

Registered No. 5998024

Vivergo Fuels Limited

Reports and Financial Statements

31 August 2021

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COMPANIES HOUSE

Vivergo Fuels Limited

Registered No: 5998024

Company Information

Directors

M I Carr

D E West

Auditors

Ernst & Young LLP

1 Cambridge Business Park

Cambridge

CB4 0WZ

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 G Cahill

The company is domiciled in England and Wales.

Strategic Report

The directors present their strategic report for the year ended 31 August 2021.

Review of the business

The company operates a bioethanol production facility involved in the processing of wheat into ethanol and animal feed. Production at the bioethanol plant ceased on 30th September 2018, since that date the only trading activity has been the purchase and sale of bioethanol sourced from British Sugar plc. In February 2021 the intention to restart the production facility was announced and in the year ended 31 August 2021 capital and pre-commissioning operating expenditure was incurred ahead of a planned plant restart in early 2022.

The company made a loss before tax for the year of £9.5m (2020: £390.8m profit before tax).

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

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 wholly owned subsidiary, are disclosed on pages 88 to 94 of the 2021 Annual Report which is available at 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 changes in 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.

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.

Engaging with our stakeholders – Section 172 Statement

The directors are required to act in a way which they consider, in good faith, is most likely to promote the success of the Company for the benefit of its members as a whole and, in doing so, have regard (amongst other matters) to the matters set out in section 172(1)(a) to (f) of the Companies Act 2006.

Strategic Report (continued)

The Company is a subsidiary of Associated British Foods plc and, as such, the Company has adopted and directors have due regard to applicable group policies and procedures which impact on the Company's stakeholders, including those referred to on page 74 of the Associated British Foods plc Annual Report and Accounts 2021. Please also see the Associated British Foods plc Section 172 Statement on pages 65 to 71 of that document.

Stakeholders and engagement

As part of the identification of key stakeholders, the directors have identified the following stakeholder groups with whom engagement is fundamental to the Company's ongoing success:

- Employees
- Suppliers
- Communities and Environment
- Governments
- Shareholders
- ABF plc or other group companies as applicable

Employees

The Company employs 54 people. Our people are central to the Company's success and employee engagement is crucial to embedding our Company culture and values, and to helping our people see how their efforts contribute to their Company's strategic objectives. During the reporting period the Company undertook regular engagement surveys, provided leadership updates, provided regular internal communications (such as emails, intranet or magazines), Health & Safety programmes, Town halls, training. The directors review the outcome of these communications/events on a regular basis to focus resources on the areas where improvement would derive the most benefit for our people.

Suppliers

Our Supplier Code of Conduct, which applies to all companies in the Associated British Foods group and which can be found on the Associated British Foods website, sets out our values and standards on how we work and engage with our suppliers on ethical, environmental and other relevant matters including on key issues such as payment practices, responsible sourcing, supply chain sustainability and human rights and modern slavery.

Communities and Environment

Supporting society and respecting the environment are two of the key ways we live our values and make a difference. Our Bioethanol already offers over 65% savings on greenhouse gasses versus standard petrol production and the Company is committed to further seeking sustainable solutions to environmental challenges and adapting our operations to respond to changes in the natural environment.

To achieve these goals the Company is acting on climate change and is working hard to reduce energy use, reduce greenhouse emissions, manage waste, and improve water management.

Governments

The Company can be impacted by changes in laws and public policy including issues such as COVID-19 and the implications arising from the UK's withdrawal from the EU. To mitigate the Company's exposure to such risks the directors engage with government authorities either directly, or through being part of the broader Associated British Foods group, to contribute to, and anticipate, important changes in public policy.

Shareholders

The Company reports up to its shareholders, and ultimately to the board of Associated British Foods plc, through reports up to the senior management of the business division of which the Company forms part. The Company takes appropriate steps to ensure that its shareholder is kept up to date on key business activities and decisions.

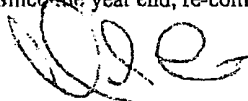
Strategic Report (continued)

Other ABF group entities

The Company forms part of the group of companies headed by Associated British Foods plc and the Company's accounts are consolidated into the Associated British Foods plc accounts. Group companies can provide financial and other support to the Company and the sharing of best practice and know-how between the businesses within the broader group is actively encouraged.

