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Essar Oil (UK) Limited

Annual report and consolidated financial statements for the period ended 30 September 2020

Registered number: 07071400

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ANNUAL REPORT AND FINANCIAL STATEMENTS 2020

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OFFICERS AND PROFRESSIONAL ADVISORS

DIRECTORS

P Ruia
R Ruia
T Srinivasalu
K N Venkatasubramanian
B C Tripathi (Appointed 5th February 2020)
S H Welch (Appointed 7th August 2020)
S I Bye (Appointed 16th October 2020, Resigned 19th March 2021)
P Sampath (Resigned 14th October 2020)
M I R Wilson (Appointed 30th January 2020, Resigned 25th June 2020)

SECRETARY

S Chambers

REGISTERED OFFICE

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AUDITOR

PKF Littlejohn LLP
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BANKERS

Macquarie Bank Limited
Ropemaker Place
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London
EC2Y 9HD

Lloyds Bank Plc
25 Gresham Street
London
EC2V 7HN

Winner of the Gold Award
in the internationally-renowned
RoSPA Health and Safety Awards 2020

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A leading UK-focused downstream energy company

- Stanlow is one of the most advanced refineries in Europe
- A strategic national asset, it produces 16% of the UK's road transport fuels
- It provides key feedstock for Britain's petrochemical industry

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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 acquired and now 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. These acquisitions were concluded on 1 February 2019.

The Group's Essar branded retail station network as at 30 September 2020 stood at 69 (2019: 72).

Operational and financial review

The current year results are for 12 months ending 30 September 2020. The prior period results are for the 18 months ending 30 September 2019 as the Group extended its financial period to 18 months to allow the new acquisitions time to be fully embedded in the organisation as well as allowing the effect of change of the inventory monetisation provider.

The Group's operational and financial performance was impacted by Covid-19 related disruption which resulted in demand destruction and consequently weaker refining margins. The improvement initiatives taken by the Group since ownership of the refinery have helped to minimise the impact of disruption and the Group continues to make use of optimised processes, a diversified crude basket and investment in margin booster programmes.

Throughput at the refinery was at 65.65 million barrels during the period compared to 106.22 million barrels in the prior period mainly due to the previous period (2019) being for 18 months compared to 12 months in 2020. On like to like prorate basis for a 12 months period, throughput during the year was 65.65 million barrels compared to 70.81 million barrels in the preceding 12 months. The refinery achieved a Current Price GRM (definition overleaf) of US$4.8/bbl for the period, compared with a Current Price GRM of US$8.7/bbl in the prior year mainly due to the poor refining margins as a result of Covid-19 related disruptions. Operational EBITDA (definition overleaf) decreased to a US$ (46.5)m in the period, compared to US $ 467.9 m in the prior period, mainly as a result of lower throughput and weaker refining margins.

In December 2019, prior to the Covid-19 pandemic, the Group's Board approved and paid dividends to the Shareholders of the Group of $81.0m (2019: $201.0m).

Income statement

The Group generated revenues of $6,005.5m in 2020 (2019 (18 months): $12,605.8m) and made a net loss before tax of $220.8m (2019 (18 months): net profit before tax of $194.8m). Revenues are lower due to 18 months period in 2019 and the decrease in average price of each barrel of oil to $46.4/bbl (2019: $68.5/bbl) mainly as a result of decline in demand due to the Covid-19 pandemic.

Balance sheet

At the period end the Group had net assets (net worth) of $566.0m (2019: $713.1m). The movement in net assets was driven by losses incurred in the period partly offset by increase in asset revaluation reserve. Note 34 provides more details about the revaluation reserve.

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STRATEGIC REPORT

Energy transition and future developments

The Group and Progressive Energy, developers of HyNet North West, the UK's leading industrial decarbonisation cluster, have 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 Wales. Together with carbon capture and storage (CCS), these technologies have the potential to reduce carbon dioxide (CO2) emissions significantly in the region.

Principal risks and uncertainties

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

Covid-19 risk

The global outbreak of Coronavirus has, in the short to medium term, affected businesses including ours in many ways. The safety and wellbeing of our employees and people within our supply chain has been the core focus since the outbreak began and we have taken the appropriate measures to help mitigate the risk of virus transmission, including enabling our workforce to work from home where possible. We continue to closely monitor and follow the guidelines issued by Public Health England and the UK Government and have formed steering groups within our business to ensure a coordinated and a well thought through response and ongoing communication with our workforce. All these measures ensured continued operations of our facility and supply of our fuel products to the region while maintaining wellbeing and safety of our staff as our top priority.

Covid-19 related disruptions led to reduction in product demand globally which in turn put pressures on refining margins. Demand for aviation fuel had been hit harder when compared to road transport fuel.

The EOUK Group had taken all the necessary actions, including initially reducing crude throughput at Stanlow Refinery, to ensure it continued to operate. Throughput since then has recovered, but still remains about 10-15% 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.

With the Vaccine rollout gaining momentum and expectation of a significant number of people in the UK getting vaccinated by the summer of 2021, it is expected that economic activities will start to recover leading to an increase in product demand and refining margins.

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.

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A 'Green Energy Provider' of the future

- **Our vision is aligned with the UK Government's Ten Point Plan on the Green Industrial Revolution**
- **Low carbon hydrogen production at Stanlow will create a hydrogen economy across the region**
- **Non-recyclable household waste will be converted into sustainable aviation fuel for use by airlines**

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STRATEGIC REPORT

Brexit risk

With the EU and UK signing a trade deal at the end of 2020 the risks in relation to introduction of increased tariffs have now been resolved. As a result of the agreement, there has been no change to tariffs for trades with the EU. The Company's imports from non-EU sources also remain zero rated.

Markets also experienced significant volatility with regards to forex prior to the signing of the trade deal with the EU. The Group exposure to currency and mitigation is covered in the forex risk section, but with the trade deal having been agreed, the exchange rate between GBP and USD is less volatile and has therefore reduced the risk.

A UK Emissions Trading Scheme (UK ETS) replaced the UK's participation in the EU ETS on 1 January 2021. The four governments of the UK have established the scheme to increase the climate ambition of the UK's carbon pricing policy, whilst also protecting the competitiveness of UK businesses. We continue to watch the development on this implementation of UK ETS.

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 by structuring transactions such that reduces exposure and for residual exposure, appropriate forward hedge contracts are entered into under the guidance of Group's Risk Management Committee (RMC). Note 21 provides further details on mitigations.

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, the Group has access to Receivable Securitisation facility arranged by Lloyds Bank Plc. 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 with material uncertainty are provided in the Directors Report and note 3.

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STRATEGIC REPORT

Health and safety risk and environment

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

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-19, with the health, safety and wellbeing of our staff a top priority. To protect our staff during Covid-19, we transitioned our non-critical staff to working from home where possible and have 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 in June 2019 and a receivable securitisation facility arranged by Lloyds Bank Plc. 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 23% (2019: 12%) of the Group's overall revenues.

Suppliers

At the start of 2018, Oil and Gas market analysts predicted a significant increase in the middle distillates (diesel/gasoil) crack spreads in the run up to the International Maritime Organisation (IMO) 2020 regulation change which was due to be implemented from 2020. This provided a good opportunity to enhance the refining margins for the EOUK Group by increasing the middle distillates pool which constitutes about 50% of the EOUK yield. In order to realise this opportunity, the Company entered into additional supply agreements with a couple of counterparties to secure further supplies of the relevant valuable feedstock required to assist with this opportunity and provided a net additional supplier prepayments of $185m in April / May 2018 to support this. The Company's board reviewed all available options at the time, upside possibilities, credit risks involved and approved the further supply agreements with a trading partner group who had a regular trading relationship with the EOUK group and is a reputable trading group with significant financial strength.

The market in reality did not experience as much strength in diesel cracks as were initially predicated and therefore the demand was lower for the contracted material. Further there were delays in the provision of feedstock under the agreement. A large part (about 60%) of the advance was settled in the current year. However, due to the Covid-19 situation, about $94.1m of principal and accrued interest of $37.6m remained outstanding at the balance sheet date. Considering delays in settlement, the directors had made a reserve of $100m in the last financial year. In the current year, considering no further recoveries to date and the counterparty group going through a financial restructuring after having faced headwinds due to Covid-19, the directors have approved to write off the outstanding balance of $94.1m principal and accrued interest of $37.6m. The net impact of this write off on the company's statement of comprehensive income for the reporting period is $31.7m after considering the existing bad debts reserves of $100m at the start of the reporting period. The write off will be reversed to the extent if and when the dues are collected from the counterparties.

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STRATEGIC REPORT

Related party loans

During the year, Essar Overseas Cyprus Limited ("EOCL"), the immediate parent company of Essar Oil (UK) Limited ("EOUK") has requested it to consider and grant up to a $400 million loan to Essar Oil and Gas Limited to meet their investment requirements. They have cited strong shareholder support to EOUK historically and on an ongoing basis which has led to a strong financial position at EOUK.

In November 2019, the Company board considered a request from the Company's immediate parent, EOCL to extend an affiliate loan to another sister group Company i.e Essar Oil and Gas Limited. After due consideration, review and obtaining the necessary legal, accounting and tax opinions, the Company board had approved grant of this loan of $375m with a term of three years on commercial terms.

As at the signing date of this financial statement, out of $375m, only $225.4m was disbursed. Based on the impairment assessment conducted in accordance with IFRS 9 guidance, as of the signing of these accounts, the directors remained confident of this loan remaining recoverable from the relevant affiliate entity.

Key performance indicators ("KPI")

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

KPI	Year ended 30 Sept 2020	Eighteen month Period ended 30 Sept 2019	Context
Lost time injuries	2	7	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]	$4.8	$8.7	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. Drop in GRM in the current period was largely driven by market margins being lower than the previous period due to Covid-19 related demand and margin destruction
Operational EBITDA[2]	$ (46.5) m	$ 467.9 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 due to weaker refining margins as a result of Covid-19 disruptions and 12-month results as compared to 18 months in the last period.

[1]Current price GRM/bbl represents the GRM/bbl before the impact of timing differences in crude and product prices, inventory movement and hedging.

[2]Operational EBITDA represents earnings before interest, tax, depreciation, amortisation and exceptional income, being operating loss of $140.4 m with $93.9m of depreciation and amortisation added back.

Employees

The Group has a monthly average number of 837 employees (including executive directors) (2019: 941). This includes employees working for third party plants at Stanlow until 2019, which were operated by the Group. As at 30 September 2020, there are no employees working for third party plants at Stanlow.

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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: In order to create more value, during the year Stanlow Terminals Limited (STL) was operationalised by transfer of identified infrastructure assets. This strategic move has created one of the largest UK terminal businesses which will focus on utilising its infrastructure assets to attract more third party business at Stanlow.

   In addition, 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 Blue 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.

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 one of our primary considerations in the way we do business. Regular safety standstills are conducted to share the 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.

      In order to ensure alignment of objectives, a business score card is provided each year to all staff members, while progress and performance is assessed on a quarterly basis and shared with all employees. 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. Regular interactions through Town Hall, review meeting and other channels helps to ensure alignment of objectives.

