



Argent Energy (UK) Limited

Annual report and financial
statements

Registered number SC220609

31 December 2020

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Company information

Directors A W Dane (resigned 9th July 2020)
N Dean
H Matthews (resigned 30th September 2020)
D W Posnett
M W Scott
E P Rietkerk
C H Acton (appointed 6th January 2020)
D W Rabelink (appointed 6th January 2020)

Secretary D C Morris

Company number SC220609 (Scotland)

Registered office 236-240 Biggar Road
Newarthill
Motherwell
ML1 5FA

Auditor KPMG LLP
319 St Vincent Street
Glasgow
G2 5AS

Banker HSBC Bank Plc
141 Bothwell Street
Glasgow
G2 7EQ

Strategic report

The directors present their strategic report for the year ended 31 December 2020.

Principal activity and business review

The principal activity of the Company is a waste to energy biodiesel manufacturing and distribution business, operating from a plant near Motherwell in Scotland. The Company processes tallow to produce biodiesel, a renewable form of energy.

Around 52,000 tonnes (2019: 52,000 tonnes) of biodiesel were produced in the year, achieving around 115% of plated plant capacity (2019: 115%).

The Company is part of the Argent Energy group, headed by Argent Energy Holdings Limited. The Company is ultimately wholly owned by John Swire & Sons Limited and therefore has access to the resources required to fund ongoing operations and any future expansion of the business.

The directors have reviewed the Group's forecasts and projections taking account of normal fluctuations in trading performance and the impact of Covid 19 and have concluded the Company is well placed to manage its financial position.

Key financial and non-financial performance indicators include the following:

	2020	2019	Measure
Financial			
Gross Margin	19.0%	20.9%	Gross profit/turnover
Operating Margin	8.8%	4.0%	Operating profit/turnover
EBITDA	£7.6m	£3.8m	Operating before Depreciation
Non-financial			
Production (litres)	57.8m	58.9m	Litres produced in the year

Principal business risks

The principal risks and uncertainties affecting the business and development plans include the following:

Health and Safety: The Company continues to seek ways of ensuring that a safe and healthy working environment is progressively improved. This is a critical measure of success on the Company dashboard. Continued investment in training and infrastructure supports the ambition.

Covid-19: The Covid-19 pandemic has impacted on the pricing and demand for fuel products as well as operations and supply chains across the world. The Company responded well to the pandemic and has traded successfully throughout the lockdown period. This experience has been taken into consideration when forecasting future performance. The directors have prepared cash flow forecasts for a period of 12 months from the date of approval of these financial statements which indicate that, taking account of reasonably possible downsides, including the potential impact of Covid-19, the Company will have sufficient funds, including where required through funding from its immediate parent.

Political and social commitment to decarbonisation: The Company is supported by legislation and government declarations of ongoing commitment to decarbonisation in the road transport market. Argent is represented at a senior level on government and trade bodies. The Company continues to advertise the high sustainability of its biodiesel.

Risks of plant failure: The Company's biodiesel plant is operated by a sophisticated software system and controlled by trained and experienced employees. Continued focus on plant reliability, combined with business continuity planning, should enable the plant to minimise the impact of any unplanned outages.

Raw material availability and prices: The Company monitors raw material sources on a global basis and negotiates forward purchase contracts where appropriate with key suppliers. However, the cyclical nature of the feedstock market and any shortages of supply of the feedstock required to manufacture biodiesel may lead to volatile changes in raw material prices.

Strategic report (continued)

Foreign exchange fluctuations:

The Company is indirectly exposed to foreign exchange risk, in particular in relation to the US dollar and the Euro. The Company monitors exchange rates and has a policy of hedging against exposure to material currency fluctuations whenever appropriate.

Directors' Section 172 Statement:

The board of directors have collectively and individually promoted the Company's success for its shareholders during the financial year ending 31st December 2020. Working together, we continue to develop our strategy and processes to serve the sustainable fuel market and secure the long-term growth of the Argent group of companies.

Our purpose, strategy and consideration of the long-term consequences of decisions:

Our short-term strategy has been developed to provide clarity on critical business objectives and the key measures of success, delivering increased profitability from our existing portfolio. A Group Leadership Team has been created to ensure the business derives benefit from its presence in multiple locations and draws upon the functional expertise of its leaders. The longer-term strategy places the Company in a position to deliver business growth through new markets and alternative technologies. A decision by the Group to invest in substantial growth of the Amsterdam facility will come into effect in 2022.

Engaging with employees:

Employee safety and well-being remains our top priority. During the year, an employee survey was conducted to generate insightful feedback on how we can continue to improve the Company and deliver increased employee engagement. The annual appraisal process and remuneration system enables us to reward good performance. New methods of communication have been trialled throughout the lockdown to maintain the information flow and leadership visibility.

Fostering business relationships with suppliers, customers and others:

Relationships with the supply chain are key to securing continued supplies of various waste-streams for processing into biodiesel. We have actively expanded our reach to seek out and develop a wider network of relationships.

Operational impact on community and environment:

Argent remains respectful of the communities in which it operates. Our objectives and key performance measures consider our impact on the environment. We actively support other businesses with a commitment to sustainability through our approach to procurement.

