Essar Oil (UK) Limited
Annual Report and Consolidated Financial Statements
For year ended 30 September 2021

ANNUAL REPORT AND FINANCIAL STATEMENTS 2021

Contents

OFFICERS AND PROFESSIONAL ADVISORS

DIRECTORS

T Bullock (Appointed 11 June 2021)
D K Maheshwari (Appointed 23 August 2021)
P Ruia
T Srinivasalu
B C Tripathi
K N Venkatasubramanian
A R H Wright (Appointed 15 June 2021)

SECRETARY

S Chambers (Resigned 26 July 2021)
S K Puri (Appointed 29 July 2021)

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BANKERS

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STRATEGIC REPORT

The directors, in preparing this strategic report, have complied with s.414 of the Companies Act 2006.

Principal activities

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

The Group also owns an 11.15% equity stake in the UK Oil Pipeline (UKOP), a 45.35% share of the Kingsbury Terminal in a JV with Shell and full ownership of Northampton Terminal both located in the Midlands area of the UK.

The Group's Essar branded retail station network as at 30 September 2021 stood at 71 (2020: 69).

Operational and financial review

The Group's operational and financial performance during the year, in line with rest of the Industry, was impacted by Covid-19 related disruption which resulted in demand destruction and consequently weaker refining margins.

Throughput at the refinery was at 62.58 million barrels during the period compared to 65.65 million barrels in the prior period. The refinery achieved a Current Price GRM (definition overleaf) of US$5.6/bbl for the period, compared with a Current Price GRM of US$4.8/bbl in the prior year, slightly improved as demand for petroleum products has just started to recover.

Operational EBITDA (definition within the Key Performance Indicators section) decreased to a US$ (166.6) million in the period, compared to US$ (46.5) million in the prior period, mainly due to losses (as described below) caused by Covid related disruptions:

1. There was lower throughput during the period due to the full year effect of Covid restrictions as compared to the previous year in which only the second half was impacted by Covid related restrictions.
2. The oil market was very volatile which led to higher backwardation costs and hedging losses for the Group
3. The forex markets saw a significant volatility wherein sterling significantly weakened in March, and April 2020. In order to mitigate mark to market losses, the Group settled some of long terms hedged put in place at a loss. Furthermore, during the year, as the Group had settled its forex hedges, the outstanding VAT deferment liability denominated in GBP was discharged when sterling started to strengthen again, leading to exceptional forex losses.

With the successful roll out of vaccinations in the UK that started in November 2020, travel and other restrictions imposed earlier, were relaxed in a phased manner from April 2021. This resulted in a phased rebound in economic activities across the sector with an increase in demand for petroleum products and associated refining margins during the fourth quarter of the financial year with the trend continuing thereafter. Both the oil and forex markets have significantly stabilised and the Group has now taken the appropriate hedge positions to provide the required risk protections for future volatility.

The company did not approve any dividends. (2020: $81.0m)

Income statement

The Group generated revenues of $7,320.3m in 2021 (2020: $6,005.5m) and made a net loss before tax of $321.3m (2020: net loss before tax of $220.8m). Revenues are higher due to the increase in the average price of each barrel of oil to $61.9/bbl (2020: $46.4/bbl) mainly due to recovery of the crude prices post the Covid-19 pandemic. The net loss for the period is higher due to one off changes experienced during the period in addition to the ones covered in the operational and financial review.

1. Due to the Covid impact on Government finances, the UK Treasury announced an increase in the corporation tax rate from 19% to 25%, which results in one off charge during the period in relation to deferred taxes.
2. Due to losses incurred during the year, the Group under the Corporate Interest Restrictions (CIR) regime has not been able to take full tax deductions for its interest costs, and for now, have not recognised deferred tax assets on this amount with ongoing detailed analysis.

STRATEGIC REPORT

Balance sheet

At the period end the Group had net assets (net worth) of $285.5m (2020: $566m). The movement in net assets was driven by the losses incurred in the period.

Energy transition and future developments

HyNet

The Group and Progressive Energy, developers of HyNet North West, the UK's leading industrial decarbonisation cluster, last year signed a memorandum of understanding (MOU) to set up a venture to produce low carbon hydrogen at the Stanlow Refinery in Ellesmere Port, Cheshire.

The joint venture will manufacture hydrogen at the refinery for use across the HyNet North West region. It will provide Essar Oil UK with low carbon hydrogen to decarbonise its own energy demand in addition to creating a hydrogen economy across North West England and North East Wales. Natural gas and fuel gases from the refinery will be converted into low carbon hydrogen, with carbon dioxide safely captured and stored offshore in sub-surface reservoirs in Liverpool Bay. The hydrogen production hub will deliver clean energy to industry in the HyNet 'low carbon cluster', as well as to fuel buses, trains and heavy goods vehicles, to heat our homes, and to generate electricity when the sun is not shining or the wind blowing.

This project strategically fits well within the Ten Point Green Industrial Revolution plan outlined by the UK Government in November 2020 through the production, storage and distribution of hydrogen to decarbonise the North West of England and North East Wales. Together with carbon capture and storage (CCS), these technologies have the potential to reduce carbon dioxide (CO_2) emissions significantly in the region.

HyNet North West in October 2021 was selected as a Track-1 cluster for the mid-2020s and will be taken forward into Track-1 negotiations as part of the UK's Carbon Capture, Usage and Storage (CCUS) Cluster Sequencing Process. The HyNet North West consortium, which includes EOUK, Progressive Energy, ENI and Cadent Gas plus a host of other partners, is committed to delivering an integrated carbon capture and the first low carbon hydrogen production system in the country.

The Company's Stanlow Manufacturing Complex will play a central role in the HyNet project, as the site for the proposed construction of low carbon hydrogen production plants in partnership with Progressive Energy. The planned construction of two low carbon hydrogen production hubs at Stanlow is a potential £750 million investment, supporting a hydrogen economy across North West England and North East Wales. A planning application for the plants has been submitted to Cheshire West and Chester Council.

Biofuel

The Group also announced investments to develop the UK's largest biofuels storage hub located in the North West of England over the next three years. The major investment is a key pillar in the Group's strategic objective to become the UK's largest bulk liquid storage and energy infrastructure solutions provider. It will deliver 300,000 cubic metres of capacity to support customers in delivering the UK's net zero transition. The new facilities at the Stanlow Manufacturing Complex and Tranmere Terminal will allow customers to store, blend and distribute bio-fuels suitable for use in the energy transition as drop-in replacement transport fuels for road, aviation and marine.

This new customer led investment will support the growth of initiatives such as sustainable aviation fuel (SAF) linked to Fulcrum's Northpoint project, sustainable hydrotreated vegetable oil (HVO) and will include waste-based feedstock import facilities, blending and capacity expansion for existing bio-ethanol and bio-methanol. The market for energy from renewable sources in the UK is expanding rapidly, driven by legislative obligations to encourage lower carbon fuels.

Additional storage investment opportunities for low carbon energy products, such as e-fuels, bio-LPG, bio-methane, hydrogen and ammonia are all progressing through feasibility studies.

These investments reflect the growing demand from partners and customers who are seeking storage facilities and expertise in future fuels handling, as businesses across the economy look to decarbonise and operate in a more sustainable way.

STRATEGIC REPORT

Biofuel (continued)

The Group and Fulcrum BioEnergy have entered into a MOU to develop a storage facility at Stanlow for sustainable aviation fuel manufactured from non-recyclable household waste. The project will support the aviation industry's continued reduction of carbon emissions and will support the UK drive towards becoming a net-zero economy.

Principal risks and uncertainties

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

Covid-19 risk

During the period, the Group continued to focus on the appropriate measures taken in the prior year to help mitigate the risk of virus transmission within the business, including enabling our workforce to work from home where possible. The Group continue to closely monitor and follow the guidelines issued by Public Health Authorities and the UK Government from time to time. The Steering Group formed last year continue to meet on regular intervals to take note of the constantly changing scenarios to ensure a coordinated and a well thought through response for Covid and also to maintain ongoing communication with our workforce. All these measures ensured the continued operations of our facility and supply of fuel products to the region while maintaining the wellbeing and safety of our staff as our top priority.

The EOUK Group took all the necessary actions, including initially reducing crude throughput at Stanlow, to ensure it continued to operate. Throughput since then has recovered, but still remains about 5% below the pre-covid levels. The Company takes its position as part of the UK's Critical National Infrastructure seriously and its responsibility to ensure that Stanlow' s ongoing production is able to support the people, the communities, the industries and the cities that depend on it.

Economic activity has now recovered significantly as at the date of this report leading to an increase in product demand and refining margins at pre-covid levels.

The Going Concern note deals in more detail with the impact of Covid 19 on the EOUK Group's trading and cash flow position and its implication on the going concern assessment.

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 Group's working capital requirements. The refinery is able to process a wide variety of crudes and therefore is able to take advantage of price arbitrage between various crude grades.

The Group 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 Group's functional and presentational currency for accounting for its transactions and preparation of books and accounts is the US Dollar. The Group 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 Group reviews its risks from time to time and determines the strategy to cover its currency exposures to the extent possible and accordingly, appropriate forward hedge contracts are entered into under the guidance of Group's Risk Management Committee (RMC). Note 26 provides further details on mitigations.

STRATEGIC REPORT

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

Oil refining and marketing requires sizeable financing arrangements to support day to day operations and commitments. Throughout the period, the Group had continued access to commercial arrangements via the inventory monetisation agreements with Macquarie Bank Limited, London Branch. The inventory monetisation arrangement meets the crude and product requirements of the refinery including storage and supply on a just in time basis.

In addition during the year, the Group was successful in replacing a previous receivable financing facility provided by Lloyds Bank until March 2021, with various new financial arrangements with liquidity from a diversified range of sources, including bilateral and supply chain financing arrangements with a few key customers and a total of $325m of receivable financing with financiers. The Group is also in discussions to put into place a committed and medium term receivable financing arrangement to replace the various alternative arrangements that currently exist.

With the return of stability in market conditions, the Group was able to access increased trade credits similar to pre-covid levels. The Group has been able to replace a large portion of its short-term rolling trade credits in the pre-covid period with a committed and medium term facility of $500m.

These arrangements enable the Group to meet its payment obligations as and when they fall due. In order to have uninterrupted availability of these facilities, the Group has adequate monitoring mechanisms in place to ensure substantive compliance with the banking covenants and timely servicing of debt.

Further details on the consideration of going concern and linked material uncertainty are provided in the Directors Report and note 3.

Health and safety risk and environment

Essar Oil UK is committed to achieving excellence in Health, Safety & Environment through providing and maintaining safe and healthy working conditions and following the best operating practices to protect the environment. Our goal is to have no harm to people, to maintain a sustainable environment and to institutionalise a culture of safety in the organisation.

Any untoward incident might have an adverse effect on people or the environment and also on the Group's reputation as a reasonable and prudent operator. The Group is also at risk of commercial and reputational damage as a result of Health, Safety or Environmental incidents given the nature of its operations.

The Group 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.

The Group followed Public Health England guidance in order to deal with Covid, with the health, safety and wellbeing of our staff a top priority. To protect our staff during Covid, we transitioned our non-critical staff to working from home where possible and implemented a number of measures to protect our operational staff, such as those at plants and terminals. These measures minimise contact with colleagues and the public to provide as safe a working environment as possible.

Significant relationships

Financing

The Group has an inventory monetisation facility with Macquarie Bank Limited, which it entered into in June 2019 and a receivable financing facilities arranged by various financial institutions. The company also uses supply chain financing facilities and shorter payment terms from its existing customers. The detailed disclosures with regard to financing and going concern are given in note 3 to these financial statements and are not replicated in this report.

Customers

Revenues from the single largest customer contributes to approximately 28% (2020: 23%) of the Group's overall revenues.

STRATEGIC REPORT

Key performance indicators ("KPI")

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

KPI	Year ended 30 Sept 2021	Year ended 30 Sept 2020	Context
Lost time injuries	3	2	The Group 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 period.
Current price GRM/bbl[1]	$5.6	$4.8	The current price Gross Refinery Margin (GRM) is the spread the Group earns between the sales price and crude related costs. This is a widely used industry yardstick to measure an oil refinery's operating performance. Improvement in GRM in the current period driven by better market spread because of restart of economic activities and stability in oil market.
Operational EBITDA[2]	$ (166.6) m	$ (46.5) m	This measure is commonly used by management to reflect the operating earnings of the Group and excludes exceptional items. Current period EBITDA is lower mainly due to lower throughput and losses from commodity hedging and forex due to strengthening of British Pound (GBP).

[1]*Current price Gross Refining Margin (GRM) 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 income, being operating loss of $262.7m with $96.1m of depreciation and amortisation added back.*

Employees

The Group has a monthly average number of 778 employees (including executive directors) (2020: 837)

STRATEGIC REPORT

Statement by the directors on performance of their statutory duties in accordance with sl72 Companies Act 2006

The Company's Board of Directors consider they have acted prudently and in good faith and in a manner most likely to promote the success of the Company for the benefit of its members and of its shareholders as a whole. The Directors of the Company acted in accordance with a set of general duties. These duties are detailed in section 172 of the Companies Act 2006 in which, Directors must have regard to:

- the likely consequences of any decisions in the long-term
- the interests of the Group's employees
- the need to foster the Group's business relationships with suppliers, customers and others
- the impact of the Group's operations on the community and environment
- the desire for the Group to maintain its reputation for high standards of business conduct, and
- the need to act fairly as between members of the Company

The following paragraphs summarise how the Directors' fulfil their duties

a) The Business Plan: Each year, the Board undertakes an in-depth review of the Company’s strategy, including the business plan for the following five years. Once approved by the Board, the plan and strategy form the basis for financial budgets, resource plans and investment decisions, and also the future strategic direction of the Company. Specific business objectives are evaluated on a number of factors, including how they deliver the strategic plan, financial outcomes (using long-term cash flow modelling) and impact on business reputation, amongst others.

b) Long Term Strategy: the Company is taking significant steps to lead the industrial decarbonisation agenda as announced by the UK Government as part of Ten Point Green Industrial Plan in November 2020. The Company is in discussion to form Joint Venture that will produce low carbon Hydrogen with the capability to capture the carbon. More details are provided in Future development section of the Strategic Report. We expect significant progress will be made on this long-term strategic step in next twelve months and the Company will make appropriate announcements from time to time.

c) Risk Management: The Company operates in a highly volatile oil pricing environment and it is crucial to protect the Company against an adverse market price movement. It is therefore vital that the Board effectively identify, evaluate, manage and mitigate the risks the Company faces. A Risk Management Policy has been put into place with a Risk Management Committee regularly meeting to assess the risk and take mitigating actions. Further details are provided in the "Principal risks and uncertainties" section.

d) Stakeholder Engagement: The Board evaluate from time to time the engagement with all key stakeholder to ensure overall alignment of our objectives with the expectations of our employees, customers, suppliers, shareholders, communities and society as a whole.

i. Our People: The health, safety and wellbeing of our people is primary considerations in the way we do business. We continuously recognise hazards and assess health, safety and environmental risks in our operations through audits, risk assessments and review of standard operating procedures and take steps to mitigate risks. We foster a culture of continual improvement, benchmark our HSE performance, adopt best practices in HSE and ensure learning from incidents is embedded into our management system. In addition, regular safety standstills are conducted to share best practices and also the lesson learned from any mishaps. At our Stanlow site, we have an occupational health centre for the wellbeing of our people. An experienced Occupational Health Team is based at Stanlow who proactively manage programmes designed to support the health and wellbeing of all our employees

In order to ensure alignment of objectives, the Group normally provides a business score card to all staff members on an annual basis but this was suspended during the reporting period due to the impact of Covid on the business. Regular and wider communications are released by key management personnel, in addition to Town Halls that provide an opportunity to interact with all staff members. Further details of employee development, assessment and training are contained in the Director’s Report.

ii. Business Relationships (Customers and Suppliers): Retaining existing customers, helping to support their growth and obtaining new customers is a key objective for the Group in delivering its strategy. Our customer base includes supermarkets, major oil companies, commercial bulk users, resellers, aviation companies and independent retailers. In order to further improve our relationships, we continuously review and enhance our product offering and make multi-year commitments with key customers. Regular interaction with our customers and suppliers through our dedicated teams has been a key differentiator in attracting new relationships. At the same time, the Group works closely with suppliers to optimise its supply chain and implement efficient processes. We are as a business also investing into technological improvements to improve the customer business experience.

STRATEGIC REPORT

iii. Regulators: The oil & gas sector is a heavily regulated industry. We continuously monitor regulatory developments to ensure compliance and maintain good interaction with the regulators to gain insight and contribute positively. We are committed to sustainable refinery processes and conduct our operations within responsible environmental standards. We have a responsibility to limit the impact on the environment by mitigating risks, minimising pollution, reducing our environmental footprint and optimising natural resource consumption. This is reflected in our broad commitment across a wide range of health, safety and environmental initiatives and is incorporated into all our business decisions

iv. Shareholders: We communicate and engage with our shareholders mainly through Board meetings which are held at least once a quarter. All key matters, be they strategic, operational or financial are discussed in line with a pre-agreed agenda. In addition, regular communications, such as financial updates and investment plans are provided to ensure transparency, inputs and ongoing engagement.

v. Community and Environment: Through a range of Corporate Social Responsibility activities, Essar UK aims to be a catalyst for positive change in society. We work with and support our local communities through partnerships with agencies and charities across educational, environmental, wellbeing, sporting and corporate initiative programmes.

In addition, the Company is also the headline sponsor of the Chester half Marathon and shirt sponsor of Tranmere Rover Football Club. While supporting the club on the pitch this partnership also reaches into the local community where Essar regularly collaborates with the club's registered charity 'Tranmere Rovers in the Community' to deliver its community outreach programme and initiatives, with the mission to increase community engagement, health, education and sport participation. Also, in recognition of the significant contribution made by front line healthcare NHS staff to fight the pandemic, the Company has offered discounted fuel to NHS staff through promotions at its retail sites.

Supporting the transition to a "Low Carbon Energy Provider" of the future, our vision is aligned with the UK Government's Ten Point Plan on the Green Industrial Revolution. The initiatives it is working to achieve this are detailed in the section relating to Streamlined Energy and Carbon Reporting (SECR) and Future developments section of the Strategic report.

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

Deepak K Maheshwari
Director

31st January 2022

DIRECTORS' REPORT

The directors present their annual report on the affairs of the Group, together with the financial statements and auditor's report for the year ended 30 September 2021.

Matters included in the Strategic Report

Included in the Strategic Report is information relating to dividends paid in the period, the financial risk management objectives and policies of the Group, and the exposure of the Group to principal risks and uncertainties, which would otherwise be required to be contained in a Directors' Report.

Going concern

The detailed disclosures with regard to going concern are provided in note 3 to these financial statements and are not replicated in this report. The Directors have carefully considered the impact of Covid on the business, management prepared forecasts and available funding solutions and concluded that, whilst they consider it is appropriate to prepare the financial statements on the going concern basis, funding solutions are required in the near term. The Board has confidence in the Group's forecasts and ability to deliver on the potential solutions noted in note 3 but note that until the funding solution/solutions are agreed with all relevant parties, there can be no guarantee that they will come to fruition.

The auditors have made a reference to a material uncertainty regarding going concern within their audit report.

Directors

The Directors, who held office during the period and up to and including the date of signing the accounts were as follows:

T Bullock (Appointed 11 June 2021)
D K Maheshwari (Appointed 23 August 2021)
P S Ruia
T Srinivasalu
B C Tripathi
K N Venkatasubramanian
A R H Wright (Appointed 15 June 2021)
S I Bye (Resigned 19 March 2021)
R Ruia (Resigned 1 April 2021)
P Sampath (Resigned 14 October 2020)
S H Welch (Resigned 7 April 2021)

Employees

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

Employee development is monitored by way of continual assessment and appraisal and the Group 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 Group 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 Group'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 employees receive adequate information on the Group's activities, plans and performance through regular bulletins and discussions. For employee engagement, from time to time the Company conducts Town Halls providing updates on the ongoing position and information about future strategy and plans. These Town Halls also provide an opportunity for employees to ask questions directly of the senior management team.

Research and Development (R&D)

Oil refining is a highly technical process. The primary objective of R&D is to maximise the yield, achieve yield that fulfils the market demand from the conversion process and improve margins and make the business more competitive, profitable and sustainable. The Group continuously reviews its processes with the aim to make technological advancements. Accounting policy in this regard in given under the accounting policies section of these financial statements.

