Essar Oil (UK) Limited
Annual report and financial statements
for the year ended 31 March 2017

Registered number: 07071400

ANNUAL REPORT AND FINANCIAL STATEMENTS 2017

Contents

OFFICERS AND PROFESSIONAL ADVISERS

DIRECTORS

P Ruia (Appointed 15 December 2016)
T Srinivasalu (Appointed 31 March 2017)
N K Nayyar (Resigned 31 March 2017)
P Sampath
J R Mason (Resigned 27 February 2017)
D K Maheshwari
P F Stevens (Resigned 26 January 2017)
K N Venkatasubramanian

SECRETARY

C Bryant (Resigned 30 June 2017)
S Chambers (Appointed 30 June 2017)

REGISTERED OFFICE

5th Floor
The Administration Building
Stanlow Manufacturing Complex
Ellesmere Port
CH65 4HB

AUDITOR

Deloitte LLP
London
United Kingdom

BANKERS

J Aron & Company LLC (a subsidiary of Goldman Sachs International)
Peterborough Court
133 Fleet Street
London
EC4A 2BB

Lloyds Bank Plc
25 Gresham Street
London
EC2V 7HN

STRATEGIC REPORT

The directors, in preparing this strategic report, have complied with s414 of the Companies Act 2006.

Principal activities

The principal activity of the company is to procure and refine crude oil and to market petroleum products mainly in the domestic UK market from its primary place of business at Stanlow. The Company owns and operates the Stanlow refinery, which is located on the south side of the Mersey estuary in the Northwest of the United Kingdom and is in proximity to North Sea crudes. In addition, the refinery is also capable of handling and processing a wide variety of light and heavy crudes from global sources including West and North Africa, Canada and Russia. Stanlow represents a critical part of the UK's transport and energy infrastructure, supplying approximately 16% of the UK's road fuel demand.

The Company is also expanding its retail service station network and as at 31 March 2017 had 29 'Essar' branded retail stations (2016: 6).

Principal risks and uncertainties

The company faces a number of business risks mainly due to external factors as detailed below:

Fluctuation of crude oil prices, refined petroleum products prices and refining margins

The refining business is dependent on margins between crude oil prices and refined petroleum product prices. Refined products normally track changes in feedstock prices with a lag; a prolonged lag effect can have a substantial impact on profitability and on the company's working capital requirements.

The Company has a robust risk management process in place and uses commodity hedging and margin hedging to manage its exposures to oil price fluctuations on inventories and to protect its refining margins respectively.

Foreign exchange risk

The company's functional and presentational currency for accounting for its transactions and preparation of books and accounts is the US Dollar. The Company has exposure to foreign currency fluctuations mainly on the Domestic Trade receivables (from the billing date up to the collection date) and in respect of certain operating and capital expenditure, which are largely denominated in British Pounds (GBP). These could significantly impact the operational and reported results. In order to mitigate such exchange risks, the company reviews its risks from time to time and determines the strategy to cover its currency exposures (see note 17).

Liquidity risk and the company's ability to continue as a going concern

Oil refining is a high investment industry requiring significant financing arrangements to support its day to day operations and commitments. Throughout the year, the company had continued access to commercial banking facilities comprising of the Inventory monetisation agreement with J Aron & Company LLC to intermediate crude and product requirements of the refinery including storage and supply on a just in time basis and a £300m ($375m) receivable securitisation arrangement involving an Assets Backed Commercial Paper conduit sponsored by Lloyds Bank plc. These financing arrangements enable the company to raise finances to meet its payment obligations as and when they fall due. In order to have uninterrupted availability of these facilities, the company has ensured adequate monitoring mechanisms to ensure substantive compliance with the various banking covenants and timely servicing of debt. Further details of the consideration of going concern are provided in note 3.

Health and safety risk and environment

The Company is at risk of commercial and reputational damage as a result of Health, Safety or Environmental incidents given the nature of its operations. Any untoward incident might have an adverse effect on the overall valuation of the company.

The Company has a formal Health, Safety and Environmental ("HSE") policy with related HSE management systems in place. These are communicated to the relevant businesses and employees with training provided on a regular basis. Regular reviews are carried out on compliance with the HSE policy and related Health Safety Environment Management Systems ("HSEMS") as well as adherence with regulatory requirements. The directors ultimately monitor the effectiveness of the various HSE policies and systems.

STRATEGIC REPORT

Operational and financial review

The Company's operational and financial performance continues to be robust during the year on the back of a very good performance during the previous year. Many of the improvement initiatives taken by the Company since ownership of the refinery have helped it in achieving record operational performance and achieve robust profitability levels from optimised processes, diversified crude basket and investment in margin booster programmes. Benchmark market refining margins during the year declined from previous year levels.

Throughput at the refinery increased to 68.2 million barrels during the year compared to 67.6 million barrels in the prior year. The refinery achieved a Current Price GRM (definition overleaf) of US$8.4/bbl for the year, compared with a Current Price GRM of US$9.3/bbl in the prior year due to weaker than previous year benchmark margins. As a result, Operational EBITDA (definition overleaf) reduced to US$311.4m in the year, compared to $359.1m in the prior year.

As a result of the continued strong financial performance during the year, the Company's Board approved a dividend payable to the Shareholders of the Company. A total of $60.0m was approved and paid during the year (2016: $nil).

Future developments

The Company continues to make good progress on its project to improve future refining capabilities and further strengthen its financial performance to ensure that the business is resilient against the volatility of the refining margin environment. This project is scheduled to be implemented by March 2018.

During the year, the Company has continued its expansion into the fuel retail business and has ambitious plans to grow this business. The Company, by the end of financial year 2017, had opened 29 "Essar branded" retail outlets (2016: 6).

Income statement

The Company generated revenues of $4,924.1m (2016: $4,992.3m) for the year and made a net profit before tax of $256.9m (2016: $251.4m).

Balance sheet

At year end the Company had net assets (net worth) of $981.1m (2016: $892.0m). The improvement in net assets was driven the profits generated in the period offset by dividends paid, highlighted above.

Significant relationships

As mentioned above, the Company continues to avail the financing facilities with J Aron & Company LLC (a subsidiary of The Goldman Sachs Group, Inc.) for inventory monetisation and with Lloyds Bank Plc for receivables securitisation for a period of 5 years and 3 years respectively, both of which commenced in June 2015.

Revenues from a single largest customer contributes to approximately 26% (2016: 26%) of the company's overall revenues.

STRATEGIC REPORT

Key performance indicators ("KPI")

The company benchmarks itself against a variety of performance indicators to measure its performance:

KPI	2017	2016	Context
Lost time injuries	0	1	The company strives to have no injuries, whilst acknowledging that there are significant risks associated with operating a refinery. This figure represents the number of injuries resulting in lost time on site due to injury during the year.
Current price GRM/bbl[1]	\$8.4	\$9.3	The current price gross refinery margin is the spread the company earns between the sales price and crude related costs. This is a widely used industry yardstick to measure an oil refinery's operating performance.
Operational EBITDA[2]	\$311.4m	\$359.1m	This measure is commonly used by management to reflect the operating earnings of the company and excludes exceptional items.

[1]Current price GRM/bbl represents the GRM/bbl before the impact of timing differences in crude and product prices, inventory movement and hedging.
[2]Operational EBITDA represents earnings before interest, tax, depreciation, amortisation and exceptional items.

Employees

The company has a monthly average number of 971 employees (including executive directors) (2016: 978, 2015: 993, 2014: 1,034). This includes employees working for third party plants at Stanlow which are operated by the Company. Excluding these employees working for third party plants at Stanlow, the monthly average number of employees was 844 (2016: 852).

Approved by the Board of Directors and signed on behalf of the Board.

P Sampath
Director
25 July 2017

DIRECTORS' REPORT

The directors present their annual report on the affairs of the company, together with the financial statements and auditor's report for the year ended 31 March 2017.

Going concern

Detailed disclosures with regard to going concern are given in note 3 to these financial statements and are not replicated in this report. The directors are satisfied that adequate financial resources will continue to be made available to the company so as to enable it to continue to trade as a going concern. As a result, the directors continue to adopt the going concern basis of accounting in the preparation of the company's financial statements.

Directors

The directors, who held office during the year and up to and including the date of signing the accounts, unless stated otherwise, are shown on page 1.

Employees

The directors seek to recruit people who are enthusiastic and focused on operational excellence and serving the company's customers, as well as having the potential to progress from internal career opportunities which the company offers.

Employee development is monitored by way of continual assessment and appraisal and the company has introduced a competency-based employee performance management system. Training is made available to all employees and financial assistance is given to employees wishing to pursue professional qualifications in order to ensure opportunity for advancement.

The company gives full consideration to applications for employment from people with disabilities where the requirements of the job can be adequately fulfilled by a person with a disability. It is the company's policy to provide on-going employment, wherever practicable, to employees who may become disabled during the course of employment and to provide suitable training and a career development program for the people with disabilities.

The directors ensure that the employees receive adequate information on the company's activities, plans and performance through regular bulletins and discussions.

Pensions

The company operates a defined benefit pension scheme for employees who commenced working at the Stanlow refinery before 1 August 2011 and a defined contribution scheme for all employees who commenced employment on or after this date.

Defined Contribution Scheme

The company's defined contribution scheme is operated by Friends Life for the benefit of all employees who commenced work with the company on or after 1 August 2011.

Defined Benefit Scheme

Disclosures with regard to the position of the Essar Oil (UK) Pension Scheme and performance of the scheme in accordance with IAS 19 (2011 revised) can be found in note 25 to these financial statements.

Future developments

Please refer to the Strategic report on page 2 and 3**.**

DIRECTORS' REPORT

Directors' disclosure statement

Each of the persons who are directors at the date of this annual report confirms that:

- so far as the director is aware, there is no relevant audit information of which the company's auditor is unaware; and
- the director has taken all the steps he ought to have taken as a director in order to make himself aware of any relevant audit information and to establish that the company's auditor is aware of that information.

This confirmation is given and should be interpreted in accordance with the provisions of s418 of the Companies Act 2006.

Auditor

Deloitte LLP has expressed their willingness to continue in office as auditors. A resolution to re-appoint Deloitte LLP as the company's auditor will be proposed at the forthcoming Annual General Meeting.

Approved by the Board of Directors and signed on behalf of the Board

P Sampath
Director
25 July 2017

DIRECTORS' RESPONSIBILITIES STATEMENT

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

Company law requires the directors to prepare financial statements for each financial period. Under that law the directors have elected to prepare the financial statements in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union. 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, International Accounting Standard 1 requires that directors:

- properly select and apply accounting policies;
- present information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information;
- provide additional disclosures when compliance with the specific requirements in IFRSs is insufficient to enable users to understand the impact of particular transactions, other events and conditions on the entity's financial position and financial performance; and
- make an assessment of the company's ability to continue as a going concern.

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 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.

The directors are responsible for the maintenance and integrity of the corporate and financial information included on the company's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Approved by the Board of Directors and signed on behalf of the Board.

P Sampath
Director
25 July 2017

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF ESSAR OIL (UK) LIMITED

We have audited the financial statements of Essar Oil (UK) Limited for the year ended 31 March 2017, which comprise the income statement, the statement of comprehensive income, the balance sheet, the statement of changes in equity, the cash flow statement and the related notes 1 to 31. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRS) as adopted by the European Union.

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditor

As explained more fully in the Directors' Responsibilities Statement, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the directors; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the annual report to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 March 2017 and of its profit for the year then ended;
- have been properly prepared in accordance with IFRSs as adopted by the European Union; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other 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 the Directors' Report have been prepared in accordance with applicable legal requirements.