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STRATEGIC REPORT

ii. Business Relationships (Customers and Suppliers): Retaining existing customers, helping to support their growth and obtaining new customers is a key objective in the Group 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 with us. The Group also sponsors the Forecourt Traders' awards from time to time.

iii. Regulators: The oil & gas sector is a heavily regulated industry and the Group to ensure its impact on the environment and the community is as minimised as possible, continues to monitor regulatory developments to ensure compliances. The Group maintains good interaction with the regulators to gain more insight and to contribute positively.

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

v. Community and Environment: The Group's approach is to use its position of strength to create positive change for the people and communities with which it interacts. A number of initiatives are undertaken by the Company for the benefit of the local community close to the refinery and as well to a wider community base through the network of retail stations spread across the country.

The Group has donated US$0.2m in the current year to local charities and clubs. The Company is also the main sponsor of the Chester half Marathon and Tranmere Rover Football Club. 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.

The Company is also committed to contribute to the UK Government's objective of low carbon emissions and 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.

DocuSigned by:

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K N Venkatasubramanian
Director

30th Mar 2021

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Investing in the future of our UK businesses

- Essar has invested over $1 billion in the UK, since acquiring Stanlow in 2011
- In 2019, it purchased a number of distribution assets from multi-national BP
- This enabled greater control over product evacuation and logistics infrastructure

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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 2020.

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-19 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, unless stated otherwise, are shown on page 1.

Employees

The directors seek to recruit people who are enthusiastic and focused on operational excellence and serving the 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 advancement in these processes. Accounting policy in this regard in given under the accounting policies section of these financial statements.

Pensions

The Group operates a 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.

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 28 to these financial statements.

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DIRECTORS' REPORT

Streamlined Energy and Carbon Reporting (SECR)

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 premises that were within the operational control of the business during the reporting period:

- Stanlow Manufacturing Complex, Ellesmere Port, Cheshire, UK
- Tranmere Oil Terminal, Birkenhead, Merseyside, UK

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.

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

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 (tCO2 e/TCOP); the total tonnes of crude oil processed (TCOP) for the reporting period was 8,673,100.

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

Reporting Parameter	Year ended 30 Sept 2020
Total energy consumption (kWh)	**8,212,635,112***
Energy consumption from combustion of gas (kWh) (Scope 1)	5,742,704,903*
Energy from other activities which the Company own or control including operating of facilities (Scope 1)	2,387,696,455*
Energy consumption from purchased electricity (kWh) (Scope 2)	92,534,078*
Total gross GHG emissions (tCO2e)	**1,889,277 ***
GHG emissions from combustion of gas (Scope 1)	1,087,795*
GHG emissions from other activities which the Company own or control including operating of facilities (Scope 1)	779,908*
GHG emissions from purchased electricity (tCO2e) (Scope 2)	21,573*
Intensity ratio (tCO2e/TCOP)	**0.22**

*Figures have been rounded

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DIRECTORS' REPORT

Streamlined Energy and Carbon Reporting (SECR) (continued)

During the year, the Group 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 operating unit. Table 2 below details such energy efficiency actions.

Actions Taken	Explanation and Energy Efficiencies
Steam Leak Management	Steam leaks have multiple negative effects on steam-based plant operations, including energy losses, increased emissions, loss of reliability, production issues, and safety. The primary causes of steam leaks include piping and tubing connections and erosion, as well as failures of steam components such as valves and steam traps. During the reporting period, over 300 steam leaks were fixed, eliminating energy losses, alongside the introduction of new analytics and reporting of steam leak identification and repair pipeline to improve the management process.
Operational Excellence (OE) in fired equipment operation	Essar has continued to optimise everyday operations and the development of Operational Excellence (OE) in fired equipment operations has been pursued actively. Consequently, over 3,000 tonnes of CO2 has been saved across 22 furnaces on site.
Implemented a digitalised heat exchanger monitoring programme	A heat exchanger is designed to move heat from a process fluid to another fluid — which might be liquid or air. The process fluid is heated or cooled as the application demands. Monitoring the critical temperature, flow and pressure variables in a heat exchanger with a digitalised programme provides the data required for analysis to optimise operation and maintenance, saving both energy and cleaning costs by use of the optimisation software.
Boiler House Stack Temperature Control	The boiler is one of the primary targets for energy-efficiency improvements and opportunities. Stack loss is dependent on the operating characteristics of the boiler, the equipment installed, and the type of fuel burned in the boiler. Essar has improved controls to optimise performance for different fuels for the boiler, consequently leading to over 1,700 tonnes/annum reduction in CO2 emissions
More accurate Carbon emissions monitoring and accounting	Through understanding carbon emissions data more accurately, Essar has more easily identified carbon saving opportunities whilst mapping more clear benchmarks. Online Gas Chromatograph is now used to measure real time fuel carbon content in refinery fuel gas and more granular local fuel metering has been introduced to avoid double-counting fuel lost to flare from some systems. The accuracy in annual CO2 emissions reporting has increased by over 30,000 tonnes.
HyNet Project	In 2019 the Department for Business, Energy and Industrial Strategy (BEIS) awarded £13million towards funding for hydrogen projects involving Essar Stanlow. The funding provided to the HyNet consortium, of which Essar Oil UK is a member, includes plans to develop a Low Carbon Hydrogen Plant at Stanlow, coupled with Carbon Capture and Storage (CCS) infrastructure. The funding also supports a front end engineering study for a new hydrogen fired combined heat and power (CHP) plant at Stanlow. The Projects provide an opportunity for the refinery to decarbonise by replacing its existing steam and electricity production facilities with those fuelled by hydrogen, which when coupled with a third project that will move into Scouting in 2021 part-funded under the UKRI's Industrial Decarbonisation Challenge to decarbonise emissions from Stanlow's Catalytic Cracker, would position it as one of the lowest carbon refineries in the world. More widely, HyNet will supply hydrogen to a range of other industrial sites and as a 'blend' into the existing Natural Gas network.
Biofuel Project	The Company is in discussion with potential partners to manufacture renewable fuels (bio diesel and bio jet) at Stanlow to meet demand from its domestic customers and to export the surplus production to overseas markets. This will be achieved in strategic partnerships with providers of proven existing technologies. The Bio Jet production project will use the municipal waste as feedstock, with target production expected in 2024/25. These projects will help with the decarbonisation targets set by the UK Government.

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DIRECTORS' REPORT

Future developments

Please refer to the Strategic report on page 2 to 9**.**

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

DocuSigned by:
K N Venkatasubramanian
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K N Venkatasubramanian
Director

30th Mar 2021

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DIRECTORS' RESPONSIBILITIES STATEMENT

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

Company law requires the directors to prepare financial statements for each financial period. Under that law the directors have elected to prepare the Group and Parent Company financial statements in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union. Under Company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Group and the Company for that period. In preparing these financial statements, the Directors are required to:

- select suitable accounting policies and apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- present information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information;
- provide additional disclosures when compliance with the specific requirements in IFRSs is insufficient to enable users to understand the impact of particular transactions, other events and conditions on the entity's financial position and financial performance;
- state whether applicable IFRSs as adopted by the European Union have been followed, subject to any material departures disclosed and explained in the financial statements; and
- make an assessment of the Group's ability to continue as a going concern.

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

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

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

DocuSigned by:

55EC57C6E3734EC

K N Venkatasubramanian
Director

30th Mar 2021

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A growing presence at the UK's major airports

- Downstream integration focussed on servicing the UK aviation market
- Aviation fuel supplier to a network of airports including Manchester, Liverpool, Leeds-Bradford, Birmingham and London Stansted
- Direct supply agreements with leading UK, European and International carriers to the passenger and cargo markets

ESSAR

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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') and its subsidiaries (the 'group') for the year ended 30 September 2020 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 Statements of Cash Flows and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union and as regards the parent company financial statements, as applied in accordance with the provisions 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 2020 and of the group's and parent company's loss for the year then ended;
- the group financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union;
- the parent company financial statements have been properly prepared in accordance with IFRSs as adopted by the EU and as applied in accordance with the provisions 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 group and parent 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 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. As stated in note 3, these events or conditions, along with other matters set out in note 3, indicate that a material uncertainty exists that may cast significant doubt on the Group and Company's ability to continue as a going concern.

Our opinion is not modified in this respect.

Other Matter

We draw attention to the fact that this is the first year that PKF Littlejohn have been appointed as auditors for the Company and its subsidiaries.

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

Other information

The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. The directors are responsible for the other information. Our opinion on the group and parent company 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. In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Opinions on other matters prescribed by the Companies Act 2006

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

- the information given in the strategic report and the directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the strategic report and 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 group and the parent company and their 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 group and parent company 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 group and parent company financial statements, the directors are responsible for assessing the group's and the parent 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 group or the parent company or to cease operations, or have no realistic alternative but to do so.

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

Auditor's responsibilities for the audit of the financial statements

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

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: 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.

DocuSigned by:
Joseph Archer
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Joseph Archer (Senior Statutory Auditor)
For and on behalf of PKF Littlejohn LLP
Statutory Auditor

15 Westferry Circus
Canary Wharf
London E14 4HD

30th March 2021

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CONSOLIDATED INCOME STATEMENT
Period ended 30 September 2020

	Note	Year ended 30 Sept 2020 $m	Eighteen month Period ended 30 Sept 2019 $m
Revenue	4	6,005.5	12,605.8
Cost of sales		(6,039.6)	(12,127.0)
Gross profit		(34.1)	478.8
Selling and distribution costs		(30.9)	(39.5)
Administrative expenses		(48.7)	(78.8)
Net foreign exchange gains / (losses)		(26.7)	(10.6)
Operating profit before one-off items	5	(140.4)	349.9
Bargain gain on acquisition	5	-	8.4
Bad debts reserve - Advances		100.0	(100.0)
Bad debts - write off		(94.1)	-
Operating profit after one-off items		(134.5)	258.3
Finance income	7	(19.9)	44.4
Finance costs	8	(66.4)	(107.9)
Profit before tax		(220.8)	194.8
Tax credit / (charge)	9	34.8	(42.1)
Profit for the period		(186.0)	152.7

The above results all derive from continuing operations.

The accounting policies and Notes on pages 30 to 86 form part of these financial statements.

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CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
Period ended 30 September 2020

	Note	Year ended 30 Sept 2020 $m	Eighteen month Period ended 30 Sept 2019 $m
Profit for the period		(186.0)	152.7
Items that may subsequently be reclassified to profit or loss			
Cash flow Hedge Accounting reserve		(23.3)	-
Items that will not be reclassified to the income statement			
Actuarial gains / (losses) on defined benefit pension scheme	32	23.5	(16.6)
Change in opening Finance Lease Liability		(3.4)	1.6
Increase in Revaluation Reserve		153.0	-
Other comprehensive income / (loss) for the period before tax		149.8	(15.0)
Tax relating to components of other comprehensive income		(29.8)	4.2
Total other comprehensive income / (loss) for the period		119.9	(10.8)
Total comprehensive income attributable to:			
Owners of the Group		(66.1)	141.9

The accounting policies and Notes on pages 30 to 86 form part of these financial statements.