Pensions

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

DIRECTORS' REPORT

Defined Contribution Scheme

The Group's defined contribution scheme is operated by Aviva for the benefit of all employees who commenced work with the Group 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 33 to these financial statements.

Streamlined Energy and Carbon Reporting (SECR)

Introduction

The following report meets the requirements of the Streamlined Energy and Carbon Reporting (SECR) regulations for Essar Oil UK Ltd (Essar) operations in the UK for the reporting period from 1st October 2020 to 30th September 2021.
The above regulations, which came into force on 1st April 2019, require additional reporting on carbon emissions, energy consumption and energy efficiency by quoted companies, large unquoted companies and large LLPs. The reporting framework is intended to encourage the implementation of energy efficiency measures, with both economic and environmental benefits, supporting businesses in cutting costs and reducing carbon emissions.
Essar is obliged to report under SECR as it meets the description of a large company as defined in sections 465 and 466 of the Companies Act 2006 and this report has been developed on that basis.

Scope and Boundary

Essar has used the operational control approach for setting the boundary for GHG reporting. The reporting boundary includes energy usage and resultant greenhouse gas (GHG) emissions from electricity and gas usage from the following Essar subsidiaries that were within the operational control of the business during the reporting period:

- Stanlow Terminals Ltd, Ellesmere Port, Cheshire, UK

Essar joint ventures and franchises where Essar does not have operational control or where the subsidiary does not meet the reporting thresholds for SECR are not included in this report. The following Essar subsidiaries were therefore scoped out of the reporting boundary on this basis:

- Essar Midlands Ltd,
- Infranorth Ltd,

Other premises owned by Group, which are not included in this report are:

- United Kingdom Oil Pipeline (UKOP) is currently owned by a consortium of five shareholders of which the Group's subsidiary Company Essar Midlands Ltd is part of. UKOP is operated by UKOP's Agent, the British Pipeline Agency (BPA). Under the operational control approach, BPA are therefore responsible for reporting under SECR.
- Kingsbury Terminal is currently owned by Essar Midlands Limited along with its JV shareholder Shell UK Limited. The terminal is operated by Shell UK Ltd in six shifts running a 24-hour, seven day a week operation, 52 weeks of the year, therefore under the operational control approach Shell UK Ltd are responsible for reporting under SECR
- Northampton Terminal is currently owned by Infranorth Limited and is operated by PX Limited. The Company doesn't fall within the reporting scope as it does not meet the description of large business or LLP as defined in sections 465 and 466 of the Companies Act 2006.

DIRECTORS' REPORT

Site Overview

The Stanlow Refinery has operated in its current form since the 1970's. It is the second largest refinery in the UK and operates the largest fluidised catalytic cracker (FCCU) in Europe. The refinery is situated near to Ellesmere Port and was acquired by Essar Oil (UK) Ltd from Shell Plc in 2011. The refinery processes up to 11 million tonnes of crude oil every year and has the ability to handle a range of crude feedstocks.

The site is regulated under COMAH, IED and United Kingdom Emission Trading Scheme (UKETS) and consists of a crude off-loading and storage (Stanlow Terminals), crude distillation, FCCU, gas plant, gasoline hydrotreating, platformer and naphtha hydrotreating, ethyl benzene unit, aromatics, HFA unit (including SHU and butamer), diesel hydrotreater, sulphur recovery unit, centralised control room (CCR), road tanker loading, workshops and office blocks.

Stanlow's crude is oil is received at the Tranmere Oil Terminal where there are two berths (Tranmere North and South) used to unload the oil to storage tanks within the terminal, after which it is pumped 15 miles by pipeline to Stanlow. There are also monthly import cargoes of Ultra Low Sulphur Diesel (ULSD). The terminal Opened in the 1960's to handle vessels of up to 65,000 tonnes and at present it is capable of handling cargo sizes up to 170, 000 tonnes on part laden Very Large Crude Carriers (VLCCs). Approximately 4,000 million litres of petrol, 3,000 million litres of diesel and 2,000 million litres of kerosene are produced at Stanlow each year. For these refinery end products, approximately 40% are delivered by road, 40% by pipeline and 20% via the Manchester Ship Canal to customers.

Data Sources

Data for electricity, fuel and gas consumption at the sites has been sourced from UK-Emissions Trading System (UK-ETS) data collection spreadsheets, direct meter readings and invoice data collected throughout the SECR reporting period. Two data sources that sit outside of the UK ETS reporting parameters were also incorporated within the reporting boundary.

Assumptions and Limitations

Energy consumption and resultant GHG emissions arising from business travel in vehicles, where Essar is responsible for purchasing the fuel, has been excluded from the reported energy and emissions totals. This follows the guidelines of the GHG Protocol Corporate Standard, as the energy and carbon figures relating to business travel are estimated to make-up less than 1% of the total energy and carbon totals for Essar.

Methodology

In preparing this report, Essar has followed the HM Government Environmental Reporting Guidelines (March 2019) 1 as well as the GHG Protocol Corporate Standard 2. The 2021 UK Government's Conversion Factors for Company Reporting have been used to calculate GHG emissions.

1 Environmental Reporting Guidelines including streamlined energy and carbon reporting guidance (March 2019), HM Government https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/850130/Env-reporting-guidance_inc_SECR_31March.pdf
2 The Greenhouse Gas Protocol: A Corporate Accounting and Reporting Standard (2004), GHG Protocol https://ghgprotocol.org/corporate-standard Page 3

DIRECTORS' REPORT

Energy totals are reported in kilowatt-hours (kWh) and GHG totals are reported in tonnes of carbon dioxide equivalent (tCO2e). The chosen intensity measurement ratio is total emissions per tonne of crude oil processed (tCO2e/TCOP).

Table 1 presents Essar's energy consumption and resultant GHG emissions for the reporting period.

Table 1 – SECR Summary

REPORTING PARAMETER	Year Ended 30 Sept 2021	Year Ended 30 Sept 2020 (restated)#
Total energy consumption (kWh)	**9,559,098,342***	**8,974,706,346***
Energy consumption from combustion of gas (scope 1)	5,945,648,132*	5,732,404,579*
Energy from other activities which the company own or control including operating of facilities (Scope 1)	3,541,216,246*	3,149,767,689*
Energy consumption from purchased electricity (scope 2)	72,233,964*	92,534,078*
Total gross GHG emissions (tCO2e)	**2,224,417***	**2,147,245***
Emissions from combustion of gas (Scope 1)	1,089,656*	1,087,795*
Emissions from other activities which the company own or control including operating of facilities (Scope 1)	1,119,424*	1,037,877*
Emissions from purchased electricity (Scope 2)	15,337*	21,573*
Intensity ratio (tCO2e/TCOP)	**0.27**	**0.25**

*Figures have been rounded.

#2020 numbers restated to include emission from liquid fuels

The intensity ratio is higher as a result of drop in crude throughput for the year 2021

Energy Efficiency Actions Taken

In the period covered by the report, Essar has introduced several energy efficiency measures to help reduce energy consumption and drive down carbon emissions. With Stanlow Refinery responsible for the majority of Essar's energy consumption and emissions, energy efficiency initiatives have been primarily focused on this subsidiary.

Table 2 presents Essar's energy saving measures and resultant increased efficiencies for the reporting period.

DIRECTORS' REPORT

Table 2 –Energy saving measures

Category	***Description of the action taken***	***Energy saving***
Steam Leak Management	Leaks have multiple negative effects on steam-based plant operations, including energy losses, increased emissions, loss of reliability, production issues, and safety. During the reporting period, over 90 steam leaks (in addition to the 300+ last year) have been fixed.	5 MWth
Fired Equipment Stack Heat Recovery	Boiler House Stack Temperature Control phase 2 was implemented to dynamically control temperature as fuel mix changes.	0.75 MWth
Fired Equipment Stack Heat Recovery	Platformer Furnace Stack Temperature control and monitoring improved	0.25 MWth; 1KT CO2
Power Recovery from process Gas	Power Recovery (PRT) suffered from an unreliable relief system, which led to frequent bypassing and energy losses. New designs have been developed and installed, recovering 4 MW of electrical energy from the waste gas.	4 MWe
Steam Turbines	A steam turbine was brought into service to recover pressure energy previously let down between Medium and Low pressure steam headers.	1.6MWe
Distillation Column Optimisation	Optimisation of the process when production rates are low.	0.5 MWth
Distillation Column Optimisation	Introducing an increased frequency of sampling to improve management of product quality and be able to reduce steam injection in a major distillation column.	0.2MWth
Distillation Column Optimisation	Reduced system pressure of a major column in winter to minimise energy use.	0.1MWth
Distillation Column Optimisation	Producing Higher quality propane in platformer unit allowed it to be routed directly to product, removing the need for re-processing in 3 distillation columns elsewhere.	0.3MWth
Integration between process units	By transferring intermediates at a higher temperature between units, able to avoid cooling then re-heating the streams	1.1MWth
Heat Exchange	Applying recommendations from digitalized heat exchanger monitoring (installed last year) cleaned 12 exchangers in a key unit.	2.9MWth
Waste Gas Recovery	Improved Performance of flare gas recovery system, reducing flare gas emissions by 70%.	10MWth; 12KT CO2
Steam Condensate Recovery	Increasing the recovery of lost steam condensate by 1800 T/D allowed for recovering the high quality water and the thermal energy.	2MWth
Instrument air	Reduced losses and retired old, least efficient of the site instrument air compressors.	0.3MWe

DIRECTORS' REPORT

In addition, a number of projects have been started in the reporting period. Upon completion, those projects will lead to substantial efficiency improvements and energy savings.

Table 3 – Energy and carbon saving projects in progress

Category	***Description***	***Energy saving***
Fired Equipment Stack Heat Recovery	Project to implement a new online fuel gas analyser has started to allow further optimisation of the stack heat recovery.	
Upgrade to Major Process furnace at Crude Distillation Unit	Replacement of a major furnace to deliver 6% efficiency improvement, elimination of liquid firing and to make H2 ready. Due for site installation 2023.	20KTA CO2
New Air control valve for aromatics Furnace	Project to reduce excess air flow and increase furnace efficiency.	4MWth
Improved combustion controls for platformer furnace	Better management of variations in fuel gas quality by improving control algorithms.	0.2MWth
Replace Major Platformer Heat Exchange system	Commenced engineering for replacement and upgrade of major heat exchanger, new design will use enhanced tube internals to maximise heat recovery	9MWth
New CHP	Front End Engineering of new CHP plant to improve efficiency and allow electrification of numerous steam users	12 MWe
HyNet project	2019 the Department for Business, Energy and Industrial Strategy (BEIS) awarded funding for hydrogen projects involving Essar Stanlow Oil Refinery. The funding provided to the HyNet consortium, of which Essar Oil UK is a member, includes plans to develop Low Carbon Hydrogen Plant at Stanlow Refinery coupled with Carbon Capture and Storage (CCS) infrastructure. More widely, HyNet will supply hydrogen to a range of other industry network. In October 2021 HyNet has been selected by the UK Government, to progress within Track 1 of the industrial decarbonisation Cluster Sequencing process. Track-1 clusters are expected to start decarbonising industry by 2025.	

DIRECTORS' REPORT

Future developments

Please refer to the Strategic report on page 2 to 8 and note 38 for events after the reporting period

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 Group'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 Group'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

The auditors, PKF Littlejohn LLP, have expressed their willingness to continue in office as auditor.

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

Deepak K Maheshwari
Director

31st January 2022

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 Group and company financial statements for each financial year. The Directors have elected under company law to prepare the Group financial statements in accordance with international accounting standards in conformity with the requirements of the UK-adopted International Accounting Standards and have elected under company law to prepare the company financial statements in accordance with UK-adopted International Accounting Standards and applicable law.

The Group and company financial statements are required by law and UK-adopted International Accounting Standards to present fairly the financial position of the Group and the company and the financial performance of the Group and the company. The Companies Act 2006 provides in relation to such financial statements that references in the relevant part of that Act to financial statements giving a true and fair view are references to their achieving a fair presentation.

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 Group and the company and of the profit or loss of the Group and the company for that period.

In preparing each of the Group and company financial statements, the directors are required to:

a. select suitable accounting policies and then apply them consistently;
b. make judgements and accounting estimates that are reasonable and prudent;
c. state whether they have been prepared in accordance with UK-adopted International Accounting Standards;
d. prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Group and the company will continue in business.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Group's and the company's transactions and disclose with reasonable accuracy at any time the financial position of the Group and the company and enable them to ensure that the financial statements comply with the requirements of the Companies Act 2006. They are also responsible for safeguarding the assets of the Group and the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

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

Deepak K Maheshwari
Director

31st January 2022

CORPORATE GOVERNANCE REPORT

Background

For the year ended 30 September 2021, under the Companies (Miscellaneous Reporting) Regulations 2018, the Company has applied the Wates Corporate Governance Principles for Large Private Companies (published by the Financial Reporting Council) ('FRC') in December 2018 and available on the FRS website).

Set out below is how the principles have been applied by the Directors over the last year and will continue to be applied in the next financial year throughout our work.

Overview

The governance and leadership structure of Essar Oil (UK) Limited comprise the following key boards:

WATES PRINCIPLE 1 – PURPOSE AND LEADERSHIP	***"An effective board develops and promotes the purpose of a company, and ensures that its values, strategy and culture align with that purpose"***	The key strategic focus of the Board during FY20/21 was to provide oversight, challenge and support to the Executives as they led the Company in navigating the impact of, and response to, the Covid-19 pandemic. This included mobilisation of remote working, where possible, at the start of the pandemic and the adaption of operating standard, business plans and managing cash flows to meet the challenges that the pandemic introduced. Essar is committed to playing a key role in the decarbonisation of the UK economy, with ambitious plans to build a low carbon energy industrial cluster at Stanlow. Supporting the transition to a "Low Carbon Energy Provider" of the future, our vision is aligned with the UK Government's Ten Point Plan on the Green Industrial Revolution. We are a core consortium member of HyNet North West, the UK's leading industrial decarbonisation cluster. HyNet North West was in October 2021 confirmed by Department of Business, Energy and Industrial Strategy (BEIS) as Track-1 clusters for the mid-2020s and will be taken forward into Track-1 negotiations. As part of the process, via our majority owned subsidiary Vertex Hydrogen Limited we have submitted our phase 2 application in January 2022, which if successful will result in the construction a hydrogen production plant at our Stanlow site. This plant will provide Essar, local industries and other consumers with low carbon hydrogen to decarbonise our own energy demand in addition to creating a hydrogen economy across North West England and North East Wales. In addition, the company is also working with Fulcrum BioEnergy who wish to create a new facility at Company's Stanlow site, which will convert household waste into sustainable aviation fuel (SAF) for blending into aviation fuel.
WATES PRINCIPLE 2 - BOARD COMPOSITION	***"Effective board composition requires an effective chair and a balance of skills, backgrounds, experience and knowledge, with individual directors having sufficient capacity to make a valuable contribution."***	The EOUK Board comprises two Executive Directors and five Non-Executive Directors. The individual directors bring a wide range of experience, aligned to our purpose, including finance, sales, marketing and trading, project execution and governance and risk assessment. All director appointments are subject to approval by the Remuneration, Nomination & Diversity Committee. Additionally EOUK announced the formation and appointment of the company's first Advisory Council in July 2021. The new four-person Council comprises highly experienced senior leaders from across the legal, financial and diplomatic sectors and will be responsible for advising the EOUK Board and providing an additional layer of independent, third party expertise on a range of strategic priorities, including both commercial risk management and corporate finance matters. A short biography for each Board Director and member of the Advisory Council can be found on our website. https://www.essaroil.co.uk/

CORPORATE GOVERNANCE REPORT

WATES PRINCIPLE 3 – DIRECTOR RESPONSIBILITIES	***“The board and individual directors should have a clear understanding of their accountability and responsibilities. The board’s policies and procedures should support effective decision-making and independent challenge.”***	The EOUK Board meets regularly throughout the year to review the performance of the Company and deal with matters requiring board approval. It also convenes on a more ad-hoc basis, as required, to manage the business of the Company. Certain items of business are delegated to the three principal Board committees: the Audit and Risk Committee; the Remuneration, Nomination & Diversity Committee; and the HSSE Committee. Each committee operates under clear terms of reference. The Board utilises its Committees to assist it in providing oversight, challenge and guidance to the Executive in the areas of Risk, Audit, Remuneration, Diversity, HSSE and Information Security. The Chief Executive officer and the rest of his Executive Leadership Team (ELT) are responsible for implementing the strategy set by the Board and leading the day-to-day running and operations of the Company. A short biography for each member of the ELT can be found on our website. https://www.essaroil.co.uk/ During the financial year, in response to the Covid-19 pandemic, the EOUK board met at least once a month and accordingly the frequency of committee meetings was reduced as matters were discuss with all Board members participating.
WATES PRINCIPLE 4 - OPPORTUNITY AND RISK	***“A board should promote the long-term sustainable success of the company by identifying opportunities to create and preserve value, and establishing oversight for the identification and mitigation of risks.”***	EOUK recognises the opportunities and risks to the achievement of our objectives and purpose. The Board has established an Audit and Risk Committee with delegated responsibility for ensuring that the financial performance, position and prospects of the Company are properly monitored and reported on. The committee meets with the auditors and discusses their reports on the accounts and the Company’s financial controls and recommends the appointment of auditors. It also reviews the internal controls and risk management processes, including the output from internal audits. Given the high volatility of Crude/Petroleum product prices, it is necessary for EOUK to constantly monitor and evaluate its exposure to uncertainty in prices. In order to protect the company against adverse movements in price, it is necessary for the company to adopt industry best practices of Price Risk Management. To manage this the board has established a management committee comprising of the CEO, CFO, Head of International Supply & Trading and the Risk Manager, collectively the Risk Management Committee (RMC). The RMC meets as required, usually weekly but not less than monthly, to manage pricing and commodity risk.
WATES PRINCIPLE 5 - REMUNERATION	***“A board should promote executive remuneration structures aligned to the long-term sustainable success of a company, taking into account pay and conditions elsewhere in the company.”***	The EOUK Board has established a Remuneration, Nomination & Diversity Committee. The Committee determines the terms and conditions of service of Executive Directors. The remuneration and terms and conditions of appointment of Non-Executive Directors are set by the Board. Remuneration is designed to be appropriate and fair, to recruit and retain high quality directors, management and workforce. The committee also sets objectives for performance related incentives, aligned with our purpose and strategic objectives, for Executive Directors and other senior management, and reviews performance against those objectives. A copy of the EOUK 2020 Gender Pay Gap Report is available on our website. https://www.essaroil.co.uk/
WATES PRINCIPLE 6 – STAKEHOLDER RELATIONSHIPS	***“Directors should foster effective stakeholder relationships aligned to the***	The EOUK Board ensures a dialogue with all stakeholders including: our primary shareholder; Government departments; regulators; customers; suppliers, the communities local to our operations and employees.

CORPORATE GOVERNANCE REPORT

AND ENGAGEMENT	***company's purpose. The board is responsible for overseeing meaningful engagement with stakeholders, including the workforce, and having regard to their views when taking decisions."***	Employee engagement includes weekly refinery updates from the COO, regular business updates from the CEO and multiple emails and news posted on the company intranet. During 2020/21, although face to face engagement was significantly reduced, the use of virtual meeting technology provided a valuable communication mechanism. Quarterly performance updates of the Company are provided to the Board by the ELT. In September 2021, the EOUK Board met in person with the Executive Leadership Team at the Stanlow Refinery for a quarterly performance update and general engagement with employees. The Board also met with the Advisory Council who were given a tour of the Stanlow site and the ELT, Board and Advisory Council held a strategy session focussing on strategic areas for the Advisory Council to support the Company on. In order to ensure the meaningful engagement of employees, both directly and indirectly via their elected representatives, a tripartite Partnership Agreement was included as part of the December 2021 pay, bonus & pensions' Agreement (with Unite the Union and the Employee Forum). The Partnership Agreement commits the Company to the establishment of tripartite forums, attended by EOUK's senior leadership team, senior Unite stewards and Employee Forum representatives that will drive the underpinning relationships required to help facilitate the transition of Stanlow into a low carbon energy hub of the future, in support of the Green Industrial Revolution. The company places a high importance on engagement with its various stakeholders, at both local and national level. The Company also has Board representation on the Ellesmere Port Development Board, an enterprise which looks to attract inward investment into Ellesmere Port, create employment and improve the quality of life of its residents.