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 any material misstatements in the Strategic Report and the Directors' Report.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF ESSAR OIL (UK) LIMITED

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

Anthony Matthews

Anthony Matthews FCA (Senior Statutory Auditor)
for and on behalf of Deloitte LLP
Statutory Auditor
London, United Kingdom
27 July 2017

INCOME STATEMENT
Year ended 31 March 2017

	Note	Year ended 31 March 2017	Year ended 31 March 2016
		$m	$m
Revenue	4	4,924.1	4,992.3
Cost of sales		(4,536.9)	(4,570.2)
Gross profit		387.2	422.1
Selling and distribution costs		(85.2)	(79.0)
Administrative expenses		(46.2)	(50.2)
Net foreign exchange losses		(14.3)	(3.3)
Operating profit		241.5	289.6
Exceptional income	5	55.7	-
Finance income	7	1.5	1.4
Finance costs	8	(41.8)	(39.6)
Profit before tax		256.9	251.4
Tax charge	9	(89.3)	(7.8)
Profit for the year	5, 22	167.6	243.6

The above results all derive from continuing operations.

STATEMENT OF COMPREHENSIVE INCOME
Year ended 31 March 2017

	Note	Year ended 31 March 2017 $m	Year ended 31 March 2016 $m
Profit for the year	22	167.6	243.6
Items that will never be reclassified to the income statement			
Actuarial (expenditure) / gain on defined benefit pension scheme	25	(22.8)	9.8
Other comprehensive (expenditure) / income for the year before tax		(22.8)	9.8
Tax relating to components of other comprehensive income		4.3	(1.9)
Total other comprehensive (expenditure) / income for the year		(18.5)	7.9
Total comprehensive income attributable to:			
Owners of the company		149.1	251.5

BALANCE SHEET
As at 31 March 2017

	Note	31 March 2017	31 March 2016
		$m	$m
Non-current assets			
Intangible assets	10	1.2	1.6
Property, plant and equipment	11	709.3	694.3
Long term deposits		27.0	27.0
Related party receivables	27	-	1.6
Retirement benefits	25	-	1.1
Deferred tax asset	18	-	26.9
Other non-current receivables		0.3	-
		737.8	752.5
Current assets			
Inventories	12	504.4	332.5
Trade and other receivables	13	665.1	451.5
Cash and cash equivalents		279.6	209.1
Derivative financial instruments	15	16.4	10.0
Current tax receivable	27	35.5	-
		1,501.0	1,003.1
Total assets		2,238.8	1,755.6
Current liabilities			
Trade and other payables	16	409.3	389.9
Obligations under finance leases	19	2.0	2.5
Advances received against trade receivables	14	367.0	128.4
Provisions	20	10.4	22.7
Derivative financial instruments	15	6.1	0.8
Deferred tax liabilities	18	34.3	-
Deferred revenue	26	365.8	265.3
		1,194.9	809.6
Net current assets		306.1	193.5
Non-current liabilities			
Long-term provisions	20	28.6	37.6
Obligations under finance leases	19	12.0	16.4
Retirement benefit obligations	25	22.2	-
		62.8	54.0
Total liabilities		1,257.7	863.6
Net assets		981.1	892.0
Equity			
Share capital	21	694.1	694.1
Retained surplus	22	287.0	197.9
Total equity		981.1	892.0

The financial statements of Essar Oil (UK) Limited, registered number 07071400, were approved by the board of directors and authorised for issue on 25 July 2017 and signed on its behalf by:

P Sampath, Director

STATEMENT OF CHANGES IN EQUITY
Year ended 31 March 2017

	Share capital $m	Retained surplus / (deficit) $m	Total equity $m
At 31 March 2015	694.1	(53.6)	640.5
Profit for the year	-	243.6	243.6
Other comprehensive income for the year	-	7.9	7.9
At 31 March 2016	694.1	197.9	892.0
Profit for the year	-	167.6	167.6
Other comprehensive expenditure for the year	-	(18.5)	(18.5)
Dividends paid	-	(60.0)	(60.0)
At 31 March 2017	694.1	287.0	981.1

CASH FLOW STATEMENT
Year ended 31 March 2017

	Note	Year ended 31 March 2017 $m	Year ended 31 March 2016 $m
Net cash generated by operating activities (including changes in working capital)	23	14.9	334.6
Investing activities			
Interest received		1.5	1.4
Purchase of intangible assets		(0.5)	(0.6)
Purchases of property, plant and equipment		(84.5)	(88.1)
Net cash used in investing activities		(83.5)	(87.3)
Financing activities			
Repayments of obligations under finance leases		(8.6)	(3.8)
Repayment of related party borrowings		(1.6)	(110.0)
Increase /(Decrease) in short term bank advances		238.6	(10.8)
Interest, charges and fees paid		(34.2)	(31.0)
Dividends paid		(60.0)	-
Net cash generated by/(used in) financing activities		134.2	(155.6)
Net increase in cash and equivalents		65.6	91.7
Effect of foreign exchange rate changes		4.9	13.8
Cash and cash equivalents at beginning of year		209.1	103.6
Cash and cash equivalents at end of year		279.6	209.1

NOTES TO THE FINANCIAL STATEMENTS
Year ended 31 March 2017

1 General information

Essar Oil (UK) Limited is a company incorporated in the United Kingdom under the Companies Act 2006. The address of the registered office is set out on page 1. The nature of the company's operations and its principal activities are set out in the strategic report.

These financial statements are presented in US Dollars because that is the currency of the primary economic environment in which the company operates. Transactions in other foreign currencies are included in accordance with the accounting policies set out in note 2.

The company accounts for sales and purchases of crude and product inventories with J Aron & Company LLC (a subsidiary of The Goldman Sachs Group, Inc.) in its underlying accounting records as legal title passes. For the purposes of statutory reporting under IFRS, adjustments are made to reflect the accounting treatment required for these transactions in accordance with the accounting policies set out in note 2.

2 Significant accounting policies

Basis of accounting

The financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) adopted for use in the European Union. The financial statements have been prepared on the historical cost basis as modified by the revaluation of available-for-sale assets, and certain financial assets and liabilities. The principal accounting policies adopted are set out below.

Revenue recognition

Revenue from the sale of petroleum products is measured at the fair value of consideration received or receivable, net of trade discounts, volume rebates, value added tax, sales taxes and duties. A sale is recognised when economic benefits associated with the sale are expected to flow to the company and the significant risks and rewards of ownership of the goods have passed and it can be reliably measured. This is usually when title and insurance risk has passed to the customer either when the customer has received delivery of the product by tank, truck or product carrier, or when the product has been transferred via pipeline. Additional information on revenue and derecognition of financial assets is provided at note 3.

Operating profit

Operating profit is stated after charging restructuring costs but before property disposals, investment income, finance costs and property, plant and equipment insurance income.

Foreign currency transactions and translation

Transactions in currencies other than the functional currency (US Dollar) are translated into the functional currency at the exchange rates at the date of transaction. Monetary assets and liabilities denominated in other currencies are translated into functional currency at exchange rates at the reporting date and exchange differences are recognised in profit or loss. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates as at the dates of the initial transactions.

Inventories

Inventories are valued at lower of cost and net realisable value. Cost is determined on the following bases:

- Raw materials are measured at first-in first-out basis; and
- Finished products and work in progress are determined at direct material cost, labour cost and a proportion of manufacturing overheads based on normal or allocated capacity.

Additional information is provided in note 3.

NOTES TO THE FINANCIAL STATEMENTS
Year ended 31 March 2017

2 Significant accounting policies (continued)

Inventories (continued)

Net realisable value is determined by reference to estimated prices existing at the balance sheet date for inventories less all estimated costs of completion and costs necessary to make the sale.

Derivative financial instruments

In order to reduce its exposure to foreign exchange and commodity price, the company enters into forward, option and swap contracts. The company does not use derivative financial instruments for speculative purposes.

Financial assets and financial instruments are recognised in the company's balance sheet when the company becomes a party to the contractual provisions of the instrument.

Financial assets and liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss re recognised immediately in profit or loss.

A derivative is presented as a non-current asset or liability if the remaining maturity of the instrument is more than twelve months and it is not expected to be realised or settled within twelve months. Other derivatives are presented as current assets or current liabilities. At present, the company's derivative arrangements are not designated hedges under the definitions of IAS 39. Consequently, all fair value movements in respect of derivative financial instruments are taken to the income statement. Further details of derivative financial instruments including fair value measurements are disclosed in note 17.

Property, plant and equipment

Property, plant and equipment is stated at cost less accumulated depreciation and impairment losses, if any. The initial cost of an asset comprises its purchase price or construction cost, any costs directly attributable to bringing the asset into operation, the initial estimate of the decommissioning obligation, and for qualifying assets, borrowing costs if the recognition criteria are met.

Costs directly related to construction, including costs arising from testing, specific financing costs and foreign exchange losses, are capitalised up to the point where the property, plant and equipment becomes operational. Property, plant and equipment becomes operational once all testing and trial runs are complete and it is ready for use in the manner management intended.

The purchase price or construction cost is the aggregate amount paid and the fair value of any other consideration given to acquire the asset. The capitalised value of a finance lease is also included within property, plant and equipment. Likewise, when a major inspection or major maintenance is undertaken, its cost is recognised in the carrying amount of the plant and equipment as a replacement if the recognition criteria are satisfied.

All other repairs and maintenance costs are recognised in the income statement as incurred.

Property, plant and equipment in the course of construction is carried at cost, less accumulated impairment losses, if any, and is not depreciated. An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in income statement in the year the asset is derecognised. The asset's residual values, useful lives and methods of depreciation are reviewed, and adjusted if appropriate, at each financial year end.

NOTES TO THE FINANCIAL STATEMENTS
Year ended 31 March 2017

2. Significant accounting policies (continued)

Property, plant and equipment (continued)

Depreciation of property, plant and equipment other than freehold land and properties under construction is calculated to write off the cost of the asset to its residual value using the straight line method, over its expected useful life.

Depreciation begins when the assets become ready for use and assets are depreciated over the following bases

Buildings	40 years
Office fixtures and fittings	5 – 10 years
Infrastructure – Pipelines	10 – 25 years
Tanks and containers	10 – 30 years
Plant and equipment	10 – 30 years
Turnaround assets	1 – 5 years
Vehicles	5 – 10 years
Catalyst	1- 10 years

All assets are stated at cost less accumulated depreciation and any recognised impairment loss.

Assets held under finance leases are depreciated over their expected useful lives on the same basis as owned assets or, where shorter, over the term of the relevant lease.

Borrowing costs

Borrowing costs directly relating to the acquisition, construction or production of qualifying assets are added to the costs of those assets during the construction phase on an effective interest basis, until such time as the assets are ready for their intended use. Where surplus funds are available for a short term out of money borrowed specifically to finance a qualified asset, the income generated from such short term investments is deducted from capitalised borrowing costs. All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

Leases

Leases are classified as finance leases wherever the terms of the lease transfer substantially all risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

Assets held under finance leases are initially recognised as assets of the company at the inception of the lease at the fair value of the leased property or, if lower, at the present value of the minimum lease payments. Lease payments are apportioned between the finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are recognised in the income statement, unless they are directly attributable to qualifying assets, in which case they are capitalised in accordance with the company's policy on borrowing costs (see above).

Capitalised leased assets are depreciated over the shorter of the estimated useful life of the asset and the lease term, if there is no reasonable certainty that the company will obtain ownership by the end of the lease term.

