Registered number: 04112423

# State Oil Limited
## Annual report and financial statements
## for the year ended 28 February 2023

## Company Information

| | |
|---|---|
| **Directors** | Mr Winston Sanjeevkumar Soosaipillai<br>Mr Julian Vickers<br>Mr Mark Ware |
| **Company secretary** | Elemental CoSec Limited |
| **Registered number** | 04112423 |
| **Registered office** | Harvest House<br>Horizon Business Village<br>1 Brooklands Road<br>Weybridge<br>Surrey<br>KT13 0TJ<br>United Kingdom |
| **Corporate headquarters** | York House<br>45 Seymour Street<br>London<br>W1H 7JT<br>United Kingdom |
| **Independent auditor** | KPMG LLP<br>Global House<br>High Street<br>Crawley<br>RH10 1DQ<br>United Kingdom |
| **Banker** | HSBC Bank Plc<br>8 Canada Square<br>Canary Wharf<br>London<br>E14 5HQ<br>United Kingdom |
| **Solicitor** | Linklaters LLP<br>One Silk Street<br>London<br>EC2Y 8HQ<br>United Kingdom |

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# Strategic report

**Strategic report**

The Directors present the Group strategic report for the year ended 28 February 2023.

**Strategy and outlook**

Headquartered in the United Kingdom and with international offices in Singapore, Houston and Antwerp, the State Oil Group of companies (trading as the Prax Group) is a leading integrated upstream, midstream and downstream energy group dealing in crude oil, petroleum products and bio-fuels. Driven by an exceptionally experienced, dynamic and focused management team, the Group has consistently delivered solid shareholder value. The shareholders and the management team's deep-rooted ambition to create a leading global energy business has seen the Group make a number of substantial, well-considered strategic acquisitions.

The Group continues to apply robust and proven risk management techniques and has a strong focus on Health & Safety and the Environment. It conducts its business in a way which minimises the safety risks to our People, the impact on the environment, our assets and our Reputation.

The Group is fully integrated across the value chain including exploration and production, refining, storage and transportation, as well as sales activities in the retail, industrial and commercial, marine and aviation sectors, supported by an experienced Integrated Supply and Optimisation (ISO) team which allows us to capture favourable unit margins effectively for our downstream division and offer our customers high quality, customised products.

Our strategy continues to be to use our acquired expertise to develop our presence globally and to increase our activities across the entire oil & gas value chain in order to deliver sustained returns over future decades. Aligned with this strategy is a resolve to achieve maximum efficiency in the management of our industrial activities and reduce unit fixed cost structures by maximising volumes traded around each asset class.

The key strengths of the Group are its global scale, its sector expertise, its solid growth platform and its agility in reacting rapidly to new opportunities which enables it to smoothly adapt to changing markets.

The Group's sustainability strategy is built upon 5 key pillars which underpin the way in which we conduct business, produce petroleum products and blend biofuels, ensuring that we deliver lasting value for our stakeholders and wider society;

- Our belief that mitigating carbon and other emissions is good for the planet, for the communities in which we work and for our company.
- Our engagement with our people and being a respectful and valued neighbour in all the communities in which we work and around our sites.
- Our conviction that affordable, ever cleaner fuel resources are a critical driver of global economic growth
- Our awareness of our role in the United Kingdom's energy infrastructure and energy security and the responsibilities that come with it. This responsibility extends to all the markets in which we operate.
- Our corporate and contractual responsibilities that ensure we comply fully with all laws and regulations in every jurisdiction in which we operate.

The Prax Group has become an early adopter and leader in ultra-low sulphur refined products and biofuels across its network and is currently exploring new opportunities at the refinery to grow the role of biofuels. The government-led carbon capture programme in the UK offers an opportunity to abate the majority of our emissions at the refinery. More information on this project and our progress in reducing our emissions can be seen in the Directors' report.

**Business review**

As a global energy group, the performance in the year ended 28 February 2023 has been impacted by the energy security crisis, volatility in commodity prices and general inflationary pressures resulting from the Ukraine situation.

Overall, the Group has seen an increase in revenue ($10.5bn) compared to prior year ($9.9bn) primarily attributable to higher commodity prices.

Management believes that certain non-GAAP measures of performance are useful metrics as they provide additional information on performance and trends. These measures are used by management for internal performance analysis and are of interest to important external stakeholders. These non-GAAP measures used here within are not defined in IFRS or other GAAPs and therefore may not be comparable with similarly described or defined measures reported by other companies. They are not intended to be a substitute for, or considered superior to, IFRS measures.

- **Gross Margin**
  The Group defines Gross Margin as the equivalent of the GAAP measure "Gross Profit" but excluding the impact of any depreciation of plant and machinery.

- **CCS – Current Cost of Supply**
  The Group defines the Current Cost of Supply as the equivalent of the GAAP measure Cost of Sales but excluding the impact of timing effects caused by changes in crude oil and product prices between periods and the impact of those changes on the performance of purchase and sale contracts as well as gains or losses in inventory value due to changes in unit prices between periods (see page 6 for further details).

- **EBITDA - Earnings Before Interest, Tax, Depreciation and Amortization**
  The Group defines EBITDA as the equivalent of the GAAP measure Profit Before Tax (PBT) but excluding the impact of any financial income and expenses, gains or losses on acquisitions and disposal of assets, depreciation and amortization of assets and movement in long term provisions.

- **Underlying Profit / Loss**

  The Group defines Underlying Profit / Loss as the equivalent of the GAAP measure Profit / Loss for the Year but excluding financial income and expenses relating to changes in the value of specific hydrocarbon derivative operations.

  These specific hydrocarbon derivative operations would not have been entered into had the change in accounting policy regarding inaccessible stock (see page 5 and note 2.2) that was introduced in the summer of 2023 and subsequently back dated to prior years been in place at the start of the 2021-22 financial period. The change in value of these derivatives resulted in a loss of -$15.8m in 2023 and -$27.0m in 2022.

| | 2023<br>$'000s | 2022<br>Restated<br>$'000s |
|---|---|---|
| Revenue | 10,483,582 | 9,893,291 |
| Cost of Sales | (10,189,434) | (9,728,464) |
| **Gross Profit** | **294,148** | **164,827** |
| *Add back depreciation of plant & machinery charged to Gross Profit* | *38,980* | *39,689* |
| ***Gross Margin (Non-GAAP Measure)*** | ***333,128*** | ***204,516*** |
| Other operating income | 3,063 | 3,225 |
| Total administrative expenses | (213,194) | (183,735) |
| *Add back depreciation, gain on sale of assets and acquisition costs charged to Total administrative expenses* | *6,860* | *11,406* |
| ***EBITDA (Non-GAAP Measure)*** | ***129,857*** | ***35,412*** |
| *Minus depreciation, gain on sale of assets and acquisition costs* | (45,840) | (51,095) |
| **Operating Profit/(Loss)** | **84,017** | **(15,683)** |
| Financial Income | - | 26 |
| Financial expense | (79,452) | (70,406) |
| **Net financial expenses** | **(79,452)** | **(70,380)** |
| **Profit/(loss) before tax** | **4,565** | **(86,063)** |
| Taxation | 16,207 | 14,461 |
| **Profit/(Loss) for the year** | **20,772** | **(71,602)** |
| *Add back loss on derivative operations on Inaccessible Stock* | (15,761) | (27,046) |
| **Underlying Profit / (Loss) (Non-GAAP Measure)** | **36,533** | **(44,556)** |

## Strategic report

On an Adopted IFRS basis the profit before tax for the year was $4.6m (2022 restated: -$86.0m loss) while the EBITDA was $129.9m (2022: $35.4m). This improved performance resulted from the Group's ability

- to capture higher available midstream margins despite a planned shutdown of the refinery for a period of 45 days mid-summer 2022 to carry out statutory maintenance and improvement projects.
- to secure value in the downstream business units in a volatile market environment.

Administrative expenses have gone up by 16.0% compared to the prior year primarily driven by CPI inflation which was 10.4% over the same period. The business has continued to grow over the course of the last twelve months and management have approved increased spending to ensure robust control of our activities are continued. This included an increase in staff numbers from an average of 1,274 in the last financial year to an average of 1,308 in this financial year. The group also took the decision to implement a living wage increase for our retail service station colleagues in November 2022, reflecting management's commitment to all employees.

The Group continues to utilise its working capital facilities to provide a solid platform to support the existing business and further growth. The higher finance costs reflect increased utilisation of the facilities due to higher commodity prices and interest rates applied to borrowings.

**Midstream**

Our Refinery business has experienced a period of high margins following the volatility in commodity prices resulting from the Ukraine situation but has also had to adapt to a change in feedstocks with sanctions being imposed on trade with the Russian Federation. Although this has not impacted the crude oil grades used at the refinery, adjustments to production programmes to reflect the unavailability of Russian sourced Atmospheric Residue, Vacuum Gas Oil and Diesel were implemented successfully.

The first major maintenance event (known as a Turnaround and Inspection or T&I) since the acquisition of Prax Lindsey Oil Refinery Limited on 28 February 2021 was successfully executed over June and July 2022.

The T&I involved safely stopping and de-inventorising the production units to allow for

- Statutory inspections of equipment to ensure future safe operations.
- Maintenance and cleaning activities that cannot be performed while the units are in use to improve future reliability and operational efficiency.
- The replacement and upgrading of equipment to ensure plant is fit-for-purpose for the future.

In total $17.6m was spent on the T&I during the year to 28 February 2023, in addition to the $0.3m spent in the prior year. During the event itself, there was not a single recordable injury to either our own staff or our contractor partners in a total of 167,000 manhours of work. We were able to celebrate this safety performance along with our contractors by donating over £20,000 for local good causes chosen by the workforce.

Over the course of the financial year a further $45.7m of capital expenditure was spent at the refinery, the majority being spent on maintaining the production units and other assets to improve the reliability of the plant and machinery.

In the first three months of the financial year the availability of the production units (a measure of production capacity available for use) was 88%. Following the successful turnaround, the same metric in the last three months of the year was 92%. This corresponds with an increase in crude throughput of 1.4mbbls between Q1 and Q4. The overall crude throughput was lower than the previous financial year due to the impact of the turnaround.

Towards the end of the financial year the last stage of the revamp of the one of two Hydro De-Sulphurisation units was nearing completion, the revamped unit went into production in April 2023 giving our refinery supplementary capacity for middle distillate production including diesel and kerosene.

Our other midstream operations include our terminal and logistics assets which continue to provide a safe, reliable and efficient supply chain through which the Group can bring our products to our customers.

## Strategic report

**Downstream**

We continue to grow and enhance our Retail business. Our network now includes 192 sites across the UK, compared with 183 in 2021-22. 87 of these sites are company-owned ones, where we sell not just fuel but an increasing range of convenience products and services. We have 135 Harvest Energy sites (branded Harvest Energy, BP or Shell). We also have the exclusive use in the UK of the TotalEnergies forecourt brand and currently have 58 TotalEnergies branded sites. In addition, we have our four unmanned Breeze forecourts.

Fuel margins over the last financial year have been stronger than for a number of years reflecting higher commodity prices resulting from the Ukraine situation and sanctions on the import for Russian sourced fuel, especially diesel. Non-fuel performance has also remained strong with our offering including additional Morrisons and Greggs stores as well as additional Amazon lockers. These improvements to non-fuel offerings increase brand awareness and make our sites go-to locations for both fuel and non-fuel convenience purchases.

The retail properties are held at fair value and have been revalued at 28 February 2023. A fair value increase of $45m has been recorded following a revaluation of the freehold and long leasehold property sites. CBRE were engaged to complete a valuation of the 63 sites acquired with HKS Holdings in 2018 with the remaining sites valued by the directors. The valuation was based on various factors including future income and current market prices.

Our industrial & commercial business supplies crude oil, petroleum products, biofuels, and carbon neutral products predominately in the UK but also across Europe, Africa, the Middle East, Asia, and the Americas. We sell products that we have refined and blended as well as products sourced from third parties. Our strategy is to sell products to inland downstream markets, in order to capture the greater margin opportunities, rather than exporting product. This strategy makes sound sense for us, given our integrated energy assets, notably our refinery and network of terminals. Our industrial & commercial customers include hypermarkets, other oil companies (both majors and smaller independents), industrial consumers, haulage and delivery companies and public transport companies. Through our fuelcard offering we also enable our industrial and commercial customers to benefit from the ability to obtain fuel from various retail sites at wholesale prices.

Our marine business sells fuels under the Harvest Energy Marine brand and we are an established bunker fuel supplier in ports throughout North West Europe. The marine business is fully integrated with the very low sulphur marine fuel oil production at the refinery. In addition to a fleet of time-chartered ocean-going tankers and river barges, the Group acquired its first ocean going bunker tanker in February 2022 and added a further tanker to its fleet in April 2022. We have also entered into a long-term charter for a third tanker with an option to buy later in 2023 adding further flexibility to its bunker supply locations.

The aviation business continues to supply both aviation grade gasoline (AVGAS) and jet fuel to various customers and has shown considerable growth with new contracts at one of the UK's major airports coming onstream in early 2023.

**Acquisition of Hurricane Energy Plc**

In March 2023 the group made an offer to acquire the shares of Hurricane Energy Plc, a UK-based oil and gas exploration and production (E&P) company with a 100 per cent operated interest in the Lancaster offshore oil field situated 100 miles north of mainland Scotland in the West of Shetland basin. This acquisition was completed on 8 June 2023 and the business has been renamed Prax Upstream Limited.

This acquisition is a natural progression for the Group, providing the opportunity to integrate Prax Upstream Limited's E&P expertise and infrastructure into our company's footprint. Its platform will enhance the continued development of new business opportunities in the upstream as part of our long-term growth strategy. This will create opportunities for synergies with existing Prax-owned assets, as well as demonstrating our ongoing commitment to building a solid and transformative supply chain to meet the needs of our customers for many years to come.

The acquisition and integration of Prax Upstream Limited is a very significant moment in the Group's history and a major leap forward towards achieving our goal of becoming a fully integrated global energy provider.

# Strategic report

The work to complete this acquisition is testament to the ambition of the shareholders and management to create a global energy business. This acquisition is strategic in nature and has been carefully selected to contribute value to the group from the first year. Reported Profit before tax for 2022 was $110.4m with EBITDA of $206.7m (adding back depreciation to the operating profit of $124.8m). To date, the Lancaster Field has produced and sold over 16 million barrels of oil. If oil prices remain above $80 per barrel then the field is expected to remain economic until at least the second half of 2025.

### Liquidity

The group enjoys solid support of a large pool of international financial institutions. The daily trading activity is supported by bilateral trade finance lines that accommodate the increasing demands of the business. The business is further funded by credit facilities provided by a number of banks and institutions.

The group also renewed supply arrangements for crude and feedstocks for the refinery.

The group is confident that its existing funding strategy with its financial solutions for business scenarios, equips it with the flexibility it needs to deal with any unexpected volatility in the physical commodity and derivatives markets. Post year end the Group has successfully extended and amended its main working capital facility demonstrating the confidence that our financial partners have in the Group's business model and its vision for the future.

### Capital Investment

The group continues to make capital investments to maintain the highest level of safety at our industrial facilities, to minimise our impact on the environment and to add value to our business either through improved reliability or through growth. In the 12 months to 28 February 2023 the Group made investments of $94.3m (2022: $65.8m).

Refinery capital expenditure for the year ended 28 February 2023 was $63.3m (2022: $64.1m) and more details of this spend are given in the Midstream business review above.

Other major capital expenditure spend in the year was on the two vessels in our fleet ($9.4m) to support our marine business.

The Group has maintained its considerable investment in its IT systems and infrastructure including a new CRM system for the UK downstream business.

### Capitalisation of Inaccessible Stock

As a consequence of product tank design and minimum stock requirements for operating the refinery production units and ancillary equipment safely there is a level of inventory below which operations are adversely affected. As a prudent and responsible operator, the Group does not operate below this level.

Price risk on inaccessible stock was previously managed using derivatives, however following the volatility in commodity prices seen between January 2022 and March 2022, management decided to cease the use of derivatives to manage the price risk and opted to capitalise the inaccessible stock so that it is treated as a fixed asset in Property, Plant and Equipment (further details are described in note 2.2).

This change in approach represents a change in accounting policy and the previous year's financial statements have been restated as per IFRS requirements The change in accounting policy and restatement has resulted in a mismatch between the movement in the value of inaccessible stock and the movement in the value of the derivatives. Previously these movements offset within cost of sales.

Following the change in accounting policy the inaccessible stock has been reclassified to Plant, Property and Equipment (PPE) and held at cost. Going forward derivatives will not be required on this value. The derivative loss of -$15.8m (2022: -$27.0m) has been reclassified to finance costs.

The non-GAAP measure underlying Profit / (Loss) for 2023 was $36.6m (2022: loss of -$44.6m).

### Governance

The Group has six committees to oversee its governance and compliance activities. The committees are formed around the following disciplines: Executive, Audit & Risk, Investment, Remuneration, Safety, Health, Environment & Quality and Sustainability.

# Strategic report

The Executive Committee is authorised to constitute additional committees from time to time, depending on the business needs of the Company.

**Performance on Current Cost of Supply Basis**

As mentioned above, the Group measures the performance of its refining business unit on a current cost of supplies (CCS) basis. The CCS basis is designed to provide management and other stakeholders with a reliable understanding of the operational performance of the refinery. This measure illustrates to stakeholders the fact that crude oil and product prices can vary significantly between periods and the potential impact that this can have on our reported Adopted IFRS results. Inventory gains and losses also vary due to changes in the prices as well as underlying inventory levels. This is a similar approach used by other UK and European oil majors.

On this basis, the purchase price of volumes sold during the period is based on the current cost of supplies during the same period adjusted for tax effects. CCS earnings therefore exclude the effect of changes in the oil price on inventory carrying amounts and related hedges.

Results for the current period based on CCS Earnings are presented below;

**Consolidated Statement of Profit and Loss on CCS Basis**

| $000s | Year ended 28 February 2023 | | Year ended 28 February 2022 restated | |
|---|---|---|---|---|
| | **CCS** | **Adopted IFRS** | **CCS** | **Adopted IFRS** |
| Revenue | 10,483,582 | 10,483,582 | 9,893,291 | 9,893,291 |
| Cost of Sales | (10,171,647) | (10,189,434) | (9,686,664) | (9,728,464) |
| **Gross Profit** | **311,935** | **294,148** | **206,627** | **164,827** |
| Other operating income | 3,063 | 3,063 | 3,225 | 3,225 |
| Other administrative expenses | (213,194) | (213,194) | (183,735) | (183,735) |
| **Operating Profit/(Loss)** | **101,804** | **84,017** | **26,117** | **(15,683)** |
| Net financing expenses | (79,452) | (79,452) | (70,380) | (70,380) |
| **Profit/(Loss) before tax** | **22,352** | **4,565** | **(44,263)** | **(86,063)** |
| Taxation | 16,207 | 16,207 | 14,461 | 14,461 |
| **Profit/(Loss) after tax** | **38,559** | **20,772** | **(29,802)** | **(71,602)** |
| *Add back depreciation, gain on sale of assets and acquisition costs* | *45,840* | *45,840* | *51,095* | *51,095* |
| **Non-GAAP Measure: EBITDA** | **147,644** | **129,857** | **77,212** | **35,412** |

**Notes:**

When considering cashflow, an important measure of operating profitability is known as "EBITDA" which excludes the non-cash items from the operating profit figure. The CCS EBITDA was $147.6m compared to Adopted IFRS measure of $129.8m.

The difference of $17.8m between the CCS and Adopted IFRS cost of sale in year ended 28 February 2023 was due to:

i) $0.1m Timing effect of product purchase and sales – the impact of actual purchase and sale prices of feedstocks and finished products compared to the current month average offset by hedges against such movements

ii) $3.9m Timing effect of crude premiums between purchase and consumption period

iii) $13.8m Impact of inventory valuation and other items – impact of inventory valuation and hedges against inventory and the impact of historic FIFO stock valuation compared with a mark to market basis and open future hedges

The difference of $41.8m between the CCS and Adopted IFRS cost of sale in year ended 28 February 2022 was due to:

i) $11.5m Timing effect of product purchase and sales – the impact of actual purchase and sale prices of feedstocks and finished products compared to the current month average offset by hedges against such

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movements

ii) $17.1m Timing effect of crude price between purchase and consumption period

iii) $17.6m Timing effect of crude premiums between purchase and consumption period

iv) -$4.4m Impact of inventory valuation and other items – impact of inventory valuation and hedges against inventory and the impact of historic FIFO stock valuation compared with a mark to market basis and open future hedges

**Consolidated Balance Sheet on CCS Basis**

| $'000s | As at 28 February 2023 | | As at 28 February 2022 | |
|---|---|---|---|---|
| | CCS | Adopted IFRS | CCS | Adopted IFRS |
| **Total Non-Current Assets** | **772,945** | **772,945** | **732,299** | **732,299** |
| Inventories | 416,942 | 357,355 | 396,159 | 354,359 |
| Trade & other receivables | 968,606 | 968,606 | 982,836 | 982,836 |
| Cash and cash equivalents | 126,035 | 126,035 | 156,611 | 156,611 |
| **Total Current Assets** | **1,511,583** | **1,451,996** | **1,535,606** | **1,493,806** |
| **Total Current Liabilities** | **(1,613,787)** | **(1,613,787)** | **(1,508,812)** | **(1,508,812)** |
| **Total Non-Current Liabilities** | **(82,632)** | **(82,632)** | **(196,656)** | **(196,656)** |
| **Net Assets** | **588,109** | **528,522** | **562,437** | **520,637** |
| Share Capital | 1,921 | 1,921 | 1,921 | 1,921 |
| Revaluation Reserve | 105,933 | 105,933 | 71,962 | 71,962 |
| Foreign exchange reserve | (68,180) | (68,180) | (21,322) | (21,322) |
| Retained earnings | 548,435 | 488,848 | 509,876 | 468,076 |
| **Shareholders' Funds** | **588,109** | **528,522** | **562,437** | **520,637** |

**Key performance indicators**

Sales volumes in the year to 28 February 2023 were 7.3 million tonnes (2022 7.8 million tonnes). The fall in sales volumes was due to the planned maintenance T&I at the refinery in June and July 2022 and subsequent post T&I technical issues relating to the restart of certain production units. During this time the group imported finished product to fulfil contractual obligations but limited spot sales where importing products was not economic.

The table below shows the year-on-year sales volume performance for the different segments of the group.

| Sales Volume (Thousand Metric Tonnes) | Midstream | Downstream | Total |
|---|---|---|---|
| Year ending 28 February 2022 | 1,787 | 5,992 | 7,779 |
| Year ending 28 February 2023 | 1,034 | 6,314 | 7,348 |

Revenue in the year to 28 February 2023 was $10.5 billion (2022 $9.9 billion). The increase being driven by the higher commodity prices partially offset by lower UK volumes and by lower UK duty revenues following the introduction of lower fuel duty rates on 22nd March 2022, which we passed onto customers immediately.