Energy use and carbon emissions:

The Company's energy use and carbon emissions data is included in the group energy and carbon report of its ultimate parent undertaking, John Swire & Sons Limited, which is presented in accordance with the Companies Act 2006 (Strategic Report and Directors' Report) Regulations 2013. As such, the directors have not included a separate energy and carbon report for the Company in this Annual Report.

Maintaining a reputation for high standards of business conduct:

The board of directors are committed to behaving responsibly and maintaining the reputation of the business through impeccable conduct and good governance. We expect the same high standards of our workforce.

Behaving responsibly to our shareholders:

The board of directors behaves responsibly to its shareholder through good governance, sharing high quality information and regularly discussing business developments.

Strategic report *(continued)*

Financial instruments

The directors will continue to act in accordance with the policy on financial instruments to reflect the ongoing requirements of the business.

By order of the board

A handwritten signature in black ink, appearing to read 'N Dean', with a stylized flourish at the end.

N Dean
Director
8th June 2021

Directors' report

The directors present their annual report together with the audited financial statements for the year ended 31 December 2020.

Results and dividends

The operating profit for the year amounted to £5,696,000 (2019: £1,844,000).

EBITDA (defined as operating profit before depreciation) was £7,579,000 (2019: £3,806,000) with favourable feedstock variances and well controlled manufacturing costs contributing to increased profitability.

No dividend was paid during the year (2019: £Nil).

Directors

The directors who held office during the year and to the date of this report are as follows:

A W Dane (resigned 9th July 2020)
N Dean
H Matthews (resigned 30th September 2020)
D W Posnett
M W Scott
E P Rietkerk
C H Acton (appointed 6th January 2020)
D W Rabelink (appointed 6th January 2020)

Employees

The Company takes its responsibilities to its employees seriously. It is committed to equality and opportunity and aims to treat all of its employees fairly in every aspect of employment. It is committed to giving employees the opportunity to maximise their potential through development discussions and investment in training.

Environmental policy

The Company regards compliance with relevant environmental laws and the adoption of responsible standards as integral parts of its business operations. It is also committed to introducing measures to limit any adverse effects its business may have on the environment and will promote continuous improvement in accordance with the best available techniques.

Disclosure of information to auditor

The directors who held office at the date of approval of this directors' report confirm that, so far as they are each aware, there is no relevant audit information of which the Company's auditor is unaware; and each director has taken all the steps that he ought to have taken as a director to make himself aware of any relevant audit information and to establish that the Company's auditor is aware of that information.

Political contributions

No contributions to charitable or political organisations were made during the year (2019: £nil) nor was any political expenditure incurred (2019: £nil).

Directors' report (continued)

Engagement with suppliers, customers and others in a business relationship with the Company

Relationships with the supply chain are key to securing continued supplies of various waste-streams for processing into biodiesel. We have actively expanded our reach to seek out and develop a wider network of relationships. Delivering quality product to valued customers remains a critical success factor. During the year, the Company maintained 100% production levels and sold all available output.

The business maintains relationships with the banking community and retains 3rd party investment to support continued business growth.

Future Events

Covid-19:

The Company has undertaken a comprehensive assessment of ongoing risks associated with Covid-19, including both industry and entity risk factors. Specific areas considered included customers, counterparty, supply chain, employees, financing, regulation and other relevant factors. Business performance during the lockdowns demonstrated successful management of the risks, with the Company maintaining production without interruption and achieving strong sales.

The Covid 19 position has been regularly reviewed and discussed by both the executive management team and the board of the parent company, Argent Energy Holdings Limited.

Brexit:

The Company has considered the post Brexit impacts in the following key areas:

Impact of Brexit on Sales – The achievement of a trade agreement has eliminated the risk of potential tariffs on the sale of product into Europe.

Impact of Brexit on Sourcing - Increasing feedstocks are being imported internationally. There is just one remaining issue which is being addressed with the EU which is affecting the import of tallow into the UK.

Renewable Transfer Fuel Obligation ("RTFO"): - Has not been affected by Brexit, with the government continuing to support decarbonisation and increased biofuel blending.

Auditor

Pursuant to Section 487 of the Companies Act 2006, the auditor will be deemed to be reappointed and KPMG LLP will therefore continue in office.

By order of the board



N Dean
Director
8th June 2021

236-240 Biggar Road
Newarthill
Motherwell, ML1 5FA

Statement of directors' responsibilities in respect of the directors' report and the financial statements

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

Company law requires the directors to prepare financial statements for each financial year. Under that law they have elected to prepare the financial statements in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006 and applicable law.

Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that period. In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable, relevant and reliable;
- state whether they have been prepared in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006;
- assess the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and
- use the going concern basis of accounting unless they either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

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 financial statements comply with the Companies Act 2006. They are responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error, and have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Company and to prevent and detect fraud and other irregularities.



Independent auditor's report to the members of Argent Energy (UK) Limited

Opinion

We have audited the financial statements of Argent Energy (UK) Limited ("the Company") for the year ended 31 December 2020 which comprise the Profit and Loss Account and Other Comprehensive Income Balance Sheet, Statement of Changes in Equity and related notes, including the accounting policies in note 1.

