

# **Vivergo Fuels Limited**

## **Reports and Financial Statements**

31 August 2019



## Company Information

### Directors

M I Carr  
D E West

### Auditors

Ernst & Young LLP  
1 More London Place  
London  
SE1 2AF

### Bankers

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

### Registered office

Weston Centre  
10 Grosvenor Street  
London  
W1K 4QY

### Company Secretary

R S Schofield

The company is domiciled in England and Wales.

## Strategic Report

The directors present their strategic report for the year ended 31 August 2019.

### Review of the business

In the year the company operated a bioethanol production facility involved in the processing of wheat into ethanol and animal feed until the cessation of production was announced on 6<sup>th</sup> September 2018. Production at the bioethanol plant ceased on 30<sup>th</sup> September 2018, since that date the only trading activity has been the purchase and sale of bioethanol sourced from British Sugar PLC.

The company made a loss before tax for the year of £11.3m (2018: £68.6m loss).

The company's key financial and other performance indicators are safety and financial performance.

### Significant Events

As a result of the continued weakness in the EU ethanol market, on 6th September 2018, the company announced plans to cease production of ethanol at its site in Hull. The market conditions in the prior year, particularly high wheat costs and low bioethanol prices, made the operation uneconomic and despite an improvement in market conditions during the current year we do not have certainty that these improved conditions will continue into the foreseeable future. A provision was recognised in the accounts for the year ended 31st August 2018 to recognise the impairment of relevant assets and costs related to onerous contracts and forward commodity contracts. A redundancy programme has been undertaken following the announcement of the plant closure.

### Principal risks and uncertainties

A full description of the principal risks and uncertainties applicable to the Associated British Foods plc group, of which this company is a subsidiary, are disclosed on pages 62 to 66 of the 2019 group Annual Report and were updated in the group's interim results announcement dated 21 April 2020, both of which are available at [www.abf.co.uk](http://www.abf.co.uk).

The principal risks for the company are health, safety and environmental 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 a strong system of internal governance.

#### *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 risk is 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, 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.

## Strategic Report (continued)

### *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  
28 May 2020

## Directors' Report

The directors present their report and financial statements for the year ended 31 August 2019.

### Directors and their interests

The directors of the company during the year ended 31 August 2019 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 (2018: £nil).

### COVID-19 and going concern

The company was loss-making in the year primarily due to the announcement on 6 September 2018 of the cessation of production at the bioethanol plant. A redundancy programme was undertaken and a provision was recognised in the accounts for the year ended 31 August 2018 to recognise the costs related to onerous contracts and forward commodity contracts together with the impairment of relevant assets. This has resulted in net liabilities being shown on the company's balance sheet.

Since the balance sheet date, the COVID-19 pandemic has spread across the world. The COVID-19 pandemic has, at the time of approving these financial statements, had no material adverse impact on the company as production at its bioethanol plant had ceased prior to the pandemic occurring.

Uncertainty as to the length of the pandemic and the related measures to combat it mean that the 2020 full year impact cannot yet be known.

The circumstances of COVID-19 assessed as significant to the Company are:

- People – the majority of the company's retained workforce are working from home with only plant safety and maintenance tasks being performed on site.
- Health & safety – the company is adhering to all government guidelines on safe working during the pandemic. Social distancing measures are in operation when any working on site is required.
- A continuation or second wave of the pandemic could inhibit the company's ability to complete an orderly cessation of production at the company's site in Hull and to maximise the business' potential.

The Company has received a letter of support from its intermediate parent company, ABF Investments plc, indicating that it will receive the financial and other support necessary for the Company to meet its liabilities as and when they become due for a period of at least twelve months from the date of signing of these financial statements.

After making due enquiries and considering the impact of COVID-19 and the support available from the intermediate parent company described above, the directors have a reasonable expectation that the company has adequate resources to meet its liabilities for at least 12 months from the date of signing of these financial statements. These considerations included the impact of COVID-19 on the wider ABF group, the ABF group's directors' assessment of going concern (as set out in its interim results announcement dated 21 April 2020 and available at [www.abf.co.uk](http://www.abf.co.uk)) and an assessment of any developments since that date that would adversely affect that conclusion. Accordingly, the financial statements have been prepared on the going concern basis.