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CONSOLIDATED STATEMENT OF FINANCIAL POSITION
As at 30 September 2020

	Note	30-Sep-20 $m	30-Sep-19 $m
Non-current assets			
Intangible assets	10	7.2	6.4
Property, plant and equipment	11	1,030.1	921.5
Right of use assets	12	73.4	-
Long term deposits	16	2.6	22.9
Other non-current receivables	17	226.1	0.4
Retirement benefits	32	4.2	-
		1,343.6	951.2
Current assets			
Current tax receivable	18	60.8	-
Inventories	19	225.8	316.7
Short term Deposits	16	28.6	-
Trade and other receivables	20	719.2	1,087.9
Derivative financial instruments	21	33.0	3.1
Cash and cash equivalents	22	123.4	112.1
		1,190.8	1,519.8
Total assets		2,534.4	2,471.0
Current liabilities			
Trade and other payables	23	1,256.7	966.9
Obligations under leases	27	1.6	2.9
Advances received against trade receivables	24	440.8	507.0
Provisions	28	5.2	-
Derivative financial instruments	21	4.9	2.0
Deferred revenue		0.2	13.0
Liability in relation to Inventory Monetisation Facility		120.0	175.0
		1,829.4	1,666.8
Net current liabilities		(638.6)	(147.0)
Non-current liabilities			
Obligations under finance leases	27	74.9	27.7
Retirement benefit obligations	32	-	27.5
Deferred tax liabilities	26	64.1	35.9
		139.0	91.1
Total liabilities		1,968.4	1,757.9
Net assets		566.0	713.1
Equity			
Share capital	29	694.1	694.1
Retained (deficit) / surplus		(225.8)	44.6
Actuarial Valuation Reserve		(7.3)	(25.6)
Cash Flow Hedge Accounting Reserve	33	(18.9)	-
Asset Revaluation Reserve	34	123.9	-
Total equity		566.0	713.1

The accounting policies and Notes on pages 30 to 86 form part of these financial statements.

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COMPANY STATEMENT OF FINANCIAL POSITION
As at 30 September 2020

	Note	30-Sep-20 $m	30-Sep-19 $m
Non-current assets			
Intangible assets	10	7.0	6.4
Property, plant and equipment	11	741.0	892.5
Right of use assets	12	9.4	-
Net Investment in lease	13	66.4	-
Investment in subsidiaries		6.5	4.9
Long term deposits	16	2.6	21.3
Other non-current receivables	17	248.1	21.4
Retirement benefits	32	4.2	-
		1,085.2	946.5
Current assets			
Current tax receivable	18	60.8	-
Inventories	19	211.3	313.1
Short term loans	17	253.3	-
Short term Deposits	16	27.1	-
Trade and other receivables	20	746.9	1,078.0
Derivative financial instruments	21	33.0	3.1
Cash and cash equivalents	22	114.7	111.6
		1,447.1	1,505.8
Total assets		2,532.3	2,452.3
Current liabilities			
Trade and other payables	23	1,272.5	955.0
Obligations under finance leases	27	1.6	2.9
Advances received against trade receivables	24	440.8	507.0
Provisions	28	5.2	-
Derivative financial instruments	21	4.9	2.0
Deferred revenue		0.2	13.0
Liability in relation to Inventory Monetisation Facility		120.0	175.0
		1,845.2	1,654.9
Net current liabilities		(398.1)	(149.1)
Non-current liabilities			
Obligations under finance leases	27	74.9	27.7
Retirement benefit obligations	32	-	27.5
Deferred tax liabilities	26	22.5	35.9
		97.4	91.1
Total liabilities		1,942.6	1,746.0
Net assets		589.7	706.3
Equity			
Share capital	29	694.1	694.1
Retained (deficit) / surplus		(78.2)	37.8
Actuarial Valuation Reserve		(7.3)	(25.6)
Cash Flow Hedge Accounting Reserve	33	(18.9)	-
Total equity		589.7	706.3

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COMPANY STATEMENT OF FINANCIAL POSITION
As at 30 September 2020

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 2020 of $202.7m (2019: profit after tax of $145.9m).

The accounting policies and Notes on pages 30 to 86 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 30th March 2021 and signed on its behalf by:

DocuSigned by:

K N Venkatasubramanian

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K N Venkatasubramanian,
Director

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Driving the UK's continued growth

- Powering millions of journeys across the nation each year
- A major employer, which further supports an extended supply chain
- Generating a significant contribution to the British economy

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CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
Period ended 30 September 2020

		Share Capital	Retained Surplus	Actuarial Valuation reserve	Cash Flow Hedge Accounting reserve	Revaluation Reserve	Total equity
		$m	$m	$m	$m	$m	$m
At 31 March 2018		**694.1**	**91.3**	**(13.2)**	**-**	**-**	**772.2**
Profit for the period		-	152.7	-	-	-	152.7
Other comprehensive income for the period		-	1.6	(12.4)	-	-	(10.8)
Total comprehensive income		**-**	**154.3**	**(12.4)**	-	-	**141.9**
Dividends paid	36	-	(201.0)	-	-	-	(201.0)
At 30 September 2019		**694.1**	**44.6**	**(25.6)**	**-**	**-**	**713.1**
Profit for the year		-	(186.0)	-	-	-	(186.0)
Other comprehensive income for the year		-	(3.4)	18.3	(18.9)	123.9	119.9
Total comprehensive income		**-**	**(189.4)**	**18.3**	**(18.9)**	**123.9**	**(66.1)**
Dividends paid	36	-	(81.0)	-	-	-	(81.0)
At 30 September 2020		**694.1**	**(225.8)**	**(7.3)**	**(18.9)**	**123.9**	**566.0**

Nature and purpose of Reserves

(i) 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 32 for details

(ii) Cash Flow Hedge Accounting Reserve:

The Cash flow hedge accounting reserve includes the cash flow hedge reserve, see note 33 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.

(iii) 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 34 on significant accounting policies for details

The accounting policies and Notes on pages 30 to 86 form part of these financial statements.

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COMPANY STATEMENT OF CHANGES IN EQUITY
Period ended 30 September 2020

		Share Capital	Retained Surplus	Actuarial Valuation reserve	Cash Flow Hedge Accounting reserve	Revaluation Reserve	Total equity
		$m	$m	$m	$m		$m
At 31 March 2018		**694.1**	**91.3**	**(13.2)**	**-**	**-**	**772.2**
Profit for the period			145.9	-	-	-	145.9
Other comprehensive income for the period		-	1.6	(12.4)	-	-	(10.8)
Total comprehensive income		**-**	**147.5**	**(12.4)**	-	-	**135.1**
Dividends paid	36	-	(201.0)	-	-	-	(201.0)
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)**
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**

The accounting policies and Notes on pages 30 to 86 form part of these financial statements.

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CONSOLIDATED STATEMENT OF CASH FLOWS
Period ended 30 September 2020

	Note	Year ended 30 Sept 2020 $m	Eighteen month Period ended 30 Sept 2019 $m
Net cash generated by operating activities	30	546.3	113.1
Investing activities			
Interest received (paid)		(19.9)	44.4
Purchase of intangible assets		(1.5)	(4.6)
Purchases of property, plant and equipment		(75.4)	(89.3)
Proceeds from disposal of property, plant and equipment		-	11.2
Cash paid to acquire interest in joint operations		-	(21.0)
Net cash used in investing activities		(96.8)	(59.3)
Financing activities			
(Decrease) / Increase in short term bank advances		(66.2)	149.0
(Decrease) / Increase in other deposits and advances		(234.1)	(2.3)
Interest, charges and fees paid		(66.4)	(107.9)
Dividends paid		(81.0)	(201.0)
Net cash used in financing activities		(447.7)	(162.2)
Net decrease in cash and equivalents		1.8	(108.4)
Effect of foreign exchange rate changes		9.5	(3.1)
Cash and cash equivalents at beginning of year		112.1	223.6
Cash and cash equivalents at end of year		123.5	112.1

Refer Note 30 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 30 to 86 form part of these financial statements.

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Supporting our local communities

- Main sponsors of Tranmere Rovers FC and the Essar Chester Half Marathon
- CSR programmes supporting education, environment and healthy living
- Principal backers of the local Amazed by Science and Essar STEM festivals

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

The comparatives presented in the financial statements are for the 18 month period ended 30 September 2019 and hence are not entirely comparable. The Group extended its last financial year 2019 to allow new acquisitions to be fully embedded in the group as well as allowing the effect of change of the inventory monetisation provider to be fully incorporated in the results.

Basis of consolidation

The consolidated financial statements incorporate the financial statements of Essar Oil (UK) Limited and entities controlled by the Company (its subsidiaries) 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

Adoption of new and revised standards

IFRS 16 Leases

The Group adopted IFRS 16 Leases on 1 October 2019. The standard replaces IAS 17 and applies to all leasing arrangements, setting out the principles for the recognition, measurement, presentation and disclosure of leases for both lessee and lessor accounting.

IFRS 16 has been adopted using the modified retrospective approach and as such, comparative information for 2019 has not been restated. The Group's accounting policy for leases from 1 October 2019 is detailed later in this note.

On adoption of IFRS 16, the Group recognised lease liabilities and right of use assets on the statement of financial position in relation to leases which were previously classified as operating leases under IAS 17. Leases which were previously classified as finance leases have not been remeasured on adoption of IFRS 16, however obligations under finance leases and leased assets within property, plant and equipment have been reclassified as lease liabilities and right of use assets.

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2 Significant accounting policies (continued)

The impact of adopting IFRS 16 is as follows:

	IAS 17 30-Sep-19 $m	Transfers $m	Adoption of IFRS 16 $m	IFRS 16 01-Oct-19 $m
Property, plant and equipment	38.4	(38.4)	-	-
Accumulated depreciation	(8.2)	8.2	-	-
Carrying amount of Property, plant and equipment	30.2	(30.2)	-	-
Right of use assets	-	30.2	46.6	76.8
Lease liabilities	(30.6)	-	(43.2)	(73.8)
Impact on retained earnings			(3.4)	

The lease liabilities at 1 October 2019 can be reconciled to the operating lease commitments at 30 September 2019 as follows:

	$m
Operating lease commitments as at 30 September 2019	108.8
New leases identified within scope of IFRS16	10.6
Impact of discounting	(76.2)
Finance lease liabilities already recognised	-
Lease liabilities as at 1 October 2019	43.2

New standards, amendments and interpretations not yet adopted

There are no other IFRSs or IFRIC interpretations that are not yet effective that would be expected 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 onselling 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.

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NOTES TO THE FINANCIAL STATEMENTS

2 Significant accounting policies (continued)

(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 recognizes 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.

Operating profit

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

Foreign currency transactions and translation

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

Inventories

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

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

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.

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NOTES TO THE FINANCIAL STATEMENTS

2 Significant accounting policies (continued)

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.

Hedge ineffectivenss 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 2020. No hedging instruments were designated for hedge accounting in 2019.

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 33. 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.

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NOTES TO THE FINANCIAL STATEMENTS

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

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

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2 Significant accounting policies (continued)

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

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

Borrowing costs

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

Leases

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.

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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.

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NOTES TO THE FINANCIAL STATEMENTS

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 are measured at fair value with gains or losses recognised in profit or loss. Financial assets measured at fair value through profit or loss include derivative financial assets.

Financial assets are derecognised when the contractual rights to the cash flows from the financial asset expire.