Post balance sheet events

Since the year end, re-commissioning of the plant is well underway and has been progressing well.



On behalf of the Board

M I Carr
Director

17/05/2022

Directors' Report (continued)

The directors present their report and financial statements for the year ended 31 August 2021.

Directors and their interests

The directors of the company during the year ended 31 August 2021 were as follows:

M I Carr
D E West

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

The following changes have occurred in company secretary:

R G Cahill (appointed on 17 May 2021)
R S Schofield (resigned on 24 December 2020)

Dividends

No dividends have been paid in the period and the directors do not recommend the payment of a final ordinary dividend (2020: £nil).

Viability statement and going concern

The company was loss-making during the year due to pre-commissioning spend incurred in anticipation of a future plant restart.

During the year, the COVID-19 pandemic has continued 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. It has not impacted the necessary work to retart the plant which is being conducted as planned.

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 trade and meet its liabilities as and when they become due for a period 12 months up to and including April 2023.

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 continue in operation for the 12 months up to and including April 2023. 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 the March 22 interim results group Annual Report and available at www.abf.co.uk), which included the significant levels of cash and undrawn committed long-term facilities available to the group and the ABF group's directors' stress testing of cash flow forecasts through to February 2023, 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.

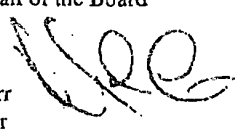
Future developments

The Company's focus is the safe and orderly pre-commissioning and restart of the ethanol production facility. Post an initial period of plant commissioning, the company's focus will be on achieving reliable and efficient operations.

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
17/05/2022

Statement of directors' responsibilities in relation to the financial statements

The directors are responsible for preparing the Strategic Report, Directors 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 2021 which comprise the Income Statement, the Balance Sheet, the Statement of changes in equity and the related notes 1 to 22, 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 2021 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. 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

In auditing the financial statements, we have concluded that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate. Our evaluation of the directors' assessment of the company's ability to continue to adopt the going concern basis of accounting included obtaining the letter of support received by ABF Investments plc and assessing the ability of ABF Investments plc to provide such support over the going concern period.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the company's ability to continue as a going concern for a period of 12 months to April 2023.

Our responsibilities and the responsibilities of the directors with respect to going concern are described in the relevant sections of this report. However, because not all future events or conditions can be predicted, this statement is not a guarantee as to the company's ability to continue as a going concern.

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

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 contained within the annual report.

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.

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 course of the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether this gives rise to a material misstatement in the financial statements themselves. 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.

Opinions 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 the light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we have not identified material misstatements in the strategic report or directors' report.

We have nothing to report in respect of the following matters in relation to which 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 5, 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.

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

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.

Explanation as to what extent the audit was considered capable of detecting irregularities, including fraud

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect irregularities, including fraud. The risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery or intentional misrepresentations, or through collusion. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below. However, the primary responsibility for the prevention and detection of fraud rests with both those charged with governance of the entity and management.

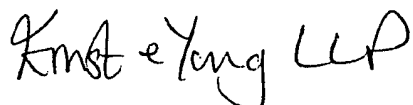
- We obtained an understanding of the legal and regulatory frameworks that are applicable to the company and determined that the most significant are frameworks which are directly relevant to specific assertions in the financial statements are those that relate to the reporting framework (FRS 101 - United Kingdom Generally Accepted Accounting Practice and the Companies Act 2006) and the relevant tax laws and regulations. In addition, the Company complies with those laws and regulations relating to health and safety and employee matters.
- We understood how Vivergo Fuels Limited is complying with those frameworks by observing the oversight of those charged with governance, the culture of honesty and ethical behaviour and whether a strong emphasis is placed on fraud prevention, which may reduce opportunities for fraud to take place, and fraud deterrence, which could persuade individuals not to commit fraud because of the likelihood of detection and punishment.
- We assessed the susceptibility of the company's financial statements to material misstatement, including how fraud might occur by meeting with management to understand their assessment of the susceptibility of the accounts to fraud. We also considered performance targets and their influence on efforts made by management to manage earnings. In addition, we performed procedures to test manual journals and were designed to provide reasonable assurance that the financial statements were free from material fraud or error.
- Based on this understanding we designed our audit procedures to identify noncompliance with such laws and regulations. Our procedures involved journal entry testing with a focus on unusual transactions and enquiries of management.