Payments made under operating leases, where the lessors effectively retain substantially all the risk and benefits of ownership of the lease property, plant and equipment are recognised in the income statement on a straight line basis over the lease term. Lease incentives received are recognised as an integral part of the total lease expense over the term of the lease. Property, plant and equipment used by the company under operating leases are not recognised in the company's balance sheet.

NOTES TO THE FINANCIAL STATEMENTS
Year ended 31 March 2017

2. Significant accounting policies (continued)

Intangible assets

Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is the fair value as at the date of acquisition. Following initial recognition, intangible assets are carried at cost less accumulated amortisation and accumulated impairment losses, if any. Intangible assets with finite lives are amortised over their useful lives and assessed for impairment whenever there is an indication that an intangible asset may be impaired. The asset's useful lives and methods of amortisation are reviewed, and adjusted if appropriate, at each financial year end.

Gains or losses arising from derecognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognised in profit or loss when the asset is derecognised.

Intangible assets with finite lives which are subject to amortisation are amortised over their useful lives as follows:

- Software 5 years

Intangible assets with infinite lives are not amortised and are subject to an annual impairment review.

Cash and cash equivalents

Cash and cash equivalents comprise cash at bank and in hand, short term deposits with banks with original maturity of less than 90 days and short term highly liquid investments, that are readily convertible into cash and which are subject to insignificant risk of changes in the principal amount. Bank overdrafts, which are repayable on demand and form an integral part of the operations are included in cash and cash equivalents.

Financial assets

All financial assets are recognised and derecognised on a trade date where the purchase or sale of a financial asset is under a contract whose terms require delivery of the financial asset within the timeframe established by the market concerned, and are initially measured at fair value, plus transaction costs, except for those financial assets classified as at Fair Value Through Profit or Loss ("FVTPL"), which are initially measured at fair value.

The company classifies its financial assets into the following specified categories; at FVTPL, cash and cash equivalents, loans and receivables. The classification is dependent on the nature and purpose of the financial assets acquired. Management determines the classification of its financial assets at initial recognition. Further details on the company's financial assets and fair value measurement are disclosed in note 17.

Financial assets at FVTPL

Financial assets at FVTPL are stated at fair value, with any resultant gain or loss recognised in profit or loss.

A financial asset other than a financial asset held for trading may be designated as at FVTPL upon initial recognition if:

- such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise; or
- the financial asset forms part of a group of financial assets or financial liabilities or both, which is managed and its performance is evaluated on a fair value basis, in accordance with the company's documented risk management or investment strategy, and information about the grouping is provided internally on that basis; or
- it forms part of a contract containing one or more embedded derivatives, and IAS 39 Financial Instruments: Recognition and Measurement permits the entire combined contract (asset or liability) to be designated as at FVTPL.

NOTES TO THE FINANCIAL STATEMENTS
Year ended 31 March 2017

2. Significant accounting policies (continued)

Financial assets (continued)

Financial assets at FVTPL are stated at fair value, with any gains or losses arising on remeasurement recognised in profit or loss. The net gain or loss recognised in profit or loss incorporates any dividend or interest earned on the financial asset and is included in the ‘other gains and losses’ line item in the income statement. Fair value is determined in the manner described in note 17.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial measurement loans and receivables are measured at amortised cost using the effective interest method less any allowance for impairment. Interest income is recognised by applying the effective interest rate, except for short term receivables when the recognition of interest would be immaterial. Gains and losses are recognised in the income statement when the loans and receivables are derecognised, impaired, or through the amortisation process.

Impairment of financial assets

Financial assets, other than those at FVTPL, are assessed for indicators of impairment at each balance sheet date. Financial assets are impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the investment have been affected. For financial assets carried at amortised cost the company assesses whether objective evidence of impairment exists for assets that are individually significant, or collectively for financial assets that are not individually significant. Objective evidence of impairment could include:

- significant financial difficulty of the issuer or counterparty; or
- default or delinquency in interest or principal payments; or
- it becoming probable that the borrower will enter bankruptcy or financial reorganisation.

If there is objective evidence that an impairment loss has occurred, the amount of the loss is measured as the difference between the asset’s carrying amount and the present value of estimated future cash flows (excluding future expected credit losses that have not yet been incurred). The present value of the estimated future cash flows is discounted at the financial assets original effective interest rate. If a loan has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate. The carrying amount of the asset is reduced through the use of an allowance account and the amount of the loss is recognised in the income statement.

Financial liabilities

Financial liabilities are classified as financial liabilities at FVTPL or other financial liabilities at initial recognition. The company’s other financial liabilities include advances, trade and other payables and finance lease payables. All financial liabilities are recognised initially at fair value and in the case of loans and borrowings, include directly attributable transaction costs. The measurement of financial liabilities depends on their classification as follows:

Financial liabilities at FVTPL

Financial liabilities are classified at FVTPL when the financial liability is either held for trading or it is designated as at FVTPL.

NOTES TO THE FINANCIAL STATEMENTS
Year ended 31 March 2017

2. Significant accounting policies (continued)

Financial liabilities (continued)

A financial liability is classified as held for trading if:

- it has been incurred principally for the purpose of repurchasing it in the near term; or
- on initial recognition it is part of a portfolio of identified financial instruments that the company manages together and has a recent actual pattern of short-term profit-taking; or
- it is a derivative that is not designated and effective as a hedging instrument.

A financial liability other than a financial liability held for trading may be designated as at FVTPL upon initial recognition if:

- such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise; or
- the financial liability forms part of a group of financial assets or financial liabilities or both, which is managed and its performance is evaluated on a fair value basis, in accordance with the company's documented risk management or investment strategy, and information about the grouping is provided internally on that basis; or
- it forms part of a contract containing one or more embedded derivatives, and IAS 39 Financial Instruments: Recognition and Measurement permits the entire combined contract (asset or liability) to be designated as at FVTPL.

Financial liabilities at FVTPL are stated at fair value, with any gains or losses arising on remeasurement recognised in the income statement. The net gain or loss recognised in the income statement incorporates any interest paid on the financial liability and is included in the 'other gains and losses' line item in the income statement. Fair value is determined in the manner described in note 17.

Other financial liabilities

Other financial liabilities, including advances, are initially measured at fair value, net of transaction costs. Other financial liabilities are subsequently measured at amortised cost using the effective interest method, with interest expense recognised on an effective yield basis. The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments through the expected life of the financial liability, or, where appropriate, a shorter period, to the net carrying amount on initial recognition. Gains and losses are recognised in the income statement when the liabilities are derecognised as well as through the amortisation process.

Derecognition of financial liabilities

The company derecognises financial liabilities when, and only when, the company's obligations are discharged, cancelled or expire.

NOTES TO THE FINANCIAL STATEMENTS
Year ended 31 March 2017

2. Significant accounting policies (continued)

Provisions and contingencies

Provisions are recognised when the company has a present legal or constructive obligation, as a result of past events, and it is probable that an outflow of resources, that can reliably be estimated, will be required to settle such an obligation. If the effect of the time value of money is material, provisions are determined by discounting the expected future cash flows to net present value using an appropriate pre-tax discount rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability. Unwinding of the discount is recognised in the income statement as a finance cost.

Provisions are reviewed at each balance sheet date and are adjusted to reflect the current best estimate. A contingent liability is disclosed where the existence of an obligation will only be confirmed by future events or where the amount of the obligation cannot be measured reliably. Contingent assets are not recognised, but are disclosed where an inflow of economic benefits is probable. In the normal course of business, contingent liabilities may arise from litigation and other claims against the company.

Onerous contracts and Off market contracts

Present obligations arising under onerous contracts and off market contracts are recognised and measured as provisions.

An onerous contract is considered to exist where the company has a contract under which the unavoidable costs of meeting the obligations under the contract exceed the economic benefits expected to be received under it.

Upon acquisition of the Stanlow refinery the company became obliged to supply certain product at below market rates for ten years, as a result the company has recognised a provision for its supply under this off market contract.

In respect of provisions which are settled by way of an asset or assets that are other than cash:

- to the extent that the company has assets that could be used to satisfy the liability, the provision is measured by reference to the carrying amount of the assets held on the company's balance sheet which could be used to settle the liability; and
- if at the end of the reporting period the liability exceeds the amount of the assets on hand, then the shortfall is measured at the estimated cost to the company to produce the additional assets required to settle the liability.

Tax

The tax expense represents the sum of current tax and deferred tax. Current tax is provided on taxable income at amounts expected to be paid or recovered, using the tax rates and laws that have been enacted or substantively enacted by the balance sheet date.

Deferred tax is provided, using the balance sheet method, on all temporary differences at the balance sheet date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax is recognised for all taxable temporary differences, except:

- where the deferred tax arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting nor taxable profit or loss; or
- where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognised for all deductible temporary differences, unused tax credits carried forward and unused tax losses, to the extent that it is probable that sufficient taxable profit will be available to allow all

NOTES TO THE FINANCIAL STATEMENTS
Year ended 31 March 2017

2 Significant accounting policies (continued)

Tax (continued)

or part of the assets to be recovered. The carrying amount of deferred tax assets is reviewed at each balance sheet date and is adjusted to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset will be realised or the liability will be settled, based on tax rates and tax laws that have been enacted or substantively enacted at the balance sheet date. Unrecognised deferred income tax assets are reassessed at each balance sheet date and are recognised to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

Current and deferred tax are recognised as an expense or income in the income statement, except when they relate to items credited or debited directly to equity, in which case the tax is also recognised directly in equity, or where they arise from the initial accounting for a business combination. In the case of a business combination, the tax effect is taken into account in calculating goodwill or in determining the excess of the acquirer's interest in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities over the cost of the business combination.

Research & Development Expenditure Credit (RDEC)

During the year, the Company adopted the RDEC scheme with respect to the Research & Development expenditure incurred from the accounting period ended 31 March 2015 onwards. The amounts receivable are accounted for under IAS 20, Government Grants, with the credits to the Income Statement reported "above the line" through Cost of sales. The income due under the RDEC scheme is not offset against the underlying costs due to the complexity and varying nature of the eligible costs. The income is recognised in the Income Statement in the period in which it becomes receivable.

Any amounts previously reported under the Research & Development Enhanced Deduction scheme are reclassified during the year and reported as Exceptional Income.

Retirement benefits

The company operates both defined benefit and defined contribution schemes for its employees as well as post employment benefit plans. For defined contribution schemes the amount charged as expense is the contributions paid or payable when employees have rendered services entitling them to the contributions.

For defined benefit pension and post employment benefit plans, full actuarial valuations are carried out every year end using the projected unit credit method. Actuarial gains and losses arising during the year are recognised in the statement of comprehensive income. Past service cost is recognised immediately to the extent that the benefits are already vested and otherwise is amortised on a straight line basis over the average period until the benefits become vested. The employee benefit obligation recognised in the balance sheet represents the present value of the defined benefit obligation as reduced by the fair value of the related plan assets. Any asset resulting from this calculation is limited to the reductions in future contributions to the plan. Detailed disclosures about the defined benefit plan are made in note 25.

NOTES TO THE FINANCIAL STATEMENTS
Year ended 31 March 2017

2 Significant accounting policies (continued)

Adoption of new and revised standards

At the date of authorisation of these financial statements, the following most significant standards and interpretations which have not been applied in these financial statements were in issue but not yet effective (and in some cases had not yet been adopted by the EU):

- IFRS 9 Financial Instruments;
- IFRS 15 Revenue from Contracts with Customers;
- IFRS 16 Leases;
- IAS 7 Disclosure Initiative; and
- IAS 12 Recognition of Deferred Tax Assets for Unrealised Losses.