Impairment of financial assets measured at amortised cost

Financial assets measured at amortised cost are impaired when there is an expected credit loss. Trade and other 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.

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 has introduced a new 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 must be 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 will depend 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.

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2 Significant accounting policies (continued)

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 have performed 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.

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.

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2 Significant accounting policies (continued)

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.

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.

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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 32.

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.

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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

The Coronavirus related lockdowns led to a significant drop in economic activity during the year, which reduced the demand for road transport and particularly aviation fuel. Oversupply of fuel products due to weaker demand, pushed refining margins to the lowest levels seen for many years. From the lowest domestic demand point in April 2020 as a result of the first lockdown, the impact of subsequent regional and national lockdowns has not been as prominent as the first lockdown due to various economic activities that were allowed to continue. With the vaccine rollout progressing positively in the UK , it is expected that economic activities will rebound in 2021, however uncertainty remains in relation to exact timing and risk of other COVID-19 mutations on the success of vaccination programme.

Initially, pandemic related economic uncertainties introduced significant volatility in crude prices and currency exchange rates which started to stabilised in the later part of 2020. The Group's exposures to underlying crude oil flat price risk is minimal considering that the majority of its inventory are owned and risk managed by the bank. Nevertheless, a fall in crude price did have a negative impact on the size of the available trade credits. In stable market conditions, the Group has access to good amounts of trade credit on its crude and other oil procurements. In addition, it is able to attract advances for its future export commitments. However, a reduction in demand and lower crude prices during the period as a result of Covid 19, significantly reduced the availability of such working capital. However, with the vaccine roll out progressing and a path out of lockdown in place, refining margins are showing a sign of recovery and crude prices have started to recover resulting in improvements in available trade credits.

Cash flow during the period was well supported by the UK Government's announcement of a VAT deferment scheme which the Group exercised to the extent of £356m. The Government has confirmed these deferred VAT amounts are due for payment on or before 31 January 2022 in monthly instalments. During this period, the Group has kept all key stakeholders such as the Department for Business, Energy and Industrial Strategy (BEIS), HMRC, Lenders and Shareholders informed appropriately on operations, demand, supply scenarios and cash flow positions. These interactions have been very positive and supportive and the Group is forecasting to commence repayment of these amounts in line with the Government guidelines.

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:

- anticipated future trading performance;
- impact of the Coronavirus pandemic;
- rebound of economic activities following on from mass roll out of the vaccine;
- Oil price forecasts;
- existing banking and other facilities;
- capital investment plans; and
- ongoing discussions with potential lenders and other providers of finance.

A review of business performance, the Group's core risks and uncertainties (including in particular the fluctuation of oil prices, refining margins and reduced demand for petroleum products currently due to the Coronavirus pandemic) 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 2020 is included in note 18 to the financial statements.

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

The Group has prepared a business plan for the period up to 30 September 2022 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 19.

The Directors have carefully examined all available evidence, including the Management Team's forecasts for the business with appropriate sensitivities in relation to crude oil price and forex, demand for its products and margins, 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, even after applying the sensitivities until January 2022 by which the full £356m deferred VAT amount is due. The Directors recognise a number of 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, including settling the deferred VAT payment.

These possible solutions include, but are not limited to:

- The Group's 100% owned subsidiary Company, Stanlow Terminals Limited raising debt to support the Group and as an alternate source of funding,
- The Group is also in discussion with debt funds to raise the required finances.
- Moreover, with the expectation that the market will continue to recover with the successful ongoing roll out of vaccine, the Group expects to avail itself of increased trade credits to a similar extent as was available prior to Covid 19.

Also, with the gradual increase in product demand and refining margins, the Group also expects to start generating cash again from its operations. In addition, the Group is also in the process of entering into an agreement, to replace its existing receivable securitisation facility with Lloyds Bank ahead of its maturity in Nov 21, with a receivable sales facility which is expected to improve the available cash flow to the business.

The Directors are satisfied that there are a sufficient number of potential solutions available to the Group. While the delivery and 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 financing solution. 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.

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".

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

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 monitor 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 $6,005.5m (2019: $12,605.8m). 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 25.

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 $(23.3)m (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 2019 under IAS 17.

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.

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NOTES TO THE FINANCIAL STATEMENTS

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

Consolidated Financial Statements

These Consolidated Financial Statements have been prepared to include the newly created subsidiary of Stanlow Terminals Limited from January 2020 and the Group's previously existing subsidiaries of Essar Midlands Limited and Infranorth Limited.

A Special Purpose Vehicle (SPV), Stanlow Receivables Funding Limited, incorporated in the United Kingdom, was established during 2015 as part of the receivables securitisation facility sponsored by Lloyds Bank plc.

Under the terms of the facility, Essar Oil (UK) Limited has the power to govern the financial and operating policies of the SPV so as to obtain benefits from its activities. Essar Oil (UK) Limited has no equity interest in the SPV. The judgements to assess whether the Company has control over the SPV include assessing the purpose and design of the entity, considering whether the Company or another involved party with power over the relevant activities is acting as a principal in its own right or as an agent on behalf of others. In accordance with IFRS 10, the Company has control over the SPV.

The Consolidated financial statements do not include the SPV as they would not have been materially different from the financial statements of Essar Oil (UK) Limited. Details of the SPV are found in note 35 to the financial statements. On this basis, the Group has taken the exemption available under section 410 (2) of the Companies Act 2006 by providing information only in relation to undertakings whose results or financial position, in the opinion of the directors, principally affected the financial statements.

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

Key sources of estimation uncertainty

Recoverability of the prepayment to suppliers

In ordinary course of the business, the Company provides prepayments to its suppliers as appropriate against the supply of hydrocarbon. At the start of 2018 the Oil and Gas market analysts predicted a significant increase in the middle distillates (diesel/gasoil) crack spreads in the run up to International Maritime Organisation (IMO) 2020 regulation change which was due to be implemented from 2020. This provided a good opportunity to enhance the refining margins for the EOUK Group by increasing the middle distillates pool which constitutes about 50% of the EOUK yield. In order to realise this opportunity, the Company entered into additional supply agreements with a couple of counterparties to secure further supplies of the relevant valuable feedstock required to assist with this opportunity and provided a net additional supplier prepayments of $185m in April / May 2018 to support this. The Company's board reviewed all available options at the time, upside possibilities, credit risks involved and approved the further supply agreements with a trading partner group who had a regular trading relationship with the EOUK group and is a reputable trading group with significant financial strength.

The market in reality did not experience as much strength in diesel cracks as were initially predicated and therefore the demand was lower for the contracted material. Further there were delays in the provision of feedstock under the agreement. A large part (about 60%) of the advance was settled in the current year, however due to the Covid19 situation, about $136.2m remained outstanding at the balance sheet date including accrued interests. Considering delays in settlement, the directors had made a reserve of $100m in the last financial year. In the current year, considering no further recoveries to date and the counterparty group going through a financial restructuring after having faced headwinds due to Covid-19, the directors have approved to write off the outstanding balance of $94.1m principal and accrued interest of $37.6m.. The net impact of this write off on the company's statement of comprehensive income for the reporting period is $31.7m after considering the existing bad debts reserves of $100m at the start of the reporting period. The write off will be reversed to the extent if and when the dues are collected from the counterparties.

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 32 contains information about the assumptions relating to retirement benefit obligations.

NOTES TO THE FINANCIAL STATEMENTS

4 Revenue

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

	Year ended 30 Sept 2020 $m	Eighteen month Period ended 30 Sept 2019 $m
Continuing operations		
Sale of goods	5,967.6	12,426.3
Rendering of services	37.9	179.5
	6,005.5	12,605.8

Revenues of $ 1,377.6 m (2019: $1035.9m) and $ 644.7 m (2019: $1577.0m) 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.

An analysis of the Group's revenue by geographical region is as follows:	Year ended 30 Sept 2020 $m	Eighteen month Period ended 30 Sept 2019 $m
United Kingdom	4,878.6	9,119.2
Rest of Europe	881.0	2,874.6
Rest of the world	245.9	612.0
	6,005.5	12,605.8

An analysis of the Group's revenue by Timing of recognition:	Year ended 30 Sept 2020 $m	Eighteen month Period ended 30 Sept 2019 $m
At a point in time	6,005.5	12,605.8
Over time	-	-
	6,005.5	12,605.8

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

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NOTES TO THE FINANCIAL STATEMENTS

5 Expenses by nature

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

	Year ended 30 Sept 2020 $m	Eighteen month Period ended 30 Sept 2019 $m
Inventories recognised as an expense	5,625.7	10,576.2
Depreciation of property, plant and equipment - owned	89.6	115.5
Depreciation of property, plant and equipment - leased	3.5	1.5
Amortisation of intangible assets	0.9	1.0
Loss / (Gain) on retirement of property, plant and equipment	-	(7.6)
Operating lease payments on land	-	6.7
Staff costs (note 6)	106.8	188.9
Losses / (Gains) on derivatives	12.4	65.7
Bad debts write off (net off opening reserve)	(5.9)	100.0
Provision for environmental liabilities	5.2	-
Fees payable to the Group's auditor:		
-for the audit of the Group's annual accounts by former auditor	-	0.5
-for the audit of the Group's annual accounts by current auditor	0.6	-
-for other services to the Group	-	0.1

Operating profit for the period after one-off items has been arrived at after crediting $nil (2019: $8.4m) in relation to Bargain gain on purchase of assets (note 15)

6 Staff costs

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

Consolidated	Year ended 30 Sept 2020	Eighteen month Period ended 30 Sept 2019
Production	713	823
Sales and distribution	34	29
Administration	90	89
	837	941

	Year ended 30 Sept 2020 $m	Eighteen month Period ended 30 Sept 2019 $m
Their aggregate remuneration comprised:		
Wages and salaries	76.7	137.0
Social security costs	8.4	16.3
Defined contribution pension costs (note 32)	3.6	4.8
Defined benefit pension costs (note 32)	20.5	30.9
	109.1	188.9

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NOTES TO THE FINANCIAL STATEMENTS

6 Staff costs (continued)

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

Company	Year ended 30 Sept 2020	Eighteen month Period ended 30 Sept 2019
Production	701	823
Sales and distribution	34	29
Administration	85	89
	820	941

	Year ended 30 Sept 2020 $m	Eighteen month Period ended 30 Sept 2019 $m
Their aggregate remuneration comprised:		
Wages and salaries	74.9	137.0
Social security costs	8.2	16.3
Defined contribution pension costs (note 32)	3.2	4.8
Defined benefit pension costs (note 32)	20.5	30.9
	106.8	188.9

Details of directors' remuneration borne by the Company are disclosed in note 35.

7 Finance income

	Year ended 30 Sept 2020 $m	Eighteen month Period ended 30 Sept 2019 $m
Prepayments Interest reversal	(37.6)	-
Interest on bank deposits and advances	17.7	44.4
	(19.9)	44.4

Supplier Prepayment as reported under note 20 to these financial statements, carried commercial interest on the outstanding balances. During the period, as the outstanding balances have been written off as explained in detailed in the Strategic report, accrued interest of $37.6m in relation to these outstanding have also been reversed.