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

Opinion We have audited the financial statements of Essar Oil (UK) Limited (the 'parent company') for the year ended 30 September 2021 which comprise the Consolidated Statement of Comprehensive Income, the Consolidated and Parent Company Statements of Financial Position, the Consolidated and Parent Company Statements of Changes in Equity, the Consolidated and Parent Company Statements of Cash Flows and notes to the financial statements, including significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and International Accounting Standards in conformity with the requirements of the Companies Act 2006.

In our opinion:

- the financial statements give a true and fair view of the state of the Group's and of the parent company's affairs as at 30 September 2021 and of the Group's loss for the year then ended;
- the Group financial statements have been properly prepared in accordance with International Accounting Standards in conformity with the requirements of the Companies Act 2006;
- the parent company financial statements have been properly prepared in accordance with International Accounting Standards in conformity with the requirements of the Companies Act 2006; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

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

Material uncertainty related to going concern

We draw attention to note 3 in the financial statements, which identifies conditions that may cast significant doubt on the Group and the Parent Company's ability to continue as a going concern. The Covid-19 pandemic significantly impacted overall Group performance and as a result the Group requires financing solutions to mitigate the risk of defaulting on payments due. Significant progress has been made during the year in both securing additional financing and improvement in trading conditions due to lockdown restrictions being relaxed over the period leading to improvement in products demand and margins, notwithstanding that, discussions on these solutions are underway but have not concluded. As stated in note 3, these events or conditions, along with the other matters as set forth in note 3, indicate that a material uncertainty exists that may cast significant doubt on the company's ability to continue as a going concern.

Our opinion is not modified in respect of this matter.

In auditing the financial statements, we have concluded that the directors' use of the going concern basis of accounting is appropriate.

Our responsibilities and the responsibilities of the directors with respect to going concern are described in the relevant sections of this report.

Other information

The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. The directors are responsible for the other information contained within the annual report. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon. Our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the course of the audit, or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether this gives rise to a material misstatement in the financial statements themselves. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

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

Opinions on other matters prescribed by the Companies Act 2006

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

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

Matters on which we are required to report by exception

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

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

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

Responsibilities of directors

As explained more fully in the directors' responsibilities statement, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditor's responsibilities for the audit of the financial statements

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

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below:

- We obtained an understanding of the Group and parent company and the sector in which it operates to identify laws and regulations that could reasonably be expected to have a direct effect on the financial statements. We obtained our understanding in this regard through discussions with management, industry research, application of cumulative audit knowledge and experience of the sector.
- We determined the principal laws and regulations relevant to the company in this regard to be those arising from:
    - Companies Act 2006
    - Employment law
    - Bribery Act
    - Health and Safety regulations
    - Environmental law
    - Control of Major Accidents Hazards Regulations

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

  - Anti Money Laundering Legislation
  - Tax laws and regulations
- We designed our audit procedures to ensure the audit team considered whether there were any indications of non-compliance by the company with those laws and regulations. These procedures included, but were not limited to:
  - A review of the Board minutes throughout the year and post year end;
  - A review of internal audit reports throughout the year
  - A review of general ledger transactions;
  - Discussion with management;
  - Confirmation from legal advisors
  - Discussions with inhouse legal counsel
- We also identified the risks of material misstatement of the financial statements due to fraud. We considered, in addition to the non-rebuttable presumption of a risk of fraud arising from management override of controls, revenue recognition and the carrying value of Property, Plant and Equipment. Discounted cash flow models are prepared to assess the value in use of the assets, of which incorporates areas of judgement and estimation uncertainty. We have obtained supporting documentation and explanations for those inputs, and challenged accordingly, including performing sensitivity analysis accordingly to assess the impact on the value in use.
- As in all of our audits, we addressed the risk of fraud arising from management override of controls by performing audit procedures which included, but were not limited to: the testing of journals; reviewing accounting estimates for evidence of bias; and evaluating the business rationale of any significant transactions that are unusual or outside the normal course of business.

Because of the inherent limitations of an audit, there is a risk that we will not detect all irregularities, including those leading to a material misstatement in the financial statements or non-compliance with regulation. This risk increases the more that compliance with a law or regulation is removed from the events and transactions reflected in the financial statements, as we will be less likely to become aware of instances of non-compliance. The risk is also greater regarding irregularities occurring due to fraud rather than error, as fraud involves intentional concealment, forgery, collusion, omission or misrepresentation.

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

Use of our report

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

Joseph Archer (Senior Statutory Auditor) 15 Westferry Circus

For and on behalf of PKF Littlejohn LLP Canary Wharf

Statutory Auditor London E14 4HD

31st January 2022

CONSOLIDATED INCOME STATEMENT
Period ended 30 September 2021

	Note	Year ended 30 Sept 2021 $m	Year ended 30 Sept 2020 $m
Revenue	4	7,320.3	6,005.5
Cost of sales		(7,449.5)	(6,039.6)
Gross loss		(129.2)	(34.1)
Selling and distribution costs		(18.5)	(30.9)
Administrative expenses		(77.5)	(48.7)
Net foreign exchange losses		(37.5)	(26.7)
Bad debts - write off		-	(94.1)
Bad debts reserve - Advances		-	100.0
Operating loss	5	(262.7)	(134.5)
Finance income	7	18.4	(19.9)
Finance costs	8	(77.0)	(66.4)
Loss before tax		(321.3)	(220.8)
Income tax expense	9	16.5	34.8
Loss for the year		(304.8)	(186.0)

The above results all derive from continuing operations.

The accounting policies and notes on pages 33 to 92 form part of these financial statements.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
Period ended 30 September 2021

	Note	Year ended 30 Sept 2021	Year ended 30 Sept 2020
		$m	$m
Loss for the period		(304.8)	(186.0)
Items that may subsequently be reclassified to the income statement			
Cash flow Hedge Accounting reserve	34	32.9	(23.3)
Items that will not be reclassified to the income statement			
Actuarial gains on defined benefit pension scheme	33	10.2	23.5
Increase in Revaluation Reserve	35	-	153.0
Other comprehensive income for the period before tax		**43.1**	**153.2**
Tax relating to components of other comprehensive income		(18.8)	(29.8)
Total other comprehensive income for the period		**24.3**	**123.3**
Total comprehensive income attributable to:			
Owners of the Group		**(280.5)**	**(62.7)**

The accounting policies and Notes on pages 33 to 92 form part of these financial statements.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
As at 30 September 2021

	Note	30-Sep-21 $m	30-Sep-20 $m
Non-current assets			
Intangible assets	10	8.8	7.2
Property, plant and equipment	11	987.0	1,030.1
Right of use assets	12	71.8	73.4
Long term deposits	16	-	2.6
Long term loans	17	226.5	226.1
Retirement benefits	33	32.2	4.2
		1,326.3	1,343.6
Current assets			
Current tax receivable	18	18.5	60.8
Inventories	19	327.4	225.8
Short term deposits	16	111.5	28.6
Trade and other receivables	20	492.2	719.2
Derivative financial instruments	21	10.9	33.0
Cash and cash equivalents	22	85.4	123.4
		1,045.9	1,190.8
Total assets		2,372.2	2,534.4
Current liabilities			
Trade and other payables	23	1,121.0	1,256.9
Lease liabilities	28	1.8	1.6
Advances received against trade receivables	24	70.7	440.8
Provisions	29	19.8	5.2
Derivative financial instruments	21	28.3	4.9
Liability in relation to Inventory Monetisation Facility		200.4	120.0
		1,442.0	1,829.4
Net current liabilities		(396.1)	(638.6)
Non-current liabilities			
Lease liabilities	28	78.1	74.9
Long term liability	25	500.0	-
Deferred tax liabilities	27	66.6	64.1
		644.7	139.0
Total liabilities		2,086.7	1,968.4
Net assets		285.5	566.0
Equity			
Share capital	30	694.1	694.1
Retained deficit		(530.6)	(225.8)
Actuarial Valuation Reserve	33	-	(7.3)
Cash Flow Hedge Accounting Reserve	34	7.2	(18.9)
Asset Revaluation Reserve	35	114.8	123.9
Total equity		285.5	566.0

The accounting policies and notes on pages 33 to 92 form part of these financial statements.

The financial statements of Essar Oil (UK) Limited, registered number 07071400, were approved by the board of directors and authorised for issue on 31st January 2022 and signed on its behalf by:

Deepak Maheshwari
Director

COMPANY STATEMENT OF FINANCIAL POSITION
As at 30 September 2021

	Note	30-Sep-21 $m	30-Sep-20 $m
Non-current assets			
Intangible assets	10	8.7	7.0
Property, plant and equipment	11	697.2	741.0
Right of use assets	12	9.5	9.4
Net Investment in lease	13	69.1	66.4
Investment in subsidiaries	14	6.7	6.5
Long term deposits	16	-	2.6
Long term loans	17	249.4	248.1
Retirement benefits	33	32.2	4.2
		1,072.8	1,085.2
Current assets			
Current tax receivable	18	18.5	60.8
Inventories	19	310.2	211.3
Short term loans	17	208.4	253.3
Short term deposits	16	96.4	27.1
Trade and other receivables	20	536.5	746.9
Derivative financial instruments	21	10.9	33.0
Cash and cash equivalents	22	71.8	114.7
		1,252.7	1,447.1
Total assets		2,325.5	2,532.3
Current liabilities			
Trade and other payables	23	1,107.5	1,272.7
Lease liabilities	28	1.8	1.6
Advances received against trade receivables	24	70.7	440.8
Provisions	29	19.8	5.2
Derivative financial instruments	21	28.3	4.9
Liability in relation to Inventory Monetisation Facility		200.4	120.0
		1,428.5	1,845.2
Net current liabilities		(175.8)	(398.1)
Non-current liabilities			
Lease liabilities	28	78.1	74.9
Long Term Liability	25	500.0	-
Deferred tax liabilities	27	12.6	22.5
		590.7	97.4
Total liabilities		2,019.2	1,942.6
Net assets		306.3	589.7
Equity			
Share capital	30	694.1	694.1
Retained deficit		(395.0)	(78.2)
Actuarial Valuation Reserve	33	-	(7.3)
Cash Flow Hedge Accounting Reserve	34	7.2	(18.9)
Total equity		306.3	589.7

COMPANY STATEMENT OF FINANCIAL POSITION
As at 30 September 2021 (continued)

The Company has elected to take the exemption under section 408 of the Companies Act 2006 not to present the Parent Company Statement of Comprehensive Income.

The Company reported loss after tax for the year ended 30 September 2021 of $334.8m (2020: loss after tax of $202.7m).

The accounting policies and notes on pages 33 to 92 form part of these financial statements.

The financial statements of Essar Oil (UK) Limited, registered number 07071400, were approved by the board of directors and authorised for issue on 31st January 2022 and signed on its behalf by:

Deepak K Maheshwari
Director

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
As at 30 September 2021 (continued)

		Share Capital	Retained Deficit	Actuarial Valuation reserve	Cash Flow Hedge Accounting reserve	Revaluation Reserve	Total equity
		$m	$m	$m	$m	$m	$m
At 30 September 2019 – as previously reported		**694.1**	**19.0**	**-**	**-**	**-**	**713.1**
Impact of adoption of IFRS 16		-	(3.4)	-	-	-	(3.4)
Reclassification of actuarial valuation reserve		-	25.6	(25.6)	-	-	-
30 September 2019 – as restated		**694.1**	**41.2**	**(25.6)**	**-**	**-**	**709.7**
Loss for the year		-	(186.0)	-	-	-	(186.0)
Other comprehensive income for the year		-	-	23.5	(23.3)	153.0	153.2
Tax on items charged to equity				(5.2)	4.4	(29.1)	(29.9)
Total comprehensive income		**-**	**(186.0)**	**18.3**	**(18.9)**	**123.9**	**(62.7)**
Transactions with Owners							
Dividends paid	36	-	(81.0)	-	-	-	(81.0)
At 30 September 2020		**694.1**	**(225.8)**	**(7.3)**	**(18.9)**	**123.9**	**566.0**
Loss for the year		-	(304.8)	-	-	-	(304.8)
Other comprehensive income for the year		-	-	10.2	32.9	-	43.1
Tax on items charged to equity	36	-	-	(2.9)	(6.8)	(9.1)	(18.8)
Total comprehensive income		**-**	**(304.8)**	**(7.3)**	**26.1**	**(9.1)**	**(261.7)**
At 30 September 2021		**694.1**	**(530.6)**	**-**	**7.2**	**114.8**	**285.5**

Nature and purpose of Reserves

(i) Share Capital:

Ordinary shares entitle the holder to participate in dividends and the proceeds on the winding up of the company in proportion to the number of and amounts paid on the shares held.

On a show of hands every member present at a meeting in person or by proxy shall have one vote and upon a poll each share shall have one vote.

(ii) Retained Deficit:

Retained deficit reserves reflect cumulative profit and losses net of distributions to owners.

(iii) Actuarial Valuation Reserve:

Actuarial revaluation reserve represents amounts set aside for future pension liabilities in respect of the Defined Benefit scheme of Essar Oil UK Limited, see note 33 for details

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
As at 30 September 2021 (continued)

(iv) Cash Flow Hedge Accounting Reserve:

The Cash flow hedge accounting reserve includes the cash flow hedge reserve, see note 34 for details. The cash flow hedge reserve is used to recognise the effective portion of gains or losses on derivatives that are designated and qualify as cash flow hedges, as described in note 3. Amounts are subsequently either transferred to profit or loss as appropriate.

(v) Revaluation Reserve:

The Revaluation reserve is used to record increments and decrements on the revaluation of infrastructure assets. In the event of a sale of an asset, any balance in the reserve in relation to the asset is transferred to retained earnings, see note 35 on significant accounting policies for details

The accounting policies and notes on pages 33 to 92 form part of these financial statements.

COMPANY STATEMENT OF CHANGES IN EQUITY
As at 30 September 2021

		Share Capital	Retained Deficit	Actuarial Valuation reserve	Cash Flow Hedge Accounting reserve	Revaluation Reserve	Total equity
		$m	$m	$m	$m		$m
At 30 September 2019		**694.1**	**37.8**	**(25.6)**	**-**	**-**	**706.3**
		-					
Profit for the year			(202.7)	-	-	-	(202.7)
Other comprehensive income for the year		-	(3.4)	18.3	(18.9)	153.0	149.0
Transfers			153.0			(153.0)	-
Total comprehensive income		**-**	**(53.0)**	**18.3**	**(18.9)**	**-**	**(53.6)**
Transactions with owners							
Dividends paid	36	-	(81.0)	-	-	-	(81.0)
Dividends received			18.0	-	-	-	18.0
At 30 September 2020		**694.1**	**(78.2)**	**(7.3)**	**(18.9)**	**-**	**589.7**
Profit for the year		-	(334.8)	-	-	-	(334.8)
Other comprehensive income for the year		-	-	10.2	32.9	-	43.1
Tax on items charged to equity		-	-	(2.9)	(6.8)	-	(9.7)
Total comprehensive income		**-**	**(334.8)**	**(7.3)**	**26.1**	**-**	**(301.4)**
Transactions with owners							
Dividends received		**-**	**18.0**	**-**	**-**	**-**	**18.0**
At 30 September 2021		**694.1**	**(395.0)**	**-**	**7.2**	**-**	**306.3**

The accounting policies and notes on pages 33 to 92 form part of these financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS
Period ended 30 September 2021

		Year ended 30 Sept 2021 $m	Year ended 30 Sept 2020 $m
Net cash generated by operating activities	31	543.1	546.3
Investing activities			
Interest received / (paid)		18.4	(19.9)
Purchase of intangible assets		(2.4)	(1.5)
Purchases of property, plant and equipment		(49.1)	(75.4)
Net cash generated from investing activities		(33.1)	(96.8)
Financing activities			
Decrease in short term bank advances		(370.1)	(66.2)
Increase in other deposits and advances		(80.7)	(234.1)
Interest, charges and fees paid		(77.0)	(66.4)
Dividends paid		-	(81.0)
Net cash used in financing activities		(527.8)	(447.7)
Net (decrease)/increase in cash and equivalents		(17.8)	1.8
Effect of foreign exchange rate changes		(20.3)	9.5
Cash and cash equivalents at beginning of year		123.5	112.1
Cash and cash equivalents at end of year		85.4	123.5

Refer Note 31 for reconciliation of movements in Net debt.

The Company has not prepared its cash flow statement as the cash flows are included in the consolidated statement of cash flows above.

The accounting policies and Notes on pages 33 to 92 form part of these financial statements.

COMPANY STATEMENT OF CASH FLOWS
Period ended 30 September 2021

		Year ended 30 Sept 2021 $m	Year ended 30 Sept 2020 $m
Net cash generated by operating activities	31	428.7	486.4
Investing activities			
Interest received / (paid)		33.9	6.7
Purchase of intangible assets		(2.4)	(1.5)
Purchases of property, plant and equipment		(32.8)	(69.2)
Proceeds from disposal of property, plant and equipment		-	265.8
Dividend Received		18.0	18.0
Net cash generated from investing activities		16.7	206.4
Financing activities			
Decrease in short term bank advances		(370.1)	(66.2)
Increase in other deposits and advances		(23.1)	(488.5)
Interest, charges and fees paid		(74.8)	(63.6)
Dividends paid		-	(81.0)
Net cash used in financing activities		(468.0)	(699.3)
Net decrease in cash and equivalents		(22.6)	(6.4)
Effect of foreign exchange rate changes		(20.3)	9.5
Cash and cash equivalents at beginning of year		114.7	111.6
Cash and cash equivalents at end of year		71.8	114.7

Refer Note 31 for reconciliation of movements in Net debt.

The accounting policies and Notes on pages 33 to 92 form part of these financial statements.

NOTES TO THE FINANCIAL STATEMENTS

1 General information

Essar Oil (UK) Limited is a company incorporated, domiciled and registered in England in the United Kingdom under the Companies Act 2006. The registered number is 07071400 and the registered address is 5th Floor, The Administration Building, Stanlow Manufacturing Complex, Ellesmere Port, CH65 4HB. These financial statements are prepared for Essar Oil (UK) Limited and its subsidiaries, together 'the Group', under the Companies Act 2006.

The principal activities of the Group are outlined in the Strategic Report forming part of these financial statements. These financial statements are presented in US Dollars as the currency of the primary economic environment in which the Group operates. Transactions in other foreign currencies are included in accordance with the accounting policies set out in note 2.

2 Significant accounting policies

Basis of preparation

The financial statements have been prepared in accordance with International Accounting Standards in conformity with the requirements of the Companies Act 2006 and in accordance with the requirements of the Companies Act 2006.

The financial statements have been prepared under the historical cost convention, as modified by the revaluation of Terminal Assets, financial assets and liabilities (including derivative instruments) at fair value, and defined benefit pension plans for which the plan assets are also measured at fair value. The principal accounting policies adopted are set out below and are applied consistently throughout the years presented.

The preparation of the financial statements in compliance with International Accounting Standards that require the use of certain critical accounting estimates. It also requires management to exercise judgement in applying accounting policies. The areas where significant judgements and estimates have been made in preparing the financial statements and their effect are disclosed in note 2.

The accounts have been presented in the company's functional currency, US dollars.

The principal accounting policies detailed below have been consistently applied to all years presented.

Basis of consolidation

The consolidated financial statements incorporate the financial statements of Essar Oil (UK) Limited and entities controlled by the Company (its subsidiaries – note 14) made up to the period end date. Control is achieved when the Company has power over the investee; is exposed, or has rights, to variable returns from its involvements with the investee; and has the ability to use its power to affect its returns.

Inter-company transactions, balances and unrealised gains on transactions between Group companies are eliminated. Unrealised losses are also eliminated. When necessary, amounts reported by subsidiaries have been adjusted to conform with the Group's accounting policies.

Accounting developments

New standards, amendments and interpretations adopted in the preparation of the financial statements.

The IASB has issued the following standards and amendments, which have been adopted by the Group and have not had a material impact.