### Future developments

The focus for the company is to achieve an orderly cessation of production at the company's site in Hull. In order to maximise the business's potential, Vivergo will continue to liaise with European, national and regional government representatives to confirm the requirement to establish a clear trajectory towards the implementation of higher mandated inclusion rates of ethanol in gasoline, in line with the provisions of the EU Commission's Renewable Energy Directive.

## Directors' Report (continued)

### 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  
28 May 2020

## 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

## Opinion

We have audited the financial statements of Vivergo Fuels Limited for the year ended 31 August 2019 which comprise the Profit and Loss Account, the Balance Sheet, the Statement of comprehensive income, the Statement of changes in equity and the related notes 1 to 26, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards including FRS 101 "*Reduced Disclosure Framework*" (United Kingdom Generally Accepted Accounting Practice).

In our opinion, the financial statements:

- ▶ give a true and fair view of the company's affairs as at 31 August 2019 and of its loss for the year then ended;
- ▶ have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- ▶ have been prepared in accordance with the requirements of the Companies Act 2006.

## Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report below. We are independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

## Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the directors' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

## Emphasis of matter – disclosure of effects of COVID-19

We draw attention to notes 1.2 and 26 of the financial statements, which describe the impact on the Company of COVID-19 in its operations and assessment of going concern. Our opinion is not modified in respect of this matter.

## Other information

The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. The directors are responsible for the other information.

Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in this report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material



---

## Independent Auditor's Report to the Members of Vivergo Fuels Limited (continued)

inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of the other information, we are required to report that fact.

We have nothing to report in this regard.

### Opinion on other matters prescribed by the Companies Act 2006

In our opinion, based on the work undertaken in the course of the audit:

- ▶ the information given in the strategic report and the directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- ▶ the strategic report and directors' report have been prepared in accordance with applicable legal requirements.

### Matters on which we are required to report by exception

In light of the knowledge and understanding of the Company and its environment obtained in the course of the audit, we have identified no material misstatements in the strategic report or the directors' report.

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.

### Responsibilities of directors

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, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

### Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at <https://www.frc.org.uk/auditorsresponsibilities>. This description forms part of our auditor's report.

---

## **Independent Auditor's Report to the Members of Vivergo Fuels Limited (continued)**

### **Use of our report**

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

Ernst & Young LLP

William Binns (Senior statutory auditor)

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

London

1 June 2020

# Income Statement

For the year ended 31 August 2019

	<i>Notes</i>	<i>2018/19 £'000</i>	<i>2017/18 £'000</i>
Revenue	2	18,615	159,916
Cost of sales		(19,627)	(186,019)
<b>Gross loss</b>		<b>(1,012)</b>	<b>(26,103)</b>
Administrative expenses		(609)	(8,037)
<b>Operating loss before exceptional items</b>		<b>(1,621)</b>	<b>(34,140)</b>
Exceptional items;			
Impairment of assets	5	-	(20,072)
Onerous contracts provision	5	724	(3,244)
Commodity contracts provision	5	1,056	(24,435)
Release of shareholder loan	5	-	22,880
Redundancy paid	5	(1,930)	-
<b>Operating loss after exceptional items</b>	4	<b>(1,771)</b>	<b>(59,011)</b>
Finance income	7	1	1
Finance costs	8	(9,528)	(9,626)
<b>Loss before tax</b>		<b>(11,298)</b>	<b>(68,636)</b>
Tax credit	9	5,317	10,305
<b>Loss for the financial year</b>		<b>(5,981)</b>	<b>(58,331)</b>

All results derive from discontinued operations.

# Statement of Comprehensive Income

For the year ended 31 August 2019

	<i>Notes</i>	<i>2018/19</i> <i>£'000</i>	<i>2017/18</i> <i>£'000</i>
<b>Loss for the financial year</b>		(5,981)	(58,331)
<b>Other comprehensive income:</b>			
Items that can be reclassified to income statement:			
Cash flow hedges:			
Movement in cash flow hedging position	20	53	285
Deferred tax associated with movement in cash flow hedging position	20	(9)	(56)
<b>Other comprehensive income/(loss) for the year, net of tax</b>	20	<u>44</u>	<u>229</u>
<b>Total comprehensive loss for the year</b>		<u><u>(5,937)</u></u>	<u><u>(58,102)</u></u>