8 Finance costs

	Year ended 30 Sept 2020 $m	Eighteen month Period ended 30 Sept 2019 $m
Interest & Fees on bank facilities	13.2	22.1
Interest & Fees on other facilities	23.3	25.5
Interest on obligations under finance leases	4.0	5.1
Bank charges	0.1	0.5
Interest on related party loans	-	0.1
Amortisation of finance fees	9.7	11.8
Facility charges on Inventory monetisation facility	16.1	42.8
	66.4	107.9

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9 Tax

	Year ended 30 Sept 2020 $m	Eighteen month Period ended 30 Sept 2019 $m
Current tax charge	32.6	(50.0)
Adjustment in respect of prior years	0.5	(2.4)
	33.1	(52.4)
Deferred tax charge (note 26):		
Current period	4.2	10.2
Adjustment in respect of prior years	(2.5)	0.1
	1.7	10.3
	34.8	(42.1)

Corporation tax is calculated at 19% (2018: 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 2020 $m	Eighteen month Period ended 30 Sept 2019 $m
Profit before tax	(220.8)	194.8
Tax at the UK corporation tax rate of 19% (2018: 19%)	42.0	(37.1)
Tax effect of items that are not deductible in determining taxable profit	(2.6)	(2.0)
Tax effect of RDEC taxed in prior years	5.8	2.0
Effect of change in tax rate	(7.4)	(2.7)
Adjustment in respect of prior years	(3.0)	(2.3)
Tax charge for the period	34.8	(42.1)

The Finance Bill 2020 set the corporation tax rate for the years beginning 1 April 2020 and 1 April 2021 to remain at 19%. In March 2021, the UK Government set out measures to propose introduction of new legislation in Finance Bill 2021 to increase the rate of corporation tax to 25% for financial year 2023. No impact have been considered in these financial statements as there is no legislation introduced as on this date.

The adjustment in respect of prior years in the current period $3.0m relates mainly to taxes on restatement of capital allowances amounting. The adjustment in respect of prior years in 2019 ($2.3m) relates to inclusion of RDEC income in relation to 2016/17

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NOTES TO THE FINANCIAL STATEMENTS

10 Intangible assets

Consolidated

	Software **$m**
Cost	
At 31 March 2018	13.2
Additions	4.6
Transfers	-
Retirements & Disposals	-
At 30 September 2019	17.8
Additions	1.5
Transfers	-
Revaluation	0.1
Retirements & Disposals	-
At 30 September 2020	**19.4**
Accumulated depreciation	
At 31 March 2018	10.4
Retirements & Disposals	-
Charge for the year	1.0
At 30 September 2019	11.4
Retirements & Disposals	-
Charge for the year	0.9
At 30 September 2020	**12.2**
Carrying amount	
At 30 September 2019	6.4
At 30 September 2020	**7.2**

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10 **Intangible assets *(continued)***

Company

	Software $m
Cost	
At 31 March 2018	13.2
Additions	4.6
Transfers	-
Retirements and Disposals	-
At 30 September 2019	17.8
Additions	1.5
Transfers	-
Revaluation	0.1
Retirements and Disposals	(0.2)
At 30 September 2020	**19.2**
Accumulated depreciation	
At 31 March 2018	10.4
Retirements and Disposals	-
Charge for the year	1.0
At 30 September 2019	11.4
Retirements and Disposals	(0.0)
Charge for the year	0.8
At 30 September 2020	**12.2**
Carrying amount	
At 30 September 2019	6.4
At 30 September 2020	**7.0**

The intangible assets are made up entirely of capitalised software and regulatory registration. The remaining amortisation period for intangibles as at 30 September 2020 is on average two years. Intangible assets with a carrying amount of $0.2m have indefinite life (2019: $0.2m).

During the year, the Company has hived down intangible assets in respect of its Terminal assets with fair value of $0.2m (2019: $nil) to its subsidiary Stanlow Terminals Limited. See note 10 for further details on valuation at fair value.

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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 31 March 2018	28.0	656.4	2.2	112.9	283.9	1,083.5
Additions	8.6	20.7	-	-	88.3	117.6
Transfers	6.6	255.9	-	7.2	(269.8)	0.0
Retirements & Disposals	(0.0)	(4.1)	-	-	-	(4.1)
At 30 September 2019	43.2	928.9	2.2	120.1	102.5	1,197.0
Additions	-	-	-	-	75.4	75.4
Transfers	0.7	59.1	-	0.1	(59.8)	-
Revaluation	-	-	-	152.9	-	152.9
Retirements & Disposals	-	-	-	-	-	-
At 30 September 2020	**43.9**	**987.9**	**2.2**	**273.1**	**118.1**	**1,425.3**
Accumulated depreciation						
At 31 March 2018	3.4	162.6	1.0	23.6	-	190.7
Retirements & Disposals	(0.0)	(0.5)	-	-	-	(0.5)
Charge for the year	0.9	106.6	0.3	7.7	-	115.5
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	**5.0**	**345.2**	**1.5**	**43.5**	**-**	**395.3**
Carrying amount						
At 30 September 2019	38.8	660.2	1.0	88.8	102.5	891.3
At 30 September 2020	**38.9**	**642.7**	**0.7**	**229.6**	**118.1**	**1,030.0**

At 30 September 2019, the Group had contractual commitments for the acquisition of property, plant and equipment amounting to $31.9 m (2019: $29.5m), of which $4.8m (2019: $11.0m) had been accrued for at year end.

Included within land & buildings is freehold land with a value of $21.2m (2019: $12.4m) which is not depreciated.

Additions to Land and Buildings and Plant and Machinery in 2019 relate to the purchase of interests in two joint operations. This has been explained further in note 15.

The terminal assets with historical cost of $120.2m have been revalued to $273.1m in the current year in line with the accounting policy described in note 2. 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.

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NOTES TO THE FINANCIAL STATEMENTS

11 Property, plant and equipment *(continued)*

Company

	Land and buildings $m	Plant and machinery $m	Fixtures, equipment and vehicles $m	Terminal Asset $m	Assets under construction $m	Total $m
Cost						
At 31 March 2018	28.0	656.4	2.2	112.9	283.9	1,083.5
Additions	-	-	-	-	88.0	88.0
Transfers	6.6	255.9	-	7.2	(269.8)	0.0
Retirements and Disposals	(0.0)	(4.1)	-	-	-	(4.1)
At 30 September 2019	34.6	908.2	2.2	120.1	102.2	1,167.4
Additions	-	-	-	-	69.2	69.2
Transfers	0.7	57.8	-	0.1	(58.6)	-
Revaluation	-	-	-	152.9	-	152.9
Retirements and Disposals	-	-	-	(273.1)	(25.2)	(298.3)
At 30 September 2020	**35.3**	**966.0**	**2.2**	**-**	**87.6**	**1,091.2**
Accumulated depreciation						
At 31 March 2018	3.4	162.6	1.0	23.6	-	190.7
Retirements and Disposals	(0.0)	(0.5)	-	-	-	(0.5)
Charge for the year	0.9	106.0	0.3	7.7	-	114.9
At 30 September 2019	4.4	268.1	1.3	31.3	-	305.1
Retirements and Disposals	-	(0.0)	-	(32.7)	-	(32.7)
Charge for the year	0.6	75.6	0.2	1.3	-	77.8
At 30 September 2020	**5.0**	**343.7**	**1.5**	**-**	**-**	**350.2**
Carrying amount						
At 30 September 2019	30.3	640.1	1.0	88.8	102.2	862.3
At 30 September 2020	**30.3**	**622.3**	**0.7**	**-**	**87.6**	**741.0**

At 30 September 2019, the Company had contractual commitments for the acquisition of property, plant and equipment amounting to $31.9m (2019: $29.5m), of which $4.8m (2019: $11.0m) had been accrued for at year end.

Included within land & buildings is freehold land with a value of $13.1m (2018: $12.4m) which is not depreciated.

The terminal assets with historical cost of $120.2m have been revalued to $273.1m in the current year 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.

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NOTES TO THE FINANCIAL STATEMENTS

12 Right of Use Assets

Consolidated

	Building	Plant and equipment	Others	Total	Total
	$m	$m	$m	$m	
Cost					
At 31 March 2018	-	20.4	-	20.4	1,117.0
Additions	-	18.0	-	18.0	140.3
Transfers	-	-	-	-	0.0
Retirements & Disposals	-	-	-	-	(4.1)
At 30 September 2019	-	38.4	-	38.4	1,253.2
Additions	7.6	37.3	1.9	46.9	123.8
Transfers	-	-	-	-	-
Revaluation	-	-	-	-	153.0
Retirements & Disposals	-	-	-	-	-
At 30 September 2020	**7.6**	**75.7**	**1.9**	**85.2**	**1,530.0**
Accumulated depreciation					-
At 31 March 2018	-	6.6	-	6.6	207.7
Retirements & Disposals	-	-	-	-	(0.5)
Charge for the year	-	1.5	-	1.5	118.1
At 30 September 2019	-	8.2	-	8.2	325.3
Retirements & Disposals	-	-	-	-	-
Charge for the year	0.6	2.5	0.4	3.5	93.9
IFRS 16 Transition Adjustment	-	0.2	-	0.2	0.2
At 30 September 2020	**0.6**	**10.9**	**0.4**	**11.9**	**419.4**
Carrying amount					
At 30 September 2019	-	30.2 -	-	30.2	927.9
At 30 September 2020	**7.1**	**64.8**	**1.5**	**73.4**	**1,110.6**

The Group's obligations under finance leases (note 27) are secured by the lessors' title to the right of use assets shown above.

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NOTES TO THE FINANCIAL STATEMENTS

12 Right of Use Assets *(continued)*

Company

	Building	**Plant and equipment**	**Others**	**Total**
	$m	**$m**	**$m**	**$m**
Cost				
At 31 March 2018	-	20.4	-	20.4
Additions	-	18.0	-	18.0
Transfers	-	-	-	-
Retirements and Disposals	-	-	-	-
At 30 September 2019	-	38.4	-	38.4
Additions	7.6	37.3	1.9	46.9
Transfers	-	-	-	-
Revaluation	-	-	-	-
Retirements and Disposals	-	(74.7)	-	(74.7)
At 30 September 2020	**7.6**	**1.0**	**1.9**	**10.6**
Accumulated depreciation				
At 31 March 2018	-	6.6	-	6.6
Retirements and Disposals	-	-	-	-
Charge for the year	-	1.5	-	1.5
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**
Carrying amount				
At 30 September 2019	-	30.2	-	30.2
At 30 September 2020	**7.0**	**0.8**	**1.5**	**9.4**

The Company’s obligations under finance leases (note 27) are secured by the lessors’ title to the right of use assets shown above.