In our opinion the financial statements:

- give a true and fair view of the state of the Company's affairs as at 31 December 2020 and of its profit for the year then ended;
- have been properly prepared in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006; 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 are described below. We have fulfilled our ethical responsibilities under, and are independent of the Company in accordance with, UK ethical requirements including the FRC Ethical Standard. We believe that the audit evidence we have obtained is a sufficient and appropriate basis for our opinion.

Going concern

The directors have prepared the financial statements on the going concern basis as they do not intend to liquidate the Company or to cease its operations, and as they have concluded that the Company's financial position means that this is realistic. They have also concluded that there are no material uncertainties that could have cast significant doubt over its ability to continue as a going concern for at least a year from the date of approval of the financial statements ("the going concern period").

In our evaluation of the directors' conclusions, we considered the inherent risks to the Company's business model and analysed how those risks might affect the Company's financial resources or ability to continue operations over the going concern period.

Our conclusions based on this work:

- we consider that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate;
- we have not identified, and concur with the directors' assessment that there is not, a material uncertainty related to events or conditions that, individually or collectively, may cast significant doubt on the Company's ability to continue as a going concern for the going concern period.

However, as we cannot predict all future events or conditions and as subsequent events may result in outcomes that are inconsistent with judgements that were reasonable at the time they were made, the above conclusions are not a guarantee that the Company will continue in operation.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF ARGENT ENERGY (UK) LIMITED (continued)

Fraud and breaches of laws and regulations – ability to detect

Identifying and responding to risks of material misstatement due to fraud

To identify risks of material misstatement due to fraud ("fraud risks") we assessed events or conditions that could indicate an incentive or pressure to commit fraud or provide an opportunity to commit fraud. Our risk assessment procedures included:

- Enquiring of directors, the audit committee, and inspection of policy documentation as to the Company's high-level policies and procedures to prevent and detect fraud, and the Company's channel for "whistleblowing", as well as whether they have knowledge of any actual, suspected or alleged fraud.
- Reading Board meeting minutes.

We communicated identified fraud risks throughout the audit team and remained alert to any indications of fraud throughout the audit.

As required by auditing standards, we perform procedures to address the risk of management override of controls, in particular the risk that management may be in a position to make inappropriate accounting entries. On this audit we do not believe there is a fraud risk related to revenue recognition because transactions are not complex and there is no judgement involved in recognising revenue.

We did not identify any additional fraud risks.

We performed procedures including:

- Identifying journal entries to test based on risk criteria and comparing the identified entries to supporting documentation. These included those posted to unusual accounts and those posted with an unexpected description.

Identifying and responding to risks of material misstatement due to non-compliance with laws and regulations

We identified areas of laws and regulations that could reasonably be expected to have a material effect on the financial statements from our general commercial and sector experience and through discussion with the directors and other management (as required by auditing standards), and discussed with the directors and other management the policies and procedures regarding compliance with laws and regulations.

We communicated identified laws and regulations throughout our team and remained alert to any indications of non-compliance throughout the audit.

The potential effect of these laws and regulations on the financial statements varies considerably.

Firstly, the Company is subject to laws and regulations that directly affect the financial statements including financial reporting legislation (including related companies legislation), distributable profits legislation and, taxation legislation and we assessed the extent of compliance with these laws and regulations as part of our procedures on the related financial statement items.

Secondly, the Company is subject to many other laws and regulations where the consequences of non-compliance could have a material effect on amounts or disclosures in the financial statements, for instance through the imposition of fines or litigation. We identified the following areas as those most likely to have such an effect: health and safety, employment law and GDPR. Auditing standards limit the required audit procedures to identify non-compliance with these laws and regulations to enquiry of the directors and other management and inspection of regulatory and legal correspondence, if any. Therefore if a breach of operational regulations is not disclosed to us or evident from relevant correspondence, an audit will not detect that breach.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF ARGENT ENERGY (UK) LIMITED (continued)

Context of the ability of the audit to detect fraud or breaches of law or regulation

Owing to the inherent limitations of an audit, there is an unavoidable risk that we may not have detected some material misstatements in the financial statements, even though we have properly planned and performed our audit in accordance with auditing standards. For example, the further removed non-compliance with laws and regulations is from the events and transactions reflected in the financial statements, the less likely the inherently limited procedures required by auditing standards would identify it.

In addition, as with any audit, there remained a higher risk of non-detection of fraud, as these may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal controls. Our audit procedures are designed to detect material misstatement. We are not responsible for preventing non-compliance or fraud and cannot be expected to detect non-compliance with all laws and regulations.

Strategic report and directors' report

The directors are responsible for the strategic report and the directors' report. Our opinion on the financial statements does not cover those reports and we do not express an audit opinion thereon.

Our responsibility is to read the strategic report and the directors' report and, in doing so, consider whether, based on our financial statements audit work, the information therein is materially misstated or inconsistent with the financial statements or our audit knowledge. Based solely on that work:

- we have not identified material misstatements in the strategic report and the directors' report;
- in our opinion the information given in those reports for the financial year is consistent with the financial statements; and
- in our opinion those reports have been prepared in accordance with the Companies Act 2006.

Matters on which we are required to report by exception

Under the Companies Act 2006, we are required 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[.]/[; or

We have nothing to report in these respects.