The Company is in the process of considering the effects of IFRS 15 and IFRS 16 at this time.

The Company does not expect that the adoption of the standards listed above will have a material impact on the financial statements of the company in future periods, except as follows:

- IFRS 9 will impact both the measurement and classifications of Financial Instruments; and
- IFRS 16 could impact based on any operating leases held at the date of transition and a detailed review of IFRS 15 has yet to be completed.

Beyond the information above, it is not practicable to provide a reasonable estimate of the effect of these standards until a detailed review has been completed.

3 Critical accounting judgements and key sources of estimation uncertainty

In the application of the company's accounting policies, which are set out in note 2, the directors are required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and on other factors that are considered to be relevant. Actual result may differ from these estimates.

These estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised, if the revision affects only that period, or in the period of revision and future periods if the revision affects both current and future periods.

- **Critical accounting judgements**

Going concern

The company monitors and manages closely its liquidity risk. In assessing the company's going concern status, the directors have taken account of the financial position of the company, anticipated future trading performance, its bank and other facilities, its capital investment plans and forecast of gross refining margins.

A review of business performance, its risks and uncertainties (including in particular the fluctuation of prices) and a description of the company's financing arrangements are set out within the Strategic report. A description of the company's borrowing facilities as at 31 March 2017 is included in notes 14 and 26 to the financial statements and relate to two key arrangements, being inventory monetisation and receivables securitisation.

The company has prepared a detailed annual business plan for the year ending 31 March 2018 and more long term forecasts which include the period to 31 July 2018 on the basis of the current business model and after consideration of the risks and uncertainties noted on pages 2 and 3.

NOTES TO THE FINANCIAL STATEMENTS
Year ended 31 March 2017

3 Critical accounting judgements and key sources of estimation uncertainty (continued)

Going concern (continued)

These business plans, the new financing facilities noted above, actual performance to date and forecasts were used as the basis for assessing the company's cash headroom and compliance with banking covenants. The board has actively considered and ensured compliance with these banking covenants during the year and subsequently. The key assumptions of the business plan and forecasts include gross refining margin per barrel based on forecasted prices provided by third party industry experts; throughput forecast based on expected changes in configuration; current operating capacities and working capital requirements based on forecast oil prices as well as management experience. Management has applied sensitivities to these variables, in particular to the gross margin and crude oil prices which are subject to external factors and can be volatile, and is satisfied that, after taking into account reasonably possible future events, with the successful replacement of the receivables financing and inventory monetisation arrangements (see above) the company has sufficient resources in place for the foreseeable future.

The Directors have examined all available evidence including management's forecasts for the business with appropriate sensitivities and consideration of the company's financial position. The Directors have concluded that in light of the new financing facilities obtained in June 2015 and the strong trading performance in the financial year, they are satisfied that adequate financial resources will continue to be made available to the company so as to enable it to continue to trade as a going concern for the foreseeable future being 12 months from the date of signing these financial statements. As a result, the directors continue to adopt the going concern basis of accounting in the preparation of the company's financial statements.

Depreciable lives

The company's relevant non-current assets are depreciable over their estimated useful lives as set out in note 2. Such lives are dependent upon an assessment of both the technical lives of the assets and also their likely economic lives based on factors including commodity prices, alternative sources of supply, relative efficiency and operating costs. Accordingly depreciable lives are reviewed annually using the best information available to management.

Impairment testing

Non-current assets are tested for impairment when conditions suggest that there is a risk of impairment. Where impairment testing is carried out, management uses the best information available to assess the likely cash flows available to the relevant asset. Key assumptions are inherently uncertain estimates and include commodity prices, anticipated production costs, likely asset lives, the timing of granting of licenses and permits and the relevant discount rates.

Recognition of inventory

The timing of when the Company recognises inventory on its balance sheet contains a degree of judgement. Management performed a detailed review of the Inventory monetisation arrangements on the transition from the earlier provider, Barclays Bank plc to the new provider, J. Aron & Company, encompassing both legal and substantive aspects. Management concluded that the initial legal sale of crude & product inventory to J. Aron & Company on the transition date does not give rise to the derecognition of the inventory in the financial statements of the Company.

Regarding ongoing purchases of Crude inventory by J. Aron & Company, following a thorough consideration of when the risks and rewards of ownership passed, the company concluded that such inventories should be recorded on the company's balance sheet at the point at which it is discharged into the tanks on delivery, although the legal title passes to the Company when it is drawn down from the tanks for processing in refining units. As the initial legal sale of Product inventory does not result in derecognition of the inventory in the books, the ongoing purchases and sales of such inventory between the Company and J. Aron & Company also do not result in the derecognition of the inventory, following the Company's continuous access to such inventory. Consequently, the entire product inventory as on the reporting date is recognised in the books of the Company despite the legal title to majority of such inventories resting with J. Aron.

NOTES TO THE FINANCIAL STATEMENTS
Year ended 31 March 2017

Management monitor any changes to the legal and substantive aspects of the arrangement to ensure that the recognition points continue to be appropriate going forward.

3 Critical accounting judgements and key sources of estimation uncertainty (continued)

Revenue and derecognition of financial assets

A sale is usually recognised when title and insurance risk has passed to the customer, typically when they receive delivery of the product. However, due to the differing factors in individual arrangements, each non-standard transaction is assessed by management to conclude on the appropriate timing to recognise revenue. This may be subsequent to legal title passing. The company also only derecognises a financial asset when the contractual rights to the cash flows expire or when the asset is transferred and substantially all the risks and rewards of ownership pass. In the case of the securitised receivables in note 14 the related receivables were not considered to have met the derecognition criteria through this arrangement. Further details are included in note 17.

Receivables Provisioning

All receivables are assessed for recoverability at the balance sheet date. It involves management judgement based on the best information available. In relation to trading advances (note 13) amounting to $40m agreed in the ordinary course of business due from a related party, the management have agreed to a rescheduled delivery plan for these receivables, including the application of an interest charge, and are expecting settlement before March 2018.

Consolidated Financial Statements

A Special Purpose Vehicle (SPV), Stanlow Receivables Funding Limited, incorporated in the United Kingdom, was established during the year as part of the receivables securitisation facility sponsored by Lloyds Bank plc. Under the terms of the facility, Essar Oil (UK) Limited has the power to govern the financial and operating policies of the SPV so as to obtain benefits from its activities. Essar Oil (UK) Limited has no equity interest in the SPV. The judgements to assess whether the company has control over the SPV include assessing the purpose and design of the entity, considering whether the company or another involved party with power over the relevant activities is acting as a principal in its own right or as an agent on behalf of others. In accordance with IFRS 10, the company has control over the SPV.

Consolidated financial statements have not been prepared as they would not be materially different from the company financial statements of Essar Oil (UK) Limited. Details of the SPV are found in note 31 to the financial statements. On this basis, the Company has taken the exemption available under section 410 (2) of the Companies Act 2006 by providing information only in relation to undertakings whose results or financial position, in the opinion of the directors, principally affected the financial statements.

As context to this conclusion, after factoring in amounts already reflected in the Company financial statements, the impact after consolidation adjustments of the SPV on consolidated income before tax and total equity amounts to less than 0.001%.

- **Key sources of estimation uncertainty**

Taxation

The tax charge is the sum of the total current and deferred tax charges. The calculation of the total tax charge involves estimation and judgement in respect of certain matters where the tax impact is uncertain until a conclusion is reached with the tax authority. The final resolution of some of these items may give rise to material profits, losses and/or cash flows. The recognition of deferred tax assets is based upon whether it is more likely than not that there will be sufficient and suitable taxable profits against which to utilise the assets in the future. Judgement is required when determining probable future taxable profits, which are estimated using the latest available forecasts. Prior to recording deferred tax assets for tax losses, tax law is considered to determine the availability of the losses to offset against the future taxable profits. See notes 18 and 27 for further details.

NOTES TO THE FINANCIAL STATEMENTS
Year ended 31 March 2017

4 Revenue

An analysis of the company's revenue is as follows:

	Year ended 31 March 2017 $m	Year ended 31 March 2016 $m
Continuing operations		
Sale of goods	4,832.6	4,873.4
Rendering of services	91.5	117.1
Other revenue	-	1.8
	4,924.1	4,992.3

Revenues of $1,282.1m (2016: $1,435.4m) and $825.4m (2016: $869.3m) arose from sales to the company's two largest customers. No other single customer contributed 10% or more to the company's revenue in either the current or prior year.

5 Profit for the year

Operating profit for the year has been arrived at after charging / (crediting):

	Year ended 31 March 2017 $m	Year ended 31 March 2016 $m
Inventories recognised as an expense	3,992.5	4,055.5
Depreciation of property, plant and equipment- owned	68.4	64.5
Depreciation of property, plant and equipment- leased	1.0	1.0
Amortisation of intangible assets	0.9	2.1
(Gain) / Loss on retirement of property, plant and equipment	(0.4)	2.4
Operating lease payments on land	5.8	5.1
Staff costs (note 6)	130.5	151.6
Losses on derivatives	14.0	0.4
Fees payable to the company's auditor :		
-for the audit of the company's annual accounts	0.3	0.3
-for other services to the company	0.1	0.1

Exceptional income for the year has been arrived at after crediting / (charging):

Research & Development Expenditure Credit (RDEC)	Year ended 31 March 2017 $m	Year ended 31 March 2016 $m
Gross RDEC Income	71.3	-
Foreign exchange translation	(15.6)	-
Net RDEC Income	55.7	-

The Exceptional income recognised during the year relates to Research & Development Expenditure Credit (RDEC) with respect to the amounts claimed for the financial year ended 31 March 2015.

NOTES TO THE FINANCIAL STATEMENTS
Year ended 31 March 2017

5 Profit for the year (continued)

This claim was initially recognised as a reduction to the tax charge in the Income Statement during 2016 under the Research and Development Enhanced Deduction scheme. The amount was reclassified during 2017 following the decision of the Company to adopt the RDEC scheme and accounted for as under IAS 20, Government Grants.

6 Staff costs

The average monthly number of employees (including executive directors) was:

	Year ended 31 March 2017 Number	Year ended 31 March 2016 Number
Production	901	912
Sales and distribution	22	19
Administration	48	47
	971	978

	Year ended 31 March 2017 $m	Year ended 31 March 2016 $m
Their aggregate remuneration comprised:		
Wages and salaries	94.9	110.1
Social security costs	11.5	12.3
Defined contribution pension costs (note 25)	2.7	3.0
Defined benefit pension costs (note 25)	21.4	26.2
	130.5	151.6

Details of directors' remuneration borne by the company are disclosed in note 27.

7 Finance income

	Year ended 31 March 2017 $m	Year ended 31 March 2016 $m
Interest on bank deposits	1.5	1.4

NOTES TO THE FINANCIAL STATEMENTS
Year ended 31 March 2017

8 Finance costs

	Year ended 31 March 2017 $m	Year ended 31 March 2016 $m
Interest & Fees on bank facilities	7.2	6.4
Interest on obligations under finance leases	1.7	2.0
Bank charges	0.2	0.3
Interest & taxes on related party trade payables	1.1	2.5
Unwinding of discounts on provisions	4.0	5.1
Amortisation of finance fees	4.1	3.5
Interest on Forward Sale	0.3	1.6
Interest charges on Inventory monetisation facility	23.2	18.2
	41.8	39.6

9 Tax

	Year ended 31 March 2017 $m	Year ended 31 March 2016 $m
Current tax (charge) / credit	(23.7)	0.3
Deferred tax (charge)/ credit (note 18):		
Current year	(7.1)	(50.7)
Adjustment in respect of prior years	(58.5)	42.6
	(65.6)	(8.1)
	(89.3)	(7.8)

Corporation tax is calculated at 20% (2016: 20%) of the estimated taxable profit for the year. Deferred tax on losses generated in the year is recognised at the rates of expected utilisation, being 19% and 17% (2016: 20% and 19%).