**Balance Sheet****As at 31 August 2019**

		31 August 2019 £'000	31 August 2018 £'000
	Notes		
<b>Non-current assets</b>			
Intangible assets	11	-	430
Property, plant and equipment	12	-	-
Deferred tax	9	21,405	27,145
<b>Total non-current assets</b>		<b>21,405</b>	<b>27,575</b>
<b>Current assets</b>			
Inventories	13	715	7,265
Trade and other receivables	14	26,436	29,080
Cash and cash equivalents	15	324	739
Derivative financial assets	16	-	235
<b>Total current assets</b>		<b>27,475</b>	<b>37,319</b>
<b>Total assets</b>		<b>48,880</b>	<b>64,894</b>
<b>Current liabilities</b>			
Trade and other payables	17	(11,276)	(43,017)
Other financial liabilities	18	(103,941)	(79,661)
Provisions	10	(6,127)	(11,804)
<b>Total current liabilities</b>		<b>(121,344)</b>	<b>(134,482)</b>
<b>Non-current liabilities</b>			
Other financial liabilities	18	(390,772)	(381,244)
Provisions	10	(6,292)	(12,759)
<b>Total non-current liabilities</b>		<b>(397,064)</b>	<b>(394,003)</b>
<b>Total liabilities</b>		<b>(518,408)</b>	<b>(528,485)</b>
<b>Net liabilities</b>		<b>(469,528)</b>	<b>(463,591)</b>
<b>Capital and reserves</b>			
Share capital	19	106,297	106,297
Hedging reserve	20	(-)	(44)
Retained earnings		(575,825)	(569,844)
<b>Equity shareholders' deficit</b>		<b>(469,528)</b>	<b>(463,591)</b>



M I Carr – Director  
28 May 2020

Registered No: 5998024

# Statement of Changes in Equity

For the year ended 31 August 2019

	<i>Notes</i>	<i>Share capital £'000</i>	<i>Hedging reserve £'000</i>	<i>Retained earnings £'000</i>	<i>Equity shareholders' deficit £'000</i>
At 1 September 2017		106,297	(273)	(511,513)	(405,489)
Loss recognised for the financial year		-	-	(58,331)	(58,331)
Other comprehensive income for the year		-	229	-	229
Total comprehensive loss for the year		-	229	(58,331)	(58,102)
At 31 August 2018		106,297	(44)	(569,844)	(463,591)
Loss recognised for the financial year		-	-	(5,981)	(5,981)
Other comprehensive income for the year		-	44	-	44
Total comprehensive loss for the year		-	44	(5,981)	(5,937)
At 31 August 2019		106,297	-	(575,825)	(469,528)

The Hedging reserve is used to record the portion of the gain or loss on a hedging instrument in a cash flow hedge that is determined to be an effective hedge.

## Notes to the financial statements

For the year ended 31 August 2019

### 1. Accounting policies

#### 1.1 Corporate information

The financial statements of Vivergo Fuels Limited (the company) for the year ended 31 August 2019 were authorised for issue by the board of directors on 28 May 2020 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 Weston Centre, 10 Grosvenor Street, London, United Kingdom, W1K 4QY.

#### 1.2 Basis of preparation

The company prepares these accounts in compliance with UK GAAP (including FRS 101). The accounting policies which follow have been applied in preparing the financial statements for the year ended 31 August 2019.

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 directors have outlined the basis for the going concern basis in the Directors' Report on page 5.

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.

As set out in note 25 – Controlling party, the smallest group in which the results of the company are consolidated is that headed by Associated British Foods plc, which confirmed in its interim results announcement dated 21 April 2020 that its directors have a reasonable expectation that the Associated British Foods plc group has adequate resources to continue in operational existence for the foreseeable future.

Further details of the impact of COVID-19 on the company and on the directors' assessment of going concern are included in the "COVID-19 and going concern" section of the Directors' report and in the post-balance sheet events note.

#### 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

For the year ended 31 August 2019

### *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 it is acting as agent when selling Bioethanol purchased from British Sugar PLC. The company has concluded that it is acting as a principal in all other 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.