2 Significant accounting policies (continued)

Standard	Key Requirements
Amendments to IAS 1 and IAS 8: Definition of material	The Group adopted the amendments to IAS 1 and IAS 8 to clarify the definition of material and its application for the accounting period commencing 1 August 2020.
Amendments to References to the Conceptual Framework in IFRS Standards	The Group adopted the amendments References to the Conceptual Framework for IFRS Standards for the accounting period commencing 1 August 2020.
Amendment to IFRS 16 Leases – Covid 19 Related Rent Concessions	The Group adopted the amendments to IFRS 16 Leases – Covid 19 Related Rent Concessions for the accounting period commencing 1 August 2020.

The Group does not expect any standards issued by the IASB, but not yet effective, to have a material impact on the company.

Revenue recognition

(a) Sale of petroleum products, RTFO certificates and CSO tickets

Revenue from the sale of petroleum products, RTFO certificates and CSO tickets is measured at the fair value of consideration received or receivable, net of trade discounts, volume rebates, value added tax, sales taxes and excise duties. A sale is recognised when economic benefits associated with the sale are expected to flow to the Group and control of the goods have passed to the customer. 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. Following the transfer of title, the buyer has full discretion over the manner of distribution and price to sell the goods, has the primary responsibility when on-selling the goods and bears the risks of obsolescence and loss in relation to the goods. A receivable is recognised by the Group when the goods are delivered to the customer as this represents the point in time at which the right to consideration becomes unconditional, as only the passage of time is required before payment is due. Under the Group's standard contract terms, customers do not have a right of return once the delivery is complete unless the product supplied does not meet the required specifications. The Group has robust control measures in place including adequate testing and sampling procedures to ensure the product supplied meet the specifications contracted with the customer. The Group uses its accumulated historical experience and considers it is highly probable that a significant reversal in the cumulative revenue recognised will not occur given the insignificant level of returns over previous years.

Additional information on revenue and derecognition of financial assets is provided at note 3.

The Group accounts for sales and purchases of crude and product inventories with Macquarie Bank Limited 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.

(b) The provision of managed services and storage service

Revenue from contracts for the provision of services is measured based on the consideration specified in a contract with a customer and excludes amounts collected on behalf of third parties. The Group recognises revenue when it transfers control of service to a customer, at a point in time. The Group does not have contracts where the period between the transfer of the promised services to the customer and payments by the customer exceeds one year. As such, no adjustments are made to the transaction prices for the time value of money.

NOTES TO THE FINANCIAL STATEMENTS

2 Significant accounting policies (continued)

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.

As detailed in note 3 in relation to Recognition of inventory, the Group records crude oil inventories as and when drawn for consumption from the stocks of inventory monetisation provider. Product inventories of the Company are recorded in the financial statement regardless of ownership by inventory monetisation provider with a corresponding liability recognised in the books.

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.

Derivatives and Hedging Activities

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

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

Derivative financial instruments are accounted for at fair value throught the profit and loss (FVTPL) except for derivatives designated as hedging instruments in cash flow hedge relationships which require a specific accounting treatment. To qualify for hedge accounting, the hedging relationship must meet all of the following requirements:

- There is an economic relationship between the hedged item and the hedging instrument
- The effect of credit risk does not dominate the value changes that result from that hedging relationship
- The hedge ratio of the hedging relationship is the same as that resulting from the quantity of the hedged item that the entity actually uses to hedge that quantity of hedged item.

At inception of the hedge relationship, the Group documents the economic relationship between hedging instruments and hedged items, including whether changes in the cash flows of the hedging instruments are expected to offset changes in the cash flows of hedged items. The Group documents its risk management objective and strategy for undertaking its hedge transactions

Derivatives designated as hedging instruments are primarily in respect of pricing and margin exposures in relation to commodities and the Group enters into hedge relationships where the critical terms of the hedging instrument are similar as the hedged item, such as the index price, maturity dates and notional amount. The Group does not hedge 100% of its exposure, therefore the hedged item is identified as a proportion of the exposure in relation to outstanding notionals of the hedged item for the maturity period. As all critical terms matched during the year, there is an economic relationship.

NOTES TO THE FINANCIAL STATEMENTS

2 Significant accounting policies (continued)

Derivatives and Hedging Activities (continued)

Hedge ineffectiveness may occur due to:

- Fluctuation in volume of hedged item caused due to operational changes
- Index basis risk of hedged item vs hedging instrument
- Credit risk as a result of deterioration of credit profile of the counterparties

Hedge ineffectiveness in relation to all designation hedges was negligible during 2021.

The fair values of various derivative instruments used for hedging purposes are disclosed in note 21. Movements on the hedging reserve in shareholders' equity are shown in note 34. The full fair value of a hedging derivative is classified as a non-current asset or liability if the remaining maturity of the hedged item is more than 12 months, and as a current asset or liability if the remaining maturity of the hedged item is less than 12 months. Trading derivatives are classified as a current asset or liability

For the reporting period under review, the Group has designated certain futures and swaps contracts as hedging instruments in cash flow hedge relationships. These arrangements have been entered into to mitigate the commodity price risk in relation to certain refinery margins of future period and the holding cost of the inventory held on the statement of financial position and the related cashflow risks.

All derivative instruments used for hedge accounting are recognsed initially at fair value and reported subsequently at fair value in the statement of financial position.

To the extent that the hedge is effective, changes in the fair value of derivatives designated as hedging instruments in cash flow hedges are recognised in other comprehensive income and included within the cash flow hedge reserves in equity. Any ineffectiveness in the hedge relationship is recongised immediately in profit or loss.

At the time the heged item affects profit or loss, any gain or loss previously recognised in other comprehensive income is reclassified from equity to profit or loss and presented as a reclassification adjustment within other comprehensive income. However, if a non financial asset or liability is recognised as a result of the hedged transaction, the gains or losses previously recognised in other comprehensive income are included in the intial measurement of the hedged item.

If a forecast transaction is no longer expected to occur, any related gain or loss recognised in other comprehensive income is transferred immediately to profit or loss. If the hedging relationship ceases to meet the effectiveness conditions, hedge accounting is discontinued and the related gain or loss is held in the equity reserve until the forecast transaction occurs.

Further details of derivative financial instruments including fair value measurements are disclosed in note 21.

2 Significant accounting policies (continued)

Property, plant and equipment

The valuation of Property, plant and equipment varies depending on the class of assets shown below:

Assets valued at cost less accumulated depreciation and impairment losses:	***Assets valued at fair value:***
Land and Buildings Plant and Machinery Fixtures, equipment and vehicles Assets under construction	Terminal Assets i.e, assets that are used in transportation of goods to and from the refinery. In case of these assets, fair value is determined by an independent third party provider using the acceptable method of valuation.

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. 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.

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.

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

Property, plant and equipment (continued)

Asset class	**Description of Assets**	**Useful life**
Land and Buildings	Land	Indefinite and not depreciated
	Buildings	40 years
Plant and machinery	Plant and equipment	10 – 30 years
	Catalyst	1- 12 years
	Precious metals	Indefinite and not depreciated
	Turnaround assets	1 – 5 years
	Pipelines	10 – 25 years
Fixtures, equipment and vehicles	Office fixtures and fittings	5 – 10 years
	Vehicles	5 – 10 years
Terminal Assets	Tanks and containers	10 – 30 years
Assets under construction	Any of above	Not depreciated

NOTES TO THE FINANCIAL STATEMENTS

2 Significant accounting policies (continued)

All assets other than terminal 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, the accounting policy for which can be found on the following page.

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

At inception, the Company assesses whether a contract is, or contains, a lease within the scope of IFRS 16. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. Where a tangible asset is acquired through a lease, the Company recognises a right-of-use asset and a lease liability at the lease commencement date. Right-of-use assets are presented separately on the face of the statement of financial position.

The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date plus any initial direct costs and an estimate of the cost of obligations to dismantle, remove, refurbish or restore the underlying asset and the site on which it is located, less any lease incentives received.

The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term. The estimated useful lives of right-of-use assets are determined on the same basis as those of other property, plant and equipment. The right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability.

The lease liability is initially measured at the present value of the lease payments that are unpaid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Company's incremental borrowing rate. Lease payments included in the measurement of the lease liability comprise fixed payments, variable lease payments that depend on an index or a rate, amounts expected to be payable under a residual value guarantee, and the cost of any options that the Company is reasonably certain to exercise, such as the exercise price under a purchase option, lease payments in an optional renewal period, or penalties for early termination of a lease.

The lease liability is measured at amortised cost using the effective interest method. It is remeasured when there is a change in: future lease payments arising from a change in an index or rate; the Company's estimate of the amount expected to be payable under a residual value guarantee; or the Company's assessment of whether it will exercise a purchase, extension or termination option. When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

The Company has elected not to recognise right-of-use assets and lease liabilities for short-term leases that have a lease term of 12 months or less, or for leases of low-value assets. The payments associated with these leases are recognised in profit or loss on a straight-line basis over the lease term.

When the Company acts as a lessor, leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessees, over the major part of the economic life of the asset. All other leases are classified as operating leases. If an arrangement contains lease and non-lease components, the Company applies IFRS 15 to allocate the consideration in the contract.

NOTES TO THE FINANCIAL STATEMENTS

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 are reviewed for indications of impairment at least annually. If impairment is indicated, the recoverable amount of the asset, which is deemed to be the greater of its fair value less cost to sell and value in use, is estimated. If the recoverable amount of the asset is less than its carrying value, an impairment charge is recognised immediately in profit or loss. 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 using the straight line method as follows:

- Software 5 years

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

Impairment of non-financial assets

The carrying amounts of assets are reviewed at each balance sheet date to determine whether there is any indication of impairment. An asset is deemed to be impaired if, and only if, there is objective evidence of impairment as a result of one or more events that has occurred after the initial recognition of the asset (an incurred 'loss event') and that loss event has an impact on the estimated future cash flows of the financial asset or the Group of financial assets that can be reliably estimated. If any such indication exists, a full impairment review is undertaken for that asset or Group of assets, and any estimated loss is recognised in the income statement. 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. For the purposes of assessing impairment assets are Grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units).

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.

Investments in subsidiaries

Investments in subsidiaries are recognised at cost less provisions for impairment.

Investments in joint arrangements

A joint arrangement is one in which two or more parties have joint control. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require the unanimous consent of the parties sharing control.

Some of the Group's activities are conducted through joint operations, whereby the parties that have joint control of the arrangement have the rights to the assets, and obligations for the liabilities, relating to the arrangement. The Group reports its interests in joint operations using proportionate consolidation – the Group's share of the assets, liabilities, income and expenses of the joint operation are combined with the equivalent items in the consolidated financial statements on a line-by-line basis.

Where the Group transacts with its joint operations, unrealised profits and losses are eliminated to the extent of the Group's interest in the joint operation.

2 Significant accounting policies (continued)

Financial instruments

Financial assets and financial liabilities are recognised when the Group becomes party to the contractual provisions of the instrument. Financial instruments are initially recognised at fair value. Transaction costs that are directly attributable to the acquisition or issue of the instrument, except for those subsequently measured at fair value, are added to or deducted from the fair value on initial recognition. Transaction costs directly attributable to instruments subsequently measured at fair value are recognised immediately in profit or loss.

Financial assets

Financial assets are classified at initial recognition as subsequently measured at amortised cost, fair value through profit or loss or fair value through other comprehensive income.

Financial assets are measured at amortised cost if they are held for the objective of collecting contractual cash flows, where the contractual terms of the financial asset give rise on specific dates to cash flows that are solely payments of principal and interest. After initial recognition, financial assets are measured at amortised cost using the effective interest rate method less the expected credit losses. Gains and losses are recognised in profit or loss when financial assets are derecognised, modified or impaired. Financial assets measured at amortised cost include trade and other receivables and inter-company receivables.

Financial assets are measured at fair value through other comprehensive income when they are held for both the objective of collecting contractual cash flows and to sell the financial asset, where the contractual cash flows are solely payments of principal and interest. The Group does not have any financial assets classified as fair value through other comprehensive income.

Financial assets are measured at fair value through profit or loss if they do not meet the criteria to be measured at amortised cost or fair value through other comprehensive income. After initial recognition, financial assets receivables do not contain a significant financing element and therefore expected credit losses are measured using the simplified approach set out by IFRS 9, which requires expected lifetime credit losses to be recognised. Inter-company receivables are assessed at each balance sheet date to determine whether there has been a significant increase in credit risk since initial recognition. Where there has not been a significant increase in credit risk, 12 month expected credit losses are recognised, increasing to lifetime expected credit losses where there has been a significant increase in credit risk.

Impairment of financial assets measured at amortised cost (continued)

Expected credit losses are determined with reference to the probability of default, loss given default and exposure at default.

In respect of loan advanced by the Company to its affiliate EOGL, EOUK holds the inter-company loan for the purpose of collecting contractual cash flows and does not intend to sell the asset, therefore EOUK has recorded the inter-company loan at amortised cost under IFRS 9. IFRS 9 introduced an impairment model based on expected credit losses (ECL). Intra Group trading and financing loans that are not classified at fair value through profit or loss are debt instruments that fall within the scope of IFRS 9 and are also subject to the Expected Credit Loss requirements (ECL). The inter-company debtor in EOUK is assessed on an annual basis for impairment under this approach with any identified expected credit losses provided for in the statement of comprehensive income. Under the general approach, the credit risk associated with the financial asset is assessed at each reporting date. The measurement of the impairment allowance depends on the assessment of the credit risk and whether it has significantly increased during the period. No loss event is required for an impairment allowance to be recognised and the loss allowance is updated at each reporting period to reflect changes in expected credit losses.

There is no prescribed method of assessing for a significant increase in credit risk; entities are expected to develop their own policies in this regard. Based on the Standard guidance, the Company performs an assessment of the expected credit losses considering General economic and/or market conditions, Operating performance of the borrower, Breaches of covenant, Changes to contractual terms e.g. granting concessions such as interest waivers, Cash flow or liquidity issues, Credit rating (if any) and Payment delays and past due information. Based on this assessment, it is concluded that there has been no significant increase in the credit risk of the loan since initial recognition.

2 Significant accounting policies (continued)

Impairment of financial assets measured at amortised cost (continued)

When measuring expected credit losses, an entity need not necessarily identify every possible scenario. However, it shall consider the risk or probability that a credit loss occurs by reflecting the possibility that a credit loss occurs and the possibility that no credit loss occurs, even if the possibility of a credit loss occurring is very low. As such, at least one event in which a credit loss occurs must be considered under IFRS 9. The Company noted that the only feasible event which would result in a credit loss for EOUK would be extreme political or economic changes which resulted in the cancellation of the projects within EOGL's subsidiaries. This scenario is considered to be extremely unlikely, especially when considering that the projects are still viable during the current economic circumstances within the Covid-19 pandemic. As such, the probability of such an event occurring in the next 12 months is remote. When this probability of default is applied to the drawn down loan balance as at the reporting date, the resulting expected credit loss has a highly immaterial impact on the Group and Company's financials, therefore no impairment provision has been made.

Financial liabilities

Financial liabilities are measured at amortised cost unless they are required to be measured at fair value through profit or loss, such as derivative financial instruments.

Financial liabilities including trade and other payables, advances received against receivables and inter-company receivables are initially recognised at fair value less transaction costs, and subsequently measured at amortised cost using the effective interest rate method.

Provisions and contingencies

Provisions are recognised when the Group 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.

Where it is not probable that a present obligation exists, or where a reliable estimate of the obligation cannot be made, the Group will disclose a contingent liability which is not recognised on the balance sheet.

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 Group 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.

Consequent to the recognition of the Inventories owned by Macquarie Bank Limited in the Group's Accounts (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 Group 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 and to the extent the cost to the Group of cash settling the inventory on the balance sheet date is lower than the carrying value of the inventory, the corresponding liability is reduced to such extent.

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

- to the extent that the Group 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 Group'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 Group to produce the additional assets required to settle the liability.

NOTES TO THE FINANCIAL STATEMENTS

2 Significant accounting policies (continued)

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 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)

The Group adopted the RDEC scheme with respect to the Research & Development expenditure incurred from the accounting period ending 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.

NOTES TO THE FINANCIAL STATEMENTS

2 Significant accounting policies (continued)

Retirement benefits

The Group 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.

A defined contribution plan is a pension plan under which the Group pays fixed contributions into a separate entity. The Group has no legal or constructive obligations to pay further contributions where the fund does not hold sufficient assets to pay all employees the benefits relating to employee service in the current and prior periods. A defined benefit plan is a pension plan that is not a defined contribution plan.

Typically, defined benefit plans define an amount of pension benefit that an employee will receive on retirement, usually dependent on one or more factors such as age, years of service and compensation.

The liability recognised in the Statement of Financial Position in respect of defined benefit pension plans is the present value of the defined benefit obligation at the end of the reporting period less the fair value of plan assets. The defined benefit obligation is calculated annually by independent actuaries using the projected unit credit method. The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using interest rates of high-quality corporate bonds that are denominated in the currency in which the benefits will be paid, and that have terms to maturity approximating to the terms of the related pension obligation. In countries where there is no deep market in such bonds, the market rates on government bonds are used.

The current service cost of the defined benefit plan, recognised in the income statement in employee benefit expense, except where included in the cost of an asset, reflects the increase in the defined benefit obligation resulting from employee service in the current year, benefit changes curtailments and settlements.

Past-service costs are recognised immediately in income. The net interest cost is calculated by applying the discount rate to the net balance of the defined benefit obligation and the fair value of plan assets. This cost is included in employee benefit expense in the income statement.

Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions are charged or credited to equity in other comprehensive income in the period in which they arise.

For defined contribution plans, the Group pays contributions to publicly or privately administered pension insurance plans on a mandatory, contractual or voluntary basis. The Group has no further payment obligations once the contributions have been paid. The contributions are recognised as employee benefit expense when they are due. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in the future payments is available

For defined benefit pension and post-employment benefit plans, full actuarial valuations are carried out every year end using the projected unit credit method. 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 33.

Dividend

The Company aims to provide returns to its Shareholders by way of paying a dividend from its distributable reserves. In determining the amount of dividend payable, the Board will take into account the Company's cash flow, short-to-medium term obligations and its strategic plan. The payment and level of any dividend will be determined by the Board, ensuring that there are sufficient distributable reserves, and will ultimately be approved by the Shareholders.

Dividends received from subsidiaries are recognised in other comprehensive income when the right to receive payment is established.

Finance Income

Finance income comprises interest income on loans granted and trade advances and prepayments. Interest income is recognised as it accrues in profit or loss, using the effective interest method.

NOTES TO THE FINANCIAL STATEMENTS

3 Critical accounting judgements and key sources of estimation uncertainty

In the application of the Group'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

Despite the significant impact of the pandemic across the entire refining industry, including a period during which fuel demand was at very low levels, the Group continued to operate the Stanlow Manufacturing Complex at a significant capacity to ensure adequate fuel supply to its customers across the UK. Stanlow refinery remains a key strategic national asset, annually producing over 16% of the UK's road transport fuels with significant market share around North West region of United Kingdom. Market analysts expect strong demand for refined products in the coming years on the back of a robust recovery in economic activities globally, and particularly in the UK.

With the successful roll out of vaccination in the UK since November 2020, travel and other restrictions imposed earlier, were relaxed from April 2021 in a phased manner. This helped the rebound in economic activities across the sector with increase in demand for petroleum products and associated refining margins. With demand for fuel starting to return, the volatility in crude prices and currency exchange rates has started to stabilise.

The Group's exposures to underlying crude oil price volatility is minimal considering that the majority of its inventory are owned, and risk managed by the bank. A stronger trading environment saw the company record its best quarterly products sales in quarter ending 31 December 2021 (now close to 95% level to pre-pandemic level) for last 6 quarters since the start of pandemic in March 2020 in the UK.

Also, with the return of stability in the market conditions, the Group was able to access increased trade credits similar to pre-covid levels. The Group has been able to replace a large portion of its short-term rolling trade credits in pre-covid period to a committed and medium-term facility of $500m.

In addition, during the year, the Group was successful in replacing a previous receivable financing facility provided by Lloyds Bank until March 21, with various new financial arrangements with liquidity from a diversified range of sources, including bilateral and supply chain financing arrangements with a few key customers and a total of $325m of receivable financing with financiers.