The table below shows the year-on-year revenue performance for the different segments of the group.

| Sales Revenue ($m) | Midstream | Downstream | Total |
|---|---|---|---|
| Year ending 28 February 2022 | 3,843 | 6,050 | 9,893 |
| Year ending 28 February 2023 | 2,361 | 8,122 | 10,483 |

# Strategic report

The Group's financial key performance indicators for the year are given below.

| $m | 2023 | 2022 Restated |
|---|---|---|
| Profit/(loss) before Tax | 4.6 | (86.1) |
| Profit/(loss) before Tax on CCS Basis (non-GAAP measure) | 22.4 | (44.3) |
| | | |
| EBITDA (non-GAAP measure) | 129.9 | 35.4 |
| EBITDA on CCS Basis (non-GAAP Measure) | 147.7 | 77.2 |
| | | |
| Net Assets | 528.5 | 520.7 |
| Net Assets on CCS Basis (non-GAAP Measure) | 588.1 | 562.4 |

The Group has a strong focus on Health & Safety and the Environment and tracks lost time injuries as a key performance indicator in this area.

| | 2023 | 2022 |
|---|---|---|
| Lost time injuries | 1 | 0 |

One lost time injury at our Zeebrugge terminal (non RIDDOR reportable). We rigorously investigate and report on all incidents, working closely with the relevant authorities, implementing improvements and sharing learnings.

**Principal risks and uncertainties**

The occurrence of any of the events discussed below could be detrimental to our financial performance. If any of these events occur, the trading performance of the company could decline and we may not be able to pay all or part of the interest or principal on our commitments. Additional risks not currently known to us or which are presently deemed immaterial may also harm our business.

***Market price risk***

Exposure to fluctuations in crude oil and refined product prices is a source of risk to our business as a significant portion of our purchases and sales are based on spot prices and these prices affect the value of our inventories, the volume of our transactions and our trading margins. While we generally aim to hedge our exposure to the prices for crude oil and petroleum products, a change in prices could materially affect our operating results, working capital requirements, financial condition and prospects. In addition, the difference between the price of crude oil and the petroleum products extracted from it are a significant factor affecting our results of operations, particularly with respect to the activities of Prax Lindsey Oil Refinery Limited (the "**Refinery**") and Prax Upstream Limited (the "**Upstream Facilities**"). Any increase in crude oil or refined product prices may also lead to an increase in working capital requirements, since we have to spend higher amounts to fund our supplies and feedstock, notwithstanding increased revenue from the Upstream Facilities.

The prices of crude oil, petroleum products and petrochemicals are affected by supply and demand, both globally and regionally, and depend on a variety of factors over which the Group has no control. Such factors include:

- global and regional economic and financial market conditions;
- events that impact global market demand (e.g., reduced demand experienced during the COVID-19 pandemic);
- political stability across oil-producing regions and regions containing key crude oil transportation routes;
- the ability of the Organisation of Petroleum Exporting Countries ("**OPEC**") and other producing nations to influence production levels and prices;
- actions taken by governments (such as the imposition of trade sanctions on an oil-producing nation);
- global refining capacity evolution and utilisation;
- regulatory changes that could provide a competitive advantage or disadvantage to refineries operating in certain countries or regions;
- changes in energy consumption mix;
- terrorism and military conflicts (such as the invasion of Ukraine by Russia);
- changes in population growth or distribution;
- changes in consumer preferences,
- the competitiveness and levels of adoption of new technologies;

- material changes in the underlying production cost of crude oil;
- natural disasters and climate change; and
- regional dynamics of oil and gas supply and demand and global levels of inventories of crude oil and other related products.

Rapid material and/or sustained changes in prices can also impact the validity of the assumptions on which our strategic decisions are based and, as a result, the ensuing actions derived from those decisions may no longer be beneficial to us. Furthermore, fluctuations in oil prices may have different effects across the value chain. For example, on the one hand, lower oil prices typically result in significant reductions in capital expenditure budgets, cancellation or deferral of exploration, appraisal and development projects and reductions in related discretionary expenditures; on the other hand, high oil prices can lead to increased financing requirements, as well as reduced demand for oil products, which in turn may lead to lower profitability. Any increased volatility in such prices may adversely affect our business, operating results, financial condition and prospects.

Furthermore, the Refinery's operating and financial performance is partly dependent on the level of refining margins, being the price differential between the feedstock and other inputs into the Refinery and the refined products produced. Refining margins are highly volatile and can be affected by sector economics, particularly the supply and demand for crude oil and oil products, as well as available operating refining capacity. The Refinery's refining margins have fluctuated, and will continue to fluctuate, due to numerous factors, including changes in this price differential. A decline in oil refining margins would negatively affect our business, financial condition, results of operations and prospects.

To hedge our exposure to fluctuations in commodity prices we currently, and expect to in the future, enter into derivative contracts, including futures, forwards, options and swap contracts. However, available hedging arrangements or instruments may fail to correspond directly with the risk for which protection is being sought. We cannot assure you that we will achieve our objectives or expected results from such hedging or derivatives, and we may suffer significant losses which may have a material adverse effect on our results of operations and financial condition. In addition, hedging involves transaction costs, typically option premiums. These costs may increase as the period covered by the hedging increases and during periods of increased expected price volatility. In periods of extreme price volatility or at low price levels, it may not be commercially viable to enter into hedging transactions due to the high costs involved, which may in turn increase our exposure to financial risks.

***Geopolitical, economic and social risk***

*United Kingdom (UK)*

A significant portion of our operations, including all our retail operations, the Refinery and the Upstream Facilities, are in the UK. In addition, most of our storage facilities (owned or leased) are also located in the UK. As a result, we may be disproportionally exposed to the effect of regional supply and demand factors, delays, or interruption of production in the area due to processing or transportation constraints, personnel or services market limitations, or events of interruptions of the regional processing or transportation of oil. Although oil demand growth is expected to come from emerging and developing economies in the following years, demand for oil products in developed countries, including the UK, is expected to decline.

Following a national referendum and enactment of legislation by the government of the UK, the UK formally withdrew from the European Union (the "**EU**") and ratified a trade and cooperation agreement governing its future relationship with the EU, which was applied provisionally from 1 January 2021 and entered into force on 1 May 2021. Although this agreement provides for, among other things, the free movement of goods between the UK and the EU, continued legal uncertainty and potentially divergent national laws and regulations in relation to financial laws and regulations, tax and free trade agreements, immigration laws, and employment laws may adversely affect economic or market conditions in the UK, the EU or globally, which could contribute to instability in global financial and foreign exchange markets and could also impair our ability to access capital or transact business and/or to attract and retain qualified personnel. Within our wholesale business line, we trade several fuel products and we are involved in a wide range of relationships with counterparties across Europe. These relationships may be affected by any potential restrictions on their ability to operate, or by any business decisions driven by the post-Brexit situation. Additionally, the end of the free movement of labour between the UK and the EU may affect our business and operations.

A general slow-down in the UK economy may also negatively impact our growth strategies as well as our current and future projections, operating results, financial condition and prospects. Uncertainty also remains over the Bank of England's monetary policy response to inflationary pressures and Brexit-related economic challenges, such as a material change in the sterling exchange rate. The Bank of England may tighten monetary policy in the near term and also raise interest rates. Approaches to tapering quantitative easing measures could lead to an increased cost of funding, reduction in asset values and a reduction in affordability.

*Foreign countries*

As we operate and own assets in different geographic regions and countries, we are exposed to changes in their political, regulatory and financial environment. Countries connected with the oil industry have experienced and continue to experience varying degrees of political instability and geopolitics, which is a significant factor affecting the availability and supply of crude oil and gas and the demand for oil and gas products. In 2021, gas prices increased dramatically due, in part, to geopolitical events in Eastern Europe. Similar events in the future, including new or augmented sanctions, bans, embargoes, trade restrictions or other disruptions in countries relevant to our operations may affect our business and financial results, as well as the industry more broadly. Because oil is considered a commodity with a significant strategic value for many countries, political trends, such as nationalism and protectionism, may increase the risk of disruptions, limitations on trade and access to financing, the imposition of duties or export controls on commodities, as well as tax increases, tariffs and additional regulations governing industrial production. Changes in political climate could also affect our counterparties' and our own ability to perform under existing or future agreements. Political, economic and geopolitical instability may also arise from factors outside our control such as terrorism, civil war, military repression, civil disorder, workforce instability, extreme fluctuations in the currency exchange or high inflation rate, among others. As a result, all such events may cause delays or losses in the delivery of supplies, raw materials, as well as decreased sales of our products and delays in customers' payment of trade receivables.

Furthermore, even though our retail operations, upstream and midstream operations are chiefly concentrated in the UK, our wholesale business is international, and part of our business is managed directly by our international offices, such as our Singapore office with reference to the Middle East and Asia segment and our Houston office with reference to the Americas segment. Therefore, part of our wholesale revenues is and will remain dependent on the countries and regions outside the UK where we do business, and we cannot guarantee the economic and political conditions in such jurisdictions are or will be favourable at any given time. Many of these countries and regions have experienced and continue to experience political, economic and/or social instability. Such instability, its possible escalation and the violence associated with it may lead to significant political, economic and/or social disruptions and negatively affect our local operations. In particular, we cannot assure that our customers, employees or assets will not be affected by these circumstances or by any other macroeconomic development affecting these markets, and we cannot guarantee our ability to maintain or increase revenues, operating cash flow, related margin and liquidity from our activities in these jurisdictions in the future.

Any future changes in the political, economic and/or social environment in oil-producing countries, countries to which we sell or countries in which we operate could have a material adverse effect on our business, financial condition, results of operations and prospects.

***Environmental risk***

There is continued and increased attention on climate change. In many jurisdictions, including in the UK, this has led, and we expect it to continue to lead, to additional regulations designed to reduce greenhouse gas emissions and demand for refined fuel products. Many governments are providing tax advantages and other subsidies to support alternative energy sources or are mandating the use of specific fuels or technologies, and governments and other organisations are also promoting research into new technologies to reduce the cost and increase the scalability of alternative energy sources. There can be no assurance that legal and/or regulatory measures focused on suppressing demand for refined fuel products and other fossil fuels will not in time be introduced, or that technological improvements or innovation that reduces demand for refined fuel products or add to our costs, potentially significantly, will not take place. We cannot assure you that such changes will not have adverse impacts on our business including on our access to and realisation of competitive opportunities in any of our strategic focus areas, a decline in demand for, or constraints on our ability to sell certain products.

In particular, if the UK is to meet its legally binding target of achieving net zero emissions by 2050, it is possible that policies will be adopted that suppress demand for refined fuel products. For example, the UK government issued a "10-point plan for a green industrial revolution" in November 2020, which identified a number of low carbon policies and objectives for the UK. By way of publicly announced policies, the UK government has also publicly signalled its intention to prohibit the sale of gas boilers in the UK in newly built houses by 2025, to prohibit the sale of gas boilers within the UK completely by 2035, to prohibit the sale of new petrol and diesel cars in the UK by 2030. If these policies and/or others like them are enacted into law, that demand for refined fuel products in the UK could potentially significantly decrease. The prohibition on sale of new petrol and diesel cars may be accompanied or supplemented by a requirement or need for facilities such as our retail sites to provide charging stations and related infrastructure for electric vehicles. The installation of such infrastructure may lead to material costs to us.

In March 2021, further to the release of the North Sea Transition Deal by the UK Department for Business, Energy & Industrial Strategy, the UK North Sea Transportation Authority ("**NSTA**") issued the Net Zero Stewardship Expectation strategy setting out how the oil and gas industry should progress towards zero routine flaring and venting for non-safety reasons and should reduce its greenhouse gas emissions from all aspects of any upstream operations in support of the delivery of the UK's net zero target. Flaring (the ignition of gas) or venting (the release of unignited gas) of gas are controlled processes to dispose of gas and are essential for emergency and safety purposes on oil and gas installations, and in situations where it may not be feasible for the gas to be used, exported or re-injected. Following the recent acquisition of the Upstream Facilities, this strategy, if implemented, would lead to material costs for us in connection with the execution of measures, such as a gas export scheme, to reduce the impact of flaring or venting of gas in non-emergency situations.

In addition, the UK government has recently announced that it will introduce a "climate compatibility checkpoint" to determine whether future applications for oil and gas licenses in the North Sea align with wider climate change objectives, such as the reduction of emissions and sustainability. Our rights to exploit the Lancaster offshore oil field in the West of Shetland basin operated by our Upstream Facilities (the "**Lancaster field**") under the current licence are limited in time. This, and a generally more active approach from regulators relating to climate issues, may make it more difficult for us to procure licences in the future or make it more expensive or onerous to comply with existing licences or to obtain regulatory consents for operational issues or new developments. Furthermore, there is a possibility that drilling in the North Sea might be restricted in general at some point in the future. This would mean that we would have to cease our operations in the Lancaster field altogether without being able to fully exploit all of our reserves, which could have a material adverse effect on business, prospects, financial condition and results of operations.

As an oil and gas company with operations in the UK, we are currently subject to the UK Emissions Trading Scheme ("**UK ETS**"), a cap-and-trade scheme that requires operators of installations in certain sectors to surrender a number of allowances as to the total emissions of carbon dioxide from that installation for that year. A certain amount of allowances are provided to operators for free, and further allowances can be purchased at auction. As the Upstream Facilities and Refinery are both installations within the scope of the UK ETS, we require a number of allowances each year to surrender. Each year, the number of total allowances under UK ETS can decrease, leading to a restricted supply of allowances and a possible increase in cost to us of allowances purchased at auction. The increased cost of these allowances moving forward may lead to a material increase in the cost of our operations.

***Operational risk***

*Business interruption and potential liabilities*

The production at the Upstream Facilities and the Refinery could be adversely affected by a variety of extraordinary events, including fire, an explosion, structural collapse, machinery failure, mechanical failure, extended or extraordinary maintenance, road construction, strikes, protests (including environmental protests) or closures of primary access routes, flooding, windstorms or other severe weather conditions, security breaches, disputes, which could lead to reducing or discontinuing production for a period that could affect our financial performance.

In addition, our upstream operations are subject to numerous further risks specific to drilling, exploration and production activities, including premature decline or low permeability of reservoirs, contamination, blowouts, oil and other chemical spills, natural disasters, geological uncertainties, unusual or unexpected rock formations and abnormal geological pressures, shortages of skilled labour, pollution and other environmental risks. As the Lancaster field is offshore, our facilities are also subject to hazards inherent to marine operations, such as capsizing, sinking, grounding, vessel collision and severe storms, the frequency and severity of which may be impacted by climate change, all of which could lead to our inability to fully produce discovered reserves or produce oil in commercial quantities.

Production at our Upstream Facilities is regulated by licences, development plans or related agreements which include detailed work programs to be fulfilled within a specified timeframe. These may include seismic surveys to be performed, wells to be drilled, production to be attained, limits to production levels and construction matters. Material non-compliance with these work programs within the required timeframes, or failure to successfully negotiate extensions to the time permitted to carry out these work programs, could result in the premature termination, suspension or withdrawal of licenses and our losing the associated resource potential therein, with a material adverse effect on our production capability and financial performance. For example, as part of the field development plan addendum, approved by the NSTA, the Group is required to obtain regulatory consent on a rolling quarterly basis to continue producing below bubble point at the Lancaster field, subject to ongoing reviews of gas liberated from within the reservoirs. The lack of renewal of or adherence to the NSTA's consent may cause the cessation or the choke-back of production, with material adverse impact on our gross margin and financial performance.

Maintenance of our facilities can also have an impact on our production levels. For example, the Refinery is scheduled to undergo a full turnaround maintenance approximately every four years, in order to maintain and improve operating performance. During turnaround periods, the Refinery will remain partially or fully shutdown for approximately four to eight weeks and, as a result, production levels and the ability to generate value from refining margins are adversely affected. Planned shutdowns will typically have an adverse impact on the results of operations, particularly if they take longer than anticipated; this is also the case for unplanned shutdowns on technical or other grounds or reduced operating availability of the Refinery or the Upstream Facilities caused by other factors in the normal course of business which may reduce throughput and volumes produced, adversely affect gross margin and, generally, adversely impact our financial performance.

Our business involves the processing, storage and transportation of commodities, such as crude oil and refined petroleum products. The occurrence of any of the events described above could significantly disrupt this portion of our operations as well. Further, processing units may be dependent on, or interact with, other sections of the Refinery, and any disruptions or damages to these sections may impair or halt the operation of our processing units. Also, any damage to pipelines, storage or port facilities could cause disruptions to the transportation of our supplies or products or, if the events are particularly severe, potential interruptions of our operations.

The occurrence of any of the events described above could also result in serious damage, including environmental damage, such as biodiversity loss or habitat destruction, injury to persons and other species and organisms, loss of life and damage to our property and equipment and that of others. In addition, providing logistics services for the transport of refined intermediate and final petroleum products and chemicals between the Upstream Facilities, the Refinery, manufacturing facilities, storage terminals, retail locations and customers, we are exposed to the risk of accidents involving the trucks, vessels, rail and pipelines used in our mid-stream operations, which may also cause similar injuries or damage. The transportation of products via vessels may encounter additional natural calamities during operations such as violent storms, tidal waves, rogue waves or tsunamis. Any of these natural events could result in vessels grounding, sinking or colliding with other vessels or property, or the loss of life, coupled with potential subsequent environmental harm. Vessels may also be exposed to piracy, and any of these events could result in suffering various damages and to the loss of cargo, or both, with the resulting costs being unpredictable and potentially substantial, including seizure of our cargos and disruption to our supply chain, customers' and suppliers' businesses.

We may also incur substantial costs for investigation or remediation of contamination or other defects at our current or future locations. We cooperate with competent regulatory authorities, such as the Health and Safety Executive and the Environment Agency and from time to time work with them to investigate matters such as environmental emission, and personnel and process safety. As landowner, operator or other user of, or supplier to, these locations, we may be liable for any leakages or accidents that lead to ground pollution or other forms of environmental damage. As such, we may incur remediation and other costs required to clean up or treat affected sites that have been used for our operations. We are generally required to clean up and treat facilities whenever any environmental damage is identified regardless of fault or whether environmental damage is a result of a specific accident or incident or in connection with routine maintenance and infrastructure development. We are also generally responsible for remediation of sites upon the sale of retail sites or storage facilities, which may require significant expenditure to remove underground and above-ground facilities. We may also incur such remediation and other related costs at the Refinery, at our recently acquired Upstream Facilities or at other storage facilities or retail sites acquired by us, even if the underlying environmental damage was caused by a prior owner or operator.

We are also exposed to costs (including remediation, clean-up or facility shut-down costs) when required to close any of our sites and we record provisions based on our expected costs. In particular, with reference to our Upstream Facilities, we are obliged under UK law to dismantle and remove equipment, to cap or seal wells and generally to remediate production sites. Under UK law we may be liable for up to 100% of decommissioning liabilities with respect to enhancements that we make to assets after we acquire them and we may retain or be liable for decommissioning liabilities after the sale or transfer of our assets even if we have not contractually agreed to accept these liabilities. Once we are required to submit a decommissioning plan, we will be jointly and severally liable for implementing that plan with former or current commercial partners. If our commercial partners default on their obligations, we will remain liable and our decommissioning liabilities could be magnified significantly through such default.

There can be no assurance that we have identified all environmental liabilities at our current and former locations, that we are currently aware of all material environmental conditions, that future laws and regulations or modifications to existing laws and regulations will not impose material environmental liabilities on us or that we will not incur significant costs, fines or penalties or be required to significantly reduce operations, including a temporary suspension of our operations, as a result of any environmental laws or regulations or that at any time the provisions of funds by us to be used for health, safety and environmental liabilities, remediation and site clean-up obligations and other costs will be sufficient, with adverse consequences on our business. For example, where the UK Secretary of State deems that a party with liability for a decommissioning program is unlikely to be able to fulfil that liability, it is empowered to require the provision of appropriate financial security to cover those decommissioning costs, and so can our counterparties. Any increase in estimated expenditures in relation to these liabilities or in the amount of financial security we are required to provide could materially and adversely affect our business, prospects, financial condition and results of operations.

Furthermore, surety bonds used for insuring decommissioning liabilities are becoming increasingly difficult to put in place and we may be required to increase our reliance on letters of credit or escrow accounts. Letters of credit and escrow accounts, which, unlike surety bonds, require cash collateralisation (which restricts the amount of cash we have available to service our other obligations, including our debt facilities) and affect our debt capacity. As such, amounts held as letters of credit or in escrow may limit the amount of debt we could potentially take on and should be included in an existing or potential lender's assessment of our ability to service debt. This could have a material adverse effect on our business, prospects, financial condition and results of operations.

In the production of petroleum products and by-products, we are subject to international and local specifications pertaining to the physical and chemical attributes of the products, environmental specifications and compliance with relevant international and UK regulations, which have required us to make certain investments and changes to feedstocks and processes in the past and may continue to do so. Among the relevant UK regulation, we are subject in particular to the British Standards (the standards produced by the UK national standards body, the British Standards Institution) establishing specifications regarding fuels and lubricants. Non-compliance with product specifications may result in a financial loss for us, loss of ISO certifications, as well as reputational damage at the consumer and brand level. Although we seek to comply with product specifications in our various processes and supply chain, we cannot be certain that steps taken to mitigate compliance risks will be effective and sufficient at all times.

Further, because of the sector in which we operate and its importance to the UK economy, we are at risk of blackmail and terrorism, vandalism and activism, including climate change protests.

Full insurance cover is either not available to cover all of these potential risks or not available on commercially acceptable terms. Whilst we insure against the majority of potential losses in accordance with customary industry practices, including damage of physical assets, personal injuries, business interruption, terrorist acts and product, environmental or other liabilities, we have coverage limits on various policies and we could be seriously harmed by unexpected events or liabilities. We have been, currently are and, from time to time, may continue to be subject to litigation and compensation claims by third parties, employees, investors or regulators and litigants of previously acquired businesses, governmental fines or penalties or other liabilities or losses incidental to the ordinary course of business. The outcome of such legal proceedings cannot be predicted with certainty. If any of the accidents or incidents described above occur and we are not adequately insured and/or any of the proceedings against us were to be determined adversely to us, the payment of a material sum of money or the imposition of governmental or criminal fines or penalties could reduce our cash flow and harm our financial condition, results of operations and prospects, and could limit our ability to operate our business and negatively affect our reputation or our brand, leading to a decline in the sales of our products and services and potentially to a reduction or withdrawal in financing.

*Execution and delivery of exploration, appraisal and development projects*

The success of our upstream operations depends in part upon the successful execution and delivery of development projects on budget and on schedule. We have detailed controls, systems and monitoring processes in place in an effort to meet deadlines, control costs and adhere to and implement development plans. However, development activities may be subject to unexpected problems and delays, and incur significant costs which can materially differ from estimates, with no guarantee that such expenditure will result in the recovery of oil in sufficient quantities to justify our investments. In addition, appraisal and development activities involving the drilling of wells across a field may be unpredictable and may not result in the outcome planned, targeted or predicted, as only by extensive testing can the properties of an entire field be more fully understood. We may also be required to curtail, delay or cancel any drilling and development operations because of a variety of factors, including unexpected drilling conditions, pressure or irregularities in geological formations, equipment failures or accidents, breaches of security, adverse weather conditions, compliance with governmental requirements, shortages or delays in the availability of drilling rigs and the delivery of equipment, availability of third-party services and manufacturing slots, solvency of major contractors and correct fabrication of key components to specification. Furthermore, even if our development operations lead to wells that are productive, these wells may not produce sufficient net revenues to return a profit after drilling, operating and other costs. Completion of our development plans does not assure a profit on the investment or recovery of drilling, completion and operating costs and drilling hazards and environmental damage can further increase the cost of operations to be recovered. In addition, various field operating conditions may also adversely affect production from successful wells including delays in obtaining governmental approvals, permits, licenses, authorizations or consents, shut-ins of connected wells, insufficient storage or transportation capacity or other geological and mechanical conditions. Any such circumstances could delay or prevent production, reducing cash flows and leading to impairment charges, with a material adverse effect on our business, financial condition, results of operation and prospects.