### **Accounting policies (continued)**

### *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 have had the most significant effect on amounts recognised in the financial statements:

#### *1.5.1 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:

#### *1.5.2 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.

#### *1.5.3 Recoverable amount of deferred tax*

The recoverable amount of deferred tax is based on expected taxable profits within the wider group of which the Company is a member against which the tax losses can be relieved. 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.

Under the EU emissions trading scheme, allowances purchased are recognised at cost as intangible assets and are amortised over their life. Free allowances received from the government are initially recognised at fair value with a corresponding government grant recognised in deferred income. The government grant is subsequently recognised in the income statement on a systematic basis over the compliance period for which the allowances are issued. The emissions liability incurred by the Company is dependent on emissions incurred during the production process. The allowances held as assets will be used to settle that liability.



## Notes to the financial statements

For the year ended 31 August 2019

### 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 through the income statement 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 or losses are available within the wider group of which the Company is a member against which the taxable losses 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

For the year ended 31 August 2019

### 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 income statement within operating profit.

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. After a hedge is de-designated, any changes to the fair value after this date would be recognised in the income statement.

#### *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

For the year ended 31 August 2019

### 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 year ended 31 August 2019 the company has adopted the following new standards:

- 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)
- IFRS 2 *Classification and Measurement of Share Based Payment Transactions* (effective for accounting periods beginning from 1 January 2018)

These standards did not have a material impact on the financial statements.

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 16 *Leases* (effective for accounting periods beginning from 1 January 2019)

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

For the year ended 31 August 2019

### 2. Revenue

Revenue recognised in the income statement is analysed as follows:

	2018/19 £'000	2017/18 £'000
Sale of goods	18,615	159,916

No revenue was derived from exchanges of goods or services (2018: £nil).

### 3. Segment analysis

The company has only one business segment; the purchase and sale of bioethanol 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 loss

The operating loss is stated after charging/(crediting):

	2018/19 £'000	2017/18 £'000
Amortisation of intangible assets (Note 10)	-	66
Impairment of intangible assets (Note 10)	-	263
Depreciation of property, plant and equipment (Note 11)	-	566
Impairment of fixed assets (Note 11)	-	14,264
Auditor's remuneration – audit services	-	67
Auditor's remuneration – assurance services	-	24

The auditor's remuneration in connection with the 2018/19 audit of the company's financial statements amounted to £67,000. Auditor's remuneration in connection with assurance services amounted to £23,000. These costs have been recognised as a movement within the provision relating to the cessation of production at the bioethanol plant.

## Notes to the financial statements

For the year ended 31 August 2019

### 5. Exceptional items

	2018/19 £'000	2017/18 £'000
Impairment of intangible assets	-	263
Impairment of fixed assets	-	14,264
Impairment of inventories	-	5,545
<b>Total impairment of assets</b>	<b>-</b>	<b>20,072</b>
Commodity contract provision	(1,056)	3,244
Onerous contract provision	(724)	24,435
Extinguishment of shareholder loan and interest	-	(22,880)
Redundancy paid	1,930	-

The impairment of fixed assets, inventories and onerous contracts provision relate to the company's decision to cease production at its ethanol plant located on the Saltend Chemicals Park in Hull. This includes £nil (2017/18 - £1,933,000) of realised commodity items, and £nil (2017/18 - £1,187,000) of onerous contract liabilities and £nil (2017/18 - £3,862,000) of commodity contracts presented within amounts owed to group undertakings.

The loan extinguishment arose on acquisition of the minority equity stake purchased by ABF Investments plc from DuPont in November 2017.

### 6. Staff costs

The average number of direct employees during the period was:

	2018/19 £'000	2017/18 £'000
Production	38	89
Administration	16	41
<b>Total</b>	<b>54</b>	<b>130</b>

	2018/19 £'000	2017/18 £'000
<b>Staff costs</b>		
Salary and benefit costs	529	6,378
Social security costs	60	722
Defined contribution pension scheme	62	634
<b>Total staff costs</b>	<b>651</b>	<b>7,734</b>

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

Following cessation of production, these costs have been recognised as a movement within the provision relating to the cessation of production at the bioethanol plant. The 2018/19 salary and benefits costs within the provision amounted to £4,325,000, social security costs amounted to £486,000 and defined contribution pension scheme costs amounted to £114,000.