NOTES TO THE FINANCIAL STATEMENTS
Year ended 31 March 2017

9 Tax (continued)

The charge for the year can be reconciled to the profit per the income statement as follows:

	Year ended 31 March 2017 $m	Year ended 31 March 2016 $m
Profit before tax	256.9	251.4
Tax at the UK corporation tax rate of 20% (2016: 20%)	(51.4)	(50.3)
Tax effect of items that are not deductible in determining taxable profit	(6.3)	(0.1)
Effect of change in tax rate	11.8	(0.3)
Adjustment in respect of prior years	(43.4)	42.9
Tax charge for the year	(89.3)	(7.8)

Finance Act 2016, which was substantively enacted in September 2016, included provisions to reduce the rate of corporation tax to 17% with effect from 1 April 2020, and Finance Act 2015 (No.2) included provisions to reduce the rate of corporation tax to 19% with effect from 1 April 2017. To the extent that the deferred tax reverses at a different rate then this will change the impact on the net deferred tax liability.

The adjustment in respect of prior years in the current year ($43.4m) relates to the amendment to the 2014/15 R&D claim to adopt the Research & Development Expenditure Credit (RDEC) scheme. The adjustment in respect of prior years in 2016 ($42.9m) relates to the finalisation and submission to HMRC of R&D claims relating to 2012/13, 2013/14 and 2014/15 tax years.

10 Intangible assets

	$m
Cost	
At 31 March 2015	10.2
Additions	0.6
At 31 March 2016	10.8
Additions	0.5
At 31 March 2017	11.3
Amortisation	
At 31 March 2015	7.1
Charge for the year	2.1
At 31 March 2016	9.2
Charge for the year	0.9
At 31 March 2017	10.1
Carrying amount	
At 31 March 2016	1.6
At 31 March 2017	1.2

The intangible assets are made up entirely of capitalised software. The remaining amortisation period for intangibles as at 31 March 2017 is on average 1 year. Intangible assets with a carrying amount of $0.2m have an indefinite life (2016: $0.2m).

NOTES TO THE FINANCIAL STATEMENTS
Year ended 31 March 2017

11 Property, plant and equipment

	Land and buildings $m	Plant and machinery $m	Fixtures, equipment and vehicles $m	Assets under construction $m	Total $m
Cost					
At 31 March 2015	24.2	732.7	2.3	79.1	838.3
Additions	-	-	-	87.6	87.6
Transfers	0.5	72.9	-	(73.4)	-
Retirements	-	(2.1)	-	-	(2.1)
At 31 March 2016	24.7	803.5	2.3	93.3	923.8
Additions	-	-	-	84.5	84.5
Transfers	3.7	68.7	(0.1)	(72.3)	-
Retirements	(0.1)	(0.0)	(0.0)	-	(0.1)
At 31 March 2017	28.3	872.2	2.2	105.5	1,008.2
Accumulated depreciation					
At 31 March 2015	1.7	162.0	0.6	-	164.3
Retirements	-	(0.3)	-	-	(0.3)
Charge for the year	0.5	64.8	0.2	-	65.5
At 31 March 2016	2.2	226.5	0.8	-	229.5
Retirements	(0.0)	(0.0)	(0.0)	-	(0.0)
Charge for the year	0.7	68.6	0.1	-	69.4
At 31 March 2017	2.9	295.1	0.9	-	298.9
Carrying amount					
At 31 March 2016	22.5	577.0	1.5	93.3	694.3
At 31 March 2017	25.4	577.1	1.3	105.5	709.3

At 31 March 2017, the company had contractual commitments for the acquisition of property, plant and equipment amounting to $50.7m (2016: $28.9m), of which $17.0m (2016: $15.7m) had been accrued for at year end.

The company's obligations under finance leases (note 19) are secured by the lessors' title to the leased assets which have a carrying amount of $14.7m (2016: $15.7m) and are included within "Plant and machinery".

Included within land & buildings is freehold land with a value of $5.8m (2016: $5.1m) which is not depreciated.

NOTES TO THE FINANCIAL STATEMENTS
Year ended 31 March 2017

12 Inventories

	31 March 2017 $m	31 March 2016 $m
Raw materials	184.5	137.9
Materials	24.5	23.5
Finished and intermediate goods	295.4	171.1
	504.4	332.5

Inventories with a carrying value of $358.8m (2016: $258.6m) have been pledged as security under the terms of the inventory monetisation arrangement to J. Aron & Company. (see note 26).

13 Trade and other receivables

	31 March 2017 $m	31 March 2016 $m
Trade receivables	533.1	342.8
Prepayments	80.6	96.9
Related party receivables	51.4	11.8
	665.1	451.5

Trade receivables disclosed above are classified as loans and receivables and are measured at amortised cost.

The average credit period taken on sales of goods is 22 days (2016: 21 days). No interest was charged on the receivables during the year. Allowances against doubtful debts are recognised against trade receivables based on estimated irrecoverable amounts determined by reference to past default experience of the counterparty and an analysis of the counterparty's current financial position if appropriate. There is a provision for bad debts of $46k (2016 $57k).

Before accepting any new customer, the company uses an external credit scoring system to assess the potential customer's credit quality and defines credit limits by customer. Limits and scoring attributed to customers are regularly reviewed. 99.6% (2016: 99.9%) of the trade receivables at year end are neither past due nor impaired. Refer note 17 for details of the trade receivable amounts owed by the company's largest customers.

The company does not hold any collateral over any of its trade receivables nor does it have a legal right of offset against any amounts owed by the company to the counterparty. It does however hold credit insurance against the risk of default by significant customers which excludes the first 5% of the outstanding balance for each customer.

Trade receivables disclosed above include amounts forming part of the company's securitised receivables financing arrangement (see note 14).

NOTES TO THE FINANCIAL STATEMENTS
Year ended 31 March 2017

13 Trade and other receivables (continued)

Trade receivables disclosed on the previous page include amounts (see below for aged analysis) which are past due at the reporting date but against which the company has not recognised an allowance for doubtful receivables because there has not been a significant change in credit quality and the amounts are still considered recoverable. These receivables are overdue, on average, by 29 days (2016: 2 days).

Ageing of past due but not impaired receivables:

	31 March 2017 $m	31 March 2016 $m
1 - 15 days	1.8	0.5
15 - 90 days	0.4	-
90 - 120 days	0.3	-
120 days and over	0.1	-
Total	2.6	0.5

The provision held against trade receivables is $46k (2016: $57k). In determining the recoverability of a trade receivable the company considers any change in the credit quality of the trade receivable from the date credit was initially granted up to the reporting date. The concentration of credit risk is limited due to the customer base being unrelated and good credit ratings.

14 Advances received against receivables

	31 March 2017 $m	31 March 2016 $m
Secured advances at amortised cost		
Receivables financing arrangement	367.0	128.4
Amount due for settlement within 12 months	367.0	128.4

On 19 June 2015 the company entered into a £300m ($375m) receivable securitisation arrangement involving an Assets Backed Commercial Paper conduit sponsored by Lloyds Bank plc for a period of three years. This facility replaced a $230m syndicated multi-currency receivables financing arrangement led by Barclays Bank plc.

The weighted average interest rate paid during the year was 2.0% (2016: 3.2%).

NOTES TO THE FINANCIAL STATEMENTS
Year ended 31 March 2017

15 Derivative financial instruments

	31 March 2017 $m	31 March 2016 $m
Financial assets carried at fair value through profit or loss		
Derivatives that are not designated in hedge accounting relationships:		
Foreign currency forwards	2.5	2.3
Commodity forwards swaps	13.9	7.7
	16.4	10.0
Financial liabilities carried at fair value through profit or loss		
Derivatives that are not designated in hedge accounting relationships:		
Foreign currency forwards	(1.7)	(0.8)
Commodity forwards swaps	(4.4)	-
	(6.1)	(0.8)

Further details of derivative financial instruments are provided in note 17.

16 Trade and other payables

	31 March 2017 $m	31 March 2016 $m
Current		
Trade payables	102.7	42.3
Amounts payable to related parties	0.0	5.9
Accruals	62.2	75.6
VAT and excise duty	242.8	235.5
Other creditors	1.6	30.6
	409.3	389.9

Trade payables and accruals principally comprise amounts outstanding for trade purchases and ongoing costs. The average credit period taken for trade purchases is 8 days (2016: 3 days).

The directors consider that the carrying amount of trade and other payables approximates to their fair value.

NOTES TO THE FINANCIAL STATEMENTS
Year ended 31 March 2017

17 Financial instruments

Capital risk management

The company manages its capital to ensure that the company will be able to continue as a going concern while maximising the return to stakeholders through the optimisation of the debt and equity balance. The capital structure of the company consists of net debt, and equity attributable to equity holders, comprising issued capital, and retained earnings as disclosed in notes 21 and 22.

The company monitors capital using a gearing ratio, which is net debt divided by total capital plus net debt. The company includes within net debt, interest bearing loans, less cash and cash equivalents and short term deposits. Total equity includes equity attributable to the equity holders of the company.

Gearing ratio

The gearing ratio at the year end is as follows:

	31 March 2017 $m	31 March 2016 $m
Debt	14.0	18.9
Cash and cash equivalents	(279.6)	(209.1)
Net debt	(265.6)	(190.2)
Equity	981.1	892.0
Total debt and equity	715.5	701.8
Net debt to equity ratio (%)	-	-

Debt is defined as amounts due under finance leases. Equity includes all capital and reserves of the company that are managed as capital. Details of the significant accounting policies and methods adopted (including the criteria for recognition, the basis of measurement and the bases for recognition of income and expenses) for each class of financial asset, financial liability and equity instrument are disclosed in note 2.

NOTES TO THE FINANCIAL STATEMENTS
Year ended 31 March 2017

17 Financial instruments (continued)

Categories of financial instruments

	31 March 2017 $m	31 March 2016 $m
Financial assets		
Cash and bank balances (including cash and cash equivalents)	279.6	209.1
Fair value through profit and loss (FVTPL)		
Derivatives designated at FVTPL	16.4	10.0
Receivables	533.1	342.8
Financial liabilities		
Fair value through profit and loss (FVTPL)		
Derivatives designated at FVTPL	6.1	0.8
Advances received against trade receivables	367.0	128.4
Payables	104.3	78.8
Finance leases	14.0	18.9

The company's financial assets and liabilities are estimated at the amount at which the instrument could be exchanged in a current transaction between willing parties, other than in a forced liquidation or sale.

NOTES TO THE FINANCIAL STATEMENTS
Year ended 31 March 2017

17 Financial instruments (continued)

Financial risk management objectives

The company's Treasury and Economic, Planning & Scheduling (EPS) function provides services to the business, co-ordinates access to domestic and international financial markets, monitors and manages the financial risks relating to the operations of the company through internal risk reports which analyses exposures by degree and magnitude of risks. These risks include market risk (including currency risk and price risk), credit risk, liquidity risk and cash flow interest rate risk.