Directors' responsibilities

As explained more fully in their statement set out on page 7, the directors are responsible for: the preparation of the financial statements and for being satisfied that they give a true and fair view; such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error; 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 they either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF ARGENT ENERGY (UK) LIMITED (continued)

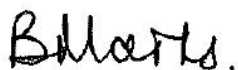
Auditor's responsibilities

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 our opinion in an auditor's report. Reasonable assurance is a high level of assurance, but does not 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 aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

A fuller description of our responsibilities is provided on the FRC's website at www.frc.org.uk/auditorsresponsibilities.

The purpose of our audit work and to whom we owe our responsibilities

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.



Bruce Marks (Senior Statutory Auditor)
for and on behalf of KPMG LLP, Statutory Auditor
Chartered Accountants

319 St Vincent Street
Glasgow
G2 5AS

Date: 9 June 2021

Profit and loss account and Other Comprehensive Income
for the year ended 31 December 2020

	<i>Note</i>	2020 £000	2019 £000
Turnover	2	64,932	45,773
Cost of sales		(52,566)	(36,206)
		<hr/>	<hr/>
Gross profit		12,366	9,567
Distribution costs		(2,447)	(2,455)
Administrative expenses		(5,133)	(4,319)
Other operating income/(expense)		910	(949)
		<hr/>	<hr/>
Operating profit	3	5,696	1,844
Interest payable and similar expenses	6	(1,355)	(397)
Interest receivable and similar income	7	54	1,328
		<hr/>	<hr/>
Profit before taxation		4,395	2,775
Taxation	8	595	551
		<hr/>	<hr/>
Profit for the financial year		4,990	3,326
		<hr/>	<hr/>

The Company had no Other Comprehensive income during the year other than the profit as set out above.

Notes on pages 15 to 29 form part of these financial statements.

Balance sheet
as at 31 December 2020

	Note	2020 £000	2019 £000
Fixed assets			
Tangible assets	10	11,519	12,633
Current assets			
Stocks	11	2,616	2,167
Debtors	12	31,633	47,114
Cash in hand		8,200	-
		<hr/> 42,449	<hr/> 49,281
Creditors: amounts falling due within one year	13	<hr/> (20,678)	<hr/> (33,614)
Net current assets		<hr/> 21,771	<hr/> 15,667
Total assets less current liabilities		<hr/> 33,290	<hr/> 28,300
		<hr/>	<hr/>
Net assets		<hr/> 33,290	<hr/> 28,300
		<hr/>	<hr/>
Capital and reserves			
Called up share capital	17	6,499	6,499
Profit and loss account		26,791	21,801
		<hr/>	<hr/>
Shareholders' funds		<hr/> 33,290	<hr/> 28,300
		<hr/>	<hr/>

Notes on pages 15 to 29 form part of these financial statements.

These financial statements were approved by the board of directors on 8th June 2021 and were signed on its behalf by:



N Dean
Director

Company registered number: SC220609

Statement of Changes in Equity

	Called up share capital	Profit and loss account	Total equity
	£000	£000	£000
Balance at 1 January 2019	999	18,475	19,474
Share Capital Issued during the year	5,500	-	5,500
Total comprehensive income for the year			
Profit for the financial year	-	3,326	3,326
	<hr/>	<hr/>	<hr/>
Total comprehensive income for the year	-	3,326	3,326
	<hr/>	<hr/>	<hr/>
Balance at 31 December 2019	6,499	21,801	28,300
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

	Called up share capital	Profit and loss account	Total equity
	£000	£000	£000
Balance at 1 January 2020	6,499	21,801	28,300
Total comprehensive income for the year			
Profit for the financial year	-	4,990	4,990
	<hr/>	<hr/>	<hr/>
Total comprehensive income for the year	-	4,990	4,990
	<hr/>	<hr/>	<hr/>
Balance at 31 December 2020	6,499	26,791	33,290
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

Notes on pages 15 to 29 form part of these financial statements.

Notes

(forming part of the financial statements)

1 Accounting policies

Argent Energy (UK) Limited (the "Company") is a private company incorporated, domiciled and registered in Scotland, in the UK. The registered number SC220609. The Company's registered address is 236-240 Biggar Road, Newarthill, Motherwell, ML1 5FA.

These financial statements were prepared in accordance with Financial Reporting Standard 101 *Reduced Disclosure Framework* ("FRS 101").

In preparing these financial statements, the Company applies the recognition, measurement and disclosure requirements of international accounting standards in conformity with the requirements of the Companies Act 2006 ("Adopted IFRSs"), but makes amendments where necessary in order to comply with Companies Act 2006 and has set out below where advantage of the FRS 101 disclosure exemptions has been taken. The presentation currency of these financial statements is Sterling. All amounts in the financial statements have been rounded to the nearest £1,000.

The Company's ultimate parent undertaking, John Swire & Sons Limited, includes the Company in its consolidated financial statements. The consolidated financial statements of John Swire & Sons Limited are prepared in accordance with International Financial Reporting Standards as adopted by the EU and are available to the public and may be obtained from 59 Buckingham Gate, London, SW1E 6AJ.