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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 2020 $m	30-Sep 2019 $m
Within one year	5.8	-
In the second to fifth years inclusive	23.2	-
After five years	134.8	-
	163.8	-
Less: future finance income	(97.4)	-
Net Investment in Leases	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	5.1
Infranorth Limited (1)	100%	Liquid Storage Terminal	14 March 2018	-
Stanlow Terminals Limited	100%	Liquid Storage Terminal	10 July 2018	1.3
				6.8

All shareholdings are of ordinary shares. 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-20 $m	30-Sep-19 $m
Essar Midlands Limited (2)	5.2	4.9
Infranorth Limited	-	-
Stanlow Terminals Limited	1.3	-
	6.5	4.9

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

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15 Joint Arrangements

On 1 February 2019, the Group acquired an 11.15% interest in the UK Oil Pipeline (UKOP), a 45.35% interest in the Kingsbury Terminal and 100% of the Northampton 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 venure 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
Northampton Terminal	Infranorth Limited (11253606)	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-20 $m	**30-Sep-19 $m**
Kingsbury Terminal		
Share of assets		
Property, Plant and Equipment	6.9	6.1
Land and Buildings	8.6	8.6
Total share of assets	**15.5**	**14.7**
UK Oil Pipeline		
Share of assets		
Property, Plant and Equipment	16.1	14.7
Total share of assets	**16.1**	**14.7**

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 profit and loss statement.

The consideration paid for purchase of the interests in the joint operations was $21.0m. The fair value of the share of the assets held in the joint operation was $29.4m and so a gain of $8.4m has been recognised in 2019. This has been calculated as the difference between the fair value of the share of the Company's interest in the assets and the consideration paid. The gain has been recognised in exceptional income in the Statement of Comprehensive Income.

This gain arose due to higher than the current utilisation of terminal and pipeline assets along with the competitive advantage of placement of the Group's own production volumes from its Stanlow Refinery owned by Essar Oil (UK) Limited.

The Company did not acquire any cash and cash equivalents as part of the acquisition.

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NOTES TO THE FINANCIAL STATEMENTS

16 Deposits

Short term Deposits due within one year

Consolidated	30-Sep-20 $m	30-Sep-19 $m
Deposit with Inventory Monetisation provider	28.6	-

Company	30-Sep-20 $m	30-Sep-19 $m
Deposit with Inventory Monetisation provider	27.1	-

Long term Deposits due after one year

Consolidated	30-Sep-20 $m	30-Sep-19 $m
Deposit with Inventory Monetisation provider	-	22.9
Deposit with derivative counterparty	2.6	-
	2.6	22.9

Company	30-Sep-20 $m	30-Sep-19 $m
Deposit with Inventory Monetisation provider	-	21.3
Deposit with derivative counterparty	2.6	-
	2.6	21.3

17 Loans

Consolidated	30-Sep-20 $m	30-Sep-19 $m
Non-current receivables		
Loans and advances to Related Parties		
Essar Oil and Gas Limited	225.5	-

Company	30-Sep-20 $m	30-Sep-19 $m
Non-current receivables		
Loans and advances to Related Parties		
Essar Oil and Gas Limited	225.5	-
Essar Midlands Limited	22.0	20.9
	247.4	20.9
Current receivables		
Loans and advances to Related Parties		
Stanlow Terminals Limited	253.3	-

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18 Current Tax Receivable

Consolidated and Company	30-Sep-20 $m	30-Sep-19 $m
Research & Development Expenditure Credit receivable	17.6	-
Advance Corporate Tax receivable	43.2	-
	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-20 $m	30-Sep-19 $m
Raw materials	5.5	20.1
Materials	30.4	27.6
Finished and intermediate goods	189.9	269.0
	225.8	316.7

In 2019 inventories with a carrying value of $130.3m (2019:$175.0) 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-20 $m	30-Sep-19 $m
Raw materials	5.5	20.1
Materials	30.4	27.6
Finished and intermediate goods	175.4	265.4
	211.3	313.1

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20 Trade and other receivables

Consolidated	30-Sep 2020 $m	30-Sep 2019 $m
Trade receivables	587.4	717.6
Prepayments	211.5	411.1
Less: Bad debts reserve - Advances	-	(100.0)
Less: Write off of Bad debts	(94.1)	-
Related party receivables	14.4	59.2
	719.2	1,087.9

Company	30-Sep 2020 $m	30-Sep 2019 $m
Trade receivables	584.9	708.3
Prepayments	210.3	406.5
Less: Bad debts reserve - Advances	-	(100.0)
Less: Write off of Bad debts	(94.1)	-
Related party receivables	45.8	63.2
	746.9	1,078.0

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

The average credit period taken on sales of goods is 19 days (2019: 22 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 $94.1m have been written off during the year (2019: provision for bad debts: $100m). These provisions and write-offs are mainly in relation to advances given to suppliers under the contractual arrangements for the delivery of hydrocarbon materials. No interest income have been recognised on these advances although the Group is entitled to interest income on these advances as per the relevant contracts.

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. 96.34% (2019: 98.12%) of the trade receivables at year end are neither past due nor impaired. Refer note 25 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 note 23).

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 114 days (2019: 67 days).

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20 Trade and other receivables *(continued)*

Ageing of past due but not impaired receivables:

Consolidated	**30-Sep 2020 $m**	**30-Sep 2019 $m**
1 - 15 days	3.4	12.2
15 - 90 days	3.5	7.6
90 - 120 days	-	-
120 days and over	1.7	3.1
Total	8.6	22.9

Company	**30-Sep 2020 $m**	**30-Sep 2019 $m**
1 - 15 days	3.4	12.2
15 - 90 days	3.5	7.6
90 - 120 days	-	-
120 days and over	1.7	3.1
Total	8.6	22.9

The provision held against trade receivables excluding reserves against supplier advances is $nil (2019: $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 2020 $m**	**30-Sep 2019 $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	2.5	-
Commodity forwards and swaps	30.5	3.1
Financial assets carried at fair value through Other Comprehensive Income		
Derivatives that are designated in hedge accounting relationships:		
Commodity forwards and swaps	-	-
	33.0	3.1
Financial liabilities carried at fair value through profit or loss		
Derivatives that are not designated in hedge accounting relationships:		
Foreign currency forwards and swaps	-	(1.5)
Commodity forwards and swaps	-	(0.5)
Financial Liabilities carried at fair value through Other Comprehensive Income		
Derivatives that are designated in hedge accounting relationships:		
Commodity forwards and swaps	(4.9)	-
	(4.9)	(2.0)

Further details of derivative financial instruments are provided in note 25.

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22 Cash and cash equivalents

Consolidated	30-Sep 2020 $m	30-Sep 2019 $m
Cash at bank	123.0	104.3
Short term bank deposits	0.4	7.8
	123.4	112.1

Company	30-Sep-20 $m	30-Sep-19 $m
Cash at bank	114.3	103.8
Short term bank deposits	0.4	7.8
	114.7	111.6

23 Trade and other payables

	30-Sep 2020 $m	30-Sep 2019 $m
Consolidated		
Current		
Trade payables	248.6	432.4
Amounts payable to related parties	3.1	-
Accruals	59.0	74.0
VAT and excise duty	913.4	264.1
Corporation Tax Payable	-	8.0
Other creditors	32.6	188.4
	1,256.7	966.9

Trade payables and accruals principally comprise amounts outstanding for trade purchases and ongoing costs. The average credit period taken for trade purchases is 15 days (2019: 30 days). Trade payables have reduced due to the planned turnaround at the year-end resulting in higher values of crude oil and products procured, and capital expenditure related to the turnaround.

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

Company	30-Sep 2020 $m	30-Sep 2019 $m
Current		
Trade payables	245.3	425.7
Amounts payable to related parties	25.1	-
Accruals	54.3	71.4
VAT and excise duty	914.1	261.3
Corporation Tax Payable	-	8.2
Other creditors	33.7	188.4
	1,272.5	955.0

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24 Advances received against receivables

Consolidated and Company	30-Sep 2020 $m	30-Sep 2019 $m
Secured advances at amortised cost		
Receivables financing arrangement	440.8	507.0
Amount due for settlement within 12 months	440.8	507.0

At the end of September 2018, the Group had receivable securitisation arrangement of £450m ($630m) involving Assets Backed Commercial Paper conduit funded by Lloyds Bank plc and Mezzanine finance funded by M&G Investments. In December 2018 the facility was extended for a further three year period with enhanced funding limits totalling £550m ($717m) including £115m senior tranche from M&G investments and £85m of Mezzanine finance funded by M&G Investments. In October 2020, due to lower oil price scenario and to optimise on interest cost, the facility size was reduced to £500mn ($646m), which includes £305mn senior tranche from Lloyds, £115mn Senior Tranche from M&G Investments and £80mn Mezzanine finance funder by M&G Investments.

The weighted average interest rate paid during the year was 2.8% (2019: 2.5%).

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NOTES TO THE FINANCIAL STATEMENTS

25 Financial instruments

The group holds the following financial instruments on its balance sheet at 30 September 2020 and at 30 September 2019.

Consolidated	**30-Sep 2020 $m**	**30-Sep 2019 $m**
Financial assets		
Cash and cash equivalents	123.4	112.1
Financial assets measured at amortised cost		
Trade receivables	587.4	717.6
Related Party receivables	14.4	59.2
Financial assets measured at fair value through profit and loss		
Derivative financial assets	33.0	3.1
Financial liabilities		
Financial liabilities measured at amortised cost		
Advances received against trade receivables	(440.8)	(507.0)
Trade and other payables	(281.2)	(620.8)
Finance lease obligations	(76.5)	(30.6)
Liability in relation to Inventory Monetisation Facility	(120.0)	(175.0)
Financial liabilities measured at fair value through profit and loss		
Derivative financial liabilities	(4.9)	(2.0)

Company	**30-Sep 2020 $m**	**30-Sep 2019 $m**
Financial assets		
Cash and cash equivalents	114.7	111.6
Financial assets measured at amortised cost		
Trade receivables	584.9	708.3
Related Party receivables	45.8	63.2
Financial assets measured at fair value through profit and loss		
Derivative financial assets	33.0	3.1
Net Investment in Lease	66.4	-
Financial liabilities		
Financial liabilities measured at amortised cost		
Advances received against trade receivables	(440.8)	(507.0)
Trade and other payables	(279.0)	(614.1)
Finance lease obligations	(76.5)	(30.6)
Liability in relation to Inventory Monetisation Facility	(120.0)	(175.0)
Financial liabilities measured at fair value through profit and loss		
Derivative financial liabilities	(4.9)	(2.0)

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.

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25 Financial instruments (continued)

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 2020 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.

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 2020 $m**	**30-Sep 2019 $m**	**30-Sep 2020 $m**	**30-Sep 2019 $m**
Great British Pounds	565.0	638.3	(506.3)	(868.2)
Euros	28.6	11.7	(12.7)	(16.7)

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25 Financial instruments (continued)

Company	Assets		Liabilities	
	30-Sep 2020 $m	30-Sep 2019 $m	30-Sep 2020 $m	30-Sep 2019 $m
Great British Pounds	593.4	629.1	(502.3)	(856.1)
Euros	28.6	11.7	(12.7)	(16.7)

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 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.

Consolidated	*Sterling Impact*		*Euro Impact*	
	30-Sep 2020 $m	30-Sep 2019 $m	30-Sep 2020 $m	30-Sep 2019 $m
Profit and loss	2.9 (i)	(11.5) (i)	0.8 (iii)	(0.3) (iii)
Other equity	(0.2) (ii)	1.4 (ii)	-	-

Company	*Sterling Impact*		*Euro Impact*	
	30-Sep 2020 $m	30-Sep 2019 $m	30-Sep 2020 $m	30-Sep 2019 $m
Profit and loss	4.6 (i)	(11.4) (i)	0.8 (iii)	(0.3) (iii)
Other equity	(0.2) (ii)	1.4 (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.