*Fraud, theft and corruption*

We are exposed to business risks inherent to our industry, including corruption, fraud, theft and breaches of sanctions and other laws, including through our joint ventures. These risks are generally relevant to businesses operating in international markets and conducting transactions globally and, in our case, are magnified by the relatively large sums paid for the purchase and sale of crude oil and oil products, as well as the high degree of criminal activity and corruption in some of the countries in which we operate.

Although we maintain and regularly update our IT and control systems, anti-corruption training programs and other safeguards designed to prevent the occurrence of fraud, theft and corruption, it may not be possible for us to detect or prevent every instance of fraud, theft and corruption in every jurisdiction in which our employees, agents, sub-contractors or commercial partners are located. In addition, fraudulent or otherwise unlawful transactions may be more difficult to detect in our industry than others, and the risks of payment fraud and rogue trading are particularly significant. We may be target of criminal or terrorist actions and we are subject to, and may in the future continue to be subject to, theft at our retail sites and storage facilities as well as during the transportation of our refined oil products. Furthermore, while we have policies and procedures (including internal controls and external diligence) designed to comply with applicable sanctions and anti-corruption legislation, such as the U.S. Foreign Corrupt Practices Act and the U.K. Bribery Act, our attempts at compliance could fail due to any number of factors, including error, lack of knowledge, inadequate or insufficient controls and prevention or unauthorised activity by our employees, and have significant consequences on our business.

Any losses, liabilities, damages, fines or other penalties we incur as a result of incidents of fraud, corruption, failure to comply with sanctions or other laws and regulations or arising from potential investigations and inquiries conducted by the competent authorities, as well as any related negative press reports or coverage, could result in financial costs and reputational damage to us and have a material adverse effect on our business, financial condition, results of operation and prospects.

***Cash flow risk***

The oil and petrochemical sectors are capital-intensive and significant investments are required to maintain and modernise exploration, refinery and petrochemical installations, storage terminals, pipelines and logistics networks to remain competitive in the face of rapidly changing demand and ensure compliance with evolving and increasingly stringent environmental laws and regulations. To meet these requirements, we utilise funding through a combination of our operating cash flow, bank financings and the capital markets, and we may, in the future, seek additional liquidity from the capital markets and other financing sources. The availability and pricing of such funding is subject to market conditions, including financiers' willingness to lend to this sector, and other factors, some beyond our control, particularly with respect to bank financing and liquidity from the capital markets. Any inability to repay outstanding financial indebtedness or obtain new external financing may have a material adverse impact on our business, financial condition, results of operations and prospects.

We must make substantial capital expenditures at the Upstream Facilities, the Refinery and other facilities to maintain their reliability and efficiency. Delays or cost increases related to the engineering, procurement and construction, or improvements and repairs to our existing facilities and equipment, could have a material adverse effect on our business, financial condition, results of operations or cash flows. Such delays or cost increases may arise as a result of unpredictable factors in the marketplace, many of which are beyond our control, including:

- unplanned increases in the cost of equipment, materials or labour;
- disruptions in transportation of equipment and materials;
- severe adverse weather conditions, natural disasters or other events (such as equipment malfunctions, explosions, fires or spills) affecting our facilities or those of our vendors and suppliers;
- denial or delay in obtaining regulatory approvals and/or permits;
- prices and availability of equipment and material;
- shortages of sufficiently skilled labour, or labour disagreements resulting in unplanned work stoppages;
- market-related increases in a project's debt or equity financing costs; and
- non-performance or force majeure by, or disputes with, our vendors, suppliers, contractors or sub-contractors.

Our Upstream Facilities, Refinery, storage terminals and pipelines have been in operation for many years. Equipment, even if properly maintained, may require significant capital expenditures and expenses to keep it operating at optimum efficiency. For example, we have spent a significant amount of money at the Refinery since acquiring it from TotalEnergies SE, to improve its operational efficiency. These costs may not result in increases in unit capacities. Furthermore, requirements imposed by authorities mean that we will need to continually invest substantial amounts for replacement, maintenance and upgrades to the Upstream Facilities and the Refinery.

Any one or more of the occurrences noted above could have a significant impact on our business. If we were unable to make up the delays or to recover the related costs, or if market conditions change or we otherwise cannot finance our capital expenditure program, it could materially and adversely affect our business, financial position, results of operations or cash flows.

***Growth strategy risk***

Future acquisitions may prove unsuccessful or strain or divert our resources. We have made several selective acquisitions in the recent past, including that of the Refinery and the Upstream Facilities, and we may continue to drive growth through selective, value accretive acquisitions in the future. Successful growth through future acquisitions is dependent upon our ability to identify suitable acquisition targets, conduct appropriate due diligence, negotiate transactions on favourable terms and ultimately complete such transactions and integrate the acquired businesses into our Group. There can be no assurance that we will be able to generate expected margins or cash flows, or to realise the anticipated benefits of the acquisition of the Refinery, the Upstream Facilities or any future acquisitions, including growth or expected synergies and costs savings. The expected benefits of these acquisitions, in particular, the anticipated synergies and cost savings, and growth opportunities, may not be realised in full (or not at all) or may take longer to realise than planned.

We are implementing several projects to improve the performance of and maximise the value created from the Refinery and the Upstream Facilities. Such integration may require more investment than we expect, and we could incur or assume unknown, unforeseen or unanticipated liabilities or contingencies with respect to customers, employees, suppliers, government authorities or to other parties, which may impact our operating results. The process of integrating these and other businesses that we may acquire in the future may be disruptive to our operations and may cause an interruption of, or a loss of momentum in, such businesses or a decrease in our results of operations due to difficulties or risks, including unforeseen legal or regulatory issues, such as in relation to compliance with data protection laws and regulations, competition laws, as well as contractual and other issues or liabilities arising after the relevant acquisitions (e.g., due to shortcoming in due diligence, such as defects in title, inability to maintain licenses and environmental, structural or operational defects or liabilities requiring remediation or decommissioning). The integration of businesses that we may acquire are also subject to a number of operational and other risks, which may be difficult to overcome. These include difficulty in standardising information and other systems, difficulty in realising operating synergies, diversion of management's attention from our day-to-day business, potential loss of key employees, customers, suppliers and agents and failure to maintain the quality of services that we have historically provided. In addition, other acquired companies or businesses may have different corporate cultures and practices and we may not be able to successfully assimilate them with our culture and practices, and as a result, may, among others, be unable to retain key employees from such acquisitions. Moreover, any acquisition may result in the incurrence of additional debt, which would increase our interest expense. Any of these risks could have a material adverse effect on our business, financial position or results of operations.

***Third-party risk***

*Third-party infrastructure*

Our upstream operations and ability to undertake future exploration, appraisal and development programmes depend on the availability of rigs, equipment, and offshore services, which are leased or contracted from third-party providers and suppliers. Our ability to secure such equipment and services may, therefore, be affected by certain access restrictions (e.g., high demand, increasing costs, shortages, etc.) and will be subject to the terms and conditions of the relevant lease or similar agreements, each of which may delay or cause the cessation of our development and exploration activities. For example, our continued production from the Lancaster field depends entirely on the availability of the Aoka Mizu Floating Production Storage and Offloading ("**FPSO**") vessel and installation, which we lease from Bluewater Energy Services. Although the terms of the Aoka Mizu FPSO bareboat charter provide security and flexibility to cover production from the Lancaster field for its remaining economic life, they also include a reciprocal right of termination, which gives to either party the option to terminate the bareboat charter at any time upon delivery of a six-month notice.

This means that the Group's ability to continue production from the Lancaster field is not wholly within our control. An early termination of the bareboat charter by Bluewater Energy Services would imply permanent cessation of production from the Lancaster field as the Group would lose access to the Aoka Mizu FPSO and the consequent acceleration of the related decommissioning activities. The exercise by Bluewater Energy Services of its termination right could materially and adversely impact our business, financial condition, and result of operations.

*Competitors*

The oil and gas and petrochemicals industries are highly competitive. There is strong competition, both within the oil and gas industry and with other industries, in supplying the energy needs of commerce, industry and retail. Competitors may benefit from numerous advantages, including access to significantly greater quantities of alternative oil resources, wider diversification of supply or financial risk, larger financial capacity, improved economies of scale, enhanced specialisation and technological innovation and/or broader or deeper technical and operational expertise. Such advantages may enable our competitors to dedicate greater resources to the evaluation and implementation of growth opportunities and make competitive proposals that smaller or less specialised market players are unable to match. Competition puts pressure on product prices, affects marketing of petroleum products and requires continuous management focus on maintaining competitiveness through reducing unit costs and improving efficiency. The implementation of our strategy requires continued technological advances and innovation including advances in refining and petrochemical manufacturing technology, logistics and in technology related to energy usage and alternative energy businesses. Our performance could be impeded if competitors developed or acquired intellectual property rights to technology giving them an advantage over us or if our innovation lagged behind the rest of the industry. Should we be unable to achieve our strategic objectives due to competition, it could have a material adverse effect on our business, financial condition, results of operations and prospects. Furthermore, leading technology and automotive companies, such as Apple, Google and Tesla, also conduct extensive research into new, potentially disruptive, technologies, such as the electrification and automation of motor vehicles and ground-breaking battery technologies, which could have a significant impact on demand for oil-based products worldwide if they were to be widely adopted.

In addition, in implementing and running our different lines of business, we may face challenges related to the relationships we have with some of our clients, that at the same time are also our partners, competitors, or suppliers in different segments of our business. We also have entered into joint ventures in relation to certain assets (e.g., the operation of terminals, sea access, etc.) with competitors, as well as into arrangements to supply them our products. Any issues or conflicts affecting the existing relationships with such companies, may have an adverse effect on our business at different levels and segments based on the different arrangements we have with the same entities, and may result in material adverse effects on our financial condition, results of operation and prospects.

*Joint ventures*

Our joint ventures may not be successful or achieve their planned objectives. The performance of our joint ventures will often depend on the financial and strategic support of the other shareholders and partners, and changes in law and regulations in the industry and countries where these joint ventures operate may affect their results of operations. In some cases, we can provide the joint venture with expertise and advise, but we have limited possibility to mandate full compliance with our own objectives or policies. Our joint venture partners have customary veto rights and negative control mechanisms under shareholders' agreements. The other shareholders and partners in a joint venture may take positions with which we may not agree, may make ill-informed or inadequate management decisions, or may fail to supply or be unwilling to supply the required operational, strategic and financial resources, such as contributing capital to expansion or maintenance projects, which could materially adversely affect these operations or lead to deadlocks and disputes, with related litigation costs. If any of our strategic partners were to encounter financial difficulties, change their business strategies or no longer be willing to participate in these strategic partnerships, joint ventures and alliances, this could have a materially adverse effect on our business, financial condition or results of operations.

*Suppliers*

In developing our business, we purchase products from third party suppliers, and we will continue to source commodities from third parties. Consequently, we are exposed to the related price and supply risks, and changes on the price of the products or terms under the related agreements may affect our business. In particular, a material adverse change relating to the relationships with our key suppliers may have an adverse effect on our operations. For example, we have agreements in place with suppliers to purchase crude oil and may also purchase certain feedstocks, finished petroleum products and refined petroleum intermediates from time to time. Interruptions of this supply may impact the operations of the Refinery, and the availability of alternatives at the same commercial terms or the ability to use such alternatives cannot be guaranteed. In such cases, we cannot assure you that our ability to purchase the required products on commercially acceptable terms will fully offset any disruptions. Therefore, adverse changes on the relationships with our suppliers and, more generally, interruptions of supplies of purchased products, could materially and adversely impact our business, financial condition, and result of operations.

*Brand and reputation*

Our brand and reputation, including the consumer-facing "Harvest Energy" and "Breeze" brands, are important intangible assets. We hold in particular various trademarks from the words "Harvest" and "Harvest Energy," to the logo and wording "Harvest Energy," "Harvest Marine," "Harvest Aviation," "Prax Petroleum," "Prax," "Breeze," and "Axis" and key factors which could affect their value and our reputation relate to product quality, strict adherence to the latest health and safety standards and environmental impact. In particular, a higher risk may arise within our retail business line at our company owned; dealer operated ("**CODO**") and dealer owned; dealer operated ("**DODO**") sites. These sites are operated by dealers under renewable contracts and they run the sites under the branding that we established. As a result, any actions or omissions by these dealers could potentially affect the brand itself, its value, and our reputation. We cannot be certain that steps taken to mitigate these risks will be effective and sufficient. Also, we may fail or be unable to renew our trademark registrations or otherwise protect our intellectual property rights from third party infringements or misappropriation or against any assertions of any conflicting rights by third parties. Any failure to protect our intellectual property or any impairment to their value arising from reputational damage may have a material adverse effect on our business, financial condition, results of operations and prospects.

*Credit risk with customers and other counterparties*

As part of our wholesale business segment, we extend credit to our customers and are exposed to the risk that trade receivables are not paid in full by customers. We are also exposed to counterparty risk related to derivative contracts with banks, cash deposits at banks and receivable claims from insurance companies. In case of defaults, we may not be legally able to offset payment obligations against receivables. Even though we have historically hedged or insured a material portion of such risk, we cannot assure you that we will continue to do so in the future, and defaults by customers or financial counterparties may have a material adverse effect on our business, results of operations, financial condition and prospects.

***Reservoir risk***

The process of estimating economically recoverable oil and natural gas reserves is complex. Underground accumulations of hydrocarbons cannot be measured in an exact manner and estimates thereof are inherently imprecise, as they derive from a subjective process merely aimed at understanding the statistical probabilities of their recovery, which requires interpretations of available technical data and is based on a number of factors and assumptions. Many of the factors in respect of which assumptions are made when estimating reserves are beyond our control and therefore these estimates may prove to be incorrect over time. These include, for example, geological and engineering estimates (which have inherent uncertainties), historical production from the properties, the assumed effects of regulation by governmental agencies, estimates of future oil and other commodity prices, future capital investments, taxes and future operating, development and remedial costs, all of which may vary considerably from actual results. The accuracy of any reserves or resources evaluation depends on the quality of available information and oil engineering and geological interpretation. Exploration drilling, interpretation, testing and production after the date of the estimates may require substantial upward or downward revisions in our reserves or resources data. Moreover, different reserve engineers may make different estimates of reserves and cash flows based on the same available data. Actual production, revenues and expenditures with respect to reserves and resources will vary from estimates and the variances may be material. No undue reliance should be placed on reserves or resources data contained herein or on any specific field, reservoir, fluid or production profile or reserve estimate.

The uncertainties in relation to the estimation of reserves summarized above also exist with respect to the estimation of contingent resources (i.e., those quantities of petroleum not currently considered to be commercially recoverable owing to one or more contingencies). The probability that such resources will be economically recoverable is considerably lower than for economically recoverable reserves. Volumes and values associated with contingent resources should be considered highly speculative.

If the assumptions upon which the estimates of our oil and gas reserves and resources have been based prove to be incorrect or if the actual reserves or recoverable resources available to us are otherwise less than the current estimates or of lesser quality than expected, we may be unable to recover and produce the estimated levels or quality of oil and gas and this may materially and adversely affect our business, prospects, financial condition and results of operations.

## Strategic report

***Regulatory and licensing risk***

Our business is subject to extensive laws and regulations governing several matters, including laws and regulations relating to taxation, environmental protection, fuel supply, management and use of hazardous substances, management of natural resources, exploration, development of projects, labour and occupational health and safety standards as well as international and local petroleum product quality regulations and specifications. In some of the countries in which we operate, including the UK, there might be a certain degree of uncertainty on the interpretation of relevant laws and regulations. These regulations are often highly complex, in particular with reference to taxes, duties and environmental compliance. There is also the possibility of new enacted laws or regulations or changes in the existing ones that may enhance compliance costs in the relevant market or increase taxes, and this possibility may also be accelerated by a change in the relevant political climate (e.g., temporary increases or windfall taxes on oil revenue such as the new Energy Profits Levy charged at the rate of 25% (increased to 35% from January 2023) on taxable profits earned from the production of oil and gas in the UK introduced by the UK Government in May 2022, enacted in July 2022, which will cease to apply at the end of March 2028 unless commodity prices fall below defined levels, in which case it could cease earlier).

Our operations require numerous permits, authorizations, licences, approval and consents from governmental authorities on exploration, development, construction, operation, production, marketing, pricing, transportation and storage of oil and other hydrocarbons, taxation and environmental and health and safety matters. These may be subject to delay, revocation, renewal or modification and can require operational changes, which may require us to incur significant costs to limit the impact or potential impact on the environment and/or health and safety. A violation of these authorization or permit conditions or other legal or regulatory requirements could result in substantial fines, criminal sanctions, permit revocations, injunctions and/or temporary or permanent shutdowns, any of which could have a material adverse effect on our business, financial condition, results of operations and prospects.

Legislations relevant to our upstream operations provide that fines may be imposed and a licence may be suspended or terminated if a licence holder, or party to a related agreement, fails to comply with its obligations under such licence or agreement, or fails to make timely payments of levies and taxes for the licensed activity, provide the required geological information or meet other reporting requirements. UK authorities are typically authorized to, and do from time to time, undertake inspections to verify compliance by us or our commercial partners, as applicable, with relevant laws and the licences or the agreements pursuant to which we conduct our upstream operations. The views of the relevant government agencies regarding the development and operation of the fields that we or our commercial partners operate or the compliance with the terms of the licences pursuant to which we conduct such operations may not coincide with our views, which might lead to disagreements that may not be resolved, leading to operational uncertainties. Furthermore, changing regulatory and environmental conditions may create disputes with the NSTA or other oil companies with operations in the UK concerning the validity of licences or title to assets which, if adversely determined against us and/or our field partners, could cause such assets or licences to be taken away or revoked and/or fines or sanctions to be imposed on us without any form of compensation.

***Health and safety risk***

We operate in an industry that is inherently hazardous and consequently subject to comprehensive health and safety and environmental regulation. Failure to adequately assess, mitigate and manage health and safety and environmental risks may result in loss of life, injury, or adverse impacts on the health of employees, contractors and third parties or the environment. Such failure, whether inadvertent or otherwise, may give rise to significant liabilities, substantial fines, criminal sanctions, injunctions and/or temporary or permanent shutdowns, reputational damage and/or the loss of or delays in obtaining necessary licenses or other permits, any of which could have a material adverse effect on our business, financial condition, results of operations and prospects. Further, health and safety and environmental laws and regulations may expose us to liability for the conduct of others and legal and regulatory changes that are applied retroactively may expose us to liability for acts that complied with all applicable health and safety and environmental laws and regulations when they were performed. The terms and conditions of licences, permits, permissions or other authorizations necessary for our operations may include more stringent environmental and/or health and safety requirements over time. Since our operations have the potential to impact air and water quality, biodiversity and ecosystems, obtaining exploration, development or production licences and permits may become more difficult or may be delayed due to governmental, regional or local environmental consultation, scientific studies, approvals or other considerations or requirements.

***Cyber security risk***

The operation of many of our business processes depends on the uninterrupted availability of our information technology ("IT") systems and, to maintain competitiveness, we are increasingly reliant on automation, centralised operation and new technologies to manage and monitor our complex refining, logistics and distribution activities. As a consequence, any localised or widespread system failure, whether deliberate (such as an outage resulting from a cyber-attack) or unintentional (such as network, hardware or software failure or in relation to IT upgrades), could have adverse effects at various levels. Threats to our industrial control systems are not limited by geography as our digital infrastructure is inter-connected and accessible globally. In recent years, incidents in the oil sector and other industries have shown that parties which are able to circumvent barriers aimed at securing industrial control systems are capable and willing to perform attacks that destroy, disrupt or otherwise compromise operations. We have been subject to phishing attempts in the past, including those directed at deceiving customers, albeit unsuccessfully. Although we have security barriers, policies, staff training, simulation exercises and risk management processes in place that are designed to protect our information systems and digital infrastructure against a range of security threats, there can be no assurance that when such attacks occur, they would not have an adverse impact on our operations.

Additionally, in order for us to compete effectively and to comply with evolving regulations, we must make on-going technological advances. Although we monitor and control our technology, given the inherent complexity of the equipment and inter-relations with operational risk, there can be no guarantee that our technological upgrades will perform as expected, which could lead to operations downtime or sub-optimal operation of certain equipment or unit of the Refinery, the Upstream Facilities or other parts of our business. Furthermore, if we do not develop or implement the right technology, do not have access to desired technologies or do not deploy our technology effectively, our performance could be negatively affected, which could materially adversely affect our business, financial condition, results of operations and prospects.

Any failure to protect our technology and/or information systems and digital infrastructure from any of the foregoing or other IT risks could affect the confidentiality, integrity or availability of such systems, including those critical to our operations. In addition, we could face regulatory action, legal liability, damage to our reputation, a significant reduction in revenue or increase in costs, a shutdown of operations and losses on investment in affected areas, any of which could have a material adverse effect on our business, financial condition, results of operations and prospects.

***Human capital risk***

Our industry and our specific operations are highly specialised and require specific knowledge and experience acquired over time. As a relatively small group compared to many of our competitors, with our founders being a pivotal part of our management team, we have a significant key management risk, especially as we run a lean and relatively flat management structure. Our success is highly dependent on the personal efforts and abilities of our executive officers and managers, who have significant experience in the industry. Therefore, considering their crucial abilities and experience and that we may not be able to successfully find suitable replacements in timely manner, or at all, due to the very strong competition for experienced and qualified senior managers in the oil and gas sector, engineers and other employees, a loss of one of our key members among the senior management team, or even their inability to continue in, or devote adequate time to, their present roles and related work, could have a material adverse effect on our business, financial condition, results of operations and prospects.

Furthermore, given the rapidly changing and uncertain future of the oil and gas industry and the petrochemical industry, particularly in light of oil price volatility, evolving legal and regulatory requirements, including with respect to climate policy, and the increasing role of technology in the industry, we are increasingly reliant on the availability of a suitably qualified and experienced workforce. The adverse views of the oil business held by some sectors of society may also affect recruitment. While we aim to attract and retain the best possible candidates from domestic and international markets, if we are unable to recruit and retain experienced, capable and reliable personnel, especially senior and middle management with appropriate professional qualifications, it may have a material adverse effect on our business, financial condition, results of operations and prospects.

We are subject to the risk of labour disputes and adverse employee relations, which could disrupt our business operations. Some of our employees are parties to national or industry collective labour arrangements or benefit from applicable local law, regulation or custom regarding employee rights and benefits. If we are unable to negotiate acceptable labour agreements or maintain satisfactory employee relations, the results could include work stoppages, strikes or other industrial action or labour difficulties (including higher labour costs). There can be no assurance that we will avoid labour disputes and/or adverse employee relations, which could have a material adverse effect on our business, financial condition, results of operations and prospects.