In these financial statements, the Company has applied the exemptions available under FRS 101 in respect of the following disclosures:

- Cash Flow Statement and related notes;
- Comparative period reconciliations of tangible fixed assets.
- Disclosures in respect of capital management;
- The effects of new but not yet effective IFRSs;
- Disclosures in respect of the compensation of Key Management Personnel; and
- Disclosures of transactions with a management entity that provides key management personnel services to the Company.

As the consolidated financial statements of John Swire & Sons Limited include the equivalent disclosures, the Company has also taken the exemptions under FRS 101 available in respect of the following disclosures:

- Certain disclosures required by IFRS 13 *Fair Value Measurement* and the disclosures required by IFRS 7 *Financial Instrument Disclosures*.

The Company proposes to continue to adopt the reduced disclosure framework of FRS 101 in its next financial statements.

The accounting policies set out below have, unless otherwise stated, been applied consistently to all periods presented in these financial statements.

Judgements made by the directors, in the application of these accounting policies that have significant effect on the financial statements and estimates with a significant risk of material adjustment in the next year are discussed in note 21.

Notes *(continued)*

1 **Accounting policies** *(continued)*

1.1 **Measurement convention**

The financial statements are prepared on the historical cost basis.

1.2 **Going concern**

The financial statements have been prepared on a going concern basis which the directors consider to be appropriate for the following reasons.

The directors have prepared cash flow forecasts for a period of 12 months from the date of approval of these financial statements which indicate that, taking account of reasonably possible downsides, the Company will have sufficient funds, through funding from its immediate parent, Argent Energy Holdings Limited to meet its liabilities as they fall due for that period. These forecasts have subsequently been stress-tested to include severe but plausible downsides to reflect the impact of the COVID-19 crisis which have taken into account reductions in revenue and the increased costs that the Company is likely to incur in order to maintain the continuity of business. Argent Energy Holdings Limited has indicated its intention to continue to make available such funds as are needed by the Company for the period covered by the forecasts. As with any company placing reliance on other group entities for financial support, the directors acknowledge that there can be no certainty that this support will continue although, at the date of approval of these financial statements, they have no reason to believe that it will not do so.

Consequently, the directors have considered the impact of COVID-19 and are confident that the Company will have sufficient funds to continue to meet its liabilities as they fall due for at least 12 months from the date of approval of the financial statements and therefore have prepared the financial statements on a going concern basis.

1.3 **Foreign currency**

Transactions in foreign currencies are translated to the Company's functional currencies at the foreign exchange rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are retranslated to the functional currency at the foreign exchange rate ruling at that date. Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction. Non-monetary assets and liabilities denominated in foreign currencies that are stated at fair value are retranslated to the functional currency at foreign exchange rates ruling at the dates the fair value was determined. Foreign exchange differences arising on translation are recognised in the profit and loss account.

Notes (continued)

1 Accounting policies (continued)

1.4 Classification of financial instruments issued by the Company

Following the adoption of IAS 32, financial instruments issued by the Company are treated as equity only to the extent that they meet the following two conditions:

- (a) they include no contractual obligations upon the Company to deliver cash or other financial assets or to exchange financial assets or financial liabilities with another party under conditions that are potentially unfavourable to the Company; and
- (b) where the instrument will or may be settled in the Company's own equity instruments, it is either a non-derivative that includes no obligation to deliver a variable number of the Company's own equity instruments or is a derivative that will be settled by the Company's exchanging a fixed amount of cash or other financial assets for a fixed number of its own equity instruments.

To the extent that this definition is not met, the proceeds of issue are classified as a financial liability. Where the instrument so classified takes the legal form of the Company's own shares, the amounts presented in these financial statements for called up share capital and share premium account exclude amounts in relation to those shares.

1.5 Non-derivative financial instruments

Non-derivative financial instruments comprise investments in equity and debt securities, trade and other debtors, cash and cash equivalents, loans and borrowings, and trade and other creditors.

Trade and other debtors

Trade and other debtors are recognised initially at fair value. Subsequent to initial recognition they are measured at amortised cost using the effective interest method, less any impairment losses.

Trade and other creditors

Trade and other creditors are recognised initially at fair value. Subsequent to initial recognition they are measured at amortised cost using the effective interest method.

Interest-bearing borrowings

Interest-bearing borrowings are recognised initially at fair value less attributable transaction costs. Subsequent to initial recognition, interest-bearing borrowings are stated at amortised cost using the effective interest method, less any impairment losses.

Cash and cash equivalents

Cash and cash equivalents comprise cash balances and call deposits. Bank overdrafts that are repayable on demand and form an integral part of the Company's cash management are included as a component of cash and cash equivalents for the purpose only of the cash flow statement.

1.6 Employee benefits

Defined contribution plans and other long term employee benefits

A defined contribution plan is a post-employment benefit plan under which the Company pays fixed contributions into a separate entity and will have no legal or constructive obligation to pay further amounts. Obligations for contributions to defined contribution pension plans are recognised as an expense in the profit and loss account in the periods during which services are rendered by employees.

Notes (continued)

1 Accounting policies (continued)

1.7 Tangible fixed assets

Tangible fixed assets are stated at cost less accumulated depreciation and accumulated impairment losses.

Where parts of an item of tangible fixed assets have different useful lives, they are accounted for as separate items of tangible fixed assets.