## Notes to the financial statements

For the year ended 31 August 2019

### 7. Finance income

	2018/19 £'000	2017/18 £'000
Other interest receivable	1	1
Total finance income	<u>1</u>	<u>1</u>

### 8. Finance costs

	2018/19 £'000	2017/18 £'000
Interest payable on shareholder loan notes	9,528	9,625
Bank interest payable	-	1
Total finance costs	<u>9,527</u>	<u>9,626</u>

### 9. Tax

#### (a) Analysis of the tax credit for the period

	2018/19 £'000	2017/18 £'000
UK corporation tax:		
Adjustments in respect of prior periods	(2,449)	5,794
	<u>(2,449)</u>	<u>5,794</u>
Group relief:		
Tax credit on losses available for surrender	(8,599)	(16,654)
	<u>(8,599)</u>	<u>(16,654)</u>
Deferred tax:		
Origination and reversal of temporary differences	6,452	(734)
Effect of change in tax rate	(677)	1,308
Adjustment in respect of previous periods	(44)	(19)
	<u>5,731</u>	<u>555</u>
Total tax credit in the income statement	<u>(5,317)</u>	<u>(10,305)</u>

## Notes to the financial statements

For the year ended 31 August 2019

### 9. Tax (continued)

#### (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 19% (2018: 19%) to the provision for income taxes is as follows:

	2018/19 £'000	2017/18 £'000
Loss before tax	(11,298)	(68,636)
Tax at the rate of 19% (2018: 19%)	(2,147)	(13,041)
Deferred tax rate changes	(677)	1,308
Loss on exempt disposals	-	(4,347)
Prior period adjustment – current tax	(2,449)	5,794
Prior period adjustment – deferred tax	(44)	(19)
Total tax credit in the income statement	(5,317)	(10,305)

#### (c) Deferred tax

A net deferred tax asset of £21,405,000 (2018: £27,145,000) has been recognised in the period. No amounts remain unrecognised at 31 August 2019 (2018: £nil). This relates to the items included in the table below:

	2018/19 £'000	2017/18 £'000
Asset in respect of fixed assets and capital allowances	19,968	24,036
Asset in respect of cash flow hedges	-	10
Other short-term timing differences	1,437	3,099
Total	21,405	27,145

	2018/19 £'000	2017/18 £'000
Deferred tax balance brought forward	27,145	27,755
Recognised in the income statement in the period	(5,731)	(555)
Recognised in respect of cash flow hedges	(9)	(55)
Deferred tax balance carried forward	21,405	27,145

A deferred tax asset has been recognised as the directors consider it probable that suitable taxable income will arise within the wider group of which the Company is member 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.

# Notes to the financial statements

For the year ended 31 August 2019

## 9. Tax (continued)

d) Factors that may affect future tax charges

The main rate of corporation tax during the period was 19%. The company's loss for the year to 31 August 2019 are taxed at 19% being the rate for that accounting period.

The UK corporation tax rate will be reduced from 19% to 17% from 1 April 2020. The legislation to effect these rate changes had been enacted before the balance sheet date. As deferred tax is measured at the rates that are expected to apply in the periods when the underlying timing differences reverse, closing deferred tax balances have been calculated using a rate of 17%.

The company is 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.

## 10. Provisions

	<i>Onerous contracts</i>	<i>Commodity contract close</i>	<i>Total</i>
	£'000	£'000	£'000
<i>At 1 September 2017</i>	-	-	-
Charged in year	23,248	1,315	24,563
Utilised in year	-	-	-
<i>At 31 August 2018</i>	23,248	1,315	24,563
Charged in year	(724)	-	(724)
Utilised in year	(10,095)	(1,325)	(11,420)
<i>At 31 August 2019</i>	12,429	(10)	12,419
Current	6,137	(10)	6,127
Non-current	6,292	-	6,292
<i>At 31 August 2019</i>	12,429	(10)	12,419

Following the announcement of the plant closure on 6 September, a provision for the costs of closing the plant was included in the accounts for the year ended 31 August 2018. This provision includes amounts payable relating to onerous contracts and the close-out of forward commodity contracts. The onerous contracts covered by the provision are non-cancellable service contracts and leases which are expected to be utilised within five years. The commodity contract closure costs relate to losses on closure of forward commodity contracts which are expected to be utilised within two years.