***Currency risk***

While we report our results in U.S. dollar, we also handle transactions denominated in different currencies such as the pound sterling and Euro, and many of our fixed costs are denominated in pounds sterling. We are exposed to the foreign currency and related commodity price risk principally from our trading in oil with purchases in U.S. dollar, with a risk of a short-term change of commodity prices in comparison to related revenues earned in other currencies. Although after the trade deal at the end of 2020 between the EU and the UK, the exchange rate between the pound sterling and the U.S. dollar reduced its volatility, and notwithstanding the fact that we constantly manage our foreign exchange risks in order to minimise and limit the effects associated with currency fluctuations (both monitoring our daily exposure and using derivative instruments, such as forward contracts, to mitigate these risks), foreign exchange rates have seen significant volatility in recent years and a depreciation in the value of the U.S. dollar against one or more of the currencies in which we are receiving payments could adversely affect our financial results.

***COVID-19***

The COVID-19 pandemic resulted in periodic disruptions in demand for oil and gas commodities as various jurisdictions, including the UK, implemented measures designed to contain the spread of the virus. While demand for and prices of oil and gas generally improved during 2022 as travel restrictions, business closures and other limitations were lifted, further waves of infection, any outbreak of severe communicable diseases, including new variants of the virus, or a renewed or extended lockdown, if materialized, may lead to further economic downturn in the UK and the other markets where we operate, causing further disruption in our business operations, due to labour shortages, supply chain disruption, delays or defaults in customer payments leading to an increased exposure to credit risk and bad debts and, ultimately, a potential decline in demand for petroleum products.

**Statement by the directors on performance of their statutory duties in accordance with s172 Companies Act 2006**

The Group'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 UK 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 summarize how the Directors fulfil their duties

a) Long Term Strategy: The Group's strategic plan is designed to deliver a long-term beneficial impact through organic and acquisition growth. 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) Risk Management: We provide business-critical services to our clients, often in highly regulated environments. It is therefore vital that we effectively identify, evaluate, manage and mitigate the risks we face, and that we continue to evolve our approach to risk management. See the section above "Principal risks and uncertainties";

c) Stakeholders Engagement: Our objective is aligned with the expectations of our employees, customers, suppliers, shareholders, communities and society as a whole.

   i) Our People: The health, safety and well-being of our people is one of our primary considerations in the way we do business. For our business to succeed we manage our people's performance, ensuring we operate as efficiently as possible. All employees complete business conduct training, relevant to their specific roles, which is refreshed periodically. The pursuit of the highest possible standards of business conduct is explicitly stated.

   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. To do this, the Group works hard on developing its customer relationships, continuously reviewing and enhancing its product offering and making multi-year commitments with key customers. At the same time the Group works closely with suppliers to optimize its supply chain and implement efficient processes.

   iii) Regulatory Matters: The oil & gas sector is among the most heavily regulated industries in the world and the Group, to ensure its impact on the environment and the community is as innocuous as possible, continues to monitor the development of national, regional and globally applied regulatory developments including the implementation of environmental regulations.

d) Culture and Values: We understand the need to act fairly between the members of the Company and believe that our actions, as the Board of Directors, show that we behave responsibly towards all members and treat them fairly and equally, so they too may benefit from the successful delivery of our strategic goals. The Board recognizes the importance of having a very strong corporate culture. There are five core values that the Group aspires to instil in its employees, and they are:

i. Integrity
ii. Commitment to Excellence
iii. Drive and Dynamism
iv. Principled and Passionate
v. Philanthropic

By order of the board

**Mr Winston Sanjeevkumar Soosaipillai**

Chairman & Chief Executive Officer
Date: 20 October 2023

**Directors' Report**

The Directors present their report and the financial statements for the year ended 28 February 2023.

**Principal activity**

The principal activities in the Group during the year included refining, storage and transport in its midstream division, and wholesale, marketing and retail in its downstream division, underpinned by a global integrated supply and optimisation organisation.

**Results and dividends**

The profit after tax for the year amounted to $20.8m (2022 restated: loss $71.6m). The net profit for the year on a Current Cost of Supply (CCS) basis amounted to $38.6m (2022 restated: loss $29.8m).

More details on the CCS approach and reconciliation to the statutory accounts is given in the strategic report.

The directors did not recommend a dividend payment in the year (2022: $2.1m), see note 27.

**Directors**

The directors who held office during the year were as follows:

Mr Winston Sanjeevkumar Soosaipillai
Mr Julian Vickers
Mr Mark Ware

**Disclosure of information to auditor**

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

**Employees**

The Group, on average, had 1,308 professional employees through the year who are critical to its success, and we aim to develop and retain talent to contribute to the long term success of the Group. We provide employees with information on trading and other key developments. Continued communication ensures that the employees' views are considered when decisions are made which are likely to affect their interests. In October 2022 we ran our first group wide employee engagement survey which enabled us to identify key themes and priority areas to focus on across the Group.

The Group has continued to give full and fair consideration to applications for employment made by disabled persons, having regard to their respective aptitudes and abilities. The Group's policy includes the provision of suitable training and opportunities to promote the career development of people with disabilities, and where practicable, the continued employment of those who may become disabled during their employment.

**Research and Development**

The Group continues to undertake research and development activities, either internally or through third party specialist partners, to support our refining activities, developing bio-fuel alternatives and to further the development of our carbon reduction projects. In the year to 28 February 2023, the Group has spent £0.6m on preliminary studies associated with the Carbon Capture, Utilisation and Storage (CCUS) project at the refinery.

**Financial Instruments**

The Group, through its Integrated Supply and Optimization team, uses a targeted range of financial instruments such as forward commodity and futures contracts to manage exposure to risk and price volatility.

# Directors' report

**Political Contributions**

Neither the company nor any of its subsidiaries made any political donations or incurred any political expenditure during the current and prior year.

**Philanthropy**

Philanthropy is at the centre of our organisation. We support causes that are close to our hearts, through our own charity, Prax Foundation Roots, and support and encourage a culture of generosity with our staff in their own charitable projects. Most recently Prax Foundation Roots, in a close partnership with Prax Lindsey Oil Refinery, announced their support as Corner Stone Patrons to Onside Horizon Youth Zone, which will be located in Grimsby town centre, in North East Lincolnshire, England. The Foundation has agreed an annual £100,000 contribution for the next four years, with the enterprise being positioned as the UK flagship initiative for Prax Foundation Roots.

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

We have continued to nurture our strong reputation with consumers, along with our loyal customer base that we believe results from our innovative and comprehensive product and service portfolio that provides an excellent experience. We believe that we can leverage our established presence across the United Kingdom and our existing infrastructure and asset base to access new revenue-generating opportunities, including through the provision of additional products (including carbon-neutral products) and services. At our retail sites, we believe our continued emphasis on integrating non-fuel products and services presents attractive cross-selling opportunities within our business, cements our brand, and allows us to diversify revenue streams and attract customers even when they do not need to refuel.

We partner with prominent brands such as TotalEnergies, BP, Shell, Greggs, Spar and Morrisons. We continue to maintain strong relationships with our partners which allows us to provide a competitive offering to our customers.

**Streamlined Energy and Carbon Reporting**

**Greenhouse Gas (GHG) Emissions**

In line with the Greenhouse Gas Protocol (GHG) Corporate Accounting and Reporting Standard, the Group continues to be engaged in a process aimed at reducing our energy and greenhouse gas emissions.

The Group currently maintain both scope one (1) and two (2) emissions, which are generated from our premises, processes, warehouses, and offices, respectively. We also maintain scope one (1) emissions from a range of transport including company cars and lorries, which are owned and / or controlled by the Group.

**Methodology**

We have reported all of emission sources under the Companies Act 2006 (Strategic Report and Director's Reports) Regulations 2013 as required. We have calculated and reported our emissions in line with the GHG Protocol Corporate Accounting and Reporting Standard (revised edition) and emission factors from the UK Government's GHG Conversion Factors for Company Reporting 2022 (reference "Introduction guidance").

The reporting period is the fiscal year 2022-23, the same as that covered by the Annual Report and Financial Statements. The boundaries of the GHG inventory are defined using the operational control approach. In general, the emissions reported are the same as those which would be reported based on a financial control boundary.

# Directors' report

**2022-23 Emissions**

| Scope | Item | Tonnes CO2 equivalent (tCO2e) 2023 | 2022 |
|---|---|---|---|
| Scope 1 | Refinery Stack emissions, natural gas and transport | **933,780** | 1,192,095 |
| Scope 2 | Steam and Electricity | **201,915** | 199,844 |
| Scope 3.11 | Use of sold product | **8,804,559** | 11,445,671 |
| | **3.11 WtW Carbon Intensity (g/MJ)** | **86.79** | 90.67 |

Our Scope 1 emissions have decreased since our last reporting period by 21.67%. This is principally because of a two-month turnaround at the refinery in the summer of 2022. Our Scope 3.11 emissions reduced by 23.08%, in large part because of increased blending of biofuels in our products.

The refinery's planned CCUS (carbon capture, utilisation and storage) project will see innovative CCUS technologies employed to accelerate the Group's decarbonisation ambitions, facilitated by connection to CO2 pipelines and storage under the North Sea. In addition, these technologies will provide an opportunity for nationally important energy infrastructure to participate in the energy transition. The project is set to be a boost not just for the refinery but for the Humberside area more generally and will support jobs and investment. The group is still engaged with the UK government's Department for Energy Security and Net Zero (DESNZ) in respect of cluster sequencing for CCUS deployment.

The group have also put in place numerous other measures to reduce our emissions across our asset base.

Examples of efficiency measures taken in the financial year ended 28 February 2023 included;

1) Continuing to replace ageing office equipment with energy-efficient products
2) Expanding video conferencing and online meetings (as opposed to F2F meetings).
3) Upgrading lighting portfolio with LEDs at our petrol stations, and offices as appropriate.
4) Continuing to expand our portfolio of electric, and hybrid-electric vehicles.

The group have set objectives for the financial year ending 29 February 2024 that include;

1) Reducing our baseline electricity and gas consumption (on a like-for-like basis) by 2%.
2) Continuing our review of existing operational and office equipment and company policies.
3) Reviewing of supply contracts to determine feasibility of renewable energy.
4) Finalising our Energy Savings Opportunity Scheme (ESOS) phase 3 compliance process.
5) Continuing with our energy-savings programme.
6) Producing an internal review of our approach to sustainability.

The Group will report on progress within our next set of financial accounts.

# Directors' report

**Matters covered in the strategic report**

Information on anticipated future developments and on the risks facing the company and the Group has been included in the Strategic Report.

**Auditor**

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

By order of the board

**Mr Winston Sanjeevkumar Soosaipillai**

Chairman & Chief Executive Officer
Date: 20 October 2023

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

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

Company law requires the directors to prepare Group and parent Company financial statements for each financial year. Under that law they have elected to prepare the Group financial statements in accordance with UK-adopted international accounting standards and applicable law and have elected to prepare the parent Company financial statements in accordance with UK accounting standards and applicable law (UK Generally Accepted Accounting Practice), including FRS 101 *Reduced Disclosure Framework.*

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 parent Company and of the Group's profit or loss for that period. In preparing each of the Group and parent Company financial statements, the directors are required to:

- Select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable, relevant, reliable and prudent;
- for the Group financial statements, state whether they have been prepared in accordance with UK-adopted international accounting standards,
- for the parent Company financial statements, state whether applicable UK accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- assess the Group and parent Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and
- use the going concern basis of accounting unless they either intend to liquidate the Group or the parent Company or to cease operations, or have no realistic alternative but to do so.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the parent Company's transactions and disclose with reasonable accuracy at any time the financial position of the parent Company and enable them to ensure that its financial statements comply with the Companies Act 2006. They are responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error, and have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Group and to prevent and detect fraud and other irregularities.

# INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF STATE OIL LIMITED

**Opinion**

We have audited the financial statements of State Oil Limited ("the Company") for the year ended 28 February 2023 which comprise the Consolidated Statement of Profit and Loss and Other Comprehensive Income, the Consolidated and Company Balance Sheets, The Consolidated Statement of Cash Flows, the Consolidated and Company Statement of Changes in Equity and related notes, including the accounting policies in note 2.

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 28 February 2023 and of the Group's profit for the year then ended;
- the Group financial statements have been properly prepared in accordance with UK-adopted international accounting standards;
- the parent Company financial statements have been properly prepared in accordance with UK accounting standards, including FRS 101 *Reduced Disclosure Framework*; 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 are described below. We have fulfilled our ethical responsibilities under, and are independent of the Group in accordance with, UK ethical requirements including the FRC Ethical Standard. We believe that the audit evidence we have obtained is a sufficient and appropriate basis for our opinion.

**Going concern**

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

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

Our conclusions based on this work:

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

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

**Fraud and breaches of laws and regulations – ability to detect**

*Identifying and responding to risks of material misstatement due to fraud*

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

- Enquiring of directors, the audit committee and inspection of policy documentation as to the Group's high-level policies and procedures to prevent and detect fraud, including the Group's/Company's channel for "whistleblowing", as well as whether they have knowledge of any actual, suspected or alleged fraud.
- Reading Board minutes.
- Considering remuneration incentive schemes and performance targets for management, directors and sales staff.
- Using analytical procedures to identify any unusual or unexpected relationships.

- Consultation with our own forensic professional regarding the identified fraud risks and the design of the audit procedures planned in response to these. This involved the forensic professional attending the Risk Assessment and Planning Discussion and discussion between the engagement partner and the forensic professional.

We communicated identified fraud risks throughout the audit team and remained alert to any indications of fraud throughout the audit. This included communication from the Group audit team to full scope component audit teams of relevant fraud risks identified at the Group level and request to full scope component audit teams to report to the Group audit team any instances of fraud that could give rise to a material misstatement at the Group level.

As required by auditing standards, and taking into account our overall knowledge of the control environment, we perform procedures to address the risk of management override of controls and the risk of fraudulent revenue recognition, in particular:

- the risk that Group and component management may be in a position to make inappropriate accounting entries;
- the risk of bias in accounting estimates such as property valuations and impairment assumptions; and
- the risk that Midstream revenue is overstated through recording revenues in the wrong period.

We also identified a fraud risk related to the judgement required in allocating costs between capital and operating expenditure at the refinery.

We performed procedures including:

- Identifying journal entries and other adjustments to test for all full scope components based on risk criteria and comparing the identified entries to supporting documentation. These included those posted with unusual account combinations and those posted close to the year end.
- Assessing whether the judgements made in making accounting estimates are indicative of a potential bias.

*Identifying and responding to risks of material misstatement related to compliance with laws and regulations*

We identified areas of laws and regulations that could reasonably be expected to have a material effect on the financial statements from our general commercial and sector experience, and through discussion with the directors and other management (as required by auditing standards), and from inspection of the Group's regulatory and legal correspondence and discussed with the directors and other management the policies and procedures regarding compliance with laws and regulations.
We communicated identified laws and regulations throughout our team and remained alert to any indications of non-compliance throughout the audit. This included communication from the Group audit team to full-scope component audit teams of relevant laws and regulations identified at the Group level, and a request for full scope component auditors to report to the Group audit team any instances of non-compliance with laws and regulations that could give rise to a material misstatement at the Group level.

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

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

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

In relation to the distribution matter disclosed in Note 27 Subsequent events, we obtained the relevant accounts to support the distribution and assessed the dividend payment made post year end against distributable reserves. We assessed the disclosures in note 27 against our understanding from legal correspondence.

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

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

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

**Strategic report and directors' report**

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

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

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

**Matters on which we are required to report by exception**

Under the Companies Act 2006, we are required to report to you if, in our opinion:

- adequate accounting records have not been kept 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.

We have nothing to report in these respects.

**Directors' responsibilities**

As explained more fully in their statement set out on page 27, the directors are responsible for: the preparation of the financial statements and for being satisfied that they give a true and fair view; such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error; assessing the Group and 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 they either intend to liquidate the Group or the parent Company or to cease operations, or have no realistic alternative but to do so.

**Auditor's responsibilities**

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

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

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

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

**Julie Wheeldon (Senior Statutory Auditor)**
**for and on behalf of KPMG LLP, Statutory Auditor**
*Chartered Accountants*
Global House,
High Street,
Crawley,
RH10 1DQ

.................

20 October 2023

# Consolidated Statement of Profit and Loss and Other Comprehensive Income

***for year ended 28 February 2023***

| | Note | 2023 | 2022 |
|---|---|---|---|
| | | | Restated |
| | | **$000s** | $000s |
| **Revenue*** | *4* | **10,483,582** | 9,893,291 |
| Cost of sales* | | **(10,189,434)** | (9,728,464) |
| **Gross Profit** | | **294,148** | 164,827 |
| Other operating income | *5* | **3,063** | 3,225 |
| Administrative expenses | | **(213,194)** | (183,735) |
| **Operating Profit/(Loss)** | *6* | **84,017** | (15,683) |
| Financial income | *8* | **-** | 26 |
| Financial expense* | *8* | **(79,452)** | (70,406) |
| **Net financing expenses** | | **(79,452)** | (70,380) |
| **Profit/(loss) before tax** | | **4,565** | (86,063) |
| Taxation | *9* | 16,207 | 14,461 |
| **Profit/(Loss) for the year** | | **20,772** | (71,602) |

*Restated for change in accounting policy and prior period adjustment, refer to notes 2.2 and 2.3 for details of restatements

**Other comprehensive income**

| | | |
|---|---|---|
| *Items that are or may be reclassified subsequently to profit or loss:* | | |
| Currency translation differences | **(46,858)** | (20,513) |
| *Items that will not be reclassified subsequently to profit or loss:* | | |
| Property revaluation | **45,250** | 54,964 |
| Deferred taxation | **(11,279)** | (15,653) |
| **Other comprehensive income for the year, net of income tax** | **(12,887)** | 18,798 |
| **Total comprehensive income for the year** | **7,885** | (52,804) |

The notes on pages 38 to 76 form part of these financial statements

# Consolidated Balance Sheet
*at 28 February 2023*

| | Note | 2023 | 2022 |
|---|---|---|---|
| | | | Restated |
| | | **$'000** | $'000s |
| **Non-current assets** | | | |
| Property, plant and equipment* | *10* | **626,057** | 585,581 |
| Intangible assets | *11* | **48,814** | 50,429 |
| Deferred tax asset | *14* | **96,157** | 93,471 |
| Investments | *13* | **1,917** | 2,125 |
| | | **772,945** | 731,606 |
| **Current assets** | | | |
| Inventories* | *15* | **357,355** | 354,359 |
| Trade and other receivables | *16* | **789,701** | 922,781 |
| Derivative financial instruments | *23* | **178,905** | 60,055 |
| Cash and cash equivalents | *17* | **126,035** | 156,611 |
| | | **1,451,996** | 1,493,806 |
| **Total Assets** | | **2,224,941** | 2,225,412 |
| **Current liabilities** | | | |
| Borrowings* | *18* | **(835,553)** | (635,517) |
| Trade and other payables* | *19* | **(612,161)** | (841,498) |
| Provisions short term | | **(72)** | (47) |
| Derivative financial instruments | *23* | **(164,400)** | (31,603) |
| Tax payable | | **(1,601)** | (147) |
| | | **(1,613,787)** | (1,508,812) |
| **Non-current liabilities** | | | |
| Borrowings | *18* | **(22,756)** | (135,976) |
| Provisions | *21* | **(624)** | (691) |
| Deferred tax liabilities | *14* | **(59,252)** | (59,296) |
| | | **(82,632)** | (195,963) |
| **Total liabilities** | | **(1,696,419)** | (1,704,775) |
| **Net assets** | | **528,522** | 520,637 |
| **Equity attributable to equity holders of the parent** | | | |
| Share capital | *22* | **1,921** | 1,921 |
| Revaluation reserve | *22* | **105,933** | 71,962 |
| Foreign exchange reserve | *22* | **(68,180)** | (21,322) |
| Retained earnings | *22* | **488,848** | 468,076 |
| **Total equity** | | **528,522** | 520,637 |

*Restated for change in accounting policy and prior period adjustment, refer to notes 2.2 and 2.3 for details of restatement
The notes on pages 38 to 76 form part of these financial statements.
These financial statements were approved by the board of directors on 16 October 2023 and were signed on its behalf by:

Mr Winston Sanjeevkumar Soosaipillai
Chairman & Chief Executive Officer
Company registered number: 04112423

# Company Balance Sheet
*at 28 February 2023*

| | Note | 2023 | 2022 |
|---|---|---|---|
| | | **$'000s** | $'000s |
| **Non-current assets** | | | |
| Property, plant and equipment | *10* | **16,128** | 13,492 |
| Intangible assets | *11* | **5,013** | 1,393 |
| Investments | *12* | **9,807** | 10,870 |
| | | **30,948** | 25,755 |
| **Current assets** | | | |
| Trade and other receivables | *16* | **181,127** | 225,631 |
| Cash and cash equivalents | *17* | **2,059** | 54 |
| | | **183,186** | 225,685 |
| **Total Assets** | | **214,134** | 251,440 |
| **Current liabilities** | | | |
| Borrowings | *18* | **(9,555)** | (5,521) |
| Trade and other payables | *19* | **(196,277)** | (225,778) |
| | | **(205,832)** | (231,299) |
| **Non-current liabilities** | | | |
| Borrowings | *18* | **(1,419)** | (10,148) |
| Deferred tax liabilities | *14* | **(1,433)** | (189) |
| | | **(2,852)** | (10,337) |
| **Total liabilities** | | **(208,684)** | (241,636) |
| **Net assets** | | **5,450** | 9,804 |
| **Equity attributable to equity holders of the parent** | | | |
| Share capital | 22 | **1,921** | 1,921 |
| Revaluation reserve | 22 | **9,328** | 9,328 |
| Foreign exchange reserve | 22 | **(3,596)** | (2,647) |
| Retained earnings at the beginning of the year | | **1,202** | 2,767 |
| Retained earnings | 22 | **(3,405)** | (1,565) |
| **Total equity** | | **5,450** | 9,804 |

The notes on pages 38 to 76 form part of these financial statements.

The Company has not presented its own income statement as permitted by Section 408 of the Companies Act 2006.