Leases in which the Company assumes substantially all the risks and rewards of ownership of the leased asset are classified as finance leases. All other leases are classified as operating leases. Leased assets acquired by way of finance lease are stated on initial recognition at an amount equal to the lower of their fair value and the present value of the minimum lease payments at inception of the lease, including any incremental costs directly attributable to negotiating and arranging the lease. At initial recognition a finance lease liability is recognised equal to the fair value of the leased asset or, if lower, the present value of the minimum lease payments. The present value of the minimum lease payments is calculated using the interest rate implicit in the lease.

The Company assesses at each reporting date whether tangible fixed assets (including those leased under the finance lease) are impaired.

Depreciation is charged to the profit and loss account on a straight-line basis over the estimated useful lives of each part of an item of tangible fixed assets. Land is not depreciated. The estimated useful lives are as follows:

- Buildings - over 20 years
- Plant, machinery and vehicles - over 4 to 20 years

Depreciation methods, useful lives and residual values are reviewed at each balance sheet date.

1.8 Stock

Stocks are stated at the lower of cost and net realisable value. Cost is based on the weighted average principle and includes expenditure incurred in acquiring the stocks, production or conversion costs and other costs in bringing them to their existing location and condition. In the case of manufactured stocks and work in progress, cost includes an appropriate share of overheads based on normal operating capacity.

1.9 Revenue recognition

Revenue is recorded at the fair value of the consideration received or receivable for sale of goods and services in the ordinary nature of business. Revenue is shown net of Value Added Tax of goods and services provided to customers.

1.10 Expenses

Operating lease payments

Payments (excluding costs for services and insurance) made under operating leases are recognised in the profit and loss account on a straight-line basis over the term of the lease. Lease incentives received are recognised in the profit and loss account as an integral part of the lease expense.

Interest receivable and Interest payable

Interest payable and similar charges include interest payable, finance charges on finance leases recognised in profit or loss using the effective interest method, and net foreign exchange losses that are recognised in the profit and loss account (see foreign currency accounting policy). Other interest receivable and similar income include interest receivable on funds invested and net foreign exchange gains. Interest income and interest payable is recognised in profit or loss as it accrues, using the effective interest method. Foreign currency gains and losses are reported on a net basis.

Notes (continued)

1 Accounting policies (continued)

1.11 Taxation

Tax on the profit or loss for the year comprises current and deferred tax. Tax is recognised in the profit and loss account except to the extent that it relates to items recognised directly in equity or other comprehensive income, in which case it is recognised directly in equity or other comprehensive income.

Current tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantively enacted at the balance sheet date, and any adjustment to tax payable in respect of previous years.

Deferred tax is provided on temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantively enacted at the balance sheet date.

A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the temporary difference can be utilised.

1.12 Borrowings

Borrowings are initially stated at the fair value of the consideration received. Finance costs are charged to the profit and loss account over the term of the borrowings so as to represent a constant proportion of the balance of capital repayments outstanding. Accrued finance costs attributable to borrowings where the maturity at the date of issue is less than twelve months are included in accrued charges within current liabilities. For all other borrowings, accrued finance charges and issue costs are added to the carrying value of those borrowings.

1.13 Changes in accounting policies

In these financial statements the Company has changed its accounting policies in the following areas:

IFRS 16 has been applied from 1 January 2019 and requires that upon lease commencement, for all leases, a lessee recognises a right-of-use asset and a lease liability subject to two exemptions ('low-value assets' and short-term leases).

The adoption of this accounting standards did not have a material impact on the reported results of the Company

1.14 Government grants

Capital based government grants are included within the accruals and deferred income in the balance sheet and are credited to the profit and loss account over the estimated useful economic lives of the assets to which they relate or over the periods in which the related costs for which the grants are intended to compensate are recognised as expenses. Amounts recognised in the profit and loss are presented under the heading "Other income".

1.15 Provisions

A provision is recognised in the balance sheet when the Company has a present legal or constructive obligation as a result of a past event, that can be reliably measured and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects risks specific to the liability.

Notes (*continued*)

1 Accounting policies (*continued*)

1.16 Impairment excluding stocks and deferred tax assets

Financial assets (including trade and other debtors)

A financial asset not carried at fair value through profit or loss is assessed at each reporting date to determine whether there is objective evidence that it is impaired. A financial asset is impaired if objective evidence indicates that a loss event has occurred after the initial recognition of the asset, and that the loss event had a negative effect on the estimated future cash flows of that asset that can be estimated reliably.

An impairment loss in respect of a financial asset measured at amortised cost is calculated as the difference between its carrying amount and the present value of the estimated future cash flows discounted at the asset's original effective interest rate. For financial instruments measured at cost less impairment an impairment is calculated as the difference between its carrying amount and the best estimate of the amount that the Company would receive for the asset if it were to be sold at the reporting date. Interest on the impaired asset continues to be recognised through the unwinding of the discount. When a subsequent event causes the amount of impairment loss to decrease, the decrease in impairment loss is reversed through profit or loss.

Non-financial assets

The carrying amounts of the Company's non-financial assets, other than stocks and deferred tax assets, are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. For goodwill, and intangible assets that have indefinite useful lives or that are not yet available for use, the recoverable amount is estimated each year at the same time.