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.



Ruth Logan (Senior statutory auditor)
for and on behalf of Ernst & Young LLP, Statutory Auditor
Cambridge, UK

Date 19th of May 2022

Vivergo Fuels Limited

Income Statement

For the year ended 31 August 2021

	Notes	2020/21 £'000	2019/20 £'000
Cost of sales		(4,913)	-
Gross loss		(4,913)	-
Administrative expenses		(3,344)	-
Operating loss before exceptional items		(8,257)	-
Exceptional items;			
Onerous contracts provision	3	(881)	-
Waiver and release of shareholder loan and interest	3		398,552
Operating (loss)/ profit after exceptional items	2	(9,138)	398,552
Finance income	5		1
Finance costs	6	(400)	(7,779)
(Loss)/ profit before tax		(9,538)	390,774
Tax credit	7	8,741	3,992
(Loss)/ profit for the financial year		(797)	394,766

All results derive from discontinued operations.

There is no other comprehensive income during the year

The notes form part of the financial statements

Balance Sheet

As at 31 August 2021

		31 August 2021 £'000	31 August 2020 £'000
	Notes		
Non-current assets			
Property, plant and equipment	10	3,573	-
Deferred tax	7	19,102	18,971
Total non-current assets		22,675	18,971
Current assets			
Inventories	11	670	738
Trade and other receivables	12	19,916	32,549
Cash and cash equivalents	13	404	298
Total current assets		20,990	33,585
Total assets		43,665	52,556
Current liabilities			
Trade and other payables	14	(9,363)	(11,429)
Other financial liabilities	15	(16,226)	(109,957)
Provisions	8	(876)	(5,932)
Total current liabilities		(26,465)	(127,318)
Non-current liabilities			
Provisions	8	(2,759)	-
Total non-current liabilities		(2,759)	-
Total liabilities		(29,224)	(127,318)
Net assets/(liabilities)		14,441	(74,762)
Capital and reserves			
Share capital	16	196,297	106,297
Retained earnings		(181,856)	(181,059)
Equity shareholders' funds/(deficit)		14,441	(74,762)

M I Carr – Director
17/05/2022



The financial statements of Vivergo Fuels Limited (the company) for the year ended 31 August 2021 were authorised for issue by the board of directors on 17/05/2022 and the balance sheet was signed on the Board's behalf by M I Carr.

Registered No: 5998024

Statement of Changes in Equity

For the period ended 31 August 2021

	<i>Share capital £'000</i>	<i>Retained earnings £'000</i>	<i>Equity shareholders' deficit £'000</i>
At 1 September 2019	106,297	(575,825)	(469,528)
Profit recognised for the financial year	-	394,766	394,766
Total comprehensive income for the year	-	394,766	394,766
At 31 August 2020	106,297	(181,059)	(74,762)
Share capital issued during the period	90,000	-	90,000
Loss recognised for the financial year	-	(797)	(797)
Total comprehensive income for the year	90,000	(797)	89,203
At 31 August 2021	196,297	(181,856)	14,441

Notes to the financial statements

For the year ended 31 August 2021

1. Accounting policies

1.1 Corporate information

Vivergo Fuels Limited is a private 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 2021.

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 4.

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 21 – 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 Annual Report 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 "Viability statement and going concern" section of the Directors' report.

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 2021

Accounting policies (continued)

1.4 Revenue recognition

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

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

During the year, the COVID-19 pandemic has continued 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. It has not impacted the necessary work to restart the plant which is being conducted as planned.

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 trade and meet its liabilities as and when they become due for a period of 12 months up to and including April 2023.

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 continue in operation for 12 months up to and including April 2023. 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 the 2021 group Annual Report available at www.abf.co.uk), which included the significant levels of cash and undrawn committed long-term facilities available to the group and the ABF group's directors' stress testing of cash flow forecasts through to February 2023, 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.