The Company's loss for the financial year amounted to $3,404,872 (2022: loss $1,564,543)

These financial statements were approved by the board of directors on 16 October 2023 and were signed on its behalf by

Mr Winston Sanjeevkumar Soosaipillai
*Chairman & Chief Executive Officer*
Company registered number: 04112423

## Consolidated Statement of Changes in Equity

| | Share capital | Revaluation reserve | Foreign exchange reserve | Retained earnings | Total Equity |
|---|---|---|---|---|---|
| | **$'000s** | **$'000s** | **$'000s** | **$'000s** | **$'000s** |
| Balance as at 1 March 2021 as previously stated | 1,921 | 32,651 | (809) | 541,737 | 575,500 |
| Effect of change in accounting policy | - | - | - | - | - |
| **Balance as at 1 March 2022** | **1,921** | **32,651** | **(809)** | **541,737** | **575,500** |
| Loss for the year (restated) | - | - | - | (71,602) | (71,602) |
| Property revaluation and currency translation (restated) | - | 54,964 | (20,513) | - | 34,451 |
| Deferred taxation | - | (15,653) | - | - | (15,653) |
| Total comprehensive income for the year (restated) | - | 39,311 | (20,513) | (71,602) | (52,804) |
| Transactions with owners, recorded directly in equity | | | | | |
| Dividends | - | - | - | (2,059) | (2,059) |
| **Balance as at 28 February 2022 (restated)** | **1,921** | **71,962** | **(21,322)** | **468,076** | **520,637** |

| | Share Capital | Revaluation reserve | Foreign exchange reserve | Retained Earnings | Total Equity |
|---|---|---|---|---|---|
| | **$'000s** | **$'000s** | **$'000s** | **$'000s** | **$'000s** |
| **Balance as at 1 March 2022 (restated)** | **1,921** | **71,962** | **(21,322)** | **468,076** | **520,637** |
| Profit for the year | - | - | - | 20,772 | 20,772 |
| Property revaluation and currency translation | | 45,250 | (46,858) | - | (1,608) |
| Deferred taxation | - | (11,279) | - | - | (11,279) |
| Total comprehensive income for the year | - | 33,971 | (46,858) | 20,772 | 7,885 |
| Transactions with owners, recorded directly in equity | | | | | |
| Dividends | - | - | - | - | - |
| **Balance as at 28 February 2023** | **1,921** | **105,933** | **(68,180)** | **488,848** | **528,522** |

Restated for change in accounting policy, refer to note 2.2 for details of restatement

The notes on pages 38 to 76 form part of these financial statements

# Company Statement of Changes in Equity

| | Share capital | Revaluation reserve | Foreign exchange reserve | Retained earnings | Total Equity |
|---|---|---|---|---|---|
| | $'000s | $'000s | $'000s | $'000s | $'000s |
| Balance as at 1 March 2021 | 1,921 | 5,719 | (2,320) | 4,825 | 10,145 |
| Loss for the year | - | - | - | (1,564) | (1,564) |
| Property revaluation | - | 3,714 | - | - | 3,714 |
| Currency translation differences | - | - | (327) | - | (327) |
| Deferred taxation | - | (105) | - | - | (105) |
| Total comprehensive income for the year | - | 3,609 | (327) | (1,564) | 1,718 |
| Transactions with owners, recorded directly in equity | | | | | |
| Dividends | - | - | - | (2,059) | (2,059) |
| **Balance as at 28 February 2022** | **1,921** | **9,328** | **(2,647)** | **1,202** | **9,804** |

| | Share capital | Revaluation reserve | Foreign exchange reserve | Retained earnings | Total equity |
|---|---|---|---|---|---|
| | $'000s | $'000s | $'000s | $'000s | $'000s |
| Balance as at 1 March 2022 | 1,921 | 9,328 | (2,647) | 1,202 | 9,804 |
| Loss for the year | - | - | - | (3,405) | (3,405) |
| Currency translation differences | - | - | (949) | - | (949) |
| Deferred taxation | - | | - | - | |
| Total comprehensive income for the year | - | - | (949) | (3,405) | (4,354) |
| Transactions with owners, recorded directly in equity | | | | | |
| Dividends | - | - | - | - | - |
| **Balance as at 28 February 2023** | **1,921** | **9,328** | **(3,596)** | **(2,203)** | **5,450** |

The notes on pages 38 to 76 form part of these financial statements

## Consolidated Cash Flow Statement
***for year ended 28 February 2023***

| | Note | 2023 | 2022 Restated |
|---|---|---|---|
| | | **$000s** | $000s |
| **Cash flows from operating activities** | | | |
| Profit/(loss) for the year* | | **20,772** | (71,602) |
| *Adjustments for:* | | | |
| Amortisation of intangible assets | | **1,119** | 632 |
| Depreciation and impairment of tangible assets | | **46,068** | 50,108 |
| Gain on sale of property, plant and equipment | | **(435)** | (166) |
| Interest payable * | | **79,452** | 70,406 |
| Interest receivable | | **-** | (26) |
| Other non cash items | | **(902)** | - |
| Unrealised foreign exchange gains and losses | | **-** | 2,680 |
| Taxation credit | | **(16,207)** | (14,461) |
| | | **109,095** | 109,173 |
| Working capital movements | | | |
| Movement in inventories | | **(37,642)** | 121,223 |
| Movement in trade and other receivables | | **44,931** | (560,608) |
| Movement in derivatives | | **11,165** | (34,880) |
| Movement in trade and other payables | | **(146,709)** | 225,024 |
| | | **(128,255)** | (249,241) |
| Tax paid | | **(350)** | (3,626) |
| **Net cash generated/(used) in operating activities** | | **1,262** | (215,296) |
| **Cash flows from investing activities** | | | |
| Purchase of intangible fixed assets | | **(4,958)** | (2,989) |
| Purchase of tangible fixed assets | | **(94,459)** | (64,066) |
| Proceeds from sale of tangible fixed assets | | **102** | 1,197 |
| Interest Received | | **-** | 26 |
| **Net cash used in investing activities** | | **(99,315)** | (65,832) |
| **Cash flows from financing activities** | | | |
| Repayment of loans | | **(12,697)** | (4,543) |
| Proceeds from borrowings | | **188,936** | 598,310 |
| Movement in receivables finance and trade finance | | **(15,611)** | (110,247) |
| Movement of lease liabilities | | **674** | (7,902) |
| Interest paid | | **(61,915)** | (41,231) |
| Lease interest paid | | **(837)** | (1,088) |
| Derivatives settlement * | | **(15,761)** | (27,046) |
| Dividends paid | 22 | **-** | (2,059) |
| **Net cash generated from financing activities** | | **82,789** | 404,194 |
| Net (decrease)/increase in cash and cash equivalents | | **(15,264)** | 123,066 |
| Cash and cash equivalents at the beginning of year | | **156,611** | 34,952 |
| Effect of exchange rate fluctuations on cash held | | **(15,312)** | (1,407) |
| **at 28 February** | 17 | **126,035** | 156,611 |

*Restated for change in accounting policy and prior period adjustment, refer to notes 2.2 and 2.3 for details of restatements.

The notes on pages 38 to 76 form part of these financial statements.

# Notes

*(forming part of the financial statements)*

## 1 General information

State Oil Limited is a private company, limited by shares, incorporated in England with the Group trading as the Prax Group. The Registered Office is Harvest House, Horizon Business Village, 1 Brooklands Road, Weybridge, Surrey, KT13 0TJ. The principal place of business is York House, 45 Seymour Street, London, W1H 7JT United Kingdom.

## 2 Accounting policies

The Group financial statements consolidate those of the Company and its subsidiaries (together referred to as the "Group") and equity account the Group's interest in Joint Ventures. The parent company financial statements present information about the Company as a separate entity and not about its Group.

The Group financial statements have been prepared and approved by the directors in accordance with international accounting standards in accordance with UK-adopted international accounting standards ("UK-adopted IFRS"). The accounting policies set out below have, unless otherwise stated, been applied consistently to all periods presented in these group financial statements.

The Company has elected to prepare its parent company financial statements in accordance with FRS 101. The following FRS 101 exemptions have been taken in respect of the parent company only disclosure information:

- certain comparative information as otherwise required by IFRS;
- a statement of cash flows;
- the disclosure of the remuneration of key management personnel;
- disclosure of related party transactions with other wholly owned members of the Group headed by State Oil Limited; and
- certain disclosures in respect of financial instruments.

The company has taken advantage of the exemption provided under S408 of the Companies Act 2006 not to publish its individual income statement and related notes.

The Group's functional currency is pounds sterling and the financial statement presentation currency is United States dollars applied in accordance with the accounting policy in 2.15.

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

Judgements made by the directors, in the application of these accounting policies that have significant effect on the financial statements and estimates with a significant risk of material adjustment in the next year are discussed in note 3.

### 2.1 Impact of new international reporting standards, amendments and interpretations

The Group has adopted the following amendments to IFRSs in these financial statements.

- Amendments to IAS 37 (Onerous contracts – cost of fulfilling a contract) from 1 January 2022. This resulted in a change in accounting policy for performing an onerous contracts assessment. Previously, the Company included only incremental costs to fulfil a contract when determining whether that contract was onerous. The revised policy is to include both incremental costs and an allocation of other direct costs. The adoption does not have a material effect on the financial statements.
- The amendments apply prospectively to contracts existing at the date when the amendments are first applied. The Company has analysed all contracts existing at 1 January 2022 and determined that none of them would be identified as onerous applying the revised accounting policy i.e. there is no impact on the opening equity balances as at 1 January 2022 as a result of the change.
- Amendments to References to the Conceptual Framework in IFRS 3 (effective 1 January 2022). The adoption does not have a material effect on the financial statements.
- Amendments to IAS 16: Property, Plant and Equipment—Proceeds before Intended Use (effective date 1 January 2022). The amendments prohibit a Company from deducting from the cost of an item of PPE any proceeds from selling items produced while making that item of PPE available for its intended use. There is no material effect of this amendment on the items of PPE recorded during the year.

- Annual Improvements to IFRS Standards 2018-2020 (effective 1 January 2022):
  - IFRS 1 – Subsidiary as a first- time adopter. The amendment permits a subsidiary that applies paragraph D16(a) of IFRS 1 to measure cumulative translation differences using the amounts reported by its parent, based on the parent's date of transition to IFRSs. The adoption does not have a material effect on the financial statements.
  - IFRS 9 – Financial Instruments – Fees in the '10 per cent' test for derecognition of financial liabilities. The amendment clarifies which fees an entity includes when it applies the '10 per cent' test in paragraph B3.3.6 of IFRS 9 in assessing whether to derecognise a financial liability. An entity includes only fees paid or received between the entity (borrower) and the lender, including fees paid or received by either the entity or the lender on the other's behalf. The adoption does not have a material effect on the financial statements.
  - IFRS 16 – Leases – Lease incentives. The amendment to the Illustrative Example 13 accompanying IFRS 16 removes from the example the illustration of reimbursement of leasehold improvements by the lessor in order to resolve any potential confusion regarding the treatment of lease incentives that might arise because of how lease incentives are illustrated in that example. The adoption does not have a material effect on the financial statements.

### 2.2 Change in accounting policy

The refinery has certain minimum operating levels of inventory below which the tank or refinery operations are adversely affected. Consequently, the company does not operate below this minimum level. In addition, as a consequence of the refinery's design, a proportion of inventory held within the tanks and pipes cannot be accessed while these assets are in operation. This is defined as Inaccessible Stock and has previously been presented within Inventory.

In 2023, the Group changed its accounting policy for Inaccessible Stock. The Directors have reviewed the most appropriate recognition and measurement for Inaccessible Stock and concluded that, due to the nature of Inaccessible Stock, they would be more appropriately capitalised as a component of Property, Plant and Equipment, which is measured at historical cost less provision for impairment.

The change in accounting policy for inaccessible stock also involved a change in presentation of gains/losses on derivative contracts entered in respect of fuel purchases in order to offset fluctuations in fuel prices. Amounts of such derivative gains/losses related to the inaccessible stock volumes have been reclassified from cost of sales to finance expenses.

The change in accounting policy was applied retrospectively from 28 February 2021 which was the date of acquisition of the refinery by the Group. Management found retrospective application for the periods before 1 March 2021 impracticable, because information necessary for such adjustment would not be available at a sufficient level of detail.

The effects of the change in accounting policy on consolidated balance sheet, consolidated statement of profit and loss and consolidated statement of cash flows is presented below.

**Consolidated Balance Sheet (extract)**

| | 1 March 2021 (as previously reported) | Adjustment 1 | 1 March 2021 (restated) | 28 February 2022 (as previously reported) | Adjustme | 28 February 2022 (restated) |
|---|---|---|---|---|---|---|
| | **$'000** | $'000 | **$'000** | **$'000** | $'000 | **$'000** |
| **Non-current assets** | | | | | | |
| Property, plant and equipment | **488,814** | 50,120 | **538,934** | **537,475** | 48,106 | **585,581** |
| Deferred tax assets | **67,494** | - | **67,494** | **83,736** | 9,735 | **93,471** |
| **Current assets** | | | | | | |
| Inventories | **547,718** | (50,120) | **497,598** | **441,406** | (87,047) | **354,359** |
| **Equity attributable to equity holders of the parent** | | | | | | |
| Foreign exchange reserve | **(809)** | - | **(809)** | **(21,988)** | 666 | **(21,322)** |
| Retained Earnings | **541,737** | - | **541,737** | **497,948** | (29,872) | **468,076** |

As at 1 March 2021, Adjustment 1 reclassifies inventories at their carrying value as at 1 March 2021 ($50,120 thousand) to property plant and equipment.

As at 28 February 2022, Adjustment 2 includes:

$36,927 thousand: a reversal of an increase of carrying value of inventories during the year from cost of sales

$48,106 thousand: a reclassification of inaccessible stock to property, plant and equipment at its carrying value of 1 March 2021, adjusted for effect of translation from functional currency of the refinery (GBP) to the reporting currency of the Group.

Adjustment 2 increased cost of sales $39,607 thousand, including $2,680 thousand of effect of translation from the functional to the reporting currency. A deferred tax credit of $9,735 thousand was recognised at the enacted tax rate of 25%.

As at 28 February 2022, Adjustment 3 includes a reclassification of net derivative loss, related to inaccessible stock volumes, from cost of sales to net financing expenses ($27,046 thousand).

**Consolidated statement of profit or loss (extract)**

| | Year ended 28 February 2022 (as previously reported) | Adjustment 2 | Adjustment 3 | Year ended 28 February 2022 (as restated) |
|---|---|---|---|---|
| | **$'000** | $'000 | $'000 | **$'000** |
| Revenue | **9,989,888** | - | - | **9,989,888** |
| Cost of sales | **(9,813,112)** | (39,607) | 27,046 | **(9,825,673)** |
| **Gross profit** | **176,776** | **(39,607)** | **27,046** | **164,215** |
| **Operating profit/(loss)** | **(3,734)** | **(39,607)** | **27,046** | **(16,295)** |
| Net financing expenses | **(42,722)** | - | (27,046) | **(69,768)** |
| **(Loss)/profit before taxation** | **(46,456)** | **(39,607)** | - | **(86,063)** |
| Taxation | **4,726** | 9,735 | - | **14,461** |
| **(Loss)/profit for the year** | **(41,730)** | **(29,872)** | - | **(71,602)** |
| **Other comprehensive income** | | | | |
| Currency translation differences | **(21,179)** | 666 | - | **(20,513)** |
| **Total comprehensive income for the year** | **(23,598)** | **666** | - | **(22,932)** |

**Consolidated statement of cashflow (extract)**

| | **Year ended 28 February 2022 (as previously reported)** | Adjustment 2 | Adjustment 3 | **Year ended 28 February 2022 (as restated)** |
|---|---|---|---|---|
| | **$'000** | $'000 | $'000 | **$'000** |
| **Cash flows from operating activities** | | | | |
| Loss for the year | **(41,730)** | (29,872) | - | **(71,602)** |
| **Adjustments for:** | | | | |
| Interest payable | **42,748** | - | 27,046 | **69,794** |
| Unrealised foreign exchange gains and losses | **-** | 2,680 | - | **2,680** |
| Taxation | **(4,726)** | (9,735) | - | **(14,461)** |
| **Working capital movements** | | | | |
| Decrease in inventories | **84,296** | 36,927 | - | **121,223** |
| **Net cash used in operating activities** | **(146,985)** | **-** | **27,046** | **(119,939)** |
| Derivatives settlement | **-** | - | (27,046) | **(27,046)** |
| **Net cash generated from financing activities** | **335,883** | **-** | **(27,046)** | **308,837** |

**2.3 Prior period adjustment**

The Group has corrected the presentation of transactions to sell and repurchase RTFC tickets and CO2 allowances, that had the commercial effect of short-term borrowings. The following table summarises the impact on the Group's consolidated balance sheet, consolidated statement of profit or loss and consolidated statement of cash flows for the prior period.

**Consolidated Balance Sheet (extract)**

| | **28 February 2022 (as previously reported)** | Adjustment | **28 February 2022 (restated)** |
|---|---|---|---|
| | **$'000** | $'000 | **$'000** |
| **Current liabilities** | | | |
| Borrowings | **(539,548)** | (95,969) | **(635,517)** |
| Trade and other payables | **(937,467)** | 95,969 | **(841,498)** |

**Consolidated statement of profit or loss (extract)**

| | **Year ended 28 February 2022 (as previously reported)*** | Adjustment | **Year ended 28 February 2022 (as restated)** |
|---|---|---|---|
| | **$'000** | $'000 | **$'000** |
| Revenue | **9,989,888** | (96,597) | **9,893,291** |
| Cost of sales | **(9,825,673)** | 97,209 | **(9,728,464)** |
| Financial expense | **(69,794)** | (612) | **(70,406)** |
| Net financing expenses | **(69,768)** | (612) | **(70,380)** |

*After adjustments made due to a change in accounting policy (note 2.2)

**Consolidated statement of cashflow (extract)**

| | Year ended 28 February 2022 (as previously reported)* | Adjustment | Year ended 28 February 2022 (as restated) |
|---|---|---|---|
| | $'000 | $'000 | $'000 |
| Interest payable | **69,794** | 612 | **70,406** |
| Movement in trade and other payables | **320,993** | (95,969) | **225,024** |
| **Net cash used in operating activities** | **(119,939)** | **(95,357)** | **(215,296)** |
| Proceeds from borrowings | **502,341** | 95,969 | **598,310** |
| Interest paid | **(40,619)** | (612) | **(41,231)** |
| **Net cash generated from financing activities** | **308,837** | **95,357** | **404,194** |

*After adjustments made due to a change in accounting policy (note 2.2)

### 2.4 Measurement convention

The financial statements are prepared on the historical cost basis except for derivatives measured at fair value, the valuation of wholesale inventories and Biofuel certificates at market value and property (excluding the refinery asset class), which is measured at fair value.

### 2.5 Going concern

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

The directors have prepared financial forecasts including cashflow forecasts for the Group for a period of at least 12 months from the date of signing these financial statements which include reasonably possible downside scenarios arising from the inflationary pressures generated by Russia's invasion of Ukraine, uncertainty around interest rates and reliability at the refinery. Having carried out extensive analysis and assessment of various risks on the business, the directors are satisfied that the Group and Company will have sufficient funds to meet its liabilities as they fall due for that period.

As at the 28 February 2023, the company had $102.0m of term debt maturing in October 2023. Since the close of the financial year, the company has successfully refinanced the term debt with a new term credit facility maturing in September 2028. This new facility was drawn on 8 September 2023 and the proceeds were used to refinance the existing facilities, see Note 27 for further details.

The term loan in place at the balance sheet date included financial covenants over leverage. These covenants were complied with through the year and up to the date of the refinancing. The new term loan includes interest cover, leverage, property value and liquidity covenants which will be tested either monthly or quarterly, depending on the covenant. Included within the securitisation facility are covenants over minimum and average cash and tangible net worth. Unrelated to the financial covenants, post year end the Group received a waiver from the securitisation lenders as a result of a technical breach during the year.

The Group has prepared detailed base forecasts and downside scenarios to perform stress tests, taking into account, key uncertainties and risks that could impact Group's financial performance. Stress testing specifically focused on the impact on volume demand, market volatility and variations in interest rates.

The Board, after reviewing the Group and Company financial position as detailed in the cash flow forecasts is of the opinion that, taking account of severe but plausible downsides, the Group and Company have adequate resources to continue to meet their liabilities over the going concern period. In reaching this conclusion, the Board has considered the following factors:

- Reduction in volumes in the Downstream business – the current year saw a return to pre pandemic levels of demand, however reductions in demand have been factored into the forecasts based on the UK government's view of fuel demand;
- The reliability of the Refinery and the impact of any delays in the T&I process
- Liquidity – increased the base rate to 7% and considered the impact on the variable facilities within the Group. Current available cash and unutilised loan facilities across the group provides significant headroom for committed expenditure and other forecast cash flows over the going concern assessment period. The securitisation facility is a rolling facility with current expiry in 2025;

Under the severe but plausible downside scenario the Group's liquidity is forecast to remain strong and continue to comply with the financial covenants in the new term loan facility and existing securitisation facility during the going concern assessment period under both base and downside scenarios.

Consequently, the Board is confident that the Group and Company will have sufficient funds to continue to meet their liabilities as they fall due for at least 12 months from the date of approval of the financial statements and therefore have prepared the financial statements on a going concern basis.

### 2.6 Basis of consolidation

*Subsidiaries*

Subsidiaries are entities controlled by the Group. The Group controls an entity when it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. In assessing control, the Group takes into consideration potential voting rights. The acquisition date is the date on which control is transferred to the acquirer. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases.

*Joint Arrangements*

A joint arrangement is an arrangement over which the Group and one or more third parties have joint control. These joint arrangements are in turn classified as:

- Joint ventures whereby the Group has rights to the net assets of the arrangement, rather than rights to its assets and obligations for its liabilities; and
- Joint operations whereby the Group has rights to the assets and obligations for the liabilities relating to the arrangement.

*Joint operations*

Where the Group is a party to a joint operation, the consolidated financial statements include the Group's share of the joint operations assets and liabilities, as well as the Group's share of the entity's profit or loss and other comprehensive income, on a line-by-line basis.

*Transactions eliminated on consolidation*

Intra-Group balances and transactions, and any unrealised income and expenses arising from intra-Group transactions, are eliminated. Unrealised gains arising from transactions with equity-accounted investees are eliminated against the investment to the extent of the Group's interest in the investee. Unrealised losses are eliminated in the same way as unrealised gains, but only to the extent that there is no evidence of impairment.

The Consolidated Financial Statements include the accounts of State Oil Limited and the accounts of all entities controlled by the company. The Group determines whether it has controlling interest in an entity by first evaluating whether the entity is a voting interest entity or a variable interest entity. Voting interest entities are entities in which the company has a controlling financial interest, through ownership of the majority of the entities' voting equity interests, that give the company control, are consolidated by the company. Variable interest entities are entities in which the company lacks sufficient voting equity interest but is exposed to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. One such entity that is included in the consolidated financial statement is Prax Global Financial Services DAC, a Special Purpose Entity (SPE) used for the securitisation of certain trade receivables. Both voting interest entities and variable interest entities are included in the consolidated financial statements from the date that control commences until the date the control ceases.

### 2.7 Business combinations

Subject to the transitional relief in IFRS 1, all business combinations are accounted for by applying the acquisition method. Business combinations are accounted for using the acquisition method as at the acquisition date, which is the date on which control is transferred to the Group.

The consideration for the acquisition of a subsidiary is the fair value of the assets transferred, the liabilities incurred to the former owners and of any equity interest issued by the Group. Identifiable assets acquired, liabilities and contingent liabilities assumed are measured initially at their fair values at the acquisition date. Contingent liabilities represent obligations in respect of past events where a cash outflow is possible rather than probable.

Goodwill represents the difference between the consideration and the fair value of the net assets acquired. Acquisition related costs are expensed as incurred.

*Acquisitions on or after 1 January 2010*

For acquisitions on or after 1 January 2010, the Group measures goodwill at the acquisition date as:

- the fair value of the consideration transferred; plus
- the recognised amount of any non-controlling interests in the acquiree; plus
- the fair value of the existing equity interest in the acquiree; less
- the net recognised amount (generally fair value) of the identifiable assets acquired and liabilities assumed. When the excess is negative, a bargain purchase gain is recognised immediately in profit or loss.

Costs related to the acquisition, other than those associated with the issue of debt or equity securities, are expensed as incurred.

Any contingent consideration payable is recognised at fair value at the acquisition date. If the contingent consideration is classified as equity, it is not remeasured, and settlement is accounted for within equity. Otherwise, subsequent changes to the fair value of the contingent consideration are recognised in profit or loss.

On a transaction-by-transaction basis, the Group elects to measure non-controlling interests, which have both present ownership interests and are entitled to a proportionate share of net assets of the acquiree in the event of liquidation, either at its fair value or at its proportionate interest in the recognised amount of the identifiable net assets of the acquiree at the acquisition date. All other non-controlling interests are measured at their fair value at the acquisition date.