The company seeks to minimise the effects of these risks by using derivative financial instruments to hedge these risk exposures. The use of financial derivatives is governed by the company's policies approved by the board of directors, which provide written principles on various risks, the use of financial derivatives and non-derivative financial instruments, and the investment of excess liquidity. Compliance with policies and exposure limits is reviewed by the Risk Management Committee on a regular basis. The internal auditors also review the policies and compliance on a periodic basis. The company does not enter into or trade financial instruments, including derivative financial instruments, for speculative purposes.

Market risk

The company's activities expose it primarily to the financial risks of changes in foreign currency exchange rates, commodity prices and interest rates (see below). The company enters into a variety of derivative financial instruments to manage its exposure to commodity prices and foreign currency risk, including:

- foreign exchange contracts to hedge the exchange rate risk arising on the export of goods to the Euro zone and domestic sales made in the UK in GBP; and
- forward foreign exchange contracts to hedge the exchange rate risk arising on operational, capital expenditure as well as tax liabilities due to HMRC.

Foreign currency risk management

The company undertakes transactions denominated in foreign currencies; consequently exposures to exchange rate fluctuations arise. Exchange rate exposures are managed within approved policy parameters utilising forward foreign exchange contracts.

The carrying amounts of the company's foreign currency denominated monetary assets and monetary liabilities at the reporting date are as follows:

	Assets		Liabilities	
	31 March 2017 $m	**31 March 2016 $m**	**31 March 2017 $m**	**31 March 2016 $m**
Great British Pounds	589.3	483.5	(616.6)	(383.2)
Euros	31.3	22.6	(18.6)	(4.3)

NOTES TO THE FINANCIAL STATEMENTS
Year ended 31 March 2017

17 Financial instruments (continued)

Foreign currency sensitivity analysis

The company is mainly exposed to the currency of the oil markets (US Dollar), the currency of the United Kingdom (GBP) and that of the Euro zone (Euro).

The following table details the company's sensitivity to a 5% increase in the strength of the US Dollar against the relevant foreign currencies. 5% is the sensitivity rate used when reporting foreign currency risk internally to key management personnel and represents management's assessment of the reasonably possible change in foreign exchange rates. The sensitivity analysis includes only outstanding foreign currency denominated monetary items and adjusts their translation at the period end for a 5% change in foreign currency rates. The sensitivity analysis includes external loans as well as loans from other group undertakings. A positive number below indicates an increase in profit (equity) and other equity where the US Dollar strengthens 5% against the relevant currency. For a 5% weakening of the US Dollar against the relevant currency, there would be a comparable impact on the profit and other equity, and the balances below would be positive.

	Sterling Impact		***Euro Impact***	
	31 March 2017 \$m	**31 March 2016 \$m**	**31 March 2017 \$m**	**31 March 2016 \$m**
Profit and loss	(1.4) (i)	(5.0)	(0.6) (iii)	(0.9) (iii)
Other equity	(1.1) (ii)	(0.5)	-	-

(i) This is predominantly attributable to the exposure to outstanding Sterling receivables and payables at the balance sheet date.
(ii) This is the result of the changes in the actuarial valuation of the company's defined benefit pension scheme which is denominated in Sterling.
(iii) This is predominantly attributable to the exposure to outstanding Euro payables at the balance sheet date.

NOTES TO THE FINANCIAL STATEMENTS
Year ended 31 March 2017

17 Financial instruments (continued)

Forward foreign exchange contracts

It is the policy of the company to enter into forward foreign exchange contracts to cover specific foreign currency payments and receipts. The company also enters into forward foreign exchange contracts to manage the risk associated with anticipated sales within 1 month and liabilities out to 3 months within 5 per cent of the exposure generated. Basis adjustments are made to the carrying amounts of non-financial hedged items when the anticipated sale or purchase transaction takes place.

The following tables detail the forward foreign currency ('FC') contracts outstanding as at the year-end:

	Average exchange rate		**Foreign currency**		**Notional value**		**Fair value**	
	31 March 2017	**31 March 2016**	**31 March 2017 GBPm**	**31 March 2016 GBPm**	**31 March 2017 $m**	**31 March 2016 $m**	**31 March 2017 $m**	**31 March 2016 $m**
Sell GBP								
Less than 12 months	1.2367	1.4341	173.1	69.8	215.0	100.2	(1.5)	(0.1)
Buy GBP								
Less than 12 months	1.2419	-	(158.4)	-	(195.9)	-	2.2	-
			14.7	69.8	19.1	100.2	0.7	(0.1)

	Average exchange rate		**Foreign currency**		**Notional value**		**Fair value**	
	31 March 2017	**31 March 2016**	**31 March 2017 EURm**	**31 March 2016 EURm**	**31 March 2017 $m**	**31 March 2016 $m**	**31 March 2017 $m**	**31 March 2016 $m**
Sell EUR								
Less than 6 months	1.0744	1.2225	19.0	14.6	20.4	16.5	0.1	(0.3)
Buy EUR								
Less than 6 months	1.0749	-	(10.0)	-	(10.7)	-	(0.1)	-
			9.0	14.6	9.7	16.5	0.0	(0.3)

The company has entered into contracts to supply goods to customers in the UK and the Euro zone. The company has entered into forward foreign exchange contracts (for terms not exceeding 6 months) to hedge the exchange rate risk arising from these anticipated future transactions. These contracts are not designated as cashflow hedges. The company has also entered into structured forward foreign exchange contracts ("Collars") (for terms not exceeding 12 months) to buy GBP for USD within an agreed price range to align with future forecasted capex expenditure incurred primarily in GBP.

The company has sold goods to a number of customers in the United Kingdom and the Euro zone whose currencies of GBP and Euros are receivable within one month of the year end, options to forward sell these receivables have been made where there is no immediate requirement for the cash in the denominated currency.

With regard to the company's payables forwards have been purchased for the company's expected currency requirement.

NOTES TO THE FINANCIAL STATEMENTS
Year ended 31 March 2017

17 Financial instruments (continued)

Interest rate risk management

The company is exposed to interest rate risk because the company borrows funds at floating interest rates on its Bank loans (note 14). The risk is managed by regularly reviewing the company's borrowing strategy. Hedging activities are evaluated regularly to align with interest rate views and defined risk appetite; ensuring the most cost-effective hedging strategies are applied.

The company's exposures to interest rates on financial assets and financial liabilities are detailed in the liquidity risk management section of this note.

Interest rate sensitivity analysis

The sensitivity analyses on the next page have been determined based on the exposure to interest rates for both derivatives and non-derivative instruments at the balance sheet date. For floating rate liabilities, the analysis is prepared assuming the amount of liability outstanding at the balance sheet date was outstanding for the whole period. A 0.5% increase or decrease is used when reporting interest rate risk internally to key management personnel and represents management's assessment of the reasonably possible change in interest rates.

If interest rates had been 0.5% higher/lower and all other variables were held constant, the company's profit/(loss) (equity) for the year ended 31 March 2017 would increase/decrease by \$0.6m (2016: \$0.6m). This is attributable to the company's exposure to interest rates on its variable rate borrowings.

Commodity price risk

The prices of refined petroleum products and crude oil are linked to the international prices. The company's revenues, costs and inventories are exposed to the risk of fluctuation in prices of crude oil and petroleum products in the international markets.

From time to time, the company uses commodity derivative instruments to hedge the price risk of forecasted transactions such as forecast crude oil purchases and refined product sales. These derivative instruments are considered economic hedges for which changes in their fair value are recorded in the consolidated income statement. The company operates a risk management desk that uses hedging instruments to seek to reduce the impact of market volatility in crude oil and product prices on the company's profitability. To this end, the company's risk management desk uses a range of conventional oil price-related financial and commodity derivative instruments such as futures, swaps and options that are available in the commodity derivative markets. The derivative instruments used for hedging purposes typically do not expose the company to market risk because the change in their market value is usually offset by an equal and opposite change in the market value of the underlying asset, liability or transaction being hedged. The company's open positions in commodity derivative instruments are monitored and managed on a daily basis to ensure compliance with its stated risk management policy which has been approved by the management.

NOTES TO THE FINANCIAL STATEMENTS
Year ended 31 March 2017

17 Financial instruments (continued)

Commodity price risk (continued)

Set out below is the impact of 10% increase or decrease in base crude and petroleum product prices on (loss)/profit before tax as a result of change in value of the company's commodity derivative instruments outstanding as at Balance sheet date:

	31 March 2017 $m	31 March 2016 $m
Effect of 10% increase in prices on profit before tax		
Cracks	(3.5)	(2.8)
Crude oil	(15.5)	(5.8)
Petroleum products	(3.8)	(1.4)
Effect of 10% decrease in prices on profit before tax		
Cracks	3.5	2.8
Crude oil	15.5	5.8
Petroleum products	3.8	1.4

Cracks refers to the difference between the per barrel price of petroleum products and related cost of crude oil used for their production.

Credit risk management

Credit risk refers to the risk that the counterparty will default on its contractual obligations resulting in financial loss to the company. The company has adopted a policy of only dealing with creditworthy counterparties and obtaining sufficient collateral where appropriate, as a means of mitigating the risk of financial loss from defaults. The company only transacts with entities that have an above average credit rating. This information is supplied by independent rating agencies where available, and if not available, the company uses other publicly available financial information and its own trading records to rate its major customers. The company's exposure and the credit ratings of its counterparties are continuously monitored and the aggregate value of transactions concluded is spread amongst approved counterparties. Credit exposure is controlled by counterparty limits that are reviewed regularly by company's marketing and finance department.

Trade receivables consist of a large number of customers, spread across diverse industries and geographical areas. Ongoing credit evaluation is performed on the financial condition of accounts receivable.

The company does not have any significant credit risk exposure to any single counterparty or any group of counterparties having similar characteristics. The company defines counterparties as having similar characteristics if they are related entities.

Of the top 90% of the company's customers by revenue, approximately 90% (2016: 90%) of these are companies whose own shares, or those of a parent, are traded on recognised exchanges, the remainder of the customers being a mixture of larger UK independent companies and overseas owned companies. At the balance sheet date, the five largest trade receivables, by provider, accounted for 62% (2016: 57%) of the total trade receivables balance of $533.1m (2016: $342.8m) and the largest individual balance was $142.4m (2016: $66.4m), which does not exceed 15% (2016: 8%) of gross financial assets at the balance sheet date. Concentration of credit risk to any other counterparty did not exceed 6% (2016: 7%) of gross financial assets at the balance sheet date.

NOTES TO THE FINANCIAL STATEMENTS
Year ended 31 March 2017

17 Financial instruments (continued)

Financial assets and other credit exposures

The credit risk on liquid funds and derivative financial instruments is limited because the counterparties are banks with high credit-ratings assigned by international credit-rating agencies.

The carrying amount of financial assets recorded in the financial statements, which is net of impairment losses, represents the company's maximum exposure to credit risk as no collateral or other credit enhancements are held.

The company also has a credit insurance policy in place to mitigate the credit risks. Large customers with good payment records have been given concession on occasion to take product where payments are in process in accordance with the Company's credit policy, hence at a point in time some customers may exceed their credit limits occasionally.

Liquidity risk management

Ultimate responsibility for liquidity risk management rests with the board of directors, which has established an appropriate liquidity risk management framework for the management of the company's short, medium and long-term funding and liquidity management requirements. The company manages liquidity risk by maintaining adequate reserves, banking facilities and reserve borrowing facilities, by continuously monitoring forecast and actual cash flows, and by matching the maturity profiles of financial assets and liabilities.

