 £'000	2012 £'000
Non-current assets			
Intangible assets	8	672	885
Property, plant and equipment	9	374,589	397,347
Deferred tax	7	7,394	3,110
Current assets			
Inventories	10	7,683	3,828
Trade and other receivables	11	12,997	1,049
Cash and cash equivalents	12	12,135	879
Total current assets		32,815	5,756
Total assets		415,470	407,098
Current liabilities			
Trade and other payables	13	26,068	18,763
		26,068	18,763
Non-current liabilities			
Financial liabilities	14	342,624	302,984
Total liabilities		368,692	321,747
Net assets		46,778	85,351
Capital and reserves			
Equity share capital	16	106,297	96,027
Retained earnings		(59,519)	(10,676)
Total equity		46,778	85,351

M I Carr
Director
5 March 2014

Registered No: 5998024

Statement of changes in equity

For the year ended 31 December 2013

	Share capital £'000	*Retained earnings £'000*	*Total £'000*
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 1 January 2013	96,027	(10,676)	85,351
Share capital issued during the year	10,270	-	10,270
Total loss recognised for the year	-	(48,843)	(48,843)
At 31 December 2013	106,297	(59,519)	46,778

Statement of cashflows

For the year ended 31 December 2013

	Notes	2013 £'000	2012 £'000
Operating activities			
Loss before tax		(60,398)	(11,639)
Amortisation of intangible assets		231	133
Depreciation of fixed assets		20,094	1,672
Profit on disposal of fixed assets		(255)	-
Increase in stock		(3,855)	(3,825)
(Increase)/decrease in trade and other receivables		(4,677)	413
Increase in trade and other payables		18,083	12,540
Net cash flow from operating activities		(30,777)	(706)
Investing activities			
Purchase of intangible assets		(18)	(232)
Purchase of property, plant and equipment		(2,737)	(52,907)
Disposal of property, plant and equipment		4,788	-
Net cash flow from investing activities		2,033	(53,139)
Corporation Tax Paid		-	-
Financing activities			
Proceeds from share issues		10,270	9,654
Proceeds from Loan Note issues		29,730	27,946
Net cash flows from financing activities		40,000	37,600
Increase/(decrease) in cash and cash equivalents		11,256	(16,245)
Cash and cash equivalents at the beginning of the year	12	879	17,124
Cash and cash equivalents at the end of the year	12	12,135	879

Notes to the financial statements

at 31 December 2013

1. Accounting policies

Corporate information

These financial statements of Vivergo Fuels Limited (the company) for the year ended 31 December 2013 were authorised for issue by the board of directors on 5 March 2014 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 2013 and are applied in accordance with the Companies Act 2006. The accounting policies which follow have been applied in preparing the financial statements for the year ended 31 December 2013.

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.

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

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.

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.

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:

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.

Notes to the financial statements

at 31 December 2013

1. Accounting policies (continued)

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 – 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 less 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 8 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 2013

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

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 2013

1. Accounting policies (continued)

Pension scheme

The group operates a defined contribution pension scheme. Contributions are charged to 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 considered the adoption of the following standards, none of which has had any material impact on the amounts reported or accounting policies.

- IAS 1 (Amendment) - Presentation of Items of Other Comprehensive Income (effective for accounting periods beginning from 1 July 2012)
- IFRS 7 (Amendment)- Disclosures - Offsetting Financial Assets and Financial Liabilities (effective for accounting periods beginning from 1 January 2013)
- 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 19 (Revised) - Employee Benefits (effective for accounting periods beginning from 1 January 2013)
- IFRIC Interpretation 20 - Stripping Costs in the Production Phase of a Surface Mine (effective for accounting periods beginning from 1 January 2013)
- 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)

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:

- Amendment to IAS 32 - Offsetting Financial Assets and Financial Liabilities (effective for accounting periods beginning from 1 January 2014)
- IFRS 9 - Financial Instruments (effective for accounting periods beginning from 1 January 2015)
- IFRS 7 and IFRS 9 (Amendment) - Mandatory Effective Date and Transition Disclosures (effective for accounting periods beginning from 1 January 2015)
- IFRS 10, IFRS 12 and IAS 27 (Amendment) – Investment Entities (effective for accounting periods beginning from 1 January 2014)
- IFRIC Interpretation 21 Levies (effective for accounting periods beginning from 1 January 2014)