Notes to the financial statements

For the year ended 31 August 2021

Accounting policies (continued)

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.

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. Any impairment will only be reversed in the event that the estimates used to determine an assets recoverable amount change, such as an increase in its value in use.

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.

Notes to the financial statements

For the year ended 31 August 2021

Accounting policies (continued)

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.

1.11 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.

1.12 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 weighted average cost 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.

1.13 Pension scheme

The ABF 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.

1.14 Leases

The company recognises a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. The company applies the single recognition and measurement approach for all leases, except for short-term leases and leases of low-value assets. The company recognises lease liabilities to make lease payments and right-of-use assets representing the right to use the underlying asset. All leases entered into prior to the discontinuation of operations have been included within the closure provision.

Notes to the financial statements

For the year ended 31 August 2021

Accounting policies (continued)

Right-of-use assets

The Company recognises right-of-use assets at the commencement date of the lease, which is the date the underlying asset is available for use. Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses. The cost of the right-of-use assets is calculated as the amount of lease liability recognised, initial direct costs incurred, and lease payments made at or before the commencement date, less any incentives received. Right-of-use assets are depreciated on a straight-line basis over the shorter of the lease term and the estimated useful life of the assets. Right-of-use assets are subject to impairment.

Lease liabilities

At the commencement date of the lease, the Company recognises lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments less any incentive receivable. The lease payment also includes any penalty payments for cancellation of the lease if applicable. Variable lease payments that do not depend on an index or a rate are recognised as expenses in the period in which the event occurs. In calculating the present value of lease payments, the Company uses the Group's incremental borrowing rate. After the commencement date the lease liability is increased by the interest and reduced for lease payments made. Remeasurements of lease liabilities occur if any modifications to the lease agreements occurs.

Short-term leases and leases of low-value assets

The Company applies the short-term lease recognition exemption to those leases that have a lease term of 12 months or less. It also applies the low-value asset recognition exemption to groups of underlying leases that are considered low value. Lease payments on short-term leases and leases of low-value assets are recognised as an expense on a straight-line basis over the lease term.

2. Operating loss

The auditor's remuneration in connection with the 2020/21 audit of the company's financial statements amounted to £50,567 (2019/20 : £31,000). Of these costs, £12,000 has been recognised as a movement within the provision relating to the cessation of production at the bioethanol plant.

3. Exceptional items

	2020/21 £'000	2019/20 £'000
Onerous contracts provision	(881)	
Waiver and release of shareholder loan and interest		398,552

Notes to the financial statements

For the year ended 31 August 2021

4. Staff costs

The average number of direct employees during the period was:

	2020/21	2019/20
	Number	Number
Production	39	25
Administration	15	12
Total	54	37

	2020/21	2019/20
	£'000	£'000
<i>Staff costs</i>		
Salary and benefit costs	1,935	-
Social security costs	228	-
Defined contribution pension scheme	116	-
Total staff costs	2,279	-

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

The above staff costs represent costs incurred during the year. In addition to the above, staff costs relating to the period September 2020 – January 2021 have been recognised as a movement within the provision relating to the cessation of production at the bioethanol plant. The 2020/21 salary and benefits costs within the provision amounted to £1,024,000 (2019/20 : £2,034,000), social security costs amounted to £126,000 (2019/20 : £243,000) and defined contribution pension scheme costs amounted to £58,000 (2019/20 : £109,000).

5. Finance income

	2020/21	2019/20
	£'000	£'000
Other interest receivable	-	1
Total finance income	-	1

6. Finance costs

	2020/21	2019/20
	£'000	£'000
Interest payable on shareholder loan notes	-	7,779
Bank overdraft	400	-
Total finance costs	400	7,779

Notes to the financial statements

For the year ended 31 August 2021

7. Tax

(a) Analysis of the tax credit for the period

	2020/21 £'000	2019/20 £'000
UK corporation tax:		
Adjustments in respect of prior periods	(3,271)	(12)
	(3,271)	(12)
Group relief:		
Tax credit on losses available for surrender	(5,339)	(6,414)
Deferred tax:		
Origination and reversal of temporary differences	3,526	4,937
Effect of change in tax rate	(3,651)	(2,515)
Adjustment in respect of previous periods	(6)	12
	(131)	2,434
Total tax credit in the income statement	(8,741)	(3,992)