NOTES TO THE FINANCIAL STATEMENTS
Year ended 31 March 2017

17 Financial instruments (continued)

Liquidity and interest risk tables

The following tables detail the company's remaining contractual maturity for its non-derivative financial liabilities with agreed repayment periods. The tables have been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the company can be required to pay. The tables include both interest and principal cash flows. To the extent that interest flows are floating rate, the undiscounted amount is derived from interest rate curves at the balance sheet date. The contractual maturity is based on the earliest date on which the company may be required to pay.

	Weighted average effective interest rate	Less than 1 month	1-3 months	3 months to 1 year	1-5 years	5+ years	Total
	%	$m	$m	$m	$m	$m	$m
31 March 2017							
Non-interest bearing:							
Trade and other payables	-	104.3	-	-	-	-	104.3
Interest bearing:							
Finance lease liability	11.2	0.2	0.3	1.5	7.9	19.4	29.3
Variable interest rate instruments	2.0		367.0	-	-	-	367.0
		104.5	367.3	1.5	7.9	19.4	500.6
31 March 2016							
Non-interest bearing:							
Trade and other payables	-	78.8	-	-	-	-	78.8
Interest bearing:							
Finance lease liability	11.2	0.2	0.4	1.9	9.1	24.5	36.1
Trade and other payables	5.25	-	-	1.6	-	-	1.6
Variable interest rate instruments	3.2	-	128.4	-	-	-	128.4
		79.0	128.8	3.5	9.1	24.5	244.9

NOTES TO THE FINANCIAL STATEMENTS
Year ended 31 March 2017

17 Financial instruments (continued)

Liquidity and interest risk tables (continued)

The following tables detail the company's expected maturity for its non-derivative financial assets. The tables below have been drawn up based on the undiscounted contractual maturities of the financial assets including interest that will be earned on those assets. The inclusion of information on non-derivative financial assets is necessary to understand the company's liquidity risk management as the liquidity is managed on a net asset and liability basis.

	Less than 1 month	1-3 months	3 months to 1 year	1-5 years	5+ years	Total
	$m	$m	$m	$m	$m	$m
31 March 2017						
Non-interest bearing	812.7	-	-	-	-	812.7

	Less than 1 month	1-3 months	3 months to 1 year	1-5 years	5+ years	Total
	$m	$m	$m	$m	$m	$m
31 March 2016						
Non-interest bearing	551.9	-	-	-	-	551.9

NOTES TO THE FINANCIAL STATEMENTS
Year ended 31 March 2017

17 Financial instruments (continued)

Liquidity and interest risk tables (continued)

The following table details the company's liquidity analysis for its derivative financial instruments based on contractual maturities. The table has been drawn up based on the undiscounted net cash inflows and outflows on derivative instruments that settle on a net basis and the undiscounted gross inflows and outflows on those derivatives that require gross settlement. When the amount payable or receivable is not fixed, the amount disclosed has been determined by reference to the market rates on the balance sheet date.

	Less than 1 month $m	1-3 months $m	3 months to 1 year $m	1-5 years $m	5+ years $m	Total $m
31 March 2017						
Net settled:						
Foreign exchange forward contracts & swaps	0.6	0.1	0.0	-	-	0.7
Gross settled:						
Commodity swaps and futures	8.6	1.0	0.0	-	-	9.6
	9.2	1.1	0.0	-	-	10.3
31 March 2016						
Net settled:						
Foreign exchange forward contracts & swaps	1.5	-	-	-	-	1.5
Gross settled:						
Commodity swaps and futures	0.5	5.8	1.4	-	-	7.7
	2.0	5.8	1.4	-	-	9.2

Financing facilities

The company had a secured bank facility available during the year (note 3) of £300m ($375m) (2016: $425m) to support financing against its receivables (depending upon price environment and sales volumes). As at 31 March 2017, the company had utilized $367.0m from this facility (2016: $128.4m). Further amounts were available to the company for draw down under the facility amounting to $3.6m (2016: $52.9m) based on the facility parameters and available receivables as at the year-end date.

NOTES TO THE FINANCIAL STATEMENTS
Year ended 31 March 2017

17 Financial instruments (continued)

Fair value of financial instruments

Fair value of financial instruments carried at amortised cost
The directors consider that the carrying amounts of financial assets and financial liabilities recorded at amortised cost in the financial statements approximate their fair values:

	Carrying amount		Fair value	
	31 March 2017 $m	31 March 2016 $m	31 March 2017 $m	31 March 2016 $m
Financial assets				
Loans and receivables:				
- trade and other receivables	533.1	342.8	533.1	342.8
Financial liabilities				
Financial liabilities held at amortised cost:				
- bank loans at floating interest rate	367.0	128.4	367.0	128.4
- trade and other payables	104.3	78.8	104.3	78.8

Valuation techniques and assumptions applied for the purposes of measuring fair value

The fair values of financial assets and financial liabilities (excluding derivative instruments) are determined in accordance with generally accepted pricing models based on discounted cash flow analysis using prices from observable current market transactions and dealer quotes for similar instruments. Other than derivatives and lease liabilities the carrying amounts approximate to their fair value due to their short term nature.

Derivative financial instruments

The fair values of derivative instruments are calculated using inputs other than quoted prices that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices). Foreign currency forward contracts are measured using quoted forward exchange rates and yield curves derived from quoted interest rates matching maturities of the contracts. Commodity swaps are measured using a forward curve based on quoted futures or forward prices and yield curves derived from quoted interest rates matching maturities of the contracts. Commodity options are measured using the same data as the commodity swaps, but also uses a volatility surface derived from quoted option volatilities. Interest rate swaps are measured at the present value of future cash flows estimated and discounted based on the applicable yield curves derived from quoted interest rates. No derivatives are designated as hedges for the purposes of financial reporting.

Derivative financial assets and liabilities are classified as Level 2 fair value measurements, as defined by IFRS 7, being those derived from inputs other than quoted prices that are observable for the assets or liability, either directly (i.e. price) or indirectly (i.e. derived from prices).

Securitised receivables

The company has been party to securitisation transactions whereby assets continue to be recognised on the balance sheet although they have been subject to legal transfer to another entity, Stanlow Receivables Funding Limited. The company recognises the assets on the balance sheet as the risks and rewards of ownership of the securitised assets have not been substantially transferred. In accordance with IAS 39, where a transferred asset continues to be recognised, the asset and the associated liability shall not be offset. On this basis, a financial liability is recorded for the purchase price received.

NOTES TO THE FINANCIAL STATEMENTS
Year ended 31 March 2017

18 Deferred tax

The following are the major deferred tax (liabilities) and assets recognised by the company and movements thereon during the current year and prior period.

	Accelerated tax depreciation $m	Retirement benefit obligations $m	Tax losses $m	Short term timing differences $m	Total $m
At 31 March 2015	(46.7)	1.2	72.8	9.6	36.9
(Charge)/ credit to income statement	(2.9)	0.5	(6.8)	1.1	(8.1)
Charge to statement of comprehensive income	-	(1.9)	-	-	(1.9)
At 31 March 2016	(49.6)	(0.2)	66.0	10.7	26.9
(Charge)/ credit to income statement	5.3	(0.3)	(66.0)	(4.6)	(65.6)
Credit to statement of comprehensive income	-	4.3	-	-	4.3
At 31 March 2017	(44.3)	3.8	-	6.1	(34.3)

19 Obligations under finance leases

Minimum lease payments

	31 March 2017 $m	31 March 2016 $m
Amounts payable under finance leases:		
Within one year	2.0	2.5
In the second to fifth years inclusive	7.9	9.1
After five years	19.4	24.5
	29.3	36.1
Less: future finance charges	(15.3)	(17.2)
Present value of lease obligations	14.0	18.9

NOTES TO THE FINANCIAL STATEMENTS
Year ended 31 March 2017

19 Obligations under finance leases (continued)

Present value of minimum lease payments

	31 March 2017 $m	31 March 2016 $m
Amounts payable under finance leases:		
Within one year	2.0	2.5
In the second to fifth years inclusive	6.0	6.9
After five years	6.0	9.5
Present value of lease obligations	14.0	18.9
Analysed as:		
Amounts due for settlement within 12 months (shown under current liabilities)	2.0	2.5
Amounts due for settlement after 12 months	12.0	16.4
	14.0	18.9

The average lease term is 15 years. For the year ended 31 March 2017, the average effective borrowing rate was 11.2% (2016: 11.2%). Interest rates are fixed at the contract date. All leases are on a repayment basis linked to the Retail Prices Index, the increase in costs as a result of these increases will be expensed as incurred.

All lease obligations are denominated in sterling.

The fair value of the group's lease obligations is approximately equal to their carrying amount.

The group's obligations under finance leases are secured by the lessors' rights over the leased assets disclosed in note 11.

20 Provisions

	Inventory Monetisation contract $m	Off market contract $m	Other provisions $m	Total $m
At 1 April 2016	12.0	44.0	4.3	60.3
Added during the year	1.5	-	-	1.5
Unwinding of discount	-	4.1	-	4.1
Utilisation / amendment of provision	(12.0)	(12.7)	(2.2)	(26.9)
At 31 March 2017	1.5	35.4	2.1	39.0

NOTES TO THE FINANCIAL STATEMENTS
Year ended 31 March 2017

20 Provisions (continued)

	Inventory Monetisation contract $m	Off market contract $m	Other provisions $m	Total $m
Analysed as:				
Current	1.5	6.8	2.1	10.4
Non-current	-	28.6	-	28.6
	1.5	35.4	2.1	39.0

Inventory Monetisation (IM) contract
Consequent to recording the Inventories owned by J. Aron & Company (IM provider) on the Company's Books (note 3); a corresponding liability towards the IM provider is recognised at an amount equal to the carrying value of inventory. To the extent the cost to the Company of cash settling the inventory on the balance sheet date exceeds the carrying value of the inventory, a provision is recognised for the potential onerous commitment.

Off market contract
Upon acquisition of the Stanlow refinery in 2011, the company became obliged to supply certain product at below market rates for ten years; as a result the company has recognised a provision for its supply under this off market contract. The provision will unwind as product is supplied under the contract.

Other provisions
Included within other provisions is an amount in relation to an environmental incident which occurred during 2013. On 3rd April 2017, a court proceeding was heard and the Company was fined. In accordance with IAS 10, Events after the Reporting Period, the value of the provision was reduced to reflect the outcome of the proceeding.

21 Share capital

	31 March 2017 $m	31 March 2016 $m
Called-up, issued and fully paid:		
442,102,375 ordinary shares of £1 each (2016: 442,102,375 ordinary shares of £1 each)	694.1	694.1

The company has one class of ordinary shares which carries no right to fixed income.

The entire authorised share capital of 442,102,375 ordinary shares is held by Essar Oil Cyprus Limited.