An impairment loss is recognised if the carrying amount of an asset or its CGU exceeds its estimated recoverable amount. Impairment losses are recognised in profit or loss. Impairment losses recognised in respect of CGUs are allocated first to reduce the carrying amount of any goodwill allocated to the units, and then to reduce the carrying amounts of the other assets in the unit (group of units) on a *pro rata* basis.

Notes (continued)

2 Turnover

Turnover is attributable to one continuing activity, namely the production of renewable forms of energy. All turnover arises from the Company's principle activity in the United Kingdom. Turnover by destination is analysed below based on customer location:

	2020 £000	2019 £000
United Kingdom	60,711	45,773
Europe	4,221	-
	<u>64,932</u>	<u>45,773</u>

3 Expenses and auditor's remuneration

Included in the Profit/(Loss) are the following:

	2020 £000	2019 £000
Depreciation	1,883	1,963
Government grants amortised	(70)	(124)
Forex loss	(1,091)	(1,183)
Operating lease payments – other	17	29
	<u> </u>	<u> </u>

Auditor's remuneration:

	2020 £000	2019 £000
Audit of these financial statements	26	18
Amounts receivable by the Company's auditor and its associates in respect of: Taxation compliance services	-	13
	<u> </u>	<u> </u>

4 Staff numbers and costs

The average number of persons employed by the Company (excluding directors) during the year, analysed by category, was as follows:

	Number of employees 2020	2019
Production and distribution	58	66
Management and administration	39	34
	<u>97</u>	<u>100</u>

Notes (continued)

4 Staff numbers and costs (continued)

The aggregate payroll costs of these persons were as follows:

	2020 £000	2019 £000
Wages and salaries	5,587	3,129
Social security costs	500	526
Other pension costs	229	219
	<u>6,316</u>	<u>3,874</u>

5 Remuneration of directors

	2020 £000	2019 £000
Directors' emoluments	1,249	1,221
Contributions to money purchase pension schemes	99	99
	<u>1,348</u>	<u>1,320</u>

The total remuneration received by directors for services to the Group during the year was £1,249,000 (2019: £1,221,000). This value is for 8 directors (2019: 6). The Company considers that there is no practicable method to accurately allocate a portion of the emoluments the Directors receive from the Company to the respective Group companies to which they provide qualifying services. The remuneration of the highest paid director was £326,000 (2019: £310,000), and company pension contributions of £35,000 (2019: £44,000) were made to a money purchase scheme on their behalf.

	Number of directors 2020	2019
Retirement benefits are accruing to the following number of directors under: Money purchase schemes	<u>7</u>	<u>6</u>

6 Interest payable and similar expenses

	2020 £000	2019 £000
Interest on group loans and overdraft	263	397
Net foreign exchange loss	1,092	-
	<u>1,355</u>	<u>397</u>

7 Interest receivable and similar income

	2020 £000	2019 £000
Interest receivable on bank	54	145
Net foreign exchange gain	-	1,183
	<u>54</u>	<u>1,328</u>

Notes (continued)

8 Taxation

Total tax expense recognised in the profit and loss account

	2020 £000	2020 £000	2019 £000	2019 £000
<i>Current tax:</i>				
Current tax on income for the period		-		-
Adjustment in respect of prior year		126		145
		<hr/>		<hr/>
Total current tax		126		145
<i>Deferred tax (see note 15):</i>				
Origination and reversal of timing differences	114		(240)	
Adjustments in respect of prior periods	(710)		(457)	
Adjustment in tax rates	(125)		1	
	<hr/>		<hr/>	
Total deferred tax		(721)		(696)
		<hr/>		<hr/>
Total tax credit		(595)		(551)
		<hr/>		<hr/>

Reconciliation of effective tax rate

	2020 £000	2019 £000
Profit for the year	4,990	3,326
Total tax credit	595	551
	<hr/>	<hr/>
Profit excluding taxation	4,395	2,775
Tax using the UK corporation tax rate of 19% (2019: 19%)	835	528
Over provided in prior years	(584)	(312)
Effect of change in tax rates on deferred tax	(125)	-
Expenses not deductible for taxation purposes	167	-
Income not subject to tax	(10)	-
Group tax relief	(878)	-
Other	-	(767)
	<hr/>	<hr/>
Total tax credit included in profit and loss	(595)	(551)
	<hr/>	<hr/>

A UK corporation tax rate of 19% (effective 1 April 2020) was substantively enacted on 17 March 2020, reversing the previously enacted reduction in the rate from 19% to 17%. This will increase the Company's future current tax charge accordingly.

The deferred tax asset at 31 December 2020 has been calculated at 19% (2019: 17%).

Notes (continued)

9 Investments

Following a rationalisation of the dormant group entities during 2017, the Company has no subsidiary undertakings.