As reported in our last financial statement, The Group did avail the VAT deferment scheme that was offered by HMRC to all UK corporates in 2020. The Group in addition entered into bilateral time-to-pay ("TTP") arrangements with HMRC. At a peak in March 2021, the total outstanding to HMRC was £771m, which as on balance sheet signing date has been reduced £109m, after a total payment of £662m payment by the Group. The Group financial forecast shows the balance being settled by March 2022 in line with its arrangement with HMRC.

The Group's subsidiary Company, Stanlow Terminals Limited (STL) is in the process of raising debt financing in the range of $250 to $300m. STL will use the proceeds of this debt financing to retire its intercompany outstanding debt from EOUK and will provide additional cash resources to the Group.

In assessing the Group's going concern status, the directors have taken account of the financial position and performance of the Group and management's prepared forecasts (see below) and included but was not limited to their consideration of:

- level of reduced lockdown uncertainties
- progress made on financing since last financial statement
- recovery in product demand and refining margins
- forecasted trading performance;
- existing banking and other facilities; and
- ongoing discussions with potential lenders and other providers of finance.

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

Critical accounting judgements (continued)

Going Concern (continued)

A review of business performance, the Group's core risks and uncertainties (including in particular the fluctuation of oil prices, refining margins and demand for petroleum products) and a brief description of the Group's financing arrangements are set out within the Strategic Report. A detailed description of the Group's borrowing facilities as at 30 September 2021 is included in note 24 to the financial statements.

The Group has prepared a business plan for the period up to 30 September 2023 which considers the market analyst's expectation of refining margins and consideration of the risks and uncertainties noted on pages 3 and 5, including Covid.

The Directors have carefully examined all available evidence, including the Management Team's forecasts for the business for next 12 months from the date of approval of these financial statements with appropriate sensitivities in relation to refining margins, demand for its products, consideration of the Group's financial position and with that consider that the business can operate, within the existing arrangements and additional funding facilities that the Group is in the process of arranging. The Directors recognise possible solutions are being worked on by the Management Team to ensure additional sufficient liquidity is available in due course to meet all future obligations as and when they fall due.

These possible solutions include, but are not limited to:

- The Group's 100% owned subsidiary Company, Stanlow Terminals Limited raising debt financing of $250-$300m as an alternate source of funding, and
- The Group is also in discussion to put into a place a committed and medium-term receivable financing arrangement to replace the various alternative arrangements that are currently in place.

With product demand and refining margins reaching nearly pre-covid levels, the Group's trading performance significantly improved during the year and is generating cash from its operations post balance sheet date.

The Directors are satisfied that there are a sufficient number of potential solutions available to the Group. While the precise timing of these individual solutions is not certain, execution of some of these in combination are expected to provide adequate financial resources to the Group to enable it to continue to trade as a going concern for the foreseeable future - being 12 months from the date of signing of these financial statements.

The Directors also remain in discussion with the Shareholder for its support and the Shareholder, in return, has stated that it remains committed to the business.

Therefore, after consideration of the above, the Directors have concluded that it is appropriate to prepare the financial statements on a going concern basis. However, they note that this is subject to the completion of a remaining financing solutions. The Board has confidence in the Group's forecasts and ability to deliver on the potential solutions noted above however they draw users' attention to the fact that there is no absolute guarantee that the solutions will come to fruition.

The auditors have made reference to going concern by way of a material uncertainty within their audit report.

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

Recognition of inventory

The timing of when the Group recognises inventory on its balance sheet contains a degree of judgement as the majority of crude oil is supplied by a just-in-time supplier (Macquarie Bank Limited) who holds significant levels of inventory on site at the refinery. Management perform a detailed review of these just-in-time arrangements on their inception, encompassing both legal and substantive aspects, and concluded that the Crude inventory as on the reporting date should be recorded on the Company's balance sheet at the point at which it is drawn down from the tanks into the refinery. The just-in-time supplier also owns legal title to majority of product inventory on site and similar review was performed. Considering the substantive aspects, Management concluded that the initial legal sale and the ongoing purchases and sales of Product inventory does not result in the de-recognition of the inventory in the books of the Group and hence the revenues disclosed in Note 4 do not include revenue from sale of Product inventory to Macquarie Bank Limited. Consequently, the entire product inventory as on the reporting date is recognised in the books of the Group with a corresponding liability valued at market prices reflected as "Liability in relation to Inventory Monetisation Facility".

In respect of the other and lesser inventory monetisation arrangements at the Group's subsidiary company (EML), a similar review was performed and was concluded that inventories held under legal title by the just-in-time supplier in the tanks situated at Kingsbury and Northampton terminals should be recorded on the Group's balance sheet at the point at which the legal title, control and custody to the product is transferred from the just-in-time supplier to the Group, which is usually the closest point at which the delivery is made to the tank trucks.

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

Revenue and derecognition of financial assets

Revenue for the period was $7,320.3m (2020: $6,005.5m). 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. Refer note 2 significant accounting policies on revenue recognition for further details. The Group 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 24 the related receivables were not considered to have met the derecognition criteria through this arrangement. Further details are included in note 26.

Cash Flow Hedge Accounting

Under IFRS 9, in order to achieve cash flow hedge accounting, forecast transactions (primarily crude and petroleum product purchases) must be considered to be highly probable. The hedge must be expected to be highly effective in achieving offsetting changes in cash flows attributable to the hedged risk. The forecast transaction that is the subject of the hedge must be highly probable and must present an exposure to variations in cash flows that could ultimately affect profit or loss. Management have reviewed the detailed forecasts and growth assumptions within them, and are satisfied that forecasts in which the cash flow hedge accounting has been based meet the criteria per IFRS 9 as being highly probable forecasts transactions. Should the forecast levels not pass the highly probable test, any cumulative fair value gains and losses in relation to either the entire or the ineffective portion of the hedged instrument would be taken to the income statement.

If the forecast transactions were determined to be not highly probable and all hedge accounting was discontinued, the hedging reserve of $7.2m (excluding the deferred tax) would be shown in cost of sales.

Leases

As noted above, the Group applied modified retrospective transition approach, and as such, the discount rate is the incremental borrowing rate (IBR) for leases previously classified as operating leases.

The IBR has been calculated for each lease in place on the basis of interest rates for secured and unsecured borrowings of the Group. Accordingly IBR in the range of 5.7% to 6.5% have been considered on the leases depending on the lease term, level of security and economic environment.

Under IAS 17, the lease of the Tranmere Oil Terminal Jetty was classified as a finance lease. As such, the lease liability and right of use asset upon transition are equal to the lease liability and lease receivable as at 30 September 2020 under IAS 17.

NOTES TO THE FINANCIAL STATEMENTS

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

Based on the transition amount of the lease liability and the expected future lease payments, a discount rate of approximately 9.67% has been determined to be appropriate for this element of the lease.

Property, plant and equipment

As described in note 2, the terminal assets of the Group with historical cost of $120.2m were revalued to $273.1m in 2020. These assets were subsequently hived off to the Company's subsidiary Stanlow Terminals Limited in the same year In carrying out the valuation in 2020, the independent valuation specialists (Gerald Eve LLP and Hickman Shearer Ltd) adopted the Depreciated Replacement Cost method of valuation. This approach requires the replacement cost new (RCN) of the asset to be depreciated over its useful economic life by applying an appropriate depreciation profile less any residual value. This figure is then further discounted to reflect any technical or economic obsolescence.

At the end of the period, management has made an assessment of the fair value of the business with reference to the various mergers and acquisition deals completed for terminal assets. The outcome of this assessment reflect fair value of the business to be higher than the carrying amount and hence management has taken a view that there is no change in the 2020 value for the terminal assets. The Group considers this to be Level 2 fair value assessment.

Key sources of estimation uncertainty

Pension

The present value of the defined benefit pension obligations depends on a number of factors that are determined on an actuarial basis using a number of assumptions. Any changes in these assumptions will impact the carrying amount of the pension and may lead to change in a pension surplus becoming a deficit or vice versa. The Company engages an independent actuary to perform the valuation and assist in determining appropriate assumptions at the end of each year. The valuation is prepared by an independent qualified actuary but significant judgements are required in relation to the assumptions for pension increases, inflations, the discount rate applied and member longevity, which underpin the valuations. Note 33 contains information about the assumptions relating to retirement benefit obligations.

4 Revenue

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

	Year ended 30 Sept 2021 $m	Year ended 30 Sept 2020 $m
Continuing operations		
Sale of goods	7,300.8	5,967.6
Rendering of services	19.5	37.9
	7,320.3	6,005.5

Revenues of $2,056.5 m (2020: $ 1,377.6 m) and $729.0 m (2020: $ 644.7 m) arose from sales to the Group's two largest customers. No other single customer contributed 10% or more to the Group's revenue in either the current period or prior year.

4 Revenue (continued)

An analysis of the Group's revenue by geographical region is as follows:	Year ended 30 Sept 2021 $m	Year ended 30 Sept 2020 $m
United Kingdom	6,203.1	4,878.6
Rest of Europe	962.1	881.0
Rest of the world	155.1	245.9
	7,320.3	6,005.5

An analysis of the Group's revenue by timing of recognition:	Year ended 30 Sept 2021 $m	Year ended 30 Sept 2020 $m
At a point in time	7,320.3	6,005.5
Over time	-	-
	7,320.3	6,005.5

There are no revenues recognised in the current period that relates to carried-forward contract liabilities and performance obligations satisfied in the prior year.

5 Expenses by nature

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

	Year ended 30 Sept 2021 $m	Year ended 30 Sept 2020 $m
Inventories recognised as an expense	6,668.8	5,625.7
Depreciation of property, plant and equipment - owned	91.9	89.6
Depreciation of property, plant and equipment - leased	3.4	3.5
Amortisation of intangible assets	0.8	0.9
Loss / (Gain) on retirement of property, plant and equipment	0.3	-
Staff costs (note 6)	106.0	106.8
Losses / (Gains) on derivatives	1.7	12.4
Movement in provisions	14.6	5.2
Fees payable to the Group's auditor:		
-for the audit of the Group's annual accounts	0.6	0.6

6 Staff Costs

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

Consolidated	Year ended 30 Sept 2021	Year ended 30 Sept 2020
Production	671	713
Sales and distribution	33	34
Administration	75	90
	779	837

	Year ended 30 Sept 2021 $m	Year ended 30 Sept 2020 $m
Their aggregate remuneration comprised:		
Wages and salaries	78.0	76.7
Social security costs	9.2	8.4
Defined contribution pension costs (note 33)	3.5	3.6
Defined benefit pension costs (note 33)	15.3	20.5
	106.0	109.1

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

Company	Year ended 30 Sept 2021	Year ended 30 Sept 2020
Production	654	701
Sales and distribution	33	34
Administration	68	85
	755	820

	Year ended 30 Sept 2021 $m	Year ended 30 Sept 2020 $m
Their aggregate remuneration comprised:		
Wages and salaries	75.5	74.9
Social security costs	8.9	8.2
Defined contribution pension costs (note 33)	3.3	3.2
Defined benefit pension costs (note 33)	15.3	20.5
	103.0	106.8

Details of Directors' remuneration borne by the Company are disclosed in note 36.

NOTES TO THE FINANCIAL STATEMENTS

7 Finance income

	Year ended 30 Sept 2021 $m	Year ended 30 Sept 2020 $m
Prepayments interest reversal	-	(37.6)
Interest on bank deposits and advances	18.4	17.7
	18.4	(19.9)

Supplier prepayments as reported under note 20 to these financial statements, carried commercial interest on the outstanding balances. During the prior year, the outstanding balances were written off and accrued interest of $37.6m was reversed.

8 Finance costs

	Year ended 30 Sept 2021 $m	Year ended 30 Sept 2020 $m
Interest & fees on bank facilities	11.5	13.2
Interest & fees on other facilities	25.8	23.3
Interest on obligations under finance leases	6.1	4.0
Bank charges	6.0	0.1
Amortisation of finance fees	10.8	9.7
Facility charges on Inventory monetisation facility	16.8	16.1
	77.0	66.4

9 Income tax expense

	Year ended 30 Sept 2021 $m	Year ended 30 Sept 2020 $m
Current tax charge	-	32.6
Adjustment in respect of prior years	0.5	0.5
	0.5	33.1
Deferred tax charge (note 27):		
Current period	46.4	4.2
Adjustment in respect of prior years	(30.4)	(2.5)
	16.0	1.7
	16.5	34.8

9 Income tax expense (continued)

Corporation tax is calculated at 19% (2020: 19%) of the estimated taxable profit for the period.

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

	Year ended 30 Sept 2021 $m	Year ended 30 Sept 2020 $m
Profit before tax	(321.3)	(220.8)
Tax at the UK corporation tax rate of 19% (2019: 19%)	61.0	42.0
Tax effect of items that are not deductible in determining taxable profit	(8.9)	(2.6)
Tax effect of RDEC taxed in prior years	-	5.8
Effect of change in tax rate	(5.6)	(7.4)
Adjustment in respect of prior years	(29.9)	(3.0)
Tax charge for the period	16.5	34.8

The Finance Bill 2021 set the corporation tax rate for the years beginning 1 April 2022 to remain at 19% and from 1 April 2023 to increase to 25%. The impact of this rate change ($6.4m) has been considered in these financial statements.

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The adjustment in respect of prior years in the current period of $29.9m relates mainly to Corporate Interest Restrictions (CIR) as a result of carry forward of losses and items that are not deductible in determining taxable profit.

The tax (charge)/credit relating to components of other comprehensive income is as follows:

	2021				2020			
	Before tax	**Movement in year**	**Tax (charge)/ credit**	**After tax**	**Before tax**	**Movement in year**	**Tax (charge)/ credit**	**After tax**
Actuarial gain on post employment benefits	(7.3)	10.2	(2.9)	-	(25.6)	23.5	(5.2)	(7.3)
Cash flow hedge reserve	(18.9)	32.9	(6.8)	(26.1)	-	(23.3)	4.4	(18.9)
Fair value gains on Terminal Assets	123.9	-	(9.1)	114.8	-	153.0	(29.1)	123.9
Other comprehensive income			(18.8)				(29.8)	

9 Income tax expense (continued)

The income tax (charged)/credited directly to equity during the year is as follows:

	Year ended 30 Sept 2021	Year ended 30 Sept 2020
Deferred tax adjustment in respect of prior year	-	1.2
Current period deferred tax movement (rate change)	10.6	4.0
Current period deferred tax movement	8.2	(4.4)
Total income tax recognised directly in equity	18.8	0.8

This includes impact of $1.8m on account of difference between actual depreciation on terminal assets and equivalent depreciation based on the historical cost of the assets

10 Intangible assets

Consolidated

	Software $m
Cost	
At 30 September 2019	17.8
Additions	1.5
Revaluations	0.1
At 30 September 2020	**19.4**
Additions	2.4
At 30 September 2021	**21.8**
Accumulated depreciation	
At 30 September 2019	11.4
Charge for the year	0.9
At 30 September 2020	**12.2**
Charge for the year	0.8
At 30 September 2021	**13.0**
Carrying amount	
At 30 September 2020	7.2
At 30 September 2021	**8.8**

10 Intangible assets (continued)

Company

	Software $m
Cost	
At 30 September 2019	17.8
Additions	1.5
Revaluation	0.1
Retirements and Disposals	(0.2)
At 30 September 2020	**19.2**
Additions	2.4
At 30 September 2021	**21.6**
Accumulated depreciation	
At 30 September 2019	11.4
Charge for the year	0.8
At 30 September 2020	**12.2**
Charge for the year	0.7
At 30 September 2021	**12.9**
Carrying amount	
At 30 September 2020	7.0
At 30 September 2021	**8.7**

The intangible assets are made up entirely of capitalised software and regulatory registration. The remaining amortisation period for intangibles as at 30 September 2021 is on average two years. Intangible assets with a carrying amount of $0.2m have indefinite life (2020: $0.2m).

During the prior year, the Company hived down intangible assets in respect of its Terminal assets with fair value of $0.2 (2020: $0.2m) to its subsidiary Stanlow Terminals Limited. See note 10 for further details on valuation at fair value

NOTES TO THE FINANCIAL STATEMENTS

11 Property, plant and equipment

Consolidated

	Land and buildings	Plant and machinery	Fixtures, equipment and vehicles	Terminal Asset	Assets under construction	Total
	$m	$m	$m	$m	$m	$m
Cost						
At 30 September 2019	43.2	928.9	2.2	120.1	102.5	1,197.0
Additions	-	-	-	-	75.4	75.4
Transfers	0.1	59.7	-	0.1	(59.8)	-
Revaluation	-	-	-	152.9	-	152.9
Retirements & Disposals	-	-	-	-	-	-
At 30 September 2020	**43.3**	**988.6**	**2.2**	**273.1**	**118.1**	**1,425.3**
Additions	-	-	-	-	49.1	49.1
Transfers	-	15.8	-	-	(15.8)	-
Revaluation	-	-	-	-	-	-
Retirements & Disposals	-	(1.0)	-	-	0.3	(0.7)
At 30 September 2021	**43.3**	**1,003.4**	**2.2**	**273.1**	**151.7**	**1,473.7**
Accumulated depreciation						
At 30 September 2019	4.4	268.7	1.3	31.3	-	305.7
Retirements & Disposals	-	-	-	-	-	-
Charge for the year	0.7	76.5	0.2	12.2	-	89.6
At 30 September 2020	**5.1**	**345.2**	**1.5**	**43.5**	**-**	**395.3**
Retirements & Disposals	-	(0.5)	-	-	-	(0.5)
Charge for the year	0.7	76.8	0.1	14.3	-	91.9
At 30 September 2021	**5.8**	**421.5**	**1.6**	**57.8**	**-**	**486.7**
Carrying amount						
At 30 September 2020	38.2	643.4	0.7	229.6	118.1	1,030.0
At 30 September 2021	**37.5**	**581.9**	**0.6**	**215.3**	**151.7**	**987.0**

At 30 September 2021, the Group had contractual commitments for the acquisition of property, plant and equipment amounting to $39.2 m (2020: $31.9 m), of which $5.7m (2020: $4.8m) had been accrued for at year end.

Included within land & buildings is freehold land with a value of $21.2m (2020: $21.2m) which is not depreciated.

The terminal assets with historical cost of $120.2m were revalued to $273.1m in 2020 in line with the accounting policy described in note 2. These assets were subsequently been hived off to the Company's subsidiary Stanlow Terminals Limited. In carrying out the valuation, the independent valuation specialists (Gerald Eve LLP and Hickman Shearer Ltd) adopted the Depreciated Replacement Cost method of valuation. This approach requires the replacement cost new (RCN) of the asset to be depreciated over its useful economic life by applying an appropriate depreciation profile less any residual value. This figure is then further discounted to reflect any technical or economic obsolescence. Management has assessed no change in the 2020 value in the current year. Refer key accounting estimates for further details

NOTES TO THE FINANCIAL STATEMENTS

11 Property, plant and equipment *(continued)*

Company

	Land and buildings	Plant and machinery	Fixtures, equipment and vehicles	Terminal Asset	Assets under construction	Total
	$m	$m	$m	$m	$m	$m
Cost						
At 30 September 2019	34.6	908.2	2.2	120.1	102.2	1,167.4
Additions	-	-	-	-	69.2	69.2
Transfers	0.1	58.4	-	0.1	(58.6)	-
Revaluation	-	-	-	152.9	-	152.9
Retirements and Disposals	-	-	-	(273.1)	(25.2)	(298.3)
At 30 September 2020	**34.7**	**966.6**	**2.2**	-	**87.6**	**1,091.2**
Additions	-	-	-	-	32.8	32.8
Transfers	0.01	5.5	-	-	(5.5)	-
Revaluation	-	-	-	-	-	-
Retirements and Disposals	-	(1.0)	-	-	0.25	(0.8)
At 30 September 2021	**34.7**	**971.1**	**2.2**	**-**	**115.2**	**1123.3**
Accumulated depreciation						
At 30 September 2019	4.4	268.1	1.3	31.3	-	305.1
						(32.7)
Retirements and Disposals	-	-	-	(32.7)	-	77.8
Charge for the year	0.6	75.6	0.2	1.3	-	
At 30 September 2020	**5.0**	**343.7**	**1.5**	-	**-**	**350.2**
Retirements and Disposals	-	(0.5)	-	-	-	(0.5)
Charge for the year	0.7	75.6	0.1	-	-	76.4
				-		
At 30 September 2021	**5.7**	**418.8**	**1.6**	**-**	**-**	**426.1**
Carrying amount						
At 30 September 2020	29.7	622.9	0.7	-	87.6	741.0
At 30 September 2021	**29.0**	**552.3**	**0.6**	**-**	**115.2**	**697.2**

At 30 September 2021, the Company had contractual commitments for the acquisition of property, plant and equipment amounting to $39.2m (2020: $31.9m), of which $5.7m (2020: $4.8m) had been accrued for at year end.