22 Retained surplus

	$m
At 1 April 2016	197.9
Retained profit for the year	167.6
Other comprehensive expenditure for the year	(18.5)
Dividend paid (note 29)	(60.0)
At 31 March 2017	287.0

NOTES TO THE FINANCIAL STATEMENTS
Year ended 31 March 2017

23 Notes to the cash flow statement

	Year ended 31 March 2017 $m	Year ended 31 March 2016 $m
Profit before tax for the year	256.9	251.4
Adjustments for:		
Finance costs	41.8	39.6
Finance income	(1.5)	(1.4)
Depreciation of property, plant and equipment	69.4	65.5
(Gain) / Loss on retirement of property, plant and equipment	(0.4)	2.4
Amortisation of intangible assets	0.9	2.1
(Decrease)/increase in provisions	(25.4)	5.8
Retirement benefit obligations	0.4	2.9
Foreign exchange losses	14.3	3.3
Operating cash flows before movements in working capital	356.4	371.6
(Increase) / Decrease in inventories	(171.9)	43.0
Increase in receivables	(298.4)	(58.6)
Increase in payables	28.3	1.3
Increase / (Decrease) in deferred revenue	100.5	(22.7)
Cash generated by operations	14.9	334.6

24 Operating lease arrangements

The company as lessor:

	Year ended 31 March 2017 $m	Year ended 31 March 2016 $m
Within one year	-	-
In the second to fifth years inclusive	0.9	0.7
After five years	6.9	8.2
	7.8	8.9

On the 9th March 2016, the company entered into an agreement to provide land under a 25 year operating lease to a third party. During the year no income was received in respect of this agreement (2016: $nil).

NOTES TO THE FINANCIAL STATEMENTS
Year ended 31 March 2017

24 Operating lease arrangements (continued)

The company as lessee:

	Year ended 31 March 2017 $m	Year ended 31 March 2016 $m
Minimum lease payments under operating leases recognised in income statement for the year	5.8	5.1

At the balance sheet date, the company had outstanding commitments for future minimum lease payments under non-cancellable operating leases for land, which fall due as follows:

	Year ended 31 March 2017 $m	Year ended 31 March 2016 $m
Within one year	3.2	3.5
In the second to fifth years inclusive	14.7	16.0
After five years	52.6	65.0
	70.5	84.5

25 Retirement benefit schemes

Defined contribution schemes

The company operates defined contribution retirement benefit schemes for all qualifying employees at its Stanlow manufacturing complex. The assets of the schemes are held separately from those of the company in funds under the control of trustees.

The total cost charged to income of $2.7m (2016: $3.0m) represents contributions payable to the scheme by the company at rates specified in the rules of the plan. As at 31 March 2017, contributions of $0.3m (2016: $0.3m) due in respect of the current reporting period had not been paid over to the schemes.

Defined benefit schemes

The company operates defined benefit schemes for qualifying employees. Under the scheme, the employees are entitled to a multiple (depending on the joining date) to pensionable salary multiplied by number of years served on attainment of a retirement age of 60 or 65 depending when the individual joined the scheme. No other post-retirement benefits are provided. The schemes are funded schemes.

The present value of the defined benefit obligation, the related current service cost and past service costs were measured using the projected unit credit method.

NOTES TO THE FINANCIAL STATEMENTS
Year ended 31 March 2017

25 Retirement benefit schemes (continued)

The projected unit credit method is an accrued benefits valuation method in which the scheme liabilities make allowance for projected earnings. The accumulated benefit obligation (ABO) is an actuarial measure of the present value for service already rendered but differs from the projected unit credit method in that it includes no assumptions for future salary increases. At the balance sheet date the gross accumulated benefit obligation was $160.9m (2016: $130.8m).

	Valuation at	
	31 March 2017 %	**31 March 2016 %**
Key assumptions used:		
Discount rate	2.8	3.7
Expected return on scheme assets	2.8	3.7
Expected rate of salary increases	3.0	3.0
Future pension increases	3.1	3.1
Inflation	3.2	3.1

Mortality assumptions:

Investigations have been carried out within the past three years into the mortality experience of the company's defined benefit schemes. These investigations concluded that the current mortality assumptions include sufficient allowance for future improvements in mortality rates. The assumed life expectations on retirement at age 65 are:

	Valuation at	
	31 March 2017 Years	**31 March 2016 Years**
Retiring today:		
Male member	22.9	23.2
Female member	25.3	25.5
Retiring in 15 years:		
Male member	24.7	25.4
Female member	27.2	27.9

The sensitivities regarding the principal assumptions used to measure the scheme liabilities are set out below:

Assumption	**Change in assumption**	**Impact on scheme liabilities**
Discount rate	Increase/decrease by 0.5%	Decrease/increase by 14.0%
Rate of inflation	Increase/decrease by 0.5%	Increase/decrease by 13.0%
Rate of salary growth	Increase/decrease by 0.5 %	Increase/decrease by 5.3%
Rate of mortality	Increase by 1 year	Increase by 4.0%

NOTES TO THE FINANCIAL STATEMENTS
Year ended 31 March 2017

25 Retirement benefit scheme (continued)

Amounts recognised in the income statement in respect of the defined benefit scheme are as follows:

	31 March 2017 $m	31 March 2016 $m
Current service cost	20.3	26.5
Interest cost	4.3	4.2
Expected return on scheme assets	(3.2)	(4.5)
	21.4	26.2

The expense for the year of $21.4m (2016: $26.2m) has been included in the income statement in cost of sales. Actuarial gains and losses have been reported in other comprehensive income.

The actual return on scheme assets was $4.7m (2016: $4.5m).

The amount included in the balance sheet arising from the group's obligations in respect of its defined benefit retirement benefit schemes is as follows:

	31 March 2017 $m	31 March 2016 $m
Present value of defined benefit obligations	(160.9)	(130.8)
Fair value of scheme assets	138.8	131.9
(Deficit) / Surplus in scheme and asset recognised in the balance sheet	(22.1)	1.1

Movements in the present value of defined benefit obligations were as follows:

	31 March 2017 $m	31 March 2016 $m
At start of the year	130.8	122.9
Service cost	20.3	26.5
Interest cost	4.3	4.2
Actuarial gains and losses	35.6	(15.6)
Exchange translation	(19.2)	(4.5)
Benefits paid	(10.9)	(2.7)
At end of the year	160.9	130.8

NOTES TO THE FINANCIAL STATEMENTS
Year ended 31 March 2017

25 Retirement benefit scheme (continued)

Movements in the fair value of scheme assets were as follows:

	31 March 2017 $m	31 March 2016 $m
At start of the year	131.9	117.1
Expected return on scheme assets	4.7	4.5
Actuarial gains and losses	11.9	(5.8)
Contributions	19.5	23.5
Exchange translation	(18.3)	(4.7)
Benefits paid	(10.9)	(2.7)
At end of the year	138.8	131.9

The analysis of the scheme assets and the expected rate of return at the balance sheet date is as follows:

	Expected return		Fair value of assets	
	2017 %	2016 %	2017 $m	2016 $m
Debt instruments	2.8	3.7	86.8	81.4
Investment funds	2.8	3.7	50.1	47.2
Cash and cash equivalents	2.8	3.7	1.9	3.3

The rate of return is based upon the gross redemption AA+ rated Corporate Bonds FT Index.

In conjunction with the trustees, the company has conducted an asset-liability review for its defined benefit pension scheme. The results of this review are used to assist the trustees and the company to determine the optimal long-term asset allocation with regard to the structure of the liabilities of the scheme. They are also used to assist the trustees in managing the volatility in the underlying investment performance and risk of a significant increase in the defined benefit deficit by providing information used to determine the scheme's investment strategy.

As a consequence, the company has an emphasis on a close return matching of scheme assets and liabilities, both to ensure the long-term security of our defined benefit commitment and to reduce earnings and balance sheet volatility, by increasing our investment in Liability Driven Investments and Diversified Growth Funds during the year.

The estimated amounts of contributions expected to be paid to the scheme during the 2017/18 financial year is $22.7m (2016/17: $23.0m).

The most recent triennial valuation of the company's pension scheme for funding purposes was performed in July 2015. The Company will monitor funding levels annually and the funding schedule will be reviewed between the group and the trustees every three years, based on actuarial valuations.

The levels of contributions are based on the current service cost and the expected future cash flows of the defined benefit scheme. The Company estimates the scheme liabilities on average to fall due over 27 years.

NOTES TO THE FINANCIAL STATEMENTS
Year ended 31 March 2017

26 Deferred revenue

	31 March 2017 $m	31 March 2016 $m
Advance payments received related to inventory sales (see note below)	358.8	258.6
Deferred income related to service contracts	7.0	6.7
	365.8	265.3

Consequent to recording the Inventories owned by J. Aron & Company on the Company's Books (Note 3), a corresponding liability towards the IM Provider is recognised at an amount equal to the carrying value of inventory.

27 Current tax receivable

	31 March 2017 $m	31 March 2016 $m
Research & Development Expenditure Credit receivable	35.5	-

The Company adopted the Research & Development Expenditure Credit (RDEC) scheme during the year. As such, amounts recognised in relation to the R&D claims are recognised in accordance with IAS 20, Government Grants. For further details, see note 2.

28 Related party transactions

Loans to related parties

	31 March 2017 $m	31 March 2016 $m
Director loan		
Amounts due for settlement within 12 months	-	0.2
Amounts due for settlement after 12 months	-	1.6
	-	1.8

During 2016, an interest free loan was issued to a director. The loan was repaid in full during the year.

NOTES TO THE FINANCIAL STATEMENTS
Year ended 31 March 2017

28 Related party transactions (continued)

Other transactions

The Company incurred charges and made advances with the Group companies for trade and other services:

	Purchases		Receivables	
	Year ended 31 March 2017 $m	Year ended 31 March 2016 $m	31 March 2017 $m	31 March 2016 $m
	11.8	5.2	49.8	4.1

The Company recharged costs incurred to certain Essar group companies for trade and other services:

	Recharges out:		Receivables	
	Year ended 31 March 2017 $m	Year ended 31 March 2016 $m	31 March 2017 $m	31 March 2016 $m
Recharge of costs incurred	1.3	-	1.6	1.6

In addition to the transactions above, Dividends totalling $60m were paid to Essar Oil (Cyprus) Limited (note 29).

Remuneration of key management personnel

The remuneration of the directors, who are the key management personnel of the company, is set out below in aggregate for each of the relevant categories specified in IAS 24 Related Party Disclosures.

	Year ended 31 March 2017 $m	Year ended 31 March 2016 $m
Short-term employee benefits	5.9	2.5
Post-employment benefits	-	0.0
	5.9	2.5

The highest paid director earned $4.5m (2016: $0.9m) in short-term employee benefits during the year.

During the year no directors (2016: 1) participated in the defined benefit pension scheme.

NOTES TO THE FINANCIAL STATEMENTS
Year ended 31 March 2017

29 Dividends

	31 March 2017 $m	31 March 2016 $m
Dividend paid at $0.135715 per ordinary share	60.0	-

30 Controlling party

The ultimate parent company of Essar Oil (UK) Limited is Essar Global Fund Limited, a company incorporated in the Cayman Islands, whose controlling parties are the Virgo Trust and the Triton Trust, discretionary trusts, whose beneficiaries include, among others, companies whose controlling shareholders are Mr Ravi Ruia and Mr Prashant Ruia.

At 31 March 2017 the immediate parent company was Essar Oil (Cyprus) Limited a company incorporated in Cyprus. The smallest and largest group into which these accounts are consolidated is Essar Energy Limited a company incorporated in the United Kingdom. Copies of the financial statements of Essar Energy Limited are available from the registered office at 2nd Floor, East Wing, Lansdowne House, 57 Berkeley Square, London W1J 6ER.

31 Unconsolidated structured entities

The table below describes the type of structured entity controlled by the Company in accordance with IFRS 10 but is not consolidated due to the results of the structured entity being immaterial upon consolidation (see note 3 for further details):

Type of structured entity	*Name of structured entity & country of incorporation*	*Nature and purpose*
Receivables securitisations	Stanlow Receivables Funding Limited incorporated in the United Kingdom.	To provide financing to the Company by purchasing trade receivables.

Essar Oil (UK) Limited has no equity interest in the structured entity listed above.