(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% (2020: 19%) to the provision for income taxes is as follows:

	2020/21 £'000	2019/20 £'000
(Loss)/Profit before tax	(9,538)	390,774
Tax at the rate of 19% (2020: 19%)	(1,812)	74,247
Deferred tax rate changes	(3,651)	(2,515)
Expenses not deductible/(income not taxable)	(1)	(75,724)
Prior period adjustment – current tax	(3,271)	-
Prior period adjustment – deferred tax	(6)	-
Total tax credit in the income statement	(8,741)	(3,992)

Notes to the financial statements

For the year ended 31 August 2021

7. Tax (continued)

(c) Deferred tax

A net deferred tax asset of £19,102,000 (2020: £18,971,000) has been recognised in the period. No amounts remain unrecognised at 31 August 2021 (2020: £nil). This relates to the items included in the table below:

	2020/21	2019/20
	£'000	£'000
Asset in respect of fixed assets and capital allowances	19,066	18,611
Other short-term timing differences	36	360
Total	19,102	18,971

	2020/21	2019/20
	£'000	£'000
Deferred tax balance brought forward	18,971	21,405
Recognised in the income statement in the period	131	(2,434)
Deferred tax balance carried forward	19,102	18,971

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.

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 2021 are taxed at 19% being the rate for that accounting period.

The UK corporation tax rate of 19% is set to increase to 25% from 1 April 2023. The legislation to effect these changes was enacted before the balance sheet date and deferred tax has been calculated accordingly.

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

Notes to the financial statements

For the year ended 31 August 2021

8. Provisions

	<i>Onerous contracts</i> £'000	<i>Commodity contract close</i> £'000	<i>Total</i> £'000
<i>At 1 September 2019</i>	12,429	(10)	12,419
Charged in year	(10)	10	-
Utilised in year	(6,487)	-	(6,487)
<i>At 31 August 2020</i>	5,932	-	5,932
Utilised in year	(3,178)	-	(3,178)
Charged in year	881	-	881
<i>At 31 August 2021</i>	3,635	-	3,635
Current	876	-	876
Non-current	2,759	-	2,759
<i>At 31 August 2021</i>	3,635	-	3,635

Following the announcement of the plant closure on 6 September 2018, 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 were fully utilised in the year ended 31 August 2020.

9. Intangible assets

	<i>Computer software</i> £'000	<i>Total</i> £'000
Cost:		
<i>At 31 August 2021 and 31 August 2020</i>	1,500	1,500
Accumulated amortisation and impairment:		
<i>At 31 August 2021 and 31 August 2020</i>	1,500	1,500
Net book value:		
<i>At 31 August 2021 and 31 August 2020</i>	-	-

Notes to the financial statements

For the year ended 31 August 2021

10. 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 1 September 2020</i>	15,967	1,089	400,809	417,865
Additions	-	-	3,573	3,573
<i>At 31 August 2021</i>	15,967	1,089	404,382	421,438
Accumulated depreciation and impairment:				
<i>At 1 September 2020 and 31 August 2021</i>	15,967	1,089	400,809	417,865
Net book value:				
<i>At 31 August 2021</i>	-	-	3,573	3,573
<i>At 1 September 2020</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.

In February 2021 the decision was made to restart production in early 2022. During the year there were additions totalling £3,573,000 made in relation to improving the plant ahead of production restart. The additions are not yet available for use and therefore have not been depreciated.

11. Inventories

	<i>31 August 2021</i>	<i>31 August 2020</i>
	£'000	£'000
Raw materials	670	701
Finished goods	-	37
Total inventories	670	738

Notes to the financial statements

For the year ended 31 August 2021

12. Trade and other receivables

	31 August 2021 £'000	31 August 2020 £'000
Trade receivables	5,140	3,523
Amounts owed by group undertakings – Corporation Tax	11,755	28,357
Amounts owed by group undertakings	1,735	20
Prepayments	1,282	648
Other receivables	4	1
Total trade and other receivables	19,916	32,549

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.