Included within land & buildings is freehold land with a value of $13.1m (2020: $13.1m) which is not depreciated.

The terminal assets with historical cost of $120.2m were revalued to $273.1m in 2020 in line with the accounting policy described in note 2. These assets were subsequently been hived off to the Company's subsidiary Stanlow Terminals Limited. In carrying out the valuation, the independent valuation specialists (Gerald Eve LLP and Hickman Shearer Ltd) adopted the Depreciated Replacement Cost method of valuation. This approach requires the replacement cost new (RCN) of the asset to be depreciated over its useful economic life by applying an appropriate depreciation profile less any residual value. This figure is then further discounted to reflect any technical or economic obsolescence. Management has assessed no change in the 2020 value in the current year. Refer key accounting estimates for further details

NOTES TO THE FINANCIAL STATEMENTS

11 Property, plant and equipment *(continued)*

If Terminal Assets were stated on the historical cost basis, the amounts would be as follows:

	2021	2020
Cost	120.2	120.2
Accumulated depreciation	(41.8)	(36.6)
Net book value	78.4	83.6

12 Right of Use Assets

Consolidated

	Building	Plant and equipment	Others	Total
	$m	$m	$m	$m
Cost				
At 30 September 2019	-	38.4	-	38.4
Additions	7.6	37.3	1.9	46.9
At 30 September 2020	**7.6**	**75.7**	**1.9**	**85.2**
Additions	1.4	0.5	-	1.9
At 30 September 2021	**9.0**	**76.2**	**1.9**	**87.1**
Accumulated depreciation				
At 30 September 2019	-	8.2	-	8.2
Charge for the year	0.6	2.5	0.4	3.5
IFRS 16 Transition Adjustment	-	0.2	-	0.2
At 30 September 2020	**0.6**	**10.9**	**0.4**	**11.9**
Charge for the year	0.5	2.4	0.5	3.4
At 30 September 2021	**1.1**	**13.3**	**0.9**	**15.3**
Carrying amount				
At 30 September 2020	7.1	64.8	1.5	73.4
At 30 September 2021	**7.9**	**62.9**	**1.0**	**71.8**

The Group's obligations under finance leases (note 28) are secured by the lessors' title to the right of use assets shown above.

12 Right of Use Assets *(continued)*

Company

	Building	Plant and equipment	Others	Total
	$m	$m	$m	$m
Cost				
At 30 September 2019	**-**	**38.4**	**-**	**38.4**
Additions	7.6	37.3	1.9	46.9
Retirements and Disposals	-	(74.7)	-	(74.7)
At 30 September 2020	**7.6**	**1.0**	**1.9**	**10.6**
Additions	1.4	(0.1)	-	1.3
At 30 September 2021	**9.0**	**0.9**	**1.9**	**11.9**
Accumulated depreciation				
At 30 September 2019	-	8.2	-	8.2
Retirements and Disposals	-	(9.0)	-	(9.0)
Charge for the year	0.6	0.8	0.4	1.8
IFRS 16 Transition Adjustment		0.2		0.2
At 30 September 2020	**0.6**	**0.2**	**0.4**	**1.2**
Charge for the year	0.5	0.2	0.4	1.1
At 30 September 2021	**1.1**	**0.4**	**0.8**	**2.3**
Carrying amount				
At 30 September 2020	7.0	0.8	1.5	9.4
At 30 September 2021	**7.9**	**0.5**	**1.1**	**9.5**

The Company's obligations under finance leases (note 28) are secured by the lessors' title to the right of use assets shown above.

NOTES TO THE FINANCIAL STATEMENTS

13 Net Investment in Leases

Minimum lease payments receivable on net investment in leased assets are as follows:

Company	30-Sep 2021 $m	30-Sep 2020 $m
Within one year	6.1	5.8
In the second to fifth years inclusive	24.4	23.2
After five years	135.7	134.8
	166.2	163.8
Less: future finance income	(97.1)	(97.4)
Net Investment in Leases	69.1	66.4

The Group does not have any net investment in leased assets as the above lease by the Company is with its subsidiary Company - Stanlow Terminals Limited

14 Investments in subsidiaries

Name	Holding	Principal activity	Date of Incorporation	Value of Investment $m
Essar Midlands Limited	100%	Liquid Storage Terminal	14 March 2018	5.4
Infranorth Limited (1)	100%	Liquid Storage Terminal	14 March 2018	-
Stanlow Terminals Limited	100%	Liquid Storage Terminal	10 July 2018	1.3
Essar UK Services Pvt Ltd	100%	Liquid Storage Terminal	29 May 2021	0.0
Essar Retail Ventures Limited	100%	Retail Outlets	21 January 2019	-
				6.7

All subsidiary undertakings are included in the consolidation. All shareholdings are of ordinary shares and the proportion of the voting rights in the subsidiary undertakings held directly by the Parent Company does not differ from the proportion of ordinary shares held. The registered office of all subsidiaries is 5th Floor, The Administration Building, Stanlow Manufacturing Complex, Ellesmere Port, CH65 4HB.

Value of investments held in subsidiaries as presented below:

Name	30-Sep-21 $m	30-Sep-20 $m
Essar Midlands Limited (2)	5.4	5.2
Infranorth Limited	-	-
Stanlow Terminals Limited	1.3	1.3
Essar UK Services Pvt Ltd	0.0	-
	6.7	6.5

(1) Investment by Essar Midlands Limited (a wholly owned subsidiary of the Company)
(2) Change in value due to foreign exchange translation

15 Joint Arrangements

The Group owns an 11.15% interest in the UK Oil Pipeline (UKOP), a 45.35% interest in the Kingsbury Terminal The registered addresses of these assets are as below:

Asset	Company Name	Registered Address
UK Oil Pipeline (UKOP)	United Kingdom Oil Pipelines Limited (Registered number 746708)	5-7 Alexandra Road, Hemel Hempstead, Hertfordshire HP2 5BS
Kingsbury Terminal	Unincorporated Joint venture between Shell UK Limited (Registered numbers registered number 746708) and Essar Midlands Limited (Registered number 11253987)	Shell UK Limited: Shell Centre, London, SE1 7NA Essar Midlands Limited: 5th Floor, The Administration Building, Stanlow Manufacturing Complex, Ellesmere Port, CH65 4HB

The contractual arrangements for the above assets, provide the Group with rights to the assets and obligations for liabilities of the joint arrangement. Under IFRS 11, these joint arrangements are classified as joint operations and have been included in the consolidated financial statements by recognising in relation to the interest of the joint operation: the assets, liabilities, revenue and expenses of the joint operations.

Summarised financial information in relation to the joint operations are presented below:

	30-Sep-21 $m	30-Sep-20 $m
Kingsbury Terminal		
Share of assets		
Property, Plant and Equipment	8.4	6.9
Land and Buildings	8.6	8.6
Total share of assets	**17.0**	**15.5**
UK Oil Pipeline		
Share of assets		
Property, Plant and Equipment	16.9	16.1
Total share of assets	**33.9**	**31.6**

Expenses in respect of above joint operations are passed on to the participants and joint venture partners in proportion to utilisation and ownership of the assets and consequently all such pass–through costs are recognised in the Company's income statement.

NOTES TO THE FINANCIAL STATEMENTS

16 Deposits

Short term Deposits due within one year

Consolidated	**30-Sep-21 $m**	**30-Sep-20 $m**
Deposit with Inventory Monetisation provider	98.2	28.6
Deposit with Receivable Financing Facility provider	13.3	-
	111.5	28.6

Company	**30-Sep-21 $m**	**30-Sep-20 $m**
Deposit with Inventory Monetisation provider	83.1	27.1
Deposit with Receivable Financing Facility provider	13.3	-
	96.4	27.1

Long term Deposits due after one year

Consolidated	**30-Sep-21 $m**	**30-Sep-20 $m**
Deposit with derivative counterparty	-	2.6
	-	2.6

Company	**30-Sep-21 $m**	**30-Sep-20 $m**
Deposit with derivative counterparty	-	2.6
	-	2.6

17 Loans

Consolidated	**30-Sep-21 $m**	**30-Sep-20 $m**
Non-current receivables		
Loans and advances to Related Parties		
Essar Oil and Gas Limited	225.5	225.5
Other loans	1.0	0.6
	226.5	226.1

Company	**30-Sep-21 $m**	**30-Sep-20 $m**
Non-current receivables		
Loans and advances to Related Parties		
Essar Oil and Gas Limited	225.5	225.5
Essar Midlands Limited	22.9	22.0
Other loans	1.0	0.6
	249.4	248.1
Current receivables		
Loans and advances to Related Parties		
Stanlow Terminals Limited	208.4	253.3

NOTES TO THE FINANCIAL STATEMENTS

18 Current Tax Receivable

Consolidated and Company	30-Sep-21 $m	30-Sep-20 $m
Research & Development Expenditure Credit	17.7	17.6
Advance Corporate Tax receivable	0.8	43.2
	18.5	60.8

The Group has adopted the Research & Development Expenditure Credit (RDEC) scheme. 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.

19 Inventories

Consolidated	30-Sep-21 $m	30-Sep-20 $m
Raw materials	11.5	5.5
Materials	32.0	30.4
Finished and intermediate goods	283.9	189.9
	327.4	225.8

In 2021 inventories with a carrying value of $206.8m (2020: $ 130.3m) are held by Macquarie Bank Limited under their title as per the terms of the inventory monetisation arrangement and therefore not included above (see note 3).

Company	30-Sep-21 $m	30-Sep-20 $m
Raw materials	11.5	5.5
Materials	32.0	30.4
Finished and intermediate goods	266.7	175.4
	310.2	211.3

NOTES TO THE FINANCIAL STATEMENTS

20 Trade and other receivables

Consolidated	30-Sep 2021 $m	30-Sep 2020 $m
Trade receivables	366.2	587.4
Prepayments	110.5	211.5
Less: Write off of Bad debts	-	(94.1)
Related party receivables	15.5	14.4
	492.2	719.2

Company	30-Sep 2021 $m	30-Sep 2020 $m
Trade receivables	351.0	584.9
Prepayments	109.7	210.3
Less: Write off of Bad debts	-	(94.1)
Related party receivables	75.8	45.8
	536.5	746.9

Trade receivables disclosed above are measured at fair value approximated to amortised cost.

The average credit period taken on sales of goods is 26 days (2020: 19 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. Bad debts of $0m have been written off during the year (2020: write off of bad debts: $94.1m).

Before accepting any new customer, the Group 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. 91.5% (2020: 96.34 %) of the trade receivables at year end are neither past due nor impaired. Refer note 26 for details of the trade receivable amounts owed by the Group's largest customers.

The Group 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 Group 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 Group's securitised receivables financing arrangement (see note24).

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 Group 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 57 days (2020: 114 days).

20 Trade and other receivables *(continued)*

Ageing of past due but not impaired receivables:

Consolidated	**30-Sep 2021 $m**	**30-Sep 2020 $m**
1 - 15 days	27.8	3.4
15 - 90 days	9.5	3.5
90 - 120 days	2.3	-
120 days and over	1.5	1.7
Total	41.1	8.6

Company	**30-Sep 2021 $m**	**30-Sep 2020 $m**
1 - 15 days	27.8	3.4
15 - 90 days	9.5	3.5
90 - 120 days	2.3	-
120 days and over	1.5	1.7
Total	41.1	8.6

The provision held against trade receivables excluding reserves against supplier advances is $nil (2020: $nil). In determining the recoverability of a trade receivable the Group 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.

21 Derivative financial instruments

Consolidated and Company	**30-Sep 2021 $m**	**30-Sep 2020 $m**
Financial assets carried at fair value through profit or loss		
Derivatives that are not designated in hedge accounting relationships:		
Foreign currency forwards and swaps	7.7	2.5
Commodity forwards and swaps	3.2	30.5
	10.9	33.0
Financial liabilities carried at fair value through profit or loss		
Derivatives that are not designated in hedge accounting relationships:		
Foreign currency forwards and swaps	(16.0)	-
Financial Liabilities carried at fair value through Other Comprehensive Income		
Derivatives that are designated in hedge accounting relationships:		
Commodity forwards and swaps	(12.3)	(4.9)
	(28.3)	(4.9)

Commodity forwards and swaps include an amount of $2.3m that has settled in the month of September 2021

Further details of derivative financial instruments are provided in note 26.

NOTES TO THE FINANCIAL STATEMENTS

22 Cash and cash equivalents

Consolidated	30-Sep 2021 $m	30-Sep 2020 $m
Cash at bank	85.2	123.0
Short term bank deposits	0.2	0.4
	85.4	123.4

Company	30-Sep-21 $m	30-Sep-20 $m
Cash at bank	71.6	114.3
Short term bank deposits	0.2	0.4
	71.8	114.7

23 Trade and other payables

	30-Sep 2021 $m	30-Sep 2020 $m
Consolidated		
Current		
Trade payables	144.3	248.6
Amounts payable to related parties	6.2	3.1
Accruals	106.9	59.0
VAT and excise duty	807.0	913.4
Other creditors	56.3	32.6
Deferred revenue	0.3	0.2
	1,121.0	1,256.9

Trade payables and accruals principally comprise amounts outstanding for trade purchases and ongoing costs. The average credit period taken for trade purchases is 34 days (2020: 15 days). Trade payables have decreased due to higher values of crude oil and products procured, and capital expenditure

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

VAT and excise duty includes VAT Deferment from UK Government of $440.8m (2020: $624.9m) which is repayable in 6 equal instalment starting from October 2021

NOTES TO THE FINANCIAL STATEMENTS

Company	30-Sep 2021 $m	30-Sep 2020 $m
Current		
Trade payables	134.1	245.3
Amounts payable to related parties	9.4	25.1
Accruals	102.1	54.3
VAT and excise duty	805.3	914.1
Other creditors	56.3	33.7
Deferred revenue	0.3	0.2
	1,107.5	1,272.7

24 Advances received against receivables

Consolidated and Company	30-Sep 2021 $m	30-Sep 2020 $m
Secured advances at amortised cost		
Receivables financing arrangement	70.7	440.8
Amount due for settlement within 12 months	70.7	440.8

At the end of September 2021, the Group was successful in replacing receivable financing facility provided by Lloyds Bank until March 21, with new receivable financing facility totalling to $217m with new financiers. Further, the Group managed additional liquidity requirement from a diversified range of sources, including bilateral and supply chain financing arrangements with few of its key customers.
The weighted average interest rate paid during the year was 4.4% (2020: 2.8%).

25 Long term liability

Consolidated and Company	30-Sep 2021 $m	30-Sep 2020 $m
Long term liability	500.0	-
Amount due for settlement within 12 months	-	-

The Company has a trade contract with Litasco SA for sale and purchase of oil under which the Company has given a first fixed charge on its interest in the shares of Stanlow Terminals Limited.

26 Financial instruments

The Group holds the following financial instruments on its balance sheet at 30 September 2021 and at 30 September 2020.

Consolidated	**30-Sep 2021 $m**	**30-Sep 2020 $m**
Financial assets		
Cash and cash equivalents	85.4	123.4
Financial assets measured at amortised cost		
Trade receivables	366.2	587.4
Related Party receivables	15.5	14.4
Financial assets measured at fair value through profit and loss		
Derivative financial assets	10.9	33.0
Financial liabilities		
Financial liabilities measured at amortised cost		
Advances received against trade receivables	(70.7)	(440.8)
Trade and other payables	(700.6)	(281.2)
Finance lease obligations	(79.9)	(76.5)
Liability in relation to Inventory Monetisation Facility	(200.4)	(120.0)
Financial liabilities measured at fair value through profit and loss		
Derivative financial liabilities	(28.3)	(4.9)

26 Financial instruments (continued)

Company	30-Sep 2021 $m	30-Sep 2020 $m
Financial assets		
Cash and cash equivalents	71.7	114.7
Financial assets measured at amortised cost		
Trade receivables	351.0	584.9
Related Party receivables	76.2	45.8
Financial assets measured at fair value through profit and loss		
Derivative financial assets	10.9	33.0
Net Investment in Lease	69.1	66.4
Financial liabilities		
Financial liabilities measured at amortised cost		
Advances received against trade receivables	(70.7)	(440.8)
Trade and other payables	(690.4)	(279.0)
Finance lease obligations	(79.9)	(76.5)
Liability in relation to Inventory Monetisation Facility	(200.4)	(120.0)
Financial liabilities measured at fair value through profit and loss		
Derivative financial liabilities	(28.3)	(4.9)

The financial assets held by the Group are unsecured and so the maximum exposure to credit risk is equal to the carrying value. The directors consider that the carrying amounts of financial instruments measured at amortised cost approximate their fair values.

Impairment of financial assets measured at amortised cost

The Group applies the simplified approach required by IFRS 9 for the impairment of trade and other receivables and utilises a provision matrix to calculate expected credit losses. The provision matrix is based on the Group's historical observed loss rates, adjusted for forward-looking information.

The historical loss rate for the Group on trade and other receivables ranges from 0.00% to 0.04% based on the ageing of the receivables. The expected credit loss at 30 September 2021 is not deemed to be material.

Financial risk factors and management

The Group is exposed to a number of financial risks arising from the normal course of business and the use of financial instruments.

The Group's Finance and International Supply and Trading (IST) 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 Group 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 Group 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 Group'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 Group does not enter into or trade financial instruments, including derivative financial instruments, for speculative purposes.

26 Financial instruments (continued)

Market risk

The Group is exposed to market risk through its ordinary operating activities, including foreign currency exchange rate risk and commodity price risk. The Group enters into a variety of derivative financial instruments to manage its exposure to commodity prices and foreign currency risk.

Currency risk

The Group undertakes transactions denominated in foreign currencies and 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 Group's foreign currency denominated monetary assets and monetary liabilities at the reporting date are as follows:

	Assets		**Liabilities**	
Consolidated	**30-Sep 2021 $m**	**30-Sep 2020 $m**	**30-Sep 2021 $m**	**30-Sep 2020 $m**
Great British Pounds	332.9	565.0	(152.9)	(506.3)
Euros	3.9	28.6	(0.2)	(12.7)

	Assets		**Liabilities**	
Company	**30-Sep 2021 $m**	**30-Sep 2020 $m**	**30-Sep 2021 $m**	**30-Sep 2020 $m**
Great British Pounds	482.7	593.4	(142.7)	(502.3)
Euros	3.9	28.6	(0.2)	(12.7)

The Group 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 Group'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 actual movement in foreign exchange rate during the reporting period was 4.3%. 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***			
Consolidated	**30-Sep 2021 $m**		**30-Sep 2020 $m**		**30-Sep 2021 $m**		**30-Sep 2020 $m**	
Profit and loss	9.0	(i)	2.9	(i)	0.2	(iii)	0.8	(iii)
Other equity	(1.6)	(ii)	(0.2)	(ii)	-		-	

26 Financial instruments (continued)

Company	*Sterling Impact* 30-Sep 2021 $m		30-Sep 2020 $m		*Euro Impact* 30-Sep 20211 $m		30-Sep 2020 $m	
Profit and loss	10.4	(i)	4.6	(i)	0.2	(iii)	0.8	(iii)
Other equity	(1.6)	(ii)	(0.2)	(ii)	-		-	

(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 Group'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.

Forward foreign exchange contracts

It is the policy of the Group to enter into forward foreign exchange contracts to cover specific foreign currency payments and receipts which are outstanding at any time. The Group also enters into forward foreign exchange contracts to manage the risk associated with such assets and liabilities and net 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. All FC contracts are held by the Group.