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25 Financial instruments (continued)

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 2020 $m	**30-Sep 2019 $m**	**30-Sep 2020 $m**	**30-Sep 2019 $m**	**30-Sep 2020 $m**	**30-Sep 2019 $m**	**30-Sep 2020 $m**	**30-Sep 2019 $m**
Sell GBP								
Less than 17 months		1.2394	-	66.7	-	82.7	-	0.4
Buy GBP								
Less than 17 months	1.2791	1.2476	(100.0)	(224.3)	(127.9)	(279.9)	1.4	(3.5)
			(100.0)	(157.6)	(127.9)	(197.2)	1.4	(2.2)

	Average exchange rate		Foreign currency		Notional value		Fair value	
	30-Sep 2020 $m	**30-Sep 2019 $m**	**30-Sep 2020 EUR m**	**30-Sep 2019 EUR m**	**30-Sep 2020 EUR m**	**30-Sep 2019 EUR m**	**30-Sep 2020 EUR m**	**30-Sep 2019 EUR m**
Sell EUR								
Less than 6 months	1.1794	1.1029	7.3	9.7	8.6	10.7	0.0	(0.2)
Buy EUR								
Less than 6 months		1.1067	-	(10.0)		(11.1)	-	0.1
			7.3	(0.3)	8.6	(0.4)	0.0	(0.1)

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 during the previous year 2019, 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 contract 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.

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25 Financial instruments (continued)

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 to hedge the price risk of forecasted transactions such as forecast crude oil purchases and refined product sales. These derivative instruments are considered economic hedges for which changes in their fair value are recorded in the consolidated income statement. The 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:

Consolidated and Company	**30-Sep 2020 $m**	**30-Sep 2019 $m**
Effect of 10% increase in prices on profit before tax		
Cracks	(3.2)	(14.8)
Crude oil	(3.7)	(4.1)
Petroleum products	(0.4)	(3.6)
Effect of 10% decrease in prices on profit before tax		
Cracks	3.2	6.5
Crude oil	3.7	4.1
Petroleum products	0.4	3.6

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

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25 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.

Of the top 90% of the group's customers by revenue, approximately 75% (2019: 68%) 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 61% (2019: 78%) of the total trade receivables balance of $587.4m (2019: $717.6m) and the largest individual balance was $107.5 m (2019: $200.0m), which does not exceed 15% (2019: 25%) of gross financial assets at the balance sheet date. Concentration of credit risk to any other counterparty did not exceed 12% (2019: 6%) 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.

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25 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 2020 would have decreased by $ 3.2 m (2019: $4.4m). 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 2020 $m	30-Sep 2019 $m
Debt	76.5	30.6
Cash and cash equivalents	(123.4)	(112.1)
Net debt	(46.9)	(81.5)
Equity	566.0	713.1
Total debt and equity	519.1	631.6
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.

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25 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 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
30 Sep 19							
Non-interest bearing:							
Trade and other payables		620.8	-	-	-	-	620.8
Interest bearing:							
Finance lease liability	9.7	0.2	0.5	2.4	13.4	116.9	133.4
Variable interest rate instruments	2.1	-	507.0	-	175.0	-	682.0
		621.0	507.5	2.4	188.4	116.9	1,436.2

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 20						
Non-interest bearing:	710.8					710.8
30 Sep 19						
Non-interest bearing:	829.7					829.7

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25 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 month $m	1-3 months $m	3 months to 1 year $m	1-5 years $m	5+ years $m	Total $m
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
30 Sep 19						
Net settled:						
Foreign exchange forward contracts & swaps	(0.3)	0.3	(1.2)	(1.0)	-	(2.2)
Foreign exchange Collars	(0.3)	(0.7)	(4.3)	(0.3)	-	(5.6)
Gross settled:						
Commodity swaps and futures	(4.7)	(1.6)	7.4	1.5	-	2.6
	(5.3)	(2.0)	1.9	0.2	-	(5.2)

Financing facilities

The Group had a secured bank facility available during the year (note 3) of $675m (2019: $717m) to support financing against its receivables (depending upon price environment and sales volumes). As at 30 September 2020, the Group had utilized $440.8 m from this facility (2019: $507.0m). Further amounts were available to the Group for draw down under the facility amounting to $7.0m (2019: $3.6m) based on the facility parameters and available receivables as at the year-end date.

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, Stanlow Receivables Funding Limited. 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.

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26 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 31 March 2018	(54.3)	2.9	-	0.1	-	(51.3)
(Charge)/ credit to income statement	(6.5)	(2.1)	-	18.9	-	10.3
Charge to statement of comprehensive income	-	5.1	-	-	-	5.1
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 2019	(72.8)	(0.8)	15.1	23.4	(29.0)	(64.1)

Company	Accelerated tax depreciation	Retirement benefit obligations	Tax losses	Short term timing differences	Revaluation reserve	Total
	$m	$m	$m	$m	$m	$m
At 31 March 2018	(54.3)	2.9	0.0	0.1	-	(51.3)
(Charge)/ credit to income statement	(6.5)	(2.1)	0.0	18.9	-	10.3
Charge to statement of comprehensive income	0.0	5.1	0.0	0.0	-	5.1
At 30 September 2019	(60.8)	5.9	-	19.0	-	(35.9)
(Charge)/ credit to income statement	0.5	(1.5)	15.1	4.4		18.5
Credit to statement of comprehensive income		(5.2)				(5.2)
At 30 September 2020	(60.3)	(0.8)	15.1	23.4	-	(22.5)

27 Obligations under leases

Consolidated	**30-Sep 2020 $m**	**30-Sep 2019 $m**
Amounts payable under leases:		
Within one year	7.3	3.1
In the second to fifth years inclusive	28.5	13.4
After five years	142.0	116.9
	177.8	133.4
Less: future finance charges	(101.3)	(102.8)
Present value of lease obligations	76.5	30.6

Company	**30-Sep 2020 $m**	**30-Sep 2019 $m**
Amounts payable under leases:		
Within one year	7.3	3.1
In the second to fifth years inclusive	28.5	13.4
After five years	142.0	116.9
	177.8	133.4
Less: future finance charges	(101.3)	(102.8)
Present value of lease obligations	76.5	30.6

Present value of minimum lease payments

	30-Sep 2020 $m	**30-Sep 2019 $m**
Amounts payable under leases:		
Within one year	1.6	2.9
In the second to fifth years inclusive	7.0	11.2
After five years	67.9	16.5
Present value of lease obligations	76.5	30.6
Analysed as:		
Amounts due for settlement within 12 months (shown under current liabilities)	1.6	2.9
Amounts due for settlement after 12 months	74.9	27.7
	76.5	30.6

The lease term varies from 3 years to 28 years. For the year period ended 30 September 2020, the average effective borrowing rate was 5.7% to 9.7% depending on the lease term (2019: 12%). 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.

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28 Provisions

Consolidated	Inventory Monetisation contract $m	Off market contract $m	Other provisions $m	Total $m
At 31 March 2018	**4.6**	**-**	**-**	**4.6**
Added during the year	-	-	-	-
Unwinding of discount	-	-	-	-
Utilisation / amendment of provision	(4.6)	-	-	(4.6)
At 30 September 2019	-	-	-	-
Added during the period	-	-	5.1	5.1
Unwinding of discount	-	-	-	-
Utilisation / amendment of provision	-	-	-	-
At 30 September 2020	-	-	5.1	5.1

Company	Inventory Monetisation contract $m	Off market contract $m	Other provisions $m	Total $m
At 31 March 2018	**4.6**	**-**	**-**	**4.6**
Added during the year	-	-	-	-
Unwinding of discount	-	-	-	-
Utilisation / amendment of provision	(4.6)	-	-	(4.6)
At 30 September 2019	-	-	-	-
Added during the period	-	-	5.1	5.1
Unwinding of discount	-	-	-	-
Utilisation / amendment of provision	-	-	-	-
At 30 September 2020	-	-	5.1	5.1

Inventory Monetisation (IM) contract

Consequent to recording the Inventories owned by Macquarie Bank Limited (IM provider) on the Group's Books (note 3); a corresponding liability towards the IM provider is recognised at an amount equal to the carrying value of inventory. To the extent the cost to the 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.

Other provisions

Other provisions relate to an environmental incident which occurred during 2018 and the amount of $5.1m (2019: nil) reflects anticipated fines in relation this incident.

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NOTES TO THE FINANCIAL STATEMENTS

29 Share capital

	30 Sept 2020 $m	30 Sept 2019 $m
Called-up, issued and fully paid:		
442,102,375 ordinary shares of £1 each (2019: 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.

30 Notes to the cash flow statement

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

Consolidated

	Year ended 30 Sept 2020 $m	Eighteen month Period ended 30 Sept 2019 $m
(Loss)/ Profit before tax for the period	(220.8)	194.8
Adjustments for:		
Finance costs	66.4	107.9
Finance income	19.9	(44.4)
Depreciation of property, plant and equipment	89.6	115.5
Depreciation of Right of Use Assets	3.5	1.5
Amortisation of intangible assets	0.9	1.0
Loss/Gain on retirement of property, plant and equipment	-	(7.6)
Bargain gain on acquisition	-	(8.4)
Write off of Bad debts (net of opening reserves)	(5.8)	100.0
(Decrease) in provisions	5.2	(4.6)
Retirement benefit Contributions	(28.1)	(38.6)
Retirement benefit Costs	19.9	32.7
RDEC tax credit	(34.5)	-
Fair value change in derivative instruments	(27.0)	11.3
Foreign exchange (gains) / losses	14.3	10.6
Operating cash flows before movements in working capital	(96.4)	471.8
Decrease / (Increase) in inventories	90.9	377.5
Decrease / (Increase) in receivables	338.4	(461.1)
Increase in payables	315.8	19.8
(Decrease) in Liability to IM provider	(55.0)	(288.9)
(Decrease)/Increase in deferred revenue	(12.8)	4.4
Cash generated by operations	580.9	123.4
Tax Paid	(34.5)	(10.3)
Net cash generated by operations	546.3	113.1

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NOTES TO THE FINANCIAL STATEMENTS

30 Notes to the cash flow statement (continued)

Reconciliation of changes in liabilities arising from financing activities:

Consolidated	**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)**

Consolidated	**31 Mar 18**	**Increase due to Extension of Lease term**	**Impact of new IFRS16**	**Discounted Payments**	**30 Sep 19**
	$m	**$m**	**$m**	**$m**	**$m**
Obligations under finance leases					
-Current	(2.2)	-	-	(0.7)	(2.9)
-Non Current	(13.0)	(18.0)	-	3.4	(27.7)
Total	**(15.2)**	**(18.0)**	**-**	**2.7**	**(30.6)**
Increase /(decrease) in short term bank advances	(358.0)	-	-	(149.0)	(507.0)
Increase /(decrease) in other deposits	27.3	-	-	(4.0)	23.3
Increase /(decrease) in other non-current receivables	-	-	-	-	-
Total	**(330.7)**	**-**	**-**	**(153.0)**	**(483.7)**

31 Lease arrangements

The Group as lessor:

Consolidated	**30-Sep 2020**	**30-Sep 2019**
	$m	**$m**
Consolidated		
Within one year	0.1	0.1
In the second to fifth years inclusive	0.6	0.5
After five years	2.9	3.2
	3.6	3.8

Company	**30-Sep 2020**	**30-Sep 2019**
	$m	**$m**
Amounts payable under finance leases:		
Within one year	0.4	0.1
In the second to fifth years inclusive	1.8	0.5
After five years	14.1	3.2
	16.3	3.8

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31 Lease arrangements (continued)

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 (2019: $nil).