Notes to the financial statements

at 31 December 2013

1. Accounting policies (continued)

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 loss is stated after charging:

	2013	*2012*
	£'000	*£'000*
Amortisation of intangible assets	231	133
Depreciation	20,094	1,672
Profit on disposal of assets	255	-
Auditor's remuneration – audit services	46	48
Auditor's remuneration – tax services	10	3

4. Staff costs

The average number of direct employees during the year was:

	2013	*2012*
	£'000	*£'000*
Production	50	42
Administration	21	18
	71	60

	2013	*2012*
	£'000	*£'000*
Staff Costs		
Salary and benefit costs	3,639	1,447
Social security costs	453	119
Defined contribution pension scheme	201	46
	4,293	1,612

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

Notes to the financial statements

at 31 December 2013

5. Finance income

	2013 £'000	2012 £'000
Other interest receivable	1	1
Total finance income	1	1

6. Finance costs

	2013 £'000	2012 £'000
Loan note interest payable	9,910	9,802
Less: Loan note interest capitalised	-	(8,885)
Bank interest payable	145	-
Total finance costs	10,055	917

7. Tax

(a) Analysis of the tax credit for the period

	2013 £'000	2012 £'000
UK Corporation tax:		
Adjustments in respect of prior periods	(7,271)	-
	(7,271)	-
Deferred tax:		
Origination and reversal of temporary differences	(4,284)	(2,548)
Total tax credit in the income statement	(11,555)	(2,548)

(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 23.25% (2012: 24.5%) to the provision for income taxes is as follows:

	2013 £'000	2012 £'000
Loss before tax	(60,398)	(11,639)
Tax at the rate of 23.25% (2012: 24.5%)	(14,042)	(2,852)
Deferred tax rate changes	1,257	213
Permanent differences	172	20
Prior year adjustment – UK tax	(7,271)	-
Prior year adjustment – deferred tax	8,329	71
Total tax credit in the income statement	(11,555)	(2,548)

Notes to the financial statements

at 31 December 2013

7. Tax (continued)

(c) Deferred taxation

A net deferred tax asset of £7,394k (2012: £3,110k) has been recognised in the year. No amounts remain unrecognised at 31 December 2013 (2012: nil). This relates to the items included in the table below:

	2013	*2012*
	£'000	*£'000*
Liability on capitalised interest	(4,546)	(2,638)
Asset in respect of trading losses	26,860	14,819
Liability in respect of fixed assets and capital allowances	(14,920)	(9,071)
Total	7,394	3,110

	2013	*2012*
	£'000	*£'000*
Deferred tax balance brought forward	3,110	562
Recognised in the income statement in the year	12,613	2,619
Adjustments in respect of prior years	(8,329)	(71)
Deferred tax balance carried forward	7,394	3,110

A deferred tax asset has therefore been recognised 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 24% to 23% from 1 April 2013. The company's profits for the period to 31 December 2013 are taxed at 23.25% being the average rate for that accounting period.

Further reductions in the corporation tax rate have been announced and by 1 April 2015, the main rate of corporation tax in the UK will be reduced to 20%. It is not anticipated that any benefit will be derived from the deferred tax asset until such time, therefore, deferred tax is provided at 20%.

Notes to the financial statements

at 31 December 2013

8. Intangible Assets

	Computer Software
	£'000
Cost:	
At 1 Januarv 2013	1,146
Additions	18
At 31 December 2013	1.164
Deoreciation:	
At 1 Januarv 2013	261
Charee for the vear	231
At 31 December 2013	492
Net book value:	
At 31 December 2013	672
At 1 Januarv 2013	885

9. Property, plant and equipment

	Land & Buildings	*Computer Equipment, Fixtures & Fittings*	*Plant and equipment*	*Total*
	£'000	£'000	£'000	£'000
Cost:				
At 1 Januarv 2013	16,100	826	382,233	399,159
Additions	24	18	1,827	1,869
Disposals	(219)	-	(4,569)	(4,788)
At 31 December 2013	15,905	844	379,491	396,240
Deoreciation:				
At 1 Januarv 2013	46	251	1,515	1,812
Charee for the vear	541	115	19,438	20,094
On disposals	(8)	-	(247)	(255)
At 31 December 2013	579	366	20,706	21,651
Net book value:				
At 31 December 2013	15,326	479	358,784	374,589
At 1 Januarv 2013	16,054	575	380,718	397,347

Additions to plant and machinery during the year include a £868,000 reduction in capital accruals.