Group

	Average exchange rate		Foreign currency		Notional value		Fair value	
	30-Sep 2021 $m	30-Sep 2020 $m	30-Sep 2021 £m	30-Sep 2020 £m	30-Sep 2021 $m	30-Sep 2020 $m	30-Sep 2021 $m	30-Sep 2020 $m
Sell GBP								
Less than 17 months	1.3586	-	40.0	-	54.3	-	0.4	-
Buy GBP								
Less than 17 months	1.3831	1.2791	(330.3)	(100.0)	(456.9)	(127.9)	(11.4)	1.4
			(290.3)	(100.0)	(402.6)	(127.9)	(11.0)	1.4

	Average exchange rate		Foreign currency		Notional value		Fair value	
	30-Sep 2021 $m	30-Sep 2020 $m	30-Sep 2021 EUR m	30-Sep 2020 EUR m	30-Sep 2021 EUR m	30-Sep 2020 EUR m	30-Sep 2021 EUR m	30-Sep 2020 EUR m
Sell EUR								
Less than 6 months	-	1.1794	-	7.3	-	8.6	-	0.0
				7.3		8.6		0.0

26 Financial instruments (continued)

The Group has entered into contracts to supply goods to customers in the UK and the Euro zone. The Group 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. In addition, the Group entered into forward exchange contracts including structured forward foreign exchange contracts (“Collars”) to buy GBP for USD within an agreed price range for terms not exceeding 17 months. These contracts are to hedge the exchange rate risk from anticipated operating and capital expenditures to be incurred in the following months. These contracts are not designated as cash flow hedges.

Commodity price risk

The prices of refined petroleum products and crude oil are linked to the international prices. The Group’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 Group uses commodity derivative instruments some of which are designated as cash flow hedges and some are economic hedges, to hedge the price risk of forecasted transactions such as forecast crude oil purchases and refined product sales. The Group 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 Group’s profitability. To this end, the Group’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 Group 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 Group’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.

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 Group’s commodity derivative instruments outstanding as at Balance sheet date. 10% is the sensitivity rate which represents management’s assessment of the reasonably possible change in base crude and petroleum product prices:

Consolidated and Company	**30-Sep 2021 $m**	**30-Sep 2020 $m**
Effect of 10% increase in prices on profit before tax		
Cracks	(0.5)	(3.2)
Crude oil	(2.1)	(3.7)
Petroleum products	-	(0.4)
Effect of 10% decrease in prices on profit before tax		
Cracks	0.5	3.2
Crude oil	2.1	3.7
Petroleum products	-	0.4

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

26 Financial instruments (continued)

Hedge accounting of commodity price risk

Derivatives are used to hedge exposure to commodity price risk which, during the current year have been formally designated as cashflow hedges with hedge accounting applied.

The fair value and notional amounts of derivatives analysed by hedge type are as follows:

	2021				2020			
	Asset		Liability		Asset		Liability	
	Fair value	Notional Value	Fair value	Notional value	Fair value	Notional value	Fair value	Notional value
	$m	$m	$m	$m	$m	$m	$m	$m
Cash flow hedges								
Term Structure Hedges on Crude Oil Inventory	29.4	(0.1)	-	-	-	-	(15.0)	1.3
Term Structure Hedges on Product Inventory	-	-	-	-	-	-	(6.0)	(3.6)
Refining Margin Hedges	-	-	(171.0)	(151.1)	-	-	(12.4)	(7.8)
Derivatives not in a formal hedge relationship								
Commodity swaps and futures	21.7	20.9	(9.0)	(7.7)	-	-	(37.2)	(41.6)
Total	**51.1**	**20.8**	**(180.0)**	**(158.8)**	**-**	**-**	**(70.6)**	**(51.7)**

The maturity profile of the cash flow hedges is set out below:

	2021		2020	
	Up to one year	One to five years	Up to one year	One to five years
	$m	$m	$m	$m
Cash flow hedges				
Term Structure Hedges on Crude Oil Inventory	10.1	19.4	(8.9)	(7.4)
Term Structure Hedges on Product Inventory	-	-	(2.4)	-
Refining Margin Hedges	(18.3)	(1.6)	(4.6)	-

At 30 September 2021, commodity contracts, designated as cash flow hedges, equivalent to $151.2m (2020: $10.1m) were outstanding. The change in the intrinsic value of the outstanding amounts was $9.6m (2020: $23.3m).

The following table details the effectiveness of the hedging relationship:

At 30 September 2021	**Hedging gains/ (losses) recognised in OCI**
	$m
Cash flow hedges	
Term Structure Hedges on Crude Oil Inventory	29.5
Term Structure Hedges on Product Inventory	-
Refining Margin Hedges	(19.9)
(Losses) / Gains	**9.6**

NOTES TO THE FINANCIAL STATEMENTS

26 Financial instruments (continued)

Credit risk

Credit risk refers to the risk that the counterparty will default on its contractual obligations resulting in financial loss to the Group. The Group 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 Group 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 Group uses other publicly available financial information and its own trading records to rate its major customers. The Group'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 the Group's marketing and finance department.

Trade receivables excluding Prepayments, as discussed in note 3, 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 Group does not have any significant credit risk exposure to any single counterparty or any Group of counterparties having similar characteristics. The Group defines counterparties as having similar characteristics if they are related entities.

Credit Risk: Of the top 90% of the Group's customers by revenue, approximately 79% (2020: 75%) 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 and other receivables, by provider, accounted for 43% (2020: 61%) of the total trade receivables balance of $366.2m (2020: $587.4m) and the largest individual balance was $55m (2020: $107.5M), which does not exceed 10% (2020: 15%) of gross financial assets at the balance sheet date. Concentration of credit risk to any other counterparty did not exceed 10% (2020: 12%) of gross financial assets at the balance sheet date.

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 Group's maximum exposure to credit risk as no collateral or other credit enhancements are held.

The Group 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 Group's credit policy, hence at a point in time some customers may exceed their credit limits occasionally.

Interest rate risk

The Group is exposed to interest rate risk because the Group borrows funds at floating interest rates on its Bank loans (note 24). The risk is managed by regularly reviewing the Group'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 Group's exposure to interest rates on financial assets and financial liabilities are detailed in the liquidity risk management section of this note.

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.

26 Financial instruments (continued)

If interest rates had been 0.5% higher and all other variables were held constant, the Group's profit for the year ended 30 September 2021 would have decreased by $1.3m (2020: $3.2m). This is attributable to the Group's exposure to interest rates on its variable rate borrowings.

Capital risk

The Group manages its capital to ensure that the Group 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 Group consists of net debt, and equity attributable to equity holders, comprising issued capital, and retained earnings.

The Group monitors capital using a gearing ratio, which is net debt divided by total capital plus net debt. The Group 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 Group.

Gearing ratio

The gearing ratio, being net debt over equity, at the year-end is as follows:

Consolidated	**30-Sep 2021 $m**	**30-Sep 2020 $m**
Debt	79.9	76.5
Cash and cash equivalents	(85.4)	(123.4)
Net debt	(5.5)	(46.9)
Equity	285.5	566.0
Total debt and equity	280.0	519.1
Net debt to equity ratio (%)	-	-

Debt is defined as amounts due under finance leases. Given the nature of Advances received against receivables and Inventory funding, these items are not considered to be financial borrowings and so are excluded from the reported net debt number. Equity includes all capital and reserves of the Group that are managed as capital.

Liquidity risk

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 Group's short, medium and long-term funding and liquidity management requirements. The Group manages liquidity risk by maintaining adequate reserves, banking facilities and reserve borrowing facilities, by continuously monitoring forecast and actual cash flows.

The following tables detail the Group'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 Group 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 Group may be required to pay.

NOTES TO THE FINANCIAL STATEMENTS

26 Financial instruments (continued)

Consolidated	Weighted average effective interest rate %	Less than 1 month $m	1-3 months $m	3 months to 1 year $m	1-5 years $m	5+ years $m	Total $m
30 Sep 21							
Non-interest bearing:							
Trade and other payables		200.6	-	-	500.0	-	700.6
Interest bearing:							
Finance lease liability	7.9	0.8	1.1	5.7	27.9	132.1	167.6
Variable interest rate instruments	5.9	-	70.7	-	200.4	-	402.5
		201.4	71.8	5.7	728.3	132.1	1,139.3
30 Sep 20							
Non-interest bearing:							
Trade and other payables		281.2	-	-	-	-	281.2
Interest bearing:							
Finance lease liability	7.9	0.8	1.0	5.5	28.5	142.0	177.8
Variable interest rate instruments	2.6	-	440.8	-	120.0	-	560.8
		282.0	441.8	5.5	148.5	142.0	1,019.8

The following tables detail the Group'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 Group's liquidity risk management as the liquidity is managed on a net asset and liability basis.

Consolidated	Less than 1 month $m	1-3 months $m	3 months to 1 year $m	1-5 years $m	5+ years $m	Total $m
30 Sep 21						
Non-interest bearing:	451.6	-	-	-	-	451.6
30 Sep 20						
Non-interest bearing:	710.8	-	-	-	-	710.8

NOTES TO THE FINANCIAL STATEMENTS

26 Financial instruments (continued)

The following table details the Group'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.

Consolidated and Company	Less than 1 month $m	1-3 months $m	3 months to 1 year $m	1-5 years $m	5+ years $m	Total $m
30 Sep 21						
Net settled:						
Foreign exchange forward contracts & swaps	(6.6)	(4.0)	(0.4)	-	-	(11.0)
Foreign exchange Collars	(1.6)	(0.6)	(1.0)	(1.8)	-	(5.0)
Gross settled:						
Commodity swaps and futures	(2.0)	(0.6)	(11.2)	4.6	-	(9.1)
	(10.2)	(5.2)	(12.6)	2.8	-	(25.2)
30 Sep 20						
Net settled:						
Foreign exchange forward contracts & swaps	1.0	0.3	0.1	-	-	1.4
Foreign exchange Collars	-	-	-	-	-	-
Gross settled:						
Commodity swaps and futures	6.6	7.4	17.7	(6.0)		25.6
	7.6	7.7	17.8	(6.0)	-	27.0

Financing facilities

During the year, the Group was successful in replacing receivable financing facility provided by Lloyds Bank until March 21, with new receivable financing facility of $217m along with liquidity from a diversified range of sources, including bilateral and supply chain financing arrangements with few of its key customers.

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 Group 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. The Group 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 IFRS 9 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

27 Deferred tax

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

Consolidated	Accelerated tax depreciation	Retirement benefit obligations	Tax losses	Short term timing differences	Revaluation reserve	Total
	$m	$m	$m	$m	$m	$m
At 30 September 2019	60.8	(5.9)	-	(19.0)	-	35.9
(Charge)/ credit to income statement	12.0	1.5	(15.1)	(4.4)	-	(6.0)
Credit to statement of comprehensive income	-	5.2	-	-	29.0	34.2
At 30 September 2020	72.8	0.8	(15.1)	(23.4)	29.0	64.1
(Charge)/ credit to income statement	20.4	-	(60.0)	32.0	-	(7.6)
Credit to statement of comprehensive income	-	7.3	-	(6.3)	9.1	10.1
At 30 September 2021	93.2	8.1	(75.1)	2.3	38.1	66.6

Company	Accelerated tax depreciation	Retirement benefit obligations	Tax losses	Short term timing differences	Revaluation reserve	Total
	$m	$m	$m	$m	$m	$m
At 30 September 2019	60.8	(5.9)	-	(19.0)	-	35.9
(Charge)/ credit to income statement	(0.6)	1.5	(15.1)	(4.4)	-	(18.5)
Credit to statement of comprehensive income	-	5.2	-	-	-	5.2
At 30 September 2020	60.2	0.8	(15.1)	(23.4)	-	22.5
(Charge)/ credit to income statement	17.1	-	(60.0)	32.0	-	(11.1)
Credit to statement of comprehensive income	-	7.3	-	(6.3)	-	1.0
At 30 September 2021	77.2	8.1	(75.1)	2.3	-	12.6

28 Obligations under leases

Consolidated	30-Sep 2021 $m	30-Sep 2020 $m
Amounts payable under leases:		
Within one year	7.7	7.3
In the second to fifth years inclusive	29.6	28.5
After five years	146.9	142.0
	184.2	177.8
Less: future finance charges	(104.3)	(101.3)
Present value of lease obligations	79.9	76.5

Company	30-Sep 2021 $m	30-Sep 2020 $m
Amounts payable under leases:		
Within one year	7.7	7.3
In the second to fifth years inclusive	29.6	28.5
After five years	146.9	142.0
	184.2	177.8
Less: future finance charges	(104.3)	(101.3)
Present value of lease obligations	79.9	76.5

Present value of minimum lease payments

	30-Sep 2021 $m	30-Sep 2020 $m
Amounts payable under leases:		
Within one year	1.8	1.6
In the second to fifth years inclusive	7.1	7.0
After five years	71.0	67.9
Present value of lease obligations	79.9	76.5
Analysed as:		
Amounts due for settlement within 12 months (shown under current liabilities)	1.8	1.6
Amounts due for settlement after 12 months	78.1	74.9
	79.9	76.5

The lease term varies from 3 years to 28 years. For the year period ended 30 September 2021, the average effective borrowing rate was 5.8% to 6.5% depending on the lease term (2020: 5.7% to 9.7%). 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 12.

NOTES TO THE FINANCIAL STATEMENTS

29 Provisions

Consolidated	**Other provisions $m**
At 30 September 2019	-
Added during the period	5.2
At 30 September 2020	**5.2**
Released to the P&L	(5.2)
Added during the period	19.8
At 30 September 2021	**19.8**

Company	**Other provisions $m**
At 30 September 2019	-
Added during the period	5.2
At 30 September 2020	**5.2**
Released to the P&L	(5.2)
Added during the period	19.8
At 30 September 2021	**19.8**

Other provisions

Other provisions relate to an onerous payment pursuant to disputed commercial agreements totalling $18m (2020: $0m). There is also a provision for other regulatory fines and penalties totalling $1.8m (2020: $0m).

In the event of adverse decision on the above, the payments will be expected in H1 2022.

30 Share capital

	30 Sept 2021 $m	**30 Sept 2020 $m**
Called-up, issued and fully paid:		
442,102,375 ordinary shares of £1 each (2020: 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.

31 Notes to the cash flow statement

Reconciliation of profit before tax to net cash used by operations:

Consolidated

	Year ended 30 Sept 2021 $m	Year ended 30 Sept 2020 $m
Loss before tax for the period	(321.3)	(220.8)
Adjustments for:		
Finance costs	77.0	66.4
Finance income	(18.4)	19.9
Depreciation of property, plant and equipment	91.9	89.6
Depreciation of Right of Use Assets	3.4	3.5
Amortisation of intangible assets	0.8	0.9
Loss/Gain on retirement of property, plant and equipment	0.3	-
Write off of Bad debts (net of opening reserves)	-	(5.8)
Increase in provisions	14.6	5.2
Retirement benefit Contributions	(34.4)	(28.1)
Retirement benefit Costs	16.7	19.9
RDEC tax credit	(11.7)	(34.5)
Fair value change in derivative instruments	78.4	(27.0)
Foreign exchange (gains) / losses	32.4	14.3
Operating cash flows before movements in working capital	(70.3)	(96.4)
(Increase) / Decrease in inventories	(101.6)	90.9
Decrease in receivables	182.3	338.4
Increase in operating creditors and accruals	394.6	315.8
Increase / (Decrease) in Liability to IM provider	80.4	(55.0)
Increase / (Decrease) in deferred revenue	0.1	(12.8)
Cash generated by operations	485.5	580.9
Tax refunded / (Paid)	57.7	(34.5)
Net cash generated by operations	543.1	546.3

Reconciliation of changes in liabilities arising from financing activities:

Consolidated	30 Sep 20 $m	Increase due to Extension of Lease term $m	Impact of new IFRS16 $m	Discounted Payments $m	30 Sep 21 $m
Obligations under finance leases					
-Current	(1.6)	-	-	(0.2)	(1.8)
-Non Current	(74.9)	-	-	(3.2)	(78.1)
Total	**(76.5)**	**-**	**-**	**(3.4)**	**(79.9)**
Increase /(decrease) in short term bank advances	(440.8)	-	-	370.1	(70.7)
Increase /(decrease) in other deposits	31.2	-	-	80.3	111.5
Increase /(decrease) in other non-current receivables	226.1	-	-	0.4	226.5
Total	**(183.5)**	**-**	**-**	**450.8**	**267.3**

NOTES TO THE FINANCIAL STATEMENTS

Consolidated (continued)	30 Sep 19	Increase due to Extension of Lease term	Impact of new IFRS16	Discounted Payments	30 Sep 20
	$m	$m	$m	$m	$m
Obligations under finance leases					
-Current	(2.9)	-	(0.3)	1.6	(1.6)
-Non Current	(27.7)	-	(42.9)	(4.3)	(74.9)
Total	**(30.6)**	**-**	**(43.2)**	**(2.7)**	**(76.5)**
Increase /(decrease) in short term bank advances	(507.0)	-	-	66.2	(440.8)
Increase /(decrease) in other deposits	23.3	-	-	7.9	31.2
Increase /(decrease) in other non-current receivables	-	-	-	226.1	226.1
Total	**(483.7)**	**-**	**-**	**300.2**	**(183.5)**

31 Notes to the cash flow statement (continued)

Company

	Year ended 30 Sept 2021 $m	Year ended 30 Sept 2020 $m
Loss before tax for the period	(368.8)	(257.6)
Adjustments for:		
Finance costs	74.8	63.6
Finance income	(33.9)	6.7
Depreciation of property, plant and equipment	76.4	77.8
Depreciation of Right of Use Assets	1.1	1.8
Amortisation of intangible assets	0.7	0.8
Loss/Gain on retirement of property, plant and equipment	0.3	-
Write off of Bad debts (net of opening reserves)	-	(5.8)
Increase in provisions	14.6	5.2
Retirement benefit Contributions	(34.4)	(28.1)
Retirement benefit Costs	16.7	19.9
RDEC tax credit	(11.7)	(34.5)
Fair value change in derivative instruments	78.4	(27.0)
Foreign exchange (gains) / losses	35.6	16.1
Operating cash flows before movements in working capital	(150.2)	(160.9)
(Increase) / Decrease in inventories	(98.9)	101.8
Decrease in receivables	239.5	299.0
Increase in operating creditors and accruals	300.2	349.0
Increase / (Decrease) in Liability to IM provider	80.4	(55.0)
Increase / (Decrease) in deferred revenue	0.1	(12.8)
Cash generated by operations	371.1	521.1
Tax refunded / (Paid)	57.7	(34.5)
Net cash generated by operations	428.7	486.5

Reconciliation of changes in liabilities arising from financing activities:

Company	**30 Sep 20** $m	**Increase due to Extension of Lease term** $m	**Impact of new IFRS16** $m	**Discounted Payments** $m	**30 Sep 21** $m
Obligations under finance leases					
-Current	(1.6)	-	-	(0.2)	(1.8)
-Non Current	(74.9)	-	-	(3.2)	(78.1)
Total	**(76.5)**	**-**	**-**	**(3.4)**	**(79.9)**
Increase /(decrease) in short term bank advances	(440.8)	-	-	370.1	(70.7)
Increase /(decrease) in other deposits	283.0	-	-	21.8	304.8
Increase /(decrease) in other non-current receivables	248.1	-	-	1.3	249.4
Total	**90.3**	**-**	**-**	**393.2**	**483.5**

NOTES TO THE FINANCIAL STATEMENTS

31 Notes to the cash flow statement (continued)

Consolidated (continued)	**30 Sep 19**	**Increase due to Extension of Lease term**	**Impact of new IFRS16**	**Discounted Payments**	**30 Sep 20**
	$m	**$m**	**$m**	**$m**	**$m**
Obligations under finance leases					
-Current	(2.9)	-	(0.3)	1.6	(1.6)
-Non Current	(27.7)	-	(42.9)	(4.3)	(74.9)
Total	**(30.6)**	**-**	**(43.2)**	**(2.7)**	**(76.5)**
Increase /(decrease) in short term bank advances	(507.0)	-	-	66.2	(440.8)
Increase /(decrease) in other deposits	21.3	-	-	261.8	283.0
Increase /(decrease) in other non-current receivables	21.4	-	-	226.7	248.1
Total	**(464.3)**	**-**	**-**	**300.2**	**90.3**

32 Lease arrangements

The Group as lessor:

Consolidated	**30-Sep 2021 $m**	**30-Sep 2020 $m**
Consolidated		
Within one year	0.1	0.1
In the second to fifth years inclusive	0.6	0.6
After five years	2.8	2.9
	3.5	3.6

Company	**30-Sep 2021 $m**	**30-Sep 2020 $m**
Amounts payable under finance leases:		
Within one year	0.4	0.4
In the second to fifth years inclusive	1.8	1.8
After five years	13.7	14.1
	16.0	16.3

On 9 March 2016, the Group entered into an agreement to provide land under a 25 year operating lease to a third party. During the period income received in respect of this agreement was $0.1m (2020: $0.1m).