On 31st December 2019, 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 $0.2m (2019: $ nil)

On 31st December 2019, 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 (2019: $ nil)

The Group as lessee:

	Year ended 30-Sep-20	Eighteen month period ended 30-Sep-19
Consolidated and Company	**$m**	**$m**
Minimum lease payments under operating leases recognised in income statement for the period	-	3.8

32 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 $3.2m (2019: $4.8m) and represents contributions payable to the schemes by the Group at rates specified in the rules of the plan. As at 30 September 2020, contributions of $nil (2019: $nil) due in respect of the current reporting period had not been paid to the schemes.

Defined benefit schemes

The group sponsors a funded defined benefit pension plan for qualifying UK employees, the Essar Oil (UK) Pension Scheme. 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 83% of the liabilities are attributable to current employees, 5% to deferred pensioners and 12% 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.

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32 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.

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.

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.

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 next funding valuation is due no later than 31 July 2021, at which progress towards full-funding will be reviewed.

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 2020

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:

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32 Retirement benefit schemes (continued)

Key financial assumptions used:	Valuation at	
	30-Sep-20	30-Sep-19
	%	%
Discount rate for scheme liabilities	1.70	1.85
RPI inflation	2.35	2.65
Rate of general long-term increase in salaries	1.75	2.65
Pre 2009 pension increase rate	2.35	2.65
Post 2009 pension increase rate	2.30	2.60

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

Key demographic assumptions used:	Period ended	
	30-Sep-20	30-Sep-19
Mortality base table adopted	2018 Club Vita tables	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%	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	22.2
Life expectancy for female pension currently aged 65	24.3	24.3
Life expectancy at 65 for male non-pensioner currently aged 45	23.4	23.3
Life expectancy at 65 for female non-pensioner currently aged 45	25.5	25.5
Transfer take-up	No allowance	No allowance
Cash commutation	18% lump sum upon retirement	18% lump sum upon retirement
Proportion married	85%	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-20	30-Sep-19
	$m	$m
Fair value of Scheme assets	238.9	212.8
Present value of funded Defined Benefit Obligation	(234.7)	(240.3)
Funded status	4.2	(27.5)
Asset / (liability) recognised on the balance sheet	**4.2**	**(27.5)**

Upon determining the adjustment in respect of the minimum funding requirement, 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.

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32 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-20	**30-Sep-19**
	$m	**$m**
Operating cost		
Current service cost	19.9	32.8
Financing cost		
Interest on net defined benefit liability / (assets)	4.5	7.6
Expected return on Scheme Assets	(3.9)	(9.5)
Pension expense recognised in the income statement	**20.5**	**30.9**
Remeasurements in other comprehensive income		
Return on Scheme assets (in excess of) / below that recognised in net interest	1.7	(15.3)
Actuarial (gains) / losses due to changes in financial assumptions	(26.2)	33.7
Actuarial (gains) / losses due to changes in demographic assumptions	-	(3.1)
Actuarial (gains) / losses due to liability experience	(0.2)	4.0
Foreign exchange (gains)/losses	1.2	(2.7)
Total amount recognised in other comprehensive income (OCI)	**(23.5)**	**16.6**
Total amount recognised in the income statement and OCI	**(3.0)**	**47.5**

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

	Valuation at	
	30-Sep-20	**30-Sep-19**
	$m	**$m**
Opening defined benefit obligation	**240.3**	**196.9**
Current service cost	19.9	32.8
Interest expense on defined benefit obligation	4.5	7.7
Contributions by scheme participants	1.1	1.8
Actuarial (gains)/losses on Scheme liabilities arising from changes in financial assumptions	(26.2)	33.7
Actuarial (gains)/losses Scheme liabilities arising from changes in demographic assumptions	-	(3.2)
Actuarial (gains)/losses on Scheme liabilities arising from experience	(0.2)	4.0
Net benefits paid out	(16.2)	(6.0)
Foreign exchange (gains)/losses	11.6	(27.4)
Closing defined benefit obligation	**234.8**	**240.3**

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32 Retirement benefit schemes (continued)

Changes to the fair value of Scheme assets during the period	Valuation at 30-Sep-20 $m	Valuation at 30-Sep-19 $m
Opening fair value of Scheme assets	**212.8**	**180.1**
Interest income on Scheme assets	4.1	7.8
Remeasurement gains / (losses) on Scheme assets	(1.7)	15.3
Contributions by the employer	28.1	38.6
Contributions by Scheme participants	1.1	1.7
Net benefits paid out	(16.2)	(6.6)
Foreign exchange gains/(losses)	10.7	(24.7)
Closing fair value of Scheme assets	**238.9**	**212.8**

Return on Scheme assets	Valuation at 30-Sep-20 $m	Valuation at 30-Sep-19 $m
Interest income on Scheme assets	4.1	7.8
Remeasurement gain / (loss) on Scheme assets	(1.7)	15.3
Total return on Scheme assets	**2.4**	**23.1**

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-20 $m	Valuation at 30-Sep-19 $m
Equities	23.4	20.8
Diversified Growth Funds	54.5	50.6
Liability Driven Investments	25.4	18.3
Corporate Bonds	72.1	74.8
Multi Asset Credit	36.9	19.4
Property	19.6	19.6
Cash and cash equivalents	7.0	9.3
Total market value of assets	**238.9**	**212.8**

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.

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32 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	3.4	19.7
Assets of the Scheme at 30 Sep 2020	-	238.9
Defined benefit obligation at 30 Sep 2020	(35.4)	(270.1)
Surplus/(deficit) at 30 Sep 2020	**(35.4)**	**(31.2)**
Following a 0.5% per annum increase in inflation		
Pension expense for the following year	3.5	19.9
Assets of the Scheme at 30 Sep 2020	-	238.9
Defined benefit obligation at 30 Sep 2020	(35.0)	(269.7)
Surplus/(deficit) at 30 Sep 2020	**(35.0)**	**(30.8)**
Following a 1 year increase in life expectancy		
Pension expense for the following year	1.1	17.4
Assets of the Scheme at 30 Sep 2020	-	238.9
Defined benefit obligation at 30 Sep 2020	(10.3)	(245.0)
Surplus/(deficit) at 30 Sep 2020	**(10.3)**	**(6.1)**

33 Cash flow hedge accounting reserve

Consolidated and Company	**Term Structure Hedges on Crude Oil Inventory**	**Term Structure Hedges on Product Inventory**	**Refining Margin Hedges**	**Total Cash Flow Hedge Accounting Reserves**
	$m	**$m**	**$m**	**$m**
At 30 September 2018	-	-	-	-
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)

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34 Asset revaluation reserve

Consolidated

	Terminal Assets $m
At 30 September 2018	-
At 30 September 2019	
Increase in value of assets recognised as Other Comprehensive Income for the year	153.0
Deferred tax	(29.1)
At 30 September 2020	123.9

Company

	Terminal Assets $m
At 30 September 2018	-
At 30 September 2019	
Increase in value of assets recognised as Other Comprehensive Income for the year	153.0
Transfers to Retained earning upon disposal of asset	(153.0)
Deferred tax	-
At 30 September 2020	-

35 Related party transactions

Loans to related parties

	Consolidated		Company	
	30-Sep 2020 $m	30-Sep 2019 $m	30-Sep 2020 $m	30-Sep 2019 $m
Non-current				
Essar Oil & Gas Limited	225.5	-	225.5	-
Stanlow Terminals Limited	-	-	253.3	-
Essar Midlands Limited	-	-	22.0	20.9
	225.5	-	500.8	20.9

Essar Oil Cyprus Limited (“EOCL”), EOUK parent company has requested it to consider and grant up to $400 million loan to Essar Oil and Gas Limited (“EOGL”) to meet their investment requirements. They have cited strong shareholder support to EOUK historically and ongoing basis which has led to a strong financial position at EOUK.

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35 Related party transactions (continued)

In November 2019, the Company board considered a request from Company's immediate parent, EOCL to extend an affiliate loan to another sister group Company. After due consideration, review and obtaining the necessary legal, accounting and tax opinions, Company board had approved grant of this loan of $375m with a term of 3 years on commercial terms.

As at this signing date of this financial statement, out of $375m, only $225.5m was disbursed. As on the signing of these accounts, the directors remained confident of this loan being serviced by the relevant affiliate entity.

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

The Company also advances Loans to its Subsidiary – Stanlow Terminals Limited in lieu of the purchase consideration in relation to hive out of Infrastructure Assets.

Other transactions with related parties:

The Group's other transaction with related parties include purchase and sale of goods and services, recharge of costs incurred to or Essar group companies. Details of the transactions and the balance outstanding are below:

	Consolidated		Company	
	Year ended 30 Sept 2020 $m	Eighteen month Period ended 30 Sept 2019 $m	Year ended 30 Sept 2020 $m	Eighteen month Period ended 30 Sept 2019 $m
Purchases of goods and services	-	0.8	87.1	45.9
Recharge of costs incurred	-	0.4	-	0.4
Sale of goods and services	-	-	14.0	-
Interest receivable on Loans advanced	13.7	-	22.9	-

	Consolidated		Company	
	30-Sep 2020 $m	30-Sep 2019 $m	30-Sep 2020 $m	30-Sep 2019 $m
Receivables	15.4	59.5	26.3	63.5
(Payables)	(3.1)	(4.7)	(5.5)	(4.8)

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.

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35 Related party transactions (continued)

During 2019, the Company advanced monies to its affiliates a total $51.5m, of which outstanding as at 2020: nil (2019: $42.3m).

In addition to the transactions above, Dividends totalling $81m (2019: $201m) were paid to Essar Oil (Cyprus) Limited (note 32).

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.

	Period ended 30 Sept 2020 $m	Eighteen month period ended 30 Sept 2019 $m
Short-term employee benefits	2.4	3.4
Post-employment benefits	-	-
	2.4	3.4

The highest paid director earned $0.9m (2019: $1.6m) in short-term employee benefits during the period.

During the period, no directors (2019: 0) participated in the defined benefit pension scheme.

36 Dividends

Company

	Period ended 30 Sept 2020 $m	Eighteen month period ended 30 Sept 2019 $m
Dividend paid at $0.183 (2018: $0.455) per ordinary share	81.0	201.0

37 Events after the reporting period

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

In addition, the Group has also partnered with Fulcrum Bioenergy to set up a waste to bio aviation fuel plant at Stanlow. The Group would provide the land, blend the sustainable fuel with conventional jet fuel and supply it to airports such as Manchester and Liverpool.

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38 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 2019 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.

39 Unconsolidated structured entities

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

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

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

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