Notes to the financial statements

at 31 December 2013

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 £22,730,000 capitalised interest (2012: £23,926,000).

10. Inventories

	2013	*2012*
	£'000	*£'000*
Raw materials (at cost)	2,160	1,643
Work in progress (at cost or net realisable value)	1,869	380
Finished goods (at cost or net realisable value)	3,654	1,805
	7,683	3,828

During 2013, £1,858,000 (2012: £488,000) was recognised as an expense for inventories carried at net realisable value. This is recognised in cost of sales.

11. Trade and other receivables

	2013	*2012*
	£'000	*£'000*
Trade receivables	4,896	216
Prepayments	88	50
Other receivables	742	783
Consortium relief receivable from related parties	7,271	-
	12,997	1,049

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.

12. Cash and cash equivalents

	2013	*2012*
	£'000	*£'000*
Cash at bank and in hand	12,135	879

Cash at bank attracts interest at a floating rate.

Notes to the financial statements

at 31 December 2013

13. Trade and other payables

	2013 £'000	2012 £'000
Trade payables	7,913	6,367
Other accrued liabilities	18,155	12,396
	26,068	18,763

14. Financial Liabilities

Non-current	2013 £'000	2012 £'000
Loan Notes	307,703	277,973
Accrued interest	34,921	25,011
	342,624	302,984

On 27 March 2009, the company, in line with the terms of the shareholders agreement, entered into a Loan Note agreement (Series A Loan Notes) with its shareholders to provide debt funding, up to a total of £176,000,000 (2012: £176,000,000) to be repaid in full by 2024. 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 (3.68%). Interest due to date, of £28,084,000 (2012: £20,814,000), has been accrued.

The company entered into a further loan note agreement (Series B Loan Notes) with BP and ABF plc to provide additional debt funding in 2010. £101,973,000 (2012: £101,973,000) – split equally between both parties - had been drawn down against this facility at 31 December 2013. Interest is payable on the drawn down element of these Loan Notes at a rate of LIBOR plus 200bps. Interest due to date, of £6,798,000, (2012: £4,197,000) has been accrued.

In December 2013, the company entered into a further agreement with BP and ABF plc, to provide additional debt funding in the form of loan notes (Series C Loan Notes). £29,730,000 (2012: £nil) – split equally between both parties - had been drawn down against this facility at 31 December 2013. Interest is payable on the drawn down element of these Loan Notes at a rate of LIBOR plus 200bps. Interest due to date, of £39,000, (2012: £nil) has been accrued.

All Loan Notes are repayable by the company on 30 days' notice by the company at three monthly intervals from 21 December 2016 through to 21st December 2024. The accrued interest is repayable on 21 December 2016. In relation to the repayment of the principal amount, the Series C Loan Notes rank ahead of the Series A Loan Notes and Series B Loan Notes.

Notes to the financial statements

at 31 December 2013

15. Financial instruments

An explanation of the company's financial instrument risk management policies are set out in the Strategic 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, and trade and other payables as set out in note 13.

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 (2012 – none). The company had no hedges during the period.

Liquidity risk – and contractual undiscounted cash flows analysis

Year ended 31 December 2013	*On demand*	*Less than 1 year*	*1 year to 5 years*	*Over 5 years*	*Total*
	£'000	*£'000*	*£'000*	*£'000*	*£'000*
Non derivative financial liabilities					
Interest bearing loan notes	-	-	75,643	232,060	307,703
Accrued interest	-	-	34,921	-	34,921
Future contracted interest	-	-	47,267	23,649	70,916
Trade & other payables	-	26,068	-	-	26,068
	-	26,068	157,831	255,709	439,608

Year ended 31 December 2012	*On demand*	*Less than 1 year*	*1 year to 5 years*	*Over 5 years*	*Total*
	£'000	*£'000*	*£'000*	*£'000*	*£'000*
Non derivative financial liabilities					
Interest bearing loan notes	-	-	-	277,973	277,973
Accrued interest	-	-	14,076	10,935	25,011
Future contracted interest	-	-	44,636	3,452	48,088
Trade & other payables	-	18,763	-	-	18,763
	-	18,763	58,712	292,360	369,835