## Notes to the financial statements

For the year ended 31 August 2019

### 11. Intangible assets

	<i>Computer software</i>	<i>Carbon credits</i>	<i>Total</i>
	£'000	£'000	£'000
Cost:			
<i>At 31 August 2018</i>	1,500	430	1,930
Additions	-	-	-
Disposals	-	(430)	-
<i>At 31 August 2019</i>	1,500	-	1,500
Accumulated amortisation and impairment:			
<i>At 31 August 2018</i>	1,500	-	1,500
Change for the period	-	-	-
Impairment of assets	-	-	-
<i>At 31 August 2019</i>	1,500	-	1,500
Net book value:			
<i>At 31 August 2019</i>	-	-	-
<i>At 31 August 2018</i>	-	430	430

## Notes to the financial statements

For the year ended 31 August 2019

### 12. Property, plant and equipment

	<i>Buildings</i>	<i>Computer equipment, fixtures and fittings</i>	<i>Plant and equipment</i>	<i>Total</i>
	£'000	£'000	£'000	£'000
Cost:				
<i>At 31 August 2018</i>	15,967	1,089	400,809	417,865
Additions	-	-	-	-
<i>At 31 August 2019</i>	15,967	1,089	400,809	417,865
Accumulated depreciation and impairment:				
<i>At 31 August 2018</i>	15,967	1,089	400,809	417,865
Change for the period	-	-	-	-
Impairment of assets	-	-	-	-
<i>At 31 August 2019</i>	15,967	1,089	400,809	417,865
Net book value:				
<i>At 31 August 2019</i>	-	-	-	-
<i>At 31 August 2018</i>	-	-	-	-

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

In the year ended 31 August 2018 the plant and equipment was fully impaired as a result of the decision to cease production at the Saltend bioethanol plant.

### 13. Inventories

	<i>31 August 2019</i>	<i>31 August 2018</i>
	£'000	£'000
Raw materials	715	2,104
Work in progress	-	1,873
Finished goods	-	3,288
Total inventories	715	7,265

# Notes to the financial statements

For the year ended 31 August 2019

## 14. Trade and other receivables

	31 August 2019 £'000	31 August 2018 £'000
Trade receivables	3,823	6,120
Amounts owed by group undertakings	21,931	20,741
Prepayments	670	1,427
Other receivables	12	792
Total trade and other receivables	26,436	29,080

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.

## 15. Cash and cash equivalents

	31 August 2019 £'000	31 August 2018 £'000
Cash at bank and in hand	324	739

Cash at bank attracts interest at a floating rate.

## 16. Derivative financial assets

	31 August 2019 £'000	31 August 2018 £'000
Forward commodity contracts	-	235
Forward foreign exchange contracts	-	-
Total derivative financial assets	-	235

## 17. Trade and other payables

	31 August 2019 £'000	31 August 2018 £'000
Trade payables	812	1,324
Amounts owed to group undertakings	8,802	13,870
Amounts owed by group undertakings – Corporation tax	-	7,636
Amounts owed to associated undertakings	-	12,276
Accrued liabilities	1,662	7,911
Total trade and other payables	11,276	43,017

# Notes to the financial statements

For the year ended 31 August 2019

## 18. Other financial liabilities

	31 August 2019 £'000	31 August 2018 £'000
<b>Current</b>		
Bank overdrafts	103,941	79,372
Forward commodity contracts	-	214
Forward foreign exchange contracts	-	75
Total current other financial liabilities	103,941	79,661

The bank overdrafts are owed to group undertakings, being held with ABF treasury, and are repayable on demand.

	31 August 2019 £'000	31 August 2018 £'000
<b>Non-current</b>		
Loan notes	305,103	305,103
Accrued interest	85,669	76,141
Total non-current other financial liabilities	390,772	381,244

All loan notes have been issued to shareholders. Loan notes are repayable through to 21 December 2024.