10 Tangible fixed assets

	Plant and machinery £'000
Cost	
Balance at 1 January 2020	34,767
Additions	769
	<hr/>
Balance at 31 December 2020	35,536
	<hr/>
Depreciation	
Balance at 1 January 2020	22,134
Depreciation charge for the year	1,883
	<hr/>
Balance at 31 December 2020	24,017
	<hr/>
Net book value	
At 31 December 2020	11,519
	<hr/> <hr/>
At 1 January 2020	12,633
	<hr/> <hr/>

Notes (continued)

11 Stocks

	2020 £000	2019 £000
Raw materials and consumables	1,735	274
Work in progress	-	219
Finished goods	881	1,674
	<u>2,616</u>	<u>2,167</u>

Raw materials, consumables and changes in finished goods and work in progress recognised as cost of sales in the year amounted to £37,268,436 (2019: £26,571,310).

12 Debtors

	2020 £000	2019 £000
<i>Amounts due within one year:</i>		
Trade debtors	1,224	558
Prepayments and accrued income	165	231
Amounts owed by group undertakings	28,810	45,285
Deferred Tax Asset (note 15)	1,075	354
Taxation and social security	359	506
Other Debtors	-	180
	<u>31,633</u>	<u>47,114</u>

Amounts due from group undertakings represent non-interest bearing current account balances.

13 Creditors: amounts falling due within one year

	2020 £000	2019 £000
Bank overdraft	4,490	9,775
Trade creditors	1,983	2,404
Accruals	2,010	2,963
Deferred income; government grants (note 14)	307	377
Other creditors	86	-
Corporation tax	1,842	1,631
Amounts due to group undertakings	9,960	16,464
	<u>20,678</u>	<u>33,614</u>

Amounts due to group undertakings represent non-interest bearing current account balances.

Notes (continued)

14 Provisions for liabilities and charges

	2020 £000	2019 £000
Government grants		
At beginning of year	377	130
Amortised to profit and loss account	(70)	(153)
New Grant in Year	-	400
	<hr/>	<hr/>
At end of year	307	377
	<hr/>	<hr/>
Included as follows:		
Creditors: amounts falling due within one year (note 13)	307	377
	<hr/>	<hr/>
	307	377
	<hr/>	<hr/>

15 Deferred taxation

Deferred tax (assets) and liabilities are attributable to the following:

	Assets		Liabilities		Net	
	2020 £000	2019 £000	2020 £000	2019 £000	2020 £000	2019 £000
Fixed Assets	(186)	-	-	438	(186)	438
Losses	(919)	(819)	-	-	(919)	(819)
Rolled over gains	-	-	30	27	30	27
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
	(1,105)	(819)	30	465	(1,075)	(354)
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>

Notes (continued)

16 Employee benefits

The pension cost charged for the year represents contributions payable by the Company to employees' personal pension plans. The total pension cost charge for the year amounted to £229,583 (2019: £219,185). Outstanding contributions at the year end amounted to £383 with no prepaid contributions (2019: £10,075).

17 Capital and reserves

Share capital

In thousands of shares	Ordinary shares	
	2020	2019
On issue at 1 January 2020 and at 31 December 2020 – fully paid	6,499	6,499
	<hr/>	<hr/>
	2020	2019
	£000	£000
Allotted, called up and fully paid		
6,499,001 ordinary shares of £1 each	6,499	6,499
	<hr/>	<hr/>

The holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at meetings of the Company.

18 Commitments

The Company has given certain banking guarantees in the normal course of business, principally to HMRC in relation to the payment of duty, amounting to £ nil (2019: £29,870).

Notes (continued)

19 Related parties

Identity of related parties with which the Company has transacted

Since January 2019, the Company has been a wholly owned subsidiary of Argent Energy Holdings Limited (prior to that it was a wholly owned subsidiary of Argent Energy Group Limited, which was wholly owned by Argent Energy Holdings Limited). Argent Energy Holdings Limited is 100% owned by John Swire & Sons Limited. As the results of the Company are only consolidated into the results of the group headed by John Swire & Sons Limited, they are not exempt from the requirements of FRS102.33 to disclose transactions with other members of the group headed by John Swire & Sons Limited. Transactions with related parties, being fellow subsidiaries of the John Swire & Sons group, are summarised below.

	Receivables outstanding 2020 £000	2019 £000	Creditors outstanding 2020 £000	2019 £000
John Swire & Sons Limited	-	-	44	-
Transactions with subsidiaries within the Argent group	28,810	45,285	9,916	16,464
	<hr/>	<hr/>	<hr/>	<hr/>
	Sales 2020 £000	2019 £000	Purchases 2020 £000	2019 £000
John Swire & Sons Limited	-	-	-	-
Transactions with subsidiaries within the Argent group	62,266	42,926	-	1,939
	<hr/>	<hr/>	<hr/>	<hr/>

Notes (continued)

20 Ultimate parent company and parent company of larger group

The Company is a subsidiary undertaking of Argent Energy Holdings Limited. The ultimate controlling party is John Swire & Sons Limited.

The results of the Company are consolidated into the results of the group headed by John Swire & Sons Limited, incorporated in England. No other group financial statements include the results of the Company. The consolidated financial statements are available to the public and may be obtained from 59 Buckingham Gate, London, SW1E 6AJ.

21 Accounting estimates and judgements

Critical accounting judgements in applying the Company's accounting policies

The Company believes that there are no areas of material uncertainty which affect the financial statements.

22 Subsequent Events

There are no significant events occurring after the balance sheet date which need disclosure in these financial statements.