13. Cash and cash equivalents

	31 August 2021 £'000	31 August 2020 £'000
Cash at bank and in hand	404	298

Cash at bank attracts interest at a floating rate. (2020 – same)

14. Trade and other payables

	31 August 2021 £'000	31 August 2020 £'000
Trade payables	1,114	883
Amounts owed to group undertakings	4,609	8,937
Accrued liabilities	3,640	1,609
Total trade and other payables	9,363	11,429

15. Other financial liabilities

	31 August 2021 £'000	31 August 2020 £'000
Current		
Bank overdrafts	16,226	109,957
Total current other financial liabilities	16,226	109,957

The bank overdrafts are owed to group undertakings, being held with ABP treasury, and are repayable on demand. Interest is charged annually at a rate of 0.06% (2020 - 0%).

Notes to the financial statements

For the year ended 31 August 2021

15. Other financial liabilities (continued)

On 23 June 2020 all loan notes and associated accrued interest which have been previously issued to shareholders were waived in full.

16. Share capital

<i>Allotted, called up and fully paid</i>	<i>31 August 2021</i>	<i>31 August 2020</i>
Ordinary shares of £1 each	196,072	106,072
Deferred shares of £1 each	225	225
Total share capital	196,297	106,297

During the year 90,000,000 fully paid ordinary £1 shares were issued to ABF Investments plc.

17. Related parties

Transactions with associated undertakings

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

Year ended 31 August 2021

	<i>Receipts from related parties</i>	<i>Payments to related parties</i>	<i>Amounts owed by related parties</i>	<i>Amounts owed to related parties</i>
	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>
ABF	213	34,389	13,502	4,609

Year ended 31 August 2020

	<i>Receipts from related parties</i>	<i>Payments to related parties</i>	<i>Amounts owed by related parties</i>	<i>Amounts owed to related parties</i>
	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>
ABF	352	31,898	28,380	8,913

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

For the year ended 31 August 2021

17. Related parties (continued)

In addition to the above transactions, the borrowings and accrued interest have been provided by the shareholders, in the following amounts:

<i>Year ended 31 August 2021</i>	<i>Call Account</i>	<i>Accrued interest</i>
	<i>£'000</i>	<i>£'000</i>
ABF	16,222	11
<i>Year ended 31 August 2020</i>	<i>Call Account</i>	<i>Accrued interest</i>
	<i>£'000</i>	<i>£'000</i>
ABF	109,953	-

18. Obligations under operating leases

The company is a lessee for the production site and office accommodation. The minimum lease rentals payable under non-cancellable operating leases are as follows:

	<i>31 August 2021</i>	<i>31 August 2020</i>
	<i>£'000</i>	<i>£'000</i>
Within one year	194	160
After one year but not more than five years	336	418
After five years	105	185
	625	763

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 £187,000 (2020: £158,000). Of these payments £61,000 were made out of the provision relating to the cessation of production at the bioethanol plant.

All leases entered into prior to the discontinuation of operations were onerous contracts and are therefore already included in the closure provision.

19. Capital commitments

At 31 August 2021, amounts contracted for but not provided in the financial statements for acquisition of property, plant and equipment amounted to £6,604 (2020: £-nil).

Notes to the financial statements

For the year ended 31 August 2021

20. 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 2021, contributions of £nil (2020: £nil) due in respect of the current reporting period had not been paid over to the scheme.

21. Controlling party

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

The immediate holding company is ABF Investments plc, a company registered in England and Wales. The ultimate holding company and controlling party is Wittington Investments Limited, which is incorporated in Great Britain and registered in England and Wales.

The largest group in which the results of the Company are consolidated is that headed by Wittington Investments Limited. The smallest group in which they are consolidated is that headed by Associated British Foods plc, which is incorporated in Great Britain and registered in England and Wales. The consolidated accounts of these groups are available to the public and may be obtained from Associated British Foods plc, Weston Centre, 10 Grosvenor Street, London, W1K 4QY. The consolidated accounts of Associated British Foods plc are also available for download on the group's website at www.abf.co.uk.

22. Post balance sheet subsequent events

Since the year end, re-commissioning of the plant is well underway and has been progressing well.