*Acquisitions prior to 1 March 2017*

IFRS1 grants certain exemptions from the full requirements of Adopted IFRSs in the transition period. The Group and Company elected not to restate business combinations that took place prior to the 1 March 2017 transition date. In respect of acquisitions prior to 1 March 2017, goodwill is included at the transition date value on the basis of its deemed cost, which represents the amount recorded under United Kingdom GAAP which was broadly comparable save that only separable intangibles were recognised and goodwill was amortised. On transition amortisation of goodwill ceased as required by IFRS1.

### 2.8 Revenue

Revenue is measured at the fair value of the consideration received or receivable and represents amounts receivable for goods and services provided in the normal course of business, net of discounts, VAT and other sales-related taxes but including fuel duty. Revenue is recognised at the point of sale for all streams being fuel, convenience and fast-food sales.

*Dealerships*

Within the group there are a number of dealer arrangements in place where a third party is responsible for some part of the operation of a site. When another party is involved in providing goods or services to a customer, the Group determines whether the nature of its arrangement is a performance obligation to provide the specified goods/services itself (Group acting as a principal) or to arrange those goods/services to be provided by the other party (Group is an Agent). In making this assessment, a principal is identified as being the party that obtains control of the assets which are then transferred to the customer. When the Group acts as principal, revenue is recognised in respect of the gross amount of consideration paid by the customer. When the group does not control the goods which are transferred it acts as an agent and recognises the revenue only in the amount of any fee or commission in which it expects to be entitled in exchange for arranging for the specified goods/services to be provided by the other party.

*Sale of goods*

Revenue 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 when the customer has received delivery of the product by tank, truck or product carrier. Following the transfer of title, the buyer has full discretion over the manner of distribution and price to sell the goods, has the primary responsibility when on selling the goods and bears the risks of obsolescence and loss in relation to the goods. A receivable is recognised by the Group when the goods are delivered to the customer as this represents the point in time at which the right to consideration becomes unconditional, as only the passage of time is required before payment is due. Under the Group's standard contract terms, customers do not have a right to 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 meets 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 recognized will not occur given the insignificant level of returns over previous years.

The treatment of fuel duty in the UK is determined by local laws and regulations as to when the duty becomes legally payable and who carried the risks and obligations to the tax authorities.

The group recognises revenue gross of fuel duty as the obligation to pay the duty is at purchase from the supplier or at the time when the goods are removed from the bonded warehouse, therefore the company's role in the transaction is that of principal. The fuel duty is set and payable at this point and the risk of recovering this element of the cost through the sale of fuel to the end customer lies with the group.

*Revenue from services*

Revenue from the provision of services is recognised over the period the service is provided to the customer.

**2.9 Leases**

**The Group as a lessee**

The Group assesses whether a contract is or contains a lease, at inception of a contract. The Group recognises a right-of-use asset and a corresponding lease liability with respect to all lease agreements in which it is the lessee, except for short-term leases (defined as leases with a lease term of 12 months or less) and leases of low value assets. For these leases, the Group recognises the lease payments as an operating expense on a straight-line basis over the term of the lease unless another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted by using the rate implicit in the lease. If this rate cannot be readily determined, the Group uses its incremental borrowing rate.

Lease payments included in the measurement of the lease liability comprise:

- fixed lease payments (including in-substance fixed payments), less any lease incentives;
- variable lease payments that depend on an index or rate, initially measured using the index or rate at the commencement date;
- the amount expected to be payable by the lessee under residual value guarantees;
- the exercise price of purchase options, if the lessee is reasonably certain to exercise the options; and
- payments of penalties for terminating the lease, if the lease term reflects the exercise of an option to terminate the lease.

The lease liability is included in 'Creditors' on the Balance Sheet. The lease liability is subsequently measured by increasing the carrying amount to reflect interest on the lease liability (using the effective interest method) and by reducing the carrying amount to reflect the lease payments made.

The Group remeasures the lease liability (and makes a corresponding adjustment to the related right-of-use asset) whenever:

- the lease term has changed or there is a change in the assessment of exercise of a purchase option, in which case the lease liability is remeasured by discounting the revised discount rate.
- the lease payments change due to changes in an index or rate or a change in expected payment under a guaranteed residual value, in which cases the lease liability is remeasured by discounting the revised lease payments using the initial discount rate (unless the lease payments change is due to a change in a floating interest rate, in which case a revised rate is used).
- a lease contract is modified and the lease modification is not accounted for as a separate lease, in which case the lease liability is remeasured by discounting the revised lease payments using a revised discount rate.

The Group did not make any such adjustments during the periods presented.

The right-of-use assets comprise the initial measurement of the corresponding lease liability, lease payments made at or before the commencement day and any initial direct costs. They are subsequently measured at cost less accumulated depreciation and impairment losses. The right-of-use assets are included in the 'Tangible Fixed Assets' line in the Balance Sheet.

Whenever the Company incurs an obligation for costs to dismantle and remove a leased asset, restore the site on which it is located or restore the underlying asset to the condition required by the terms and conditions of the lease, a provision is recognised and measured under IAS 37. The costs are included in the related right-of-use asset, unless those costs are incurred to produce inventories.

Right-of-use assets are depreciated over the shorter period of lease term and useful life of the underlying asset. If a lease transfers ownership of the underlying asset or the cost of the right-of-use asset reflects that the Group expects to exercise a purchase option, the related right-of-use asset is depreciated over the useful life of the underlying asset. The depreciation starts at the commencement date of the lease.

The Group applies IAS 36 to determine whether a right-of-use asset is impaired and accounts for any identified impairment loss as described in note 2.13.

**2.10 Intangible assets and goodwill**

*Goodwill*

Goodwill arises on the acquisition of subsidiaries and represents the excess of the consideration transferred over the acquisition date fair value of the net asset acquired. Goodwill is stated at cost less any accumulated impairment losses. Goodwill is allocated to cash-generating units and is not amortised but is tested annually for impairment. In respect of equity accounted investees, the carrying amount of goodwill is included in the carrying amount of the investment in the investee.

*Other intangible assets*

Expenditure on internally generated goodwill and brands is recognised in the income statement as an expense as incurred.

Other intangible assets that are acquired by the Group are stated at cost less accumulated amortisation and accumulated impairment losses.

*Amortisation*

Amortisation is charged to the income statement on a straight-line basis over the estimated useful lives of intangible assets unless such lives are indefinite. Intangible assets with an indefinite useful life and goodwill are systematically tested for impairment at each balance sheet date. Other intangible assets are amortised from the date they are available for use. The estimated useful lives are as follows:

- Software 3 to 10 years

### 2.11 Property, plant and equipment

Freehold and long leasehold interests in land and buildings excluding the Refinery assets are shown at fair value, based on valuations by independent valuers. Valuations are performed with sufficient regularity to ensure that the fair value of a revalued asset does not differ materially from its carrying amount. Increases on revaluation are credited to other comprehensive income and shown in a revaluation reserve in equity.Decreases that offset previous increases in value are debited to other comprehensive income and the reserve with any additional decreases charged against profit and loss.

Other property, plant and equipment is stated at cost less accumulated depreciation and accumulated impairment losses. Where parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items of property, plant and equipment.

Refinery tangible fixed assets are stated at cost less accumulated depreciation and accumulated impairment losses. Where parts of an item of tangible fixed assets have different useful lives, they are accounted for as separate items of tangible fixed assets. The Refinery assets are held at deemed cost. Refinery assets are considered a separate asset class due to their nature and materiality within the Group.

Assets in the course of construction are capitalised and included in a separate category within tangible fixed assets. Once the assets under construction come into operation they are reclassified to the appropriate asset category and from that point they are depreciated.

Capitalisation of costs in respect of software intangible assets that are under construction and that arise from internal development commence when all the following conditions are met:

- the technical feasibility of completing the intangible asset so that it will be available for use has been established;
- the intention to complete the intangible asset and use it;
- the ability to use the intangible asset;
- how the intangible asset will generate probable future economic benefits has been established including whether it is to be used internally, the usefulness of the intangible asset;
- the availability of adequate technical, financial and other resources to complete the development and to use the intangible asset; and
- the ability to measure reliably the expenditure attributable to the intangible asset during its development

Depreciation is charged to the income statement on a straight-line basis over the estimated useful lives of each part of an item of property, plant and equipment. Freehold property and land is not depreciated. The property assets relate primarily to petrol station sites which are not depreciated on the grounds that it would be immaterial as the properties are maintained regularly. Carrying values are reviewed annually for impairment and all repairs and maintenance costs are expensed in the profit and loss.

The estimated useful lives are as follows:

- Leasehold property over the period of the lease
- Freehold land and buildings not depreciated
- Plant and equipment 6-25 years depending on the nature of the asset. Includes Vessels with a useful estimated life of 15 years.
- Fixtures and fittings 4-10 years
- Refinery Asset 20 years Buildings, 3-15 years for Property, plant and vehicles

Depreciation methods, useful lives and residual values are reviewed at each balance sheet date and adjusted prospectively if there is an indication of a significant change since the last reporting date.

**2.12 Inaccessible stock**

Certain minimum operating levels of inventory below which the normal tank operations are adversely affected, are required for maintaining operational efficiency of the refinery. Consequently, the company does not operate below this minimum level. In addition, as a consequence of the refinery's design, a proportion of inventory held within the tanks and pipes cannot be accessed while these assets are in operation. This inventory is defined as Inaccessible Stock.

Inaccessible Stock is capitalised as a separate component of Property, Plant, and Equipment. Inaccessible Stock is initially measured at cost, being the value as per the inventory valuation process as at the date of capitalisation. Inaccessible Stock is subsequently measured at cost less accumulated depreciation and accumulated impairment.

As part of regular maintenance, it is necessary for tanks to be temporarily taken out of operational use. At this time, all inventory, including Inaccessible Stock, will be released and replaced once operations commence. At this time, the cost of replacing the Inaccessible Stock will be recognised, measured at the valuation as per the inventory valuation process at that date, and the previous carrying amount of Inaccessible Stock will be derecognised, with the resulting gain or loss on disposal recognised within profit or loss. Additions to Inaccessible Stock as a result of the introduction of new products will be recognised at cost when acquired.

Inaccessible Stock is tested for impairment annually.

**2.13 Impairment of non-financial assets excluding inventories and deferred tax assets**

The carrying amounts of the Group's non-financial assets other than inventories and deferred tax assets, are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. For goodwill, the recoverable amount is estimated each year at the same time.

The recoverable amount of an asset or cash-generating unit is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For the purpose of impairment testing, assets that cannot be tested individually are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or groups of assets (the "cash-generating unit"). The goodwill acquired in a business combination, for the purpose of impairment testing, is allocated to cash-generating units, or ("CGU"). Goodwill acquired in a business combination is allocated to groups of CGUs that are expected to benefit from the synergies of the combination.

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

An impairment loss in respect of goodwill is not reversed. In respect of other assets, impairment losses recognised in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

**2.14 Inventories**

Inventories of petroleum products held for trading are valued at market value by reference to quoted market prices at the year end. Duty paid on stock is valued at cost. This is a departure from the current cost accounting rules of the Companies Act 2006 which requires any recognised differences between market value and historical cost to be taken to the revaluation reserve.

In the view of the directors, the exemption from IAS2 is required because the stocks of petroleum products held are marketable commodities traded on international markets and are therefore immediately saleable. The Group also uses derivative contracts to protect its margin and manage its exposure from fluctuations recorded between purchase prices and market values.

In all other aspects the accounts are prepared in accordance with IFRS. Inventory of other products including inventories held by the refinery is stated at the lower of cost and net realisable value, being the estimated selling price less costs to complete and sell. Cost is based on a first in, first out basis. If inventory is impaired, the loss is recognised in the profit and loss.

Crude and certain other feedstocks at the refinery are owned in tank by a 3rd party under a supply and storage agreement with ownership passing to the Refinery as the product leaves the tank for processing within the production units. Management have considered the 5 indicators of control in IFRS 15 paragraph 38 and have assessed that 3 of the 5 indicators show no transfer of control until the product leave the tank, thus management judge that control is not obtained until the crude exits the storage tanks and is fed into the production units.

## 2.15 Foreign currency

The accounts are presented in United States dollars. This is to recognise the Group's increased international presence and the oil industry's use of United States dollars as a basis to transact business.

Transactions in foreign currencies are translated to the respective functional currencies of Group entities at the foreign exchange rate ruling at the date of the transaction. Foreign exchange differences arising on translation are recognised in the income statement within the cost of sale on the basis that these differences result from the purchase and sale of crude and petroleum products and the related hedging activities.

Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are retranslated to the functional currency at the foreign exchange rate ruling at that date. Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction. Non-monetary assets and liabilities denominated in foreign currencies that are stated at fair value are retranslated to the functional currency at foreign exchange rates ruling at the dates the fair value was determined.

The assets and liabilities of all operations, including goodwill and fair value adjustments arising on consolidation, are translated to the Group's presentational currency, United States dollars, at foreign exchange rates ruling at the balance sheet date. The revenues and expenses of operations are translated at an average rate for the year where this rate approximates to the foreign exchange rates ruling at the dates of the transactions.

Exchange differences arising from this translation of operations into the presentational currency are reported as an item of other comprehensive income and accumulated in the translation reserve. When a foreign operation is disposed of, such that control, joint control or significant influence (as the case may be) is lost, the entire accumulated amount in the translation reserve, is recycled to profit or loss as part of the gain or loss on disposal. When the Group disposes of only part of its interest in a subsidiary that includes a foreign operation while still retaining control, the relevant proportion of the accumulated amount is reattributed to non-controlling interests.

## 2.16 *Financial instruments*

### (i) Recognition and initial measurement

Trade receivables issued are initially recognised when they are originated. All other financial assets and financial liabilities are initially recognised when the company becomes a party to the contractual provisions of the instrument.

A financial asset (unless it is a trade receivable without a significant financing component) or financial liability is initially measured at fair value plus transaction costs that are directly attributable to its acquisition or issue. A trade receivable without a significant financing component (as is normally the case from Group trading activity) is initially measured at the transaction price.

### (ii) Classification and subsequent measurement

***Financial assets***

*(a) Classification*

On initial recognition, a financial asset is classified as measured at: amortised cost; fair value in other comprehensive income (for debt or equity investments) or fair value through the profit and loss ('FVTPL'). Financial assets are not reclassified subsequent to their initial recognition unless the Company changes its business model for managing financial assets in which case all affected financial assets are reclassified on the first day of the first reporting period following the change in the business model.

A financial asset is measured at amortised cost if it meets both of the following conditions:

- it is held within a business model whose objective is to hold assets to collect contractual cash flows; and
- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding

All financial assets not classified as measured at amortised cost or fair value through other comprehensive income including all derivative financial assets are measured at fair value through profit and loss.

The Group is obligated to ensure that road transport fuel contains a certain percentage of biofuels. Obligations are satisfied by the delivery of Biofuel certificates. Surplus certificates generated through the supply and blending of biofuels are valued at market value and recorded within current asset investments. Upon selling surplus certificates to third parties, revenue and the associated costs of certificates are recognised within the profit and loss account. If a liability, the obligations are included in other payables.

*Cash and cash equivalents*

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

*Interest-bearing borrowings*

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

*(b) Subsequent measurement and gains and losses*

*Financial assets at FVTPL* - these assets (other than derivatives designated as hedging instruments) are subsequently measured at fair value. Net gains and losses, including any interest or dividend income, are recognised in profit or loss. Gain and losses on forward or commodity contracts taken out in respect of purchases are recorded in cost of sales.

*Financial assets at amortised cost* - These assets are subsequently measured at amortised cost using the effective interest method. The amortised cost is reduced by impairment losses. Interest income, foreign exchange gains and losses and impairment are recognised in profit or loss. Any gain or loss on derecognition is recognised in profit or loss.

***Financial liabilities and equity***

Financial instruments issued by the Company are treated as equity only to the extent that they meet the following two conditions:

(a) they include no contractual obligations upon the company to deliver cash or other financial assets or to exchange financial assets or financial liabilities with another party under conditions that are potentially unfavourable to the company; and

(b) where the instrument will or may be settled in the company's own equity instruments, it is either a non-derivative that includes no obligation to deliver a variable number of the company's own equity instruments or is a derivative that will be settled by the company's exchanging a fixed amount of cash or other financial assets for a fixed number of its own equity instruments.

To the extent that this definition is not met, the proceeds of issue are classified as a financial liability.

**Derivative financial instruments**

Derivative financial instruments including forward foreign exchange and commodity contracts are recognised at fair value. The gain or loss on remeasurement to fair value is recognised immediately in profit or loss.

(iii) **Impairment**

The Group recognises loss allowances for Expected Credit Losses (ECLs) on financial assets measured at amortised cost to the extent that these are experienced and significant. The company measures loss allowances at an amount equal to lifetime ECL.

The gross carrying amount of a financial asset is written off (either partially or in full) to the extent that there is no realistic prospect of recovery.

**2.17 Employee benefits**

Defined contribution plans

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

Long-Term Employee Benefits

Long-term employee benefit obligations are measured on a discounted basis and a liability is recognised for the amount expected to be paid under the Group's long-term incentive scheme in accordance with the scheme rules. The Group has an obligation to pay these amounts after the designated vesting period as a result of past service provided by the employee and the obligation can be estimated reliably. The liability is remeasured at each balance sheet date and any change in liability is expensed to the profit and loss account.

**2.18 Expenses**

Financing income and expenses

Financing expenses include interest payable and attributable loan issue costs, recognised in profit or loss using the effective interest method and the unwinding of the discount on any provisions. Borrowing costs that are directly attributable to the acquisition, construction or production of an asset that takes a substantial time to be prepared for use, are capitalised as part of the cost of that asset.

Financing income comprises interest receivable on funds invested or other interest earned when a financing period arises.

Interest income and interest payable is recognised in profit or loss as it accrues, using the effective interest method.

### 2.19 Taxation

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

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

Deferred tax is provided on temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The following temporary differences are not provided for: the initial recognition of goodwill; the initial recognition of assets or liabilities that affect neither accounting nor taxable profit other than in a business combination, and differences relating to investments in subsidiaries to the extent that they will probably not reverse in the foreseeable future. The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantively enacted at the Balance Sheet date.

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

### 2.20 Investments

Investments in joint ventures and subsidiaries are carried at cost less impairment. Investments in joint ventures, are accounted for in accordance with the equity method.

A joint venture is an undertaking in which the company has a long-term interest and over which it exercises joint control. The group's share of the profits less losses of joint ventures is included in the profit and loss account and its interest in their net assets, other than goodwill, is included in investments in the consolidated balance sheet. Where the company's share of the underlying results, assets or liabilities of investments in joint ventures are immaterial to the group, these investments are stated at cost less provision for impairment.

### 2.21 Provisions for liabilities

Provisions are made where an event has taken place that gives the Company a legal or constructive obligation that probably requires settlement by a transfer of economic benefit, and a reliable estimate can be made of the amount of the obligation.
Provisions are charged as an expense to the Profit and Loss Account in the year that the Company becomes aware of the obligation, and are measured at the best estimate at the Balance Sheet date of the expenditure required to settle the obligation, taking into account relevant risks and uncertainties.

When payments are eventually made, they are charged to the provision carried in the Balance Sheet.

### 2.22 Renewable transport fuel obligation (RTFO)

The group initially recognises Renewable Transport Fuel Certificates (RTFCs) to be used to settle current or future period obligations at cost and subsequently at fair value by reference to period end market prices in the profit and loss account. Cost for purchased RTFCs is the invoiced cost. Any certificates held that cannot be sold or be carried forward and redeemed in the next RTFO compliance year are fully written down.

In order to comply with the regulatory requirement, the group has the option of settling its obligation under the RTFO scheme using granted certificates, buying certificates from other obligated companies or paying a buyout price to the Department of Transport (DfT). *The group recognises a liability when incurred upon the point of sale of oil products. The liability will be valued at the amount expected* to settle the obligation, being the carrying value of RTFCs on hand, and then, if still short, the lower of the buyout price to the DfT or the spot market price of RTFCs.

### 2.23 UK Emissions Trading Scheme (ETS) Allowances

As owner / operator of Prax Lindsey Oil Refinery, the group participates in the UK Emissions Trading Scheme, a government managed scheme designed to encourage lower $CO^2$ emissions from large industrial facilities. Each calendar year the refinery $CO^2$ emissions are measured and independently verified before being reported to UK authorities. The group must then surrender UK ETS allowances to cover the $CO^2$ emissions.

The group receive a quantity of free allowances from the government but as emissions are normally higher than the free allowances there is a requirement to purchase additional allowances to comply with UK ETS obligations.

The volume of additional allowance required is assessed and the cost is initially recognised using marker indicators, however once contracted prices are known the estimates are adjusted accordingly.

### 2.24 Government grants

Government grants are included within deferred government grants in the balance sheet and credited to the profit and loss account on a systematic basis over the periods in which the Group recognises as expenses the related costs for which the grants are intended to compensate. Government grants shown as Other Income for the period relate to amounts received under the job retention scheme set up by the government in March 2020 to help employers pay their workers' wages if they are unable to work during the Covid-19 crisis.

### 2.25 Adopted IFRS not yet applied

The following pronouncements from the IASB have not been adopted by the Group in these financial statements as they will only become effective for future financial reporting periods.

However, the group does not expect a significant effect on future financial reporting as a result of this transition.

*IFRS 17 Insurance Contracts*
IFRS 17 Insurance Contracts provides a new general model for accounting for contracts where the issuer accepts significant insurance risk from another party and agrees to compensate that party if a future uncertain event adversely affects them. IFRS 17 replaces IFRS 4 'Insurance Contracts' and will be effective for the group for the financial reporting period commencing 1 January 2023. The Group's assessment of the impact of IFRS 17 on the parent company is at an initial stage, but there is expected to be an impact within State Oil Limited's financial reporting in 2023-24 due to the parent company guarantees it issues.

Other Adopted IFRSs that have been issued but have not been applied by the Group in these financial statements are below. Their adoption is not expected to have a material effect on the financial statements:

- Amendments to IAS 1 Presentation of Financial Statements: Classification of Liabilities as Current or Non-current (effective date 1 January 2023)
- Amendments to IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors to introduce a new definition for accounting estimates (effective date 1 January 2023)
- Amendments to IAS 12 Income Taxes – Deferred Tax Related to Assets and Liabilities Arising from a Single Transaction (effective date 1 January 2023)

There are no other standards, amendments or interpretations in issue but not yet adopted that the directors anticipate will have a material effect on the reported income or net assets of the group.

## 3 Accounting estimates and judgements

The preparation of the financial statements requires management to make judgements, estimates and assumptions that affect the application of accounting policies and reporting amounts of assets, liabilities, income and expenses. Actual result may differ from these estimates.

Estimates and underlying assumptions are reviewing on an ongoing basis. Estimates are based on historical experience andother assumptions that are considered reasonable in the circumstances. The actual amount or values may vary in certain instances from the assumptions and estimates made. Changes will be recorded, with corresponding effect in profit and loss, when, and if, better information is obtained.

Information about assumptions and estimation uncertainties that have a significant risk of resulting in material adjustment within the next financial year are included below.