## 19. Share capital

<i>Allotted, called up and fully paid</i>	31 August 2019 £'000	31 August 2018 £'000
Ordinary shares of £1 each	106,072	106,072
Deferred shares of £1 each	225	225
Total share capital	106,297	106,297

## Notes to the financial statements

For the year ended 31 August 2019

### 20. Hedging reserve

	31 August 2019 £'000	31 August 2018 £'000
At the start of the period	(44)	(273)
Forward commodity contracts recognised in income statement	75	236
Forward foreign currency contracts recognised in income statement	(22)	49
Movement in deferred tax	(9)	(56)
At the end of the period	-	(44)

At 31 August 2019 £nil (2018: £18,000) of forward commodity contracts (ethanol swaps) are held within hedge reserve at fair value (net of deferred tax). The business is exposed to changes in the price of ethanol on its forecast ethanol sales. The contracts do not result in physical delivery of ethanol but are designed as cash flow hedges to offset the effect of price changes of ethanol.

At 31 August 2019 £nil (2018: £(62,000)) of forward foreign exchange contracts are held within hedge reserve at fair value (net of deferred tax). The business is exposed to changes in the euro/sterling exchange rate on its forecast ethanol sales. The contracts are designed as cash flow hedges to offset the effect of foreign exchange rate changes.

### 21. Related parties

#### Transactions with associated undertakings

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

Year ended 31 August 2019

	Receipts from related parties £'000	Payments to related parties £'000	Amounts owed by related parties £'000	Amounts owed to related parties £'000
ABF	4,737	54,021	3	8,777

Year ended 31 August 2018

	Receipts from related parties £'000	Payments to related parties £'000	Amounts owed by related parties £'000	Amounts owed to related parties £'000
ABF	32,631	125,990	4,087	33,782

## Notes to the financial statements

For the year ended 31 August 2019

### 21. Related parties (continued)

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 £305,103,000 (2018: £305,103,000) and accrued interest of £85,669,000 (2018: £76,141,000) have been provided by the shareholders, in the following amounts:

<i>Year ended 31 August 2019</i>	<i>Loan notes</i>	<i>Accrued interest</i>
	<i>£'000</i>	<i>£'000</i>
ABF	305,103	85,669
	<hr/>	<hr/>
<i>Year ended 31 August 2018</i>	<i>Loan notes</i>	<i>Accrued interest</i>
	<i>£'000</i>	<i>£'000</i>
ABF	305,103	76,141
	<hr/>	<hr/>

### 22. Obligations under operating leases

The company is party to commercial property leases 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 2019 £'000</i>	<i>31 August 2018 £'000</i>
Within one year	105	255
After one year but not more than five years	316	366
After five years	185	267
	<hr/>	<hr/>
	607	888
	<hr/>	<hr/>

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

The cost recognised through the income statement during the year in relation to the leases included above was £206,000 (2018: £261,000). In 2018/19 these costs have been recognised as a movement within the provision relating to the cessation of production at the bioethanol plant.

### 23. Capital commitments

At 31 August 2019, amounts contracted for but not provided in the financial statements for acquisition of property, plant and equipment amounted to £nil (2018: £nil).

## Notes to the financial statements

For the year ended 31 August 2019

### 24. 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 2019, contributions of £nil (2018: £nil) due in respect of the current reporting period had not been paid over to the scheme.

### 25. Controlling party

On 24 October 2017 the company became a wholly owned subsidiary of ABF.

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](http://www.abf.co.uk).

### 26. Post balance sheet events

Since the balance sheet date, the COVID-19 pandemic has spread across the world. This is considered a non-adjusting post-balance sheet event and any impact of COVID-19 on the company will be reported in the 2020 financial statements.

The COVID-19 pandemic has, at the time of approving these financial statements, had no significant adverse financial impact on the company. Our supply chain remains strong and we are working closely with our customers to ensure good supplies of bioethanol.

Uncertainty as to the length of the pandemic and the related measures to combat it mean that the 2020 full year impact cannot yet be known.

The circumstances of COVID-19 currently assessed as significant to the company are:

- People – the majority of the company's retained workforce are working from home with only essential plant safety and maintenance tasks being performed on site.
- Health & safety – the company is adhering to all government guidelines on safe working during the pandemic. Social distancing measures are in operation when any working on site is required.
- A continuation or second wave of the pandemic could inhibit the company's ability to complete an orderly cessation of production at the company's site in Hull and to maximise the business' potential.