On 31st December 2021, the Company entered into an agreement to provide land under a 50 year operating lease to subsidiary Stanlow Terminals Ltd. During the year Income received in respect of this agreement was $0.30m (2020: $ 0.25m)

On 31st December 2021, the Company entered into an agreement to provide building under a 10 year operating lease to subsidiary Stanlow Terminals Ltd. During the year no Income was received in respect of this agreement are $0.1m (2020: $0.1m)

NOTES TO THE FINANCIAL STATEMENTS

33 Retirement benefit schemes

Defined contribution schemes

The Group operates defined contribution retirement benefit schemes for all qualifying employees. The assets of the schemes are held separately from those of the Group in funds controlled by the trustees.

The total expense charged to the income statement was $3.3m (2020: $3.2m) and represents contributions payable to the schemes by the Group at rates specified in the rules of the plan. As at 30 September 2021, contributions of $0.4m (2020: $nil) to the schemes due in respect of the current reporting period was paid in October 2021.

Defined benefit schemes

The Group sponsors a funded final salary defined benefit pension plan for qualifying UK employees, the Essar Oil (UK) Pension Scheme. The Scheme is subject to funding legislation outlined in the Pensions Act 2004 which came into force on 30 December 2005. This together with documents issued by the Pensions Regulator, and Technical Actuarial Standards adopted by the Financial Reporting Council, set out the framework for funding defined benefit occupational pension schemes in the UK.

The Scheme is administered by a separate board of trustees, which is legally separate from the Group. The trustee board is composed of representatives of both the employer and employees, plus an independent trustee. The Trustee is required by law to act in the interest of all relevant beneficiaries and are responsible for the investment policy for the assets and the day-to-day administration of the benefits.

Under the Scheme, employees are entitled to annual pensions on retirement. Benefits are also payable on death and following other events such as withdrawing from active service. No other post-retirement benefits are provided to these employees.

The Defined Benefit Obligation (DBO) includes benefits for current employees, former employees and current pensioners. Broadly, about 81% of the liabilities are attributable to current employees, 6% to deferred pensioners and 13% to current pensioners.

The Scheme duration is an indicator of the weighted-average time until benefit payments are made. For the Scheme as a whole, the duration is approximately 27 years.

33 Retirement benefit schemes (continued)

Risks associated with the Scheme

The Scheme exposes the Group to some risks, the most significant of which are:

Asset volatility

The liabilities are calculated using a discount rate set with reference to corporate bond yields. If assets underperform this yield, this will create a deficit.

The Scheme holds a significant proportion of growth assets which, though expected to outperform corporate bonds in the long-term, create volatility and risk in the short-term. The allocation to growth assets is monitored to ensure it remains appropriate given the Scheme's long-term objectives.

Changes in bond yields

A decrease in corporate bond yields will increase the value placed on the Scheme's liabilities for accounting purposes, although this will be partially offset by an increase in the value of the Scheme's bond holdings.

Inflation risk

The majority of the Scheme's benefit obligations are linked to inflation, and higher inflation leads to higher liabilities (although, in most cases, caps on the level of inflationary increases are in place to protect against extreme inflation).

Most of the assets are either unaffected by or only loosely correlated with inflation, meaning that an increase in inflation will also increase the deficit.

Life expectancy

The majority of the Scheme's obligations are to provide benefits for the lifetime of the member, so increases in life expectancy will result in an increase in the liabilities.

Funding requirements

UK legislation requires that pension schemes are funded prudently. The last funding valuation of the Scheme was carried out by a qualified actuary as at 31 July 2018 and showed a deficit of £29.1m. The Company is paying deficit contributions of £1m per month, which are expected to make good this shortfall by April 2022.

The Group also pays contributions at a rate of 65.5% of pensionable salaries in respect of current accrual for pre-2009 members and 42.8% for post-2009 members, with some active members also paying contributions based on their Pensionable Salary and Service.

Reporting at 30 September 2021

The results of the latest funding valuation at 31 July 2018 have been approximately adjusted to the new balance sheet date, taking account of experience over the period since 31 July 2018, changes in market conditions, and differences in the financial and demographic assumptions. The present value of the Defined Benefit Obligation, and the related current service cost, were measured using the projected unit credit method.

The principal assumptions used to calculate the liabilities under IAS 19 are as follows:

NOTES TO THE FINANCIAL STATEMENTS

33 Retirement benefit schemes (continued)

Key financial assumptions used:	Valuation at 30-Sep-21 %	30-Sep-20 %
Discount rate for scheme liabilities	2.00	1.70
RPI inflation	3.00	2.35
Rate of general long-term increase in salaries	1.75	1.75
Pre 2009 pension increase rate	3.00	2.35
Post 2009 pension increase rate	2.90	2.30

The financial assumptions reflect the nature and term of the Scheme's liabilities.

Key demographic assumptions used:	Year ended 30-Sep 2021 and 30-Sep 2020
Mortality base table adopted	2018 Club Vita tables
Mortality future improvements adopted	CMI 2018 with a long term improvement rate of 1.0% SK = 7.0; A = 0.5%
Life expectancy for male pensioner currently aged 65	22.2
Life expectancy for female pension currently aged 65	24.3
Life expectancy at 65 for male non-pensioner currently aged 45	23.4
Life expectancy at 65 for female non-pensioner currently aged 45	25.5
Transfer take-up	No allowance
Cash commutation	18% lump sum upon retirement
Proportion married	85%

The mortality assumptions are based on the recent actual mortality experience of Scheme members and allow for expected future improvements in mortality rates.

Reconciliation of funded status to balance sheet	Valuation at 30-Sep-21 $m	30-Sep-20 $m
Fair value of Scheme assets	288.5	238.9
Present value of funded Defined Benefit Obligation	(256.2)	(234.7)
Asset recognised on the balance sheet	**32.2**	**4.2**

Upon determining the adjustment in respect of the minimum funding requirement (Nil), it has been assumed that the Group would be entitled to a refund from the Scheme of any surplus arising in the Scheme in future.

33 Retirement benefit schemes (continued)

The amounts recognised in the income statement and other comprehensive income in the period are as follows:

	Period ended	
	30-Sep-21	**30-Sep-20**
	$m	**$m**
Operating cost		
Current service cost	16.7	19.9
Financing cost		
Interest on net defined benefit liability	4.1	4.5
Expected return on Scheme Assets	(5.5)	(3.9)
Pension expense recognised in the income statement	**15.3**	**20.5**
Remeasurements in other comprehensive income		
Return on Scheme assets (in excess of) / below that recognised in net interest	(13.0)	1.7
Actuarial losses/(gains) due to changes in financial assumptions	5.7	(26.2)
Actuarial (gains) due to liability experience	(3.0)	(0.2)
Foreign exchange losses	-	1.2
Total amount recognised in other comprehensive income (OCI)	**(10.2)**	**(23.5)**
Total amount recognised in the income statement and OCI	**5.0**	**(3.0)**

The company expects to make contribution of £26.4m during the following accounting period including £12m of deficit reduction contribution in line with the recovery plan agreed with the trustees.

The movements in the defined benefit obligation in the period are as follows:

	Valuation at	
	30-Sep-21	**30-Sep-20**
	$m	**$m**
Opening defined benefit obligation	**234.8**	**240.3**
Current service cost	16.7	19.9
Interest expense on defined benefit obligation	4.1	4.5
Contributions by scheme participants	1.1	1.1
Net benefits paid out	(13.0)	(16.2)
Foreign exchange losses	9.9	11.6
Expected closing defined benefit obligation	253.6	261.2
Actuarial losses/(gains) on Scheme liabilities arising from changes in financial assumptions	5.7	(26.2)
Actuarial (gains) on Scheme liabilities arising from experience	(3.0)	(0.2)
Closing defined benefit obligation	**256.3**	**234.8**

33 Retirement benefit schemes (continued)

Changes to the fair value of Scheme assets during the period	Valuation at 30-Sep-21 $m	30-Sep-20 $m
Opening fair value of Scheme assets	**238.9**	**212.8**
Interest income on Scheme assets	4.5	4.1
Contributions by the employer	34.4	28.1
Contributions by Scheme participants	1.1	1.1
Net benefits paid out	(13.0)	(16.2)
Foreign exchange gains	9.7	10.7
Expected value of Scheme assets	**275.5**	**240.6**
Remeasurement gains / (losses) on Scheme assets	13.0	(1.7)
Closing fair value of Scheme assets	**288.5**	**238.9**

Return on Scheme assets	Valuation at 30-Sep-21 $m	30-Sep-20 $m
Interest income on Scheme assets	4.5	4.1
Remeasurement (loss)/gain on Scheme assets	13.0	(1.7)
Total return on Scheme assets	**17.5**	**2.4**

The Scheme assets are invested in the following asset classes. All invested assets have a quoted market value in an active market.

	Valuation at 30-Sep-21 $m	30-Sep-20 $m
Equities	30.0	23.4
Diversified Growth Funds	30.9	54.5
Liability Driven Investments	47.0	25.4
Corporate Bonds	94.9	72.1
Multi Asset Credit	40.4	36.9
Property	22.2	19.6
Cash and cash equivalents	23.0	7.0
Total market value of assets	**288.5**	**238.9**

Sensitivity to key assumptions
The key assumptions used are the discount rate, inflation rate and mortality assumptions. Changes to key assumptions could have a material impact on the defined benefit obligation. Sensitivity analysis has been performed on the key assumptions which are detailed below.

NOTES TO THE FINANCIAL STATEMENTS

33 Retirement benefit schemes (continued)

	Change $m	Sensitised value $m
Following a 0.5% per annum decrease in the discount rate		
Pension expense for the following year	3.7	19.6
Assets of the Scheme at 30 Sep 2021	-	288.5
Defined benefit obligation at 30 Sep 2021	(39.5)	(295.8)
Deficit at 30 Sep 2021	**(39.5)**	**(7.3)**
Following a 0.5% per annum increase in inflation		
Pension expense for the following year	3.7	19.6
Assets of the Scheme at 30 Sep 2021	-	288.5
Defined benefit obligation at 30 Sep 2021	(38.5)	(294.8)
Deficit at 30 Sep 2021	**(38.5)**	**(6.3)**
Following a 1 year increase in life expectancy		
Pension expense for the following year	1.1	17.0
Assets of the Scheme at 30 Sep 2021	-	288.5
Defined benefit obligation at 30 Sep 2021	(11.3)	(267.5)
Surplus/(deficit) at 30 Sep 2021	**(11.3)**	**21.0**
Following a 0.5% per annum increase in the Salary		
Pension expense for the following year	1.6	17.6
Assets of the Scheme at 30 Sep 2021	-	288.5
Defined benefit obligation at 30 Sep 2021	(14.2)	(270.4)
Surplus/(deficit) at 30 Sep 2021	**(14.2)**	**18.1**

The sensitivities analysis above is based on changing each assumption individually while holding all other assumptions constant. The method used for the sensitivities are consistent with the previous year.

NOTES TO THE FINANCIAL STATEMENTS

34 Cash flow hedge accounting reserve

	Term Structure Hedges on Crude Oil Inventory	Term Structure Hedges on Product Inventory	Refining Margin Hedges	Total Cash Flow Hedge Accounting Reserves
Consolidated and Company				
	$m	**$m**	**$m**	**$m**
At 30 September 2019	-	-	-	-
Change in fair value of hedging instrument recognised as Other Comprehensive Income for the year	(16.3)	(2.4)	(4.6)	(23.3)
Deferred tax	3.1	0.4	0.9	4.4
At 30 September 2020	**(13.2)**	**(2.0)**	**(3.7)**	**(18.9)**
Change in fair value of hedging instrument recognised as Other Comprehensive Income for the year	47.8	(1.9)	(17.7)	28.1
Charge to profit and loss	(2.0)	4.3	2.4	4.8
Deferred tax	(10.5)	(0.4)	4.1	(6.8)
At 30 September 2021	**22.1**	**-**	**(14.9)**	**7.2**

NOTES TO THE FINANCIAL STATEMENTS

35 Asset revaluation reserve

Consolidated

	Terminal Assets $m
At 30 September 2019	-
Increase in value of assets recognised as Other Comprehensive Income for the year	153.0
Deferred tax in initial recognition	(29.1)
At 30 September 2020	**123.9**
Deferred tax due to change in future tax rates	(9.1)
At 30 September 2021	**114.8**

36 Related party transactions

Loans to related parties

	Consolidated		Company	
	30-Sep 2021 $m	**30-Sep 2020 $m**	**30-Sep 2021 $m**	**30-Sep 2020 $m**
Non-current				
Essar Oil & Gas Limited	225.5	225.5	225.5	225.5
Stanlow Terminals Limited	-	-	208.4	253.3
Essar Midlands Limited	-	-	22.9	22.0
	225.5	225.5	456.8	500.8

Movement in Loans to Essar Midlands Limited is on account of Foreign exchange as the loan amount was advanced in Great British Pounds.

The Group's other transactions with related parties included purchases and sale of goods and services and recharges of costs incurred to other Essar Group companies. Details of the transactions and the balance outstanding are below:

	Consolidated		Company	
	Year ended 30 Sept 2021 $m	**Year ended 30 Sept 2020 $m**	**Year ended 30 Sept 2021 $m**	**Year ended 30 Sept 2020 $m**
Purchases of goods and services	-	-	129.5	87.1
Recharge of costs incurred	-	-	-	-
Sale of goods and services	-	-	30.5	14.0
Interest on Loans advanced	18.3	13.7	28.1	22.9

35 Related party transactions (continued)

Other transactions with related parties:

	Consolidated		Company	
	30-Sep 2020 $m	**30-Sep 2020 $m**	**30-Sep 2021 $m**	**30-Sep 2020 $m**
Receivables	15.4	15.4	69.1	26.3
(Payables)	(6.1)	(3.1)	(7.2)	(5.5)
Interest receivable on Loans advanced	32.0	13.7	32.0	13.7

The Company's transactions with its subsidiary Essar Midlands Limited in relation to purchase and sale of petroleum products are not eligible for revenue recognition and hence not included above.

In addition to the transactions above, Dividends totalling $nil m (2019: $81m) were paid to Essar Oil (Cyprus) Limited (note 37).

Remuneration of key management personnel

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

	Year ended 30 Sept 2021 $m	**Year ended 30 Sept 2020 $m**
Short-term employee benefits	2.7	2.4
Post-employment benefits	-	-
	2.7	2.4

The highest paid director earned $1.1m (2020: $0.9m) in short-term employee benefits during the period.

During the period, no directors (2020: 0) participated in the defined benefit pension scheme.

$0.3m (2020: Nil) was paid to Rodimus Holdings II Limited in respect of remuneration for one of the directors. There are no outstanding at the end of the year.

NOTES TO THE FINANCIAL STATEMENTS

37 Dividends

Company

	Year ended 30 Sept 2021 $m	Year ended 30 Sept 2020 $m
Dividend paid at $0.0 (2020: $0.183) per ordinary share	-	81.0

38 Events after the reporting period

HyNet North West ('HyNet') in October 2021 was selected as a Track-1 cluster for the mid-2020s and will be taken forward into Track-1 negotiations as part of the UK's Carbon Capture, Usage and Storage (CCUS) Cluster Sequencing Process.

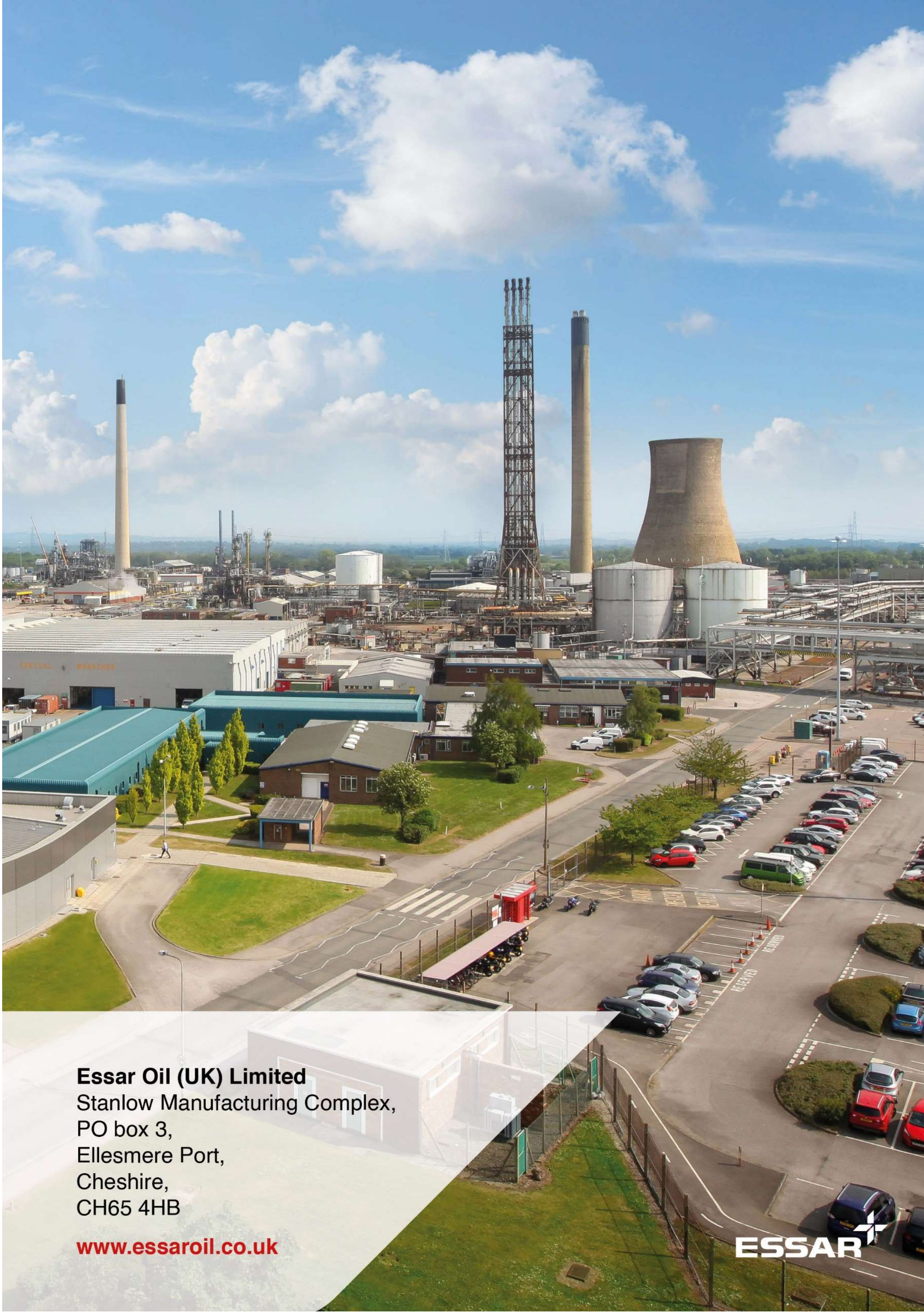
Subsequent to MOU signed on 23 Dec 2020, to proceed with the Project (and engage with phase 2 of the Process), EOUK has formalised the joint venture with Progressive Energy Northwest Limited (PELNW), a 100% subsidiary of Progressive Energy Limited (PEL) by signing a shareholding agreement. This has involved EOUK incorporating a 100% owned subsidiary (an English company limited by shares) Stanlow Hydrogen Limited (SHL) which has subscribed for shares in newly English registered joint venture company (an English company limited by shares) Vertex Hydrogen Limited (Vertex) in which SHL is a 90% shareholder and Progressive is a 10% shareholder.

The Group sponsors a funded final salary defined benefit pension plan for qualifying UK employees, the Essar Oil (UK) Pension Scheme. The Scheme is subject to funding legislation outlined in the Pensions Act 2004 which came into force on 30 December 2005. Under the Scheme, employees are entitled to annual pensions on retirement. In June 2021, the Company started consultation with the employees for closure of the scheme for future accruals. After various rounds of discussion with the union and the employee representatives, an agreement was reached to formally close the scheme for future accruals effective 1st January 2022.

39 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 30 September 2021 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.



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