Critical judgements that management has made in the process of applying accounting policies disclosed herein and that have a significant effect on the amounts recognised in the financial statements relates to the following:

**Intangibles**

Impairment tests for intangible assets are based on risk adjusted future cash flows discounted using appropriate discount rates. These future cash flows will be based on forecasts which include estimated factors and are inherently judgmental. Future events could cause the assumptions to change which could have an adverse effect on the future results of the Group. The carrying value at the year-end is shown in note 11.

**Properties**

Land and buildings are recognised at market value utilising external professional valuation reports. This involves a degree of subjectivity and are based on a multiple of the results for the integral operating assets which are inherently judgmental. The carrying value at the year-end is shown in note 10.

**Deferred tax assets**

The recognition of deferred tax assets is based on forecasts of future taxable profit. The measurement of future taxable profit for the purposed of determining whether or not to recognise deferred tax assets depends on many factors, including the Company's ability to generate such profits and the implementation of effective tax planning strategies. The occurrence or non- occurrence of such events in the future may lead to significant changes in the measurement of deferred tax assets. The carrying value at the year-end is shown in note 14.

**Inaccessible Stock**

In respect of Inaccessible Stock existing as at the beginning of the comparative period, management has determined that the capitalised value when using historical cost will be based on values as at 28 February 2021, being the acquisition date of the refinery by the Group and as such the earliest practicable date of determining historical cost; and the gain or loss arising from fair value movements on the hedging instrument calculated (as per management's estimation methodology) as the proportion of the volume of Inaccessible Stock compared to total hedged volumes of each inventory category, including Inaccessible Stock, will be reclassified as finance costs.

**Impairment of Property, plant and equipment**

The Impairment test for property, plant and equipment is based on future cashflows discounted using a post-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. These future cashflows are based on forecasts which are inherently judgmental and include estimated factors. Future events could cause these estimated factors to change and could have an adverse impact on the future results of the Group. Impairment charges recognised are shown in note 10.

**In-tank stock owned by 3rd party**

Management has considered the indicators of control in IFRS 15 and have assessed that 3 of the 5 indicators show no transfer of control until the product leaves the tank for processing. The decision that control is not obtained until this point has required a degree of judgement from the management.

## 4 Analysis of revenue

***Disaggregation of revenue***

In the following tables, revenue is disaggregated by primary geographical market and by the business segments.

| | 2023 | 2022 |
|---|---|---|
| | **$'000s** | $'000s |
| | | (restated) |
| **Major products/service lines** | | |
| Midstream | **2,361,232** | 3,842,635 |
| Downstream (Retail) | **915,473** | 803,106 |
| Downstream (Industrial & Commercial, Aviation & Marine) | **7,206,877** | 5,247,550 |
| **Total** | **10,483,582** | 9,893,291 |
| **Primary geographical markets** | | |
| United Kingdom | **7,964,870** | 9,456,722 |
| Rest of the world | **2,518,712** | 436,569 |
| **Total** | **10,483,582** | 9,893,291 |

## 5 Other operating income

| | 2023 | 2022 |
|---|---|---|
| | **$'000s** | $'000s |
| Net rents receivable | **739** | 739 |
| Government grants | **-** | 85 |
| Commissions and Other miscellaneous income | **2,324** | 2,401 |
| | **3,063** | 3,225 |

Governments grants in prior year relate to recognition of income in respect of the UK Government's Job Retention Scheme (JRS) and Small Business and the Retail, Hospitality and Leisure Grant.

## 6 Expenses and auditor's remuneration

*Included in profit/loss are the following:*

| | 2023 | 2022 |
|---|---|---|
| | **$'000s** | $'000s |
| Depreciation of tangible fixed assets | **40,860** | 41,622 |
| Depreciation of right-of-use assets | **5,016** | 8,486 |
| Amortisation of intangible assets | **1,119** | 632 |
| Gain on sale of assets | **(435)** | (170) |
| Impairment of leasehold property | **192** | - |
| Acquisition (credit)/costs | **(200)** | 525 |
| Revaluation (gain)/loss | **(712)** | - |
| Exchange losses/(gains) recognised in cost of sales | **11,534** | (19,683) |

Depreciation of $39.0m (2022 $39.7m) is recognised in cost of sales as it relates to refinery and storage assets, the remainder is recognised in administrative expenses.

*Auditor's remuneration*

| | | |
|---|---|---|
| | **$'000s** | $'000s |
| Audit of these financial statements | **170** | 149 |
| Audit of subsidiaries | **1,253** | 1,120 |
| ***Disclosure below based on amounts receivable in respect of other services to the company and its subsidiaries*** | | |
| Taxation compliance services | **146** | 201 |
| Other assurance services | **188** | 309 |

## 7 Staff numbers and costs

The average number of persons employed by the Group and company (including directors) during the year,analysed by category, was as follows:

| | **Group** | | **Company** | |
|---|---|---|---|---|
| | **2023** | 2022 | **2023** | 2022 |
| Administration staff | **345** | 332 | **167** | 164 |
| Production staff | **276** | 272 | **-** | - |
| Petrol station site staff | **601** | 603 | **-** | - |
| Logistics | **86** | 67 | **-** | - |
| | **1,308** | 1,274 | **167** | 164 |

The aggregate payroll costs of these persons were as follows:

| | **Group** | | **Company** | |
|---|---|---|---|---|
| | **2023** | 2022 | **2023** | 2022 |
| | **$'000s** | $'000s | **$'000s** | $'000s |
| Wages and salaries | **83,929** | 77,704 | **21,142** | 13,581 |
| Social security costs | **8,879** | 8,432 | **2,430** | 1,757 |
| Contributions to defined contribution plans | **6,862** | 8,308 | **1,305** | 685 |
| | **99,670** | 94,444 | **24,877** | 16,023 |

Directors' emoluments are disclosed in note 25.

**8 Finance income and expense**

Recognised in profit or loss

| | **2023** | 2022 Restated |
|---|---|---|
| | **$'000** | $'000 |
| **Finance income** | | |
| Bank interest receivable | **-** | 26 |
| | **-** | 26 |
| Bank interest and facility costs | **(61,915)** | (41,231) |
| Net loss on financial instruments designated as FVTPL* | **(15,761)** | (27,046) |
| Interest expense on lease liabilities | **(837)** | (1,088) |
| Amortisation of loan issue costs | **(939)** | (1,041) |
| | **(79,452)** | (70,406) |
| **Net expense** | **(79,452)** | (70,380) |

*Restated for change in accounting policy, refer to note 2.2 for details of restatement

## 9 Taxation

| | 2023 | 2022 |
|---|---|---|
| | **$'000s** | $'000s |
| Current tax expense | | |
| Current year | **148** | 16 |
| Adjustments for prior years | **189** | - |
| Current tax expense | **337** | 16 |
| Foreign tax | | |
| Foreign tax on income for the year | **967** | 120 |
| Deferred tax expense/(credit) | | |
| Origination and reversal of temporary differences | **4,010** | (12,736) |
| Impact of changes in tax laws and rates on opening balance | **52** | (8,720) |
| Adjustments in respect of prior periods | **(21,573)** | 6,859 |
| Deferred tax credit | **(17,511)** | (14,597) |
| Income tax credit | **(16,207)** | (14,461) |
| Share of tax of equity accounted investees | **-** | - |
| Total income tax credit on the Group's profit for the year | **(16,207)** | (14,461) |

### Reconciliation of effective tax rate

| | 2023 | 2022 |
|---|---|---|
| | **$'000s** | $'000s (restated) |
| Profit/(Loss) for the year | **20,772** | (71,602) |
| Total tax expense/(credit) | **(16,207)** | (14,461) |
| Profit/(Loss) excluding taxation | **4,565** | (86,063) |
| Tax using the United Kingdom corporation tax rate of 19 % (2022: 19%) | **867** | (16,352) |
| Fixed assets differences | **(1,168)** | - |
| Deferred tax asset not recognised* | **6,014** | 10,028 |
| Non-deductible expenses | **697** | (1,839) |
| Chargeable gains | **(1,023)** | - |
| (Over)/Under provided in prior years | **(21,384)** | 6,859 |
| Change in UK deferred tax rate | **(141)** | (13,185) |
| Effect of higher tax rates in overseas territories | **(72)** | 28 |
| CFC tax | **3** | - |
| | **(16,207)** | (14,461) |

### The tax expense relating to other comprehensive income is as follows:

| | | |
|---|---|---|
| Deferred taxation expense in respect of property revaluations gains | **11,279** | 15,653 |

*Deferred tax assets are only recognised to the extent that it is probable that taxable income will be available against which the asset on losses can be utilised.

***Factors that may affect future tax charges***

The UK's main corporation tax rate will increase from 19% to 25%, effective 1 April 2023. This law was substantively enacted by the Balance Sheet date and is therefore included in the measurement of deferred taxation in these financial statements. Further changes in tax laws and rates may affect recorded deferred tax assets and liabilities and our effective tax rate in the future.

## 10 Property, plant and equipment

Property has restrictions in title in the form of fixed and floating charges and are pledged as security to support bank loans.

The historical cost of property assets is $202m (2022: $199m) with a net book value of $113m (2022: $118m).

Properties whose fair value can be measured reliably are held under the revaluation model and are carried at a revalued amount, being fair value at the date of valuation less any subsequent accumulated depreciation and subsequent accumulated impairment losses. The fair value of the properties is usually considered to be the market value. The freehold and leasehold properties are revalued by an external valuer at least every five years. In the intervening period, the directors will review the fair value by applying similar methodology as the independent valuations experts and make the necessary adjustments to the financial statements to ensure the value reflected remains appropriate.

A valuation of 63 freehold and long leasehold retail property sites was carried out by an external valuer, CBRE Limited at a market value of $211m on 28 February 2023. The details on which the valuation is based included future maintainable incomes, current market prices, tenure and condition of the retail sites. The remaining retails sites were valued internally by the directors who concluded that there was no change to the carrying values.

A full impairment test has been performed on the refinery assets at the balance sheet date. The carrying value has been assessed for impairment purposes by calculating the value in use using the net present value (NPV) of future cash flows discounted at a post-tax rate of 11.2%. The value in use is based on Directors' forecasts considering industry recognised price sets and demand curves. The review found that there is no impairment required. The main sensitivities in relation to the impairment are refining margins and future fuel demand. A change of -3% in refining margins could result in a possible $60m impairment, likewise the impact of a -3% in fuel demand vs our assumptions could result in a possible $100m impairment.

## 10 Property, plant and equipment

| Group $'000 | Plant and Machinery | Freehold Property | Leasehold Property | Fixtures and Fittings | Refinery Inaccessible stock | Refinery Asset | Assets under construction | Total |
|---|---|---|---|---|---|---|---|---|
| **Cost or valuation** | | | | | | | | |
| Balance as at 1 March 2021 (as previously stated) | 118,901 | 247,159 | 46,860 | 47,672 | - | - | 59,714 | 520,306 |
| Change in accounting policy | - | - | - | - | 50,120 | - | - | 50,120 |
| Balance as at 1 March 2021 (restated) | 118,901 | 247,159 | 46,860 | 47,672 | 50,120 | - | 59,714 | 570,426 |
| Refinery Asset transfer | - | (83,387) | (836) | - | - | 84,223 | - | - |
| Additions | 16,225 | - | 173 | 1,337 | - | 11 | 49,747 | 67,493 |
| Asset transfer | 16,560 | 2,663 | 2,368 | 1,229 | - | 184 | (23,361) | (357) |
| Revaluation | - | 37,026 | 15,116 | - | - | - | - | 52,142 |
| Disposal | (1,691) | - | (10,352) | (169) | - | (20) | (37) | (12,269) |
| Effect of movements in foreign exchange | (5,714) | (6,573) | (1,792) | (2,947) | (2,014) | 3,385) | (2,361) | (24,786) |
| **Balance at 28 February 2022 (restated)** | **144,281** | **196,888** | **51,537** | **47,122** | **48,106** | **81,013** | **83,702** | **652,649** |
| | | | | | | | | |
| **Cost or valuation** | | | | | | | | |
| Balance as at 1 March 2022 restated | 144,281 | 196,888 | 51,537 | 47,122 | 48,106 | 81,013 | 83,702 | 652,649 |
| Additions | 34,889 | 7,757 | 4,973 | 2,590 | 8,692 | 6,230 | 38,180 | 103,311 |
| Asset transfer | 41,340 | 903 | (879) | 319 | - | 48 | (41,756) | (25) |
| Revaluation | - | 44,443 | (1,124) | - | - | - | - | 43,319 |
| Disposal | (11,875) | (133) | (5,749) | - | - | (21) | (1,995) | (19,773) |
| Effect of movements in foreign exchange | (13,001) | (19,432) | (3,252) | (5,244) | (4,704) | (7,921) | (8,206) | (61,760) |
| **Balance at 28 February 2023** | **195,634** | **230,426** | **45,506** | **44,787** | **52,094** | **79,349** | **69,925** | **717,721** |
| | | | | | | | | |
| **Depreciation and impairment** | | | | | | | | |
| Balance at 1 March 2021 | 3,288 | 1,419 | 19,850 | 6,935 | - | - | - | 31,492 |
| Depreciation charge for the year | 40,106 | - | - | 1,548 | - | 429 | - | 42,083 |
| Depreciation charge for the year - Right of Use | 1,347 | - | 6,360 | - | - | 318 | - | 8,025 |
| Asset transfer | (721) | - | 384 | 207 | - | - | - | (130) |
| Disposal | (1,400) | - | (9,714) | (120) | - | (6) | - | (11,240) |
| Effect of movements in foreign exchange | (1,018) | (55) | (697) | (1,377) | - | (15) | - | (3,162) |
| **Balance at 28 February 2022** | **41,602** | **1,364** | **16,183** | **7,193** | **-** | **726** | **-** | **67,068** |
| | | | | | | | | |
| **Depreciation and impairment** | | | | | | | | |
| Balance at 1 March 2022 | 41,602 | 1,364 | 16,183 | 7,193 | - | 726 | - | 67,068 |
| Depreciation charge for the year | 37,473 | 136 | 316 | 1,713 | - | 1,222 | - | 40,860 |
| Depreciation charge for the year - Right of Use | 521 | - | 4,012 | - | - | 483 | - | 5,016 |
| Asset transfer | 316 | - | (316) | - | - | - | - | - |
| Disposal | (11,441) | - | (3,077) | - | - | (5) | - | (14,523) |
| Impairment | - | - | 192 | - | - | - | - | 192 |
| Effect of movements in foreign exchange | (4,155) | (134) | (2,305) | (246) | - | (76) | (33) | (6,949) |
| **Balance at 28 February 2023** | **64,316** | **1,366** | **15,005** | **8,660** | **-** | **2,350** | **(33)** | **91,664** |
| | | | | | | | | |
| **Net Book Value** | | | | | | | | |
| At 28 February 2021 | 115,613 | 245,740 | 27,010 | 40,737 | 50,120 | - | 59,714 | 538,934 |
| At 28 February 2022 | 102,679 | 195,524 | 35,354 | 39,929 | 48,106 | 80,287 | 83,702 | 585,581 |
| **At 28 February 2023** | **131,318** | **229,060** | **30,501** | **36,127** | **52,094** | **76,999** | **69,958** | **626,057** |

### 10 Property, plant and equipment

**Company**

| | Plant and Machinery | Freehold Property | Leasehold Property | Fixtures & Fittings | Assets under construction | Total |
|---|---|---|---|---|---|---|
| | $'000 | $'000 | | $'000 | $'000 | $'000 |
| **Cost or valuation** | | | | | | |
| Balance as at 1 March 2021 | 1,293 | 9,410 | - | 3,255 | - | 13,958 |
| Additions | 251 | - | - | - | - | 251 |
| Revaluation | - | 3,714 | - | - | - | 3,714 |
| Asset Transfer | 163 | - | - | (397) | - | (234) |
| Disposal | (141) | - | - | - | - | (141) |
| Effect of movements in foreign exchange | (78) | (407) | - | (131) | - | (616) |
| Balance at 28 February 2022 | 1,488 | 12,717 | - | 2,727 | - | 16,932 |
| **Cost or valuation** | | | | | | |
| Balance as at 1 March 2022 | 1,488 | 12,717 | - | 2,727 | - | 16,932 |
| Additions | 745 | - | 1,577 | 2 | 4,540 | 6,864 |
| Revaluation | - | | - | - | - | - |
| Asset Transfer | - | - | - | - | - | - |
| Disposal | (21) | - | - | - | (1,995) | (2,016) |
| Effect of movements in foreign exchange | (145) | (1,243) | - | (267) | (216) | (1,871) |
| Balance at 28 February 2023 | 2,067 | 11,474 | 1,577 | 2,462 | 2,329 | 19,909 |
| **Depreciation and impairment** | | | | | | |
| Balance at 1 March 2021 | 559 | 371 | - | 2,545 | - | 3,475 |
| Depreciation charge for the year | 191 | - | - | 151 | - | 342 |
| Depreciation charge for the year - Right of Use | 167 | - | - | | - | 167 |
| Asset Transfer | 126 | - | - | (255) | - | (129) |
| Disposal | (141) | - | - | | - | (141) |
| Effect of movements in foreign exchange | (60) | (13) | - | (201) | - | (274) |
| **Balance at 28 February 2022** | 842 | 358 | - | 2,240 | - | 3,440 |
| **Depreciation and impairment** | | | | | | |
| Balance at 1 March 2022 | 842 | 358 | - | 2,240 | - | 3,440 |
| Depreciation charge for the year | 202 | - | - | 126 | - | 328 |
| Depreciation charge for the year - Right of Use | 152 | - | 205 | - | - | 357 |
| Asset Transfer | - | - | - | - | - | - |
| Disposal | (6) | - | - | - | - | (6) |
| Effect of movements in foreign exchange | (83) | (35) | (1) | (219) | - | (338) |
| **Balance at 28 February 2023** | 1,107 | 323 | 204 | 2,147 | - | 3,781 |
| **Net book value** | | | | | | |
| At 29 February 2021 | 734 | 9,039 | - | 710 | - | 10,483 |
| At 28 February 2022 | 646 | 12,359 | - | 487 | - | 13,492 |
| **At 28 February 2023** | **960** | **11,151** | **1,373** | **315** | **2,329** | **16,128** |

**11 Intangibles**

| Group | Software | Goodwill | Total |
|---|---|---|---|
| | S'000s | S'000s | S'000s |
| **Cost** | | | |
| Balance as at 1 March 2021 | 3,103 | 48,619 | 51,722 |
| Additions | 2,989 | - | 2,989 |
| Asset transfer | 357 | - | 357 |
| Effect of movements in foreign exchange | (164) | (2,299) | (2,463) |
| Balance as at 28 February 2022 | 6,285 | 46,320 | 52,605 |
| Balance as at 1 March 2022 | 6,285 | 46,320 | 52,605 |
| Additions | 4,958 | - | 4,958 |
| Asset transfer | 25 | - | 25 |
| Effect of movements in foreign exchange | (579) | (5,113) | (5,692) |
| Balance as at 28 February 2023 | 10,689 | 41,207 | 51,896 |
| **Amortisation and impairment** | | | |
| Balance as at 1 March 2021 | 1,493 | - | 1,493 |
| Amortisation for the year | 632 | - | 632 |
| Asset transfer | 129 | - | 129 |
| Effect of movements in foreign exchange | (78) | - | (78) |
| Balance as at 28 February 2022 | 2,176 | - | 2,176 |
| Balance as at 1 March 2022 | 2,176 | - | 2,176 |
| Amortisation for the year | 1,119 | - | 1,119 |
| Asset transfer | - | - | - |
| Effect of movements in foreign exchange | (213) | - | (213) |
| Balance as at 28 February 2023 | 3,082 | - | 3,082 |
| **Net book value** | | | |
| Balance as at 29 February 2021 | 1,610 | 48,619 | 50,229 |
| Balance as at 28 February 2022 | 4,109 | 46,320 | 50,429 |
| Balance as at 28 February 2023 | 7,607 | 41,207 | 48,814 |

**11 Intangibles**

## Company

| | Software $'000s |
|---|---|
| **Cost** | |
| Balance as at 1 March 2021 | 3,002 |
| Additions | 115 |
| Asset Transfers | 234 |
| Effect of movements in foreign exchange | (121) |
| Balance as at 28 February 2022 | 3,230 |
| Balance as at 1 March 2022 | 3,230 |
| Additions | 4,130 |
| Asset Transfers | - |
| Effect of movements in foreign exchange | (315) |
| Balance as at 28 February 2023 | **7,045** |
| **Amortisation and impairment** | |
| Balance as at 1 March 2021 | 1,461 |
| Amortisation for the year | 315 |
| Asset Transfers | 129 |
| Effect of movements in foreign exchange | (68) |
| Balance as at 28 February 2022 | 1,837 |
| Balance as at 1 March 2022 | 1,837 |
| Amortisation for the year | 376 |
| Asset Transfers | - |
| Effect of movements in foreign exchange | (181) |
| Balance as at 28 February 2023 | **2,032** |
| **Net book value** | |
| Balance as at 29 February 2021 | 1,541 |
| Balance as at 28 February 2022 | 1,393 |
| Balance as at 28 February 2023 | 5,013 |

Goodwill considered significant in comparison to the Group's total carrying amount of such assets has been allocated to cash generating units or groups of cash generating units as follows:

| | Goodwill | |
|---|---|---|
| | **2023 $'000s** | 2022 $'000s |
| HKS Holdings and its subsidiaries | **34,434** | 38,812 |
| Harvest Energy Limited | **5,693** | 6,310 |
| King Street Holdings (UK) Ltd | **1,080** | 1,198 |

The Group tests goodwill annually for impairment, or more frequently if events or changes in circumstances indicate that the asset might be impaired. The carrying values are assessed for impairment purposes by calculating the value in use using the net present value (NPV) of future cash flows arising from the originally acquired businesses discounted at a post-tax rate of 11.2% (2022: 8.4%).

The HKS Holdings goodwill has been tested by reference to a 3-year management approved plan and Harvest Energy and King Street Holdings by reference to the approved budget for a year followed in both cases by a 2% long term growth rate (2022: 2%) considered applicable to the United Kingdom market. There are considered to be no sensitivities that may reasonably be expected in the current market that would impact on the assessments made.