Notes to the financial statements

at 31 December 2013

15. Financial instruments (continued)

Fair value of financial assets and financial liabilities

	Book Value		Fair Value		Fair Value Hierarchy	
	2013	*2012*	*2013*	*2012*	*2013*	*2012*
	£'000	*£'000*	*£'000*	*£'000*	*Level*	*Level*
Financial assets:						
Cash at bank and in hand	12,135	879	12,135	879	1	1
Financial liabilities:						
Loan Notes – fixed rate	(204,083)	(196,814)	(194,794)	(196,814)	2	2
Loan Notes – variable rate	(138,541)	(106,170)	(138,541)	(106,170)	2	2

The fair value of the financial assets and liabilities is included at the amount at which the instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale. Long term fixed and variable rate borrowings were evaluated based on interest rates.

Interest rate risk profile of financial assets and liabilities

The interest rate profile of the interest bearing liabilities of the company at 31 December 2013 and their weighted average interest rates is set out below:

The weighted average effective interest rate is 3.18% (2012 – 3.47%). Of the balance of the loan notes, £176,000,000 (2012: £176,000,000) is at a fixed interest rate and £131,703,000 (2012: £101,973,000) is at a variable interest rate.

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 £1,317,000 impact on profit before tax and a £1,054,000 impact on equity.

Notes to the financial statements

at 31 December 2013

16. Equity share capital

Issued and fully paid	*2013*	*2012*
	Ordinary shares of £1 each	*Ordinary shares of £1 each*
At 31 December	96,027,000	86,373,000

Allotted, called up and fully paid	*2013*	*2012*
	£'000	*£'000*
At 1 January 2013	96,027	86,373
Shares issued	10,270	9,654
At 31 December 2013	106,297	96,027

10,270,000 ordinary shares were issued at par £1 on 10 December 2013 for a cash consideration of £10,270,000.

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

17. Additional cash flow information

Analysis of net debt	*1 January 2013*	*Cash flow*	*Non-cash movements*	*31 December 2013*
	£'000	*£'000*	*£'000*	*£'000*
Cash and cash equivalents	879	11,256	-	12,135
Loan notes	(277,973)	(29,730)	-	(307,703)
Accrued interest	(25,011)	-	(9,910)	(34,921)
	(302,105)	(18,474)	(9,910)	(330,489)

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	(250,027)	(27,946)	-	(277,973)
Accrued interest	(15,209)	-	(9,802)	(25,011)
	(248,112)	(44,191)	(9,802)	(302,105)

Additions to plant and machinery during the year include a £868,000 reduction in capital accruals.

Notes to the financial statements

at 31 December 2013

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:

	2013	*2012*
	£'000	*£'000*
Within one year	154	87
After one year but not more than five years	608	232
After five years	511	467
	1,273	786

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 2013 in relation to the leases included above was £124,625 (2012: £58,354)

19. Capital Commitments

At 31 December 2013, amounts contracted for but not provided in the financial statements for acquisition of property, plant and equipment amounted to £418,000 (2012: £1,300,000).

Notes to the financial statements

at 31 December 2013

20. Related parties

Transactions with associated undertakings

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

Year ended 31 December 2013	*Receipts from related parties*	*Payments to related parties*	*Amounts owed by related parties*	*Amounts owed to related parties*
	£'000	*£'000*	*£'000*	*£'000*
BP Group	21,758	10,589	643	3,569
ABF Group	25,926	53,028	9,472	14,554
DuPont	-	-	460	-

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

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

Notes to the financial statements

at 31 December 2013

20. Related parties (continued)

In addition to the above transactions, the long-term borrowings of £307,703,000 (2012: £277,973,000) and accrued interest of £34,921,000 (2012: £25,011,000) have been provided by the shareholders, in the following amounts:

Year ended 31 December 2013	*Loan notes*	*Accrued interest*
	£'000	*£'000*
BP Group	145,051	16,171
ABF Group	145,051	15,944
DuPont	17,600	2,807

Year ended 31 December 2012	*Loan notes*	*Accrued interest*
	£'000	*£'000*
BP Group	130,186	11,536
ABF Group	130,186	11,396
DuPont	17,600	2,080

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 (2012: £nil).

22. Controlling Parties

The company is a joint venture between ABF (47.14%), BP (47.14%) and Dupont (5.72%). No one shareholder has a controlling interest.