**12 Investments in subsidiaries and jointly controlled entities**

The Group and Company have the following investments in subsidiaries which are all included in the consolidation:

| Company | Principal place of business/ Registered office address | Principal activity | Class of Shares held | Ownership 2023 | 2022 |
|---|---|---|---|---|---|
| Prax Petroleum Limited | Harvest House* | Sale of petroleum productsand renewables | Ordinary | 100% | 100% |
| Prax Terminals Jarrow Limited | Harvest House* | Storage terminal ownership and management | Ordinary | 100% | 100% |
| Prax Terminals Killingholme Limited *** | Harvest House* | Storage terminal ownership and management | Ordinary | - | - |
| Prax Storage Lindsey Limited *** | Harvest House* | Storage terminal ownership and management | Ordinary | - | - |
| Prax Limited + | Harvest House* | Holding company | Ordinary | 100% | 100% |
| Harvest Energy Retail Group Limited+ | Harvest House* | Holding company | Ordinary | 100% | 100% |
| Harvest Energy Retail Holdings Ltd+ | Harvest House* | Holding company | Ordinary | 100% | 100% |
| Harvest Energy Retail Ltd+ | Harvest House* | Holding company | Ordinary | 100% | 100% |
| H.K.S. Holdings Limited+ | Harvest House* | Holding company | Ordinary | 100% | 100% |
| H.K.S. Motors Limited+ | Harvest House* | Retail of fuel products | Ordinary | 100% | 100% |
| H.K.S. Retail Limited | Harvest House* | Retail of fuel products | Ordinary | 100% | 100% |
| Brobot Group Limited+ | Harvest House* | Holding company | Ordinary | 100% | 100% |
| Brobot Petroleum Limited | Harvest House* | Retail of fuel products | Ordinary | 100% | 100% |
| Platinum Asset Investment Limited+ | Harvest House* | Retail of fuel products | Ordinary | 100% | 100% |
| Harvest Energy Limited | Harvest House* | Sale of petroleum products and renewables | Ordinary | 100% | 100% |
| Harvest Energy Aviation Ltd | Harvest House* | Sale of aviation fuel products | Ordinary | 100% | 100% |
| King Street Holdings (UK) Limited+ | Harvest House* | Holding company | Ordinary | 100% | 100% |
| Retail Fuels Ltd+ | Harvest House* | Retail of fuel products | Ordinary | 100% | 100% |
| Harvest Energy Group Limited+ | Harvest House* | Holding company | Ordinary | 100% | 100% |
| Prax Fuels Limited | Harvest House* | Dormant company | Ordinary | 100% | 100% |
| Prax Shipping Limited + | Harvest House* | Shipping | Ordinary | 100% | 100% |
| Prax Derivatives Limited | Harvest House* | Dormant company | Ordinary | 100% | 100% |
| Harvest Retail (Holdings) Limited+ | Harvest House* | Holding company | Ordinary | 100% | 100% |
| Harvest Retail Limited+ | Harvest House* | Retail of fuel products | Ordinary | 100% | 100% |
| Prax Oil Limited | Harvest House* | Dormant company | Ordinary | 100% | 100% |
| Blue Ocean Associates Limited | Harvest House* | Dormant company | Ordinary | 100% | 100% |
| Breeze Retail Limited+ | Harvest House* | Retail of fuel products | Ordinary | 100% | 100% |
| Axis Logistics Limited | Harvest House* | Logistic services | Ordinary | 100% | 100% |
| Prax UK Limited | Harvest House* | Dormant company | Ordinary | 100% | 100% |
| Harvest Energy Marine Limited | Harvest House* | Dormant company | Ordinary | 100% | 100% |
| Harvest Energy (Fuel Cards) Limited + | Harvest House* | Fuel card sales of petroleum products | Ordinary | 100% | 100% |
| Harvest Energy (Dealerships) Limited | Harvest House* | Retail of fuel products | Ordinary | 100% | 100% |
| Harvest Energy (BLA) Limited+ | Harvest House* | Retail of fuel products | Ordinary | 100% | 100% |
| Prax Overseas Holdings Limited+ | Harvest House* | Holding company | Ordinary | 100% | 100% |
| Prax Refining Limited + | Harvest House* | Holding company | Ordinary | 100% | 100% |
| Prax SA | 10 Rue De Rive<br>5e Etage, 1204<br>Geneva, Switzerland | Regional office | Ordinary | 100% | 100% |
| Prax Terminal Belgium BV | Campus Coppens<br>Rulterijschool 6<br>2930 Brasschat<br>Belgium | Storage terminal ownership and management | Ordinary | 100% | 100% |
| Prax Belgium Holdings BV | Campus Coppens<br>Rulterijschool 6 | Holding company | Ordinary | 100% | 100% |

**Notes** *(continued)*

| | | | | | |
|---|---|---|---|---|---|
| | 2930 Brasschat Belgium | | | | |
| Harvest Energy Marine BV | Campus Coppens Rulterijschool 6 2930 Brasschaat, Belgium | Marine fuel sales | Ordinary | 100% | 100% |
| Prax Bunker Netherlands BV | Campagneweg 11, 4761RM Zevenbergen Netherlands | Marine fuel sales | Ordinary | 100% | 100% |
| Prax Inc | 2711 Centerville Road Suite 400, Wilmington, New Castle, Delaware, 19808 | Sale of petroleum products and renewables | Ordinary | 100% | 100% |
| Prax PTE LTD | 38 Beach Road #34-12, South Beach Tower, Singapore 189767 | Sale of petroleum products and renewables | Ordinary | 100% | 100% |
| Prax Albania SLA | Tirane, Njesia Bashkiake nr 2, Rruga, Lyigi Gurakuqi, Pallati 8, Shakalla 1, Apartment 1 | Dormant company | Ordinary | 100% | 100% |
| Serengeti Energy Limited | 1 Perchstone & Graeys Close, Off Remi Olowude Way, Lekki-Epe Expressway, Lekki Phase 1, Lagos, Nigeria | Dormant company | Ordinary | 100% | 100% |
| Prax Management LLC | 580 Westlake Park Blvd 14th Floor, Houston Texas, 77079 | Dormant companies | Ordinary | 100% | 100% |
| Prax Energy Services LLC | 581 Westlake Park Blvd 14th Floor, Houston Texas, 77079 | Dormant companies | Ordinary | 100% | 100% |
| Prax Energy (Shanghai) Co. Limited | Room 368, Unit 302, 211 Futc North Road, China (Shanghai) Pilot Free Trade Zone | Dormant company | Ordinary | 100% | 100% |
| Prax Treasury Limited | Harvest House* | Group treasury services | Ordinary | 100% | 100% |
| Prax Global Financial Services DAC** | 2nd Floor, Block 5, Irish Life centre, Abbey Street Lower, Dublin-1, Dublin, D01 P767, Ireland | Group treasury services | | - | - |
| Prax Exploration and Production PLC | Harvest House* | Support activities for petroleum and natural gas extraction | Ordinary | 100% | 100% |
| Prax Downstream UK Limited + | Harvest House* | Holding company | Ordinary | 100% | 100% |
| Prax Lindsey Oil Refinery Limited | Harvest House* | Oil refining | Ordinary | 100% | 100% |
| Prax Air Limited | Harvest House* | Dormant | Ordinary | 100% | 100% |
| Prax Capital Limited | Harvest House* | Dormant | Ordinary | 100% | 100% |
| Prax Gas and Power Limited | Harvest House* | Dormant | Ordinary | 100% | 100% |
| Prax Shipping I BV | Campus Coppens Rulterijschool 6 2930 Brasschat Belgium | Shipping | Ordinary | 100% | 100% |
| Prax Shipping II BV | Campus Coppens Rulterijschool 6 2930 Brasschat Belgium | Shipping | Ordinary | 100% | 100% |
| Prax Shipping III BV | Campus Coppens Rulterijschool 6 2930 Brasschat Belgium | Shipping | Ordinary | 100% | 100% |

## Notes *(continued)*

| | | | | | |
|---|---|---|---|---|---|
| Prax Energy Limited | Harvest House* | Dormant | Ordinary | 100% | 100% |
| Prax Midstream UK Limited | Harvest House* | Holding company | Ordinary | 100% | 100% |

*Harvest House, Horizon Business Village, Weybridge, Surrey, KT13 0TJ United Kingdom

** The Group has determined it has a controlling interest in this entity, see note 2.4

*** These entities were incorporated after 28 February 2023

+ For the year ended 28 February 2023 the Company was entitled to exemption from audit under section 479A of the Companies Act 2006 relating to subsidiary companies. The members have not required the Company to obtain an audit of its accounts for the year in question in accordance with section 476. The directors acknowledge their responsibilities for complying with the requirements of the Act with respect to accounting records and the preparation of accounts.

**Investments in subsidiaries**

| ***Company*** | $'000s |
|---|---|
| Balance at 1 March 2021 | 11,255 |
| Effect of movements in foreign exchange | (452) |
| Addition | 67 |
| Balance at 28 February 2022 | 10,870 |
| Effect of movements in foreign exchange | (1,063) |
| Addition | - |
| Balance at 28 February 2023 | **9,807** |

The addition in prior year relates to a $67,095 (£50,000) shareholding in Prax Global Financial I PLC.

### 13 Fixed asset investment

| | **2023** | 2022 |
|---|---|---|
| | **$'000s** | $'000s |
| Loans to joint ventures | **1,239** | **1,373** |
| Share of net assets in joint ventures | **650** | **720** |
| Ordinary shares in joint ventures | **28** | **32** |
| | **1,917** | **2,125** |

The Group has investments in the ordinary shares of the following companies:

| | **Investment Type** | **Country of Incorporation** | **Activity** | **Principal Holding** |
|---|---|---|---|---|
| Associated Petroleum Terminals (Immingham) Ltd<br>Registered at Queens Road, Immingham, Grimsby, North East Lincolnshire, DN40 2PN | Joint Venture | England | Logistics | 50% |
| Crude Oil Terminals (Humber) Limited<br>Registered at 7th Floor, 200-202 Aldersgate Street, London, EC1A 4HD | Joint Venture | England | Logistics | 50% |
| Humber Oil Terminals Trustee Ltd<br>Registered at Queens Road, Immingham, Grimsby, North East Lincolnshire, DN40 2PN | Joint Venture | England | Logistics | 50% |
| Prax Milford Haven Refinery Limited<br>Registered at Lindsey Oil Refinery, Eastfield Road, North Killingholme, Immingham, North Lincolnshire, DN40 3LW | Subsidiary | England | Dormant | 100% |
| APT Pension Scheme Trustees Limited<br>Registered Queens Road, Immingham, Grimsby DN40 2PN | Joint Venture | England | Dormant | 50% |

The Group acquired these investments as part of the acquisition of Lindsey oil refinery.

The Group holds a beneficial interest in the ordinary shares in the following companies:

| | Investment Type | Country of Incorporation | Activity | Principal Holding |
|---|---|---|---|---|
| Warwickshire Oil Storage Limited<br>Registered c/o Wilkin Chapman Llp, Cartergate House, Chantry Lane, Grimsby DN31 2LJ | Joint Venture | England | Logistics | 50% |
| Hertfordshire Oil Storage Limited<br>Registered at 2 New Bailey, 6 Stanley Street, Salford, Greater Manchester M3 5GS | Joint Venture | England | Remediation | 60% |
| WOSL Pension Scheme Trustees Limited<br>Registered c/o Wilkin Chapman Llp, Cartergate House, Chantry Lane, Grimsby DN31 2LJ | Joint Venture | England | Dormant | 50% |

The Group acquired these beneficial interests as part of the acquisition of Lindsey oil refinery.

## 14 Deferred tax assets and liabilities

Recognised deferred tax assets and liabilities
Deferred tax assets and liabilities are attributable to the following:

| | Group | | Company | |
|---|---|---|---|---|
| | **2023** | 2022 Restated | **2023** | 2022 |
| | **$'000s** | $'000s | **$'000s** | $'000s |
| Accelerated capital allowances | **(9,706)** | (16,077) | **(1,042)** | (555) |
| Tax value of loss carry-forward | **90,762** | 84,338 | **-** | - |
| Property capital gains | **(49,511)** | (43,184) | **(391)** | (433) |
| Contingent liabilities | **(35)** | (35) | **-** | - |
| Prior year adjustments | **-** | 102 | **-** | - |
| Other | **5,395** | 9,031 | **-** | 799 |
| Net tax assets / (liabilities) | **36,905** | 34,175 | **(1,433)** | (189) |
| Presented as: | | | **-** | - |
| Tax assets | **96,157** | 93,471 | | |
| Tax liabilities | **(59,252)** | (59,296) | **(1,433)** | (189) |
| Net tax assets / (liabilities) | **36,905** | 34,175 | **(1,433)** | (189) |

Company deferred tax movement of $1,271,348 (2022: credit $771,552) has been recognised in the income statement.

## Notes *(continued)*

*Movement in deferred tax during the year*

| *Group* | 1 March 2022 Restated | Recognised in Profit and Loss | Recognised in other comprehensive income | FX and other | 28 Feb 2023 |
|---|---|---|---|---|---|
| | $'000s | $'000s | $'000s | $'000s | $'000s |
| Accelerated capital allowances | (16,077) | 4,799 | - | 1,572 | **(9,706)** |
| Tax value of loss carry forwards | 84,338 | 14,670 | - | (8,246) | **90,762** |
| Property capital gains | (43,184) | - | (11,279) | 4,952 | **(49,511)** |
| Contingent liabilities | (35) | - | - | - | **(35)** |
| Prior Year adjustment | 102 | (102) | - | - | - |
| Other timing differences | 9,031 | (1,856) | - | (1,780) | **5,395** |
| | **34,175** | **17,511** | **(11,279)** | **(3,502)** | **36,905** |

Deferred tax assets include amount of $92.6m (2022 - Restated: $84.3m) where recovery is based on future taxable profits. The tax losses derived predominately from the refining business and have been carried forward from 2020 and the significant losses incurred during the COVID-19 pandemic, the associated national lockdowns and the impact of those lockdowns on both fuel demand and refining margins.

The deferred tax assets arise predominantly in Prax Lindsey Oil Refinery Limited ($80.1m). The amount of profits which are necessary to be realised over the forecast period to support these assets are $672m. UK tax rules allow losses to be carried forward indefinitely but are subject to limitations of use (for example there is a limit that allows only 50% of tax losses to be used each year). The recovery of the deferred tax assets has been assessed by reviewing the likely timing and level of future taxable profits of the refinery business over the next six years. The period assessed for recovery of the assets is considered to be appropriate for the refinery having due regard to the facts and circumstances and the probability of achieving the forecast profitability in this period. Trading losses do not have an expiry date. A 10% shortfall in expected profits would have a proportionate impact on the value of the deferred tax assets recoverable. Equally, a 10% increase in expected profits could accelerate the recovery of losses and reduce the number of years over which relieve the losses.

A deferred tax asset has not been recognised on Corporate Interest Restriction of $6.0m. This is mainly driven by the inaccessible stock finance cost adjustments.

*Movement in deferred tax during the prior year*

| *Group* | 1 March 2021 | Recognised in Profit and Loss | Recognised in other comprehensive income | Reclassif ication | FX and other | 28 Feb 2022 Restated |
|---|---|---|---|---|---|---|
| | $'000s | $'000s | $'000s | $'000s | $'000s | $'000s |
| Accelerated capital allowances | (5,591) | (10,261) | - | - | (225) | **(16,077)** |
| Tax value of loss carry forwards | 874 | 26,106 | - | 67,047 | (9,689) | **84,338** |
| Property capital gains | (23,548) | (3,036) | (15,653) | - | (947) | **(43,184)** |
| Contingent liabilities | 561 | (619) | - | - | 23 | **(35)** |
| Prior Year adjustment | 98 | - | - | - | 4 | **102** |
| Tax value of losses acquired | 64,456 | - | - | (67,047) | 2,591 | - |
| Other timing differences | (28) | 2,407 | - | - | 6,652 | **9,031** |
| | **36,822** | **14,597** | **(15,653)** | - | **(1,591)** | **34,175** |

## 15 Inventories

| | Group | | Company | |
|---|---|---|---|---|
| | **2023** | 2022 | **2023** | 2022 |
| | **$'000s** | Restated $'000s | **$'000s** | $'000s |
| Crude oil and feedstocks | **7,390** | 9,439 | - | - |
| Refined products | **314,496** | 286,758 | - | - |
| Other stock | **35,469** | 58,162 | - | - |
| Current | **357,355** | 354,359 | - | - |

Finished goods recognised as cost of sales in the year amounted to $9,824,380,446 (2022: $9,292,155,518). There were no significant write-downs of inventories to net realisable value. Although commodity prices fluctuate the Group enters into commodity derivative contracts to mitigate the related risks. $284,091,097 of refined product has been provided as security to a supplier.

## 16 Trade and other receivables

| | Group | | Company | |
|---|---|---|---|---|
| | **2023** | 2022 | **2023** | 2022 |
| | **$'000s** | $'000s | **$'000s** | $'000s |
| Trade receivables | **633,684** | 869,222 | - | 4 |
| Amounts owed by group undertakings | **5,061** | - | **177,979** | 221,668 |
| Other receivables | **85,611** | 11,478 | **1,030** | 2,188 |
| Prepayments | **65,345** | 42,081 | **2,118** | 1,771 |
| Current | **789,701** | 922,781 | **181,127** | 225,631 |

## 17 Cash and cash equivalents

| | Group | | Company | |
|---|---|---|---|---|
| | **2023** | 2022 | **2023** | 2022 |
| | **$'000s** | $'000s | **$'000s** | $'000s |
| Cash and cash equivalents per Balance Sheet | **126,035** | 156,611 | **2,059** | 54 |
| Cash and cash equivalents per cash flow statement | **126,035** | 156,611 | **2,059** | 54 |

**18 Borrowings**

This note provides information about the contractual terms of the Group's and company's interest-bearing loans and borrowings, which are measured at amortised cost. For more information about the Group's exposure to interest rate and foreign currency risk, see note 23.

Borrowing costs -Nil (202: Nil) were capitalised during the period.

| | Group | | Company | |
|---|---|---|---|---|
| | **2023** | 2022 restated | **2023** | 2022 |
| | **$'000s** | $'000 | **$'000s** | $'000s |
| **Non-current liabilities** | | | | |
| Secured bank loans | **6,873** | 110,721 | **-** | - |
| Other loan notes | **-** | 10,064 | **-** | 10,064 |
| Lease liabilities | **15,883** | 15,191 | **1,419** | 84 |
| | **22,756** | 135,976 | **1,419** | 10,148 |
| **Current liabilities** | | | | |
| Current portion of secured bank loans | **95,839** | 8,485 | **-** | 3,662 |
| Other loan notes | **9,080** | - | **9,080** | - |
| Bank overdraft | **-** | 1,738 | **-** | 1,738 |
| Securitisation facility | **582,732** | 502,341 | **-** | - |
| Trade finance facilities | **3,707** | 21,411 | **-** | - |
| Lease liabilities | **3,525** | 5,573 | **475** | 121 |
| Other short-term financing | **140,670** | 95,969 | **-** | - |
| | **835,553** | 635,517 | **9,555** | 5,521 |

*Terms and debt repayment schedule*

| **Group** | **Currency** | **Year of maturity** | **Redemption value 2023** | **Carrying Amount* 2023** | Redemption value 2022 restated | Carrying Amount* 2022 restated |
|---|---|---|---|---|---|---|
| | | | **$'000s** | **$'000s** | $'000s | $'000s |
| Bank term loan facility | GBP | 2023 | **92,954** | **92,954** | 112,451 | 110,717 |
| Loan note | GBP | 2023 | **9,080** | **9,080** | 10,064 | 10,064 |
| Bank loan** | GBP | 2022 | **-** | **-** | 3,662 | 3,662 |
| Bank loan** | GBP | 2023 | **2,744** | **2,744** | 3,353 | 3,353 |
| Bank loan** | GBP | 2025 | **1,164** | **1,164** | 1,475 | 1,475 |
| Bank loan** | USD | 2032 | **2,700** | **2,700** | - | - |
| Bank loan** | USD | 2032 | **3,775** | **3,775** | - | - |
| Securitisation facility*** | GBP | 2025 | **582,732** | **582,732** | 502,341 | 502,341 |
| Trade finance facilities**** | USD | Various | **3,707** | **3,707** | 21,411 | 21,411 |
| Other short-term financing***** | GBP | Various | **140,670** | **140,670** | 95,969 | 95,969 |
| | | | **839,526** | **839,526** | 750,726 | 748,992 |

* Carrying values in the Balance Sheet are net of unamortised issue costs.
** These loans include quarterly repayments amounting to a total of $1,047,688 a year.

*** Securitisation facility is secured against certain receivables of the group.
****Trade finance facilities are revolving credit facilities secured against the Group's import of products.
***** Short term financing relating to transactions to sell and purchase RTFC tickets and CO2 allowances.

The group is charged interest on these loans and facilities at a commercial margin above SONIA.

# Notes *(continued)*

Prax Global Financial Services DAC, one of the consolidated entities, issued Senior and Mezzanine Notes totalling $582,732,041. These notes are listed on the international stock exchange in Guernsey. The Notes' legal final maturity date is 25 February 2025. Interest is payable on monthly basis. The first payment was made in March 2021. The Notes carry a variable interest rate.

| Company | Currency | Year of maturity | Redemption value 2023 $'000s | Carrying amount 2023 $'000s | Redemption value 2022 $'000s | Carrying amount 2022 $'000s |
|---|---|---|---|---|---|---|
| Bank loan ** | GBP | 2022 | - | - | 3,662 | 3,662 |
| Loan note | GBP | 2023 | 9,080 | 9,080 | 10,064 | 10,064 |
| | | | 9,080 | 9,080 | 13,726 | 13,726 |

*Changes in liabilities from financing activities*

| | Group 2023 $'000 | 2022 $'000 restated | Company 2023 $'000 | 2022 $'000 |
|---|---|---|---|---|
| **Balance at 1 March** | 771,493 | 307,183 | 15,668 | 16,845 |
| ***Changes from financing cash flows*** | | | | |
| Proceeds from borrowings | 159,996 | 529,387 | - | (151) |
| Movement in receivables and trade financing | (15,611) | (110,247) | - | - |
| Repayment of loans | (12,697) | (4,543) | (4,872) | (340) |
| Movement in lease liabilities | 674 | (7,902) | - | (9) |
| Proceeds from other short-term financing | 44,701 | 95,969 | | |
| Derivatives settlement | (15,761) | (27,046) | | |
| **Total changes from financing cash flows** | 161,302 | 475,618 | (4,872) | (500) |
| Amortisation of loan issue costs | 939 | 1,041 | - | - |
| The effect of changes in foreign exchange rates | (75,425) | (12,349) | 178 | (677) |
| **Total other changes** | (74,486) | (11,308) | 178 | (677) |
| **Balance at 28 February** | 858,309 | 771,493 | 10,974 | 15,668 |

## 19 Trade and other payables

| | Group 2023 $'000s | 2022 $'000s | Company 2023 $'000s | 2022 $'000s |
|---|---|---|---|---|
| Trade payables | 301,834 | 358,395 | 4,741 | 4,413 |
| Amounts owed to group undertakings | - | - | 181,216 | 209,981 |
| Tax and social security | 211,475 | 334,322 | 1,666 | 1,418 |
| Other payables | 13,488 | 1,055 | - | - |
| Non-trade payables and accrued expenses | 85,364 | 147,726 | 8,654 | 9,966 |
| | 612,161 | 841,498 | 196,277 | 225,778 |

# Notes *(continued)*

### 20 Employee benefits

The Group operates a long-term employee benefit scheme, the total expense in the current year was $3,858,543 (2022: $3,586,812). This is accounted for in accordance with IAS 19.

### 21 Provisions

| | Others | Total |
|---|---|---|
| | $'000s | $'000s |
| Balance at 1 March 2022 | 691 | **691** |
| Additional provisions on business combinations | - | - |
| Provisions used | - | - |
| Provisions released | - | - |
| Effects of foreign exchange movement | (67) | **(67)** |
| **Balance at 28 February 2023** | **624** | **624** |

Other provisions relate to the share of liabilities for the defined benefit pension scheme of the joint venture company Associated Petroleum Terminals Limited. The amount is based on the latest available actuarial valuation of the pension scheme.

### 22 Capital and reserves

| *Share capital* | **2023** | 2022 |
|---|---|---|
| | **$'000s** | $'000s |
| Allotted, called up and fully paid | | |
| 1,000,000 ordinary shares of £1 each | **1,921** | 1,921 |

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

*Translation reserve*
The translation reserve comprises all foreign exchange differences arising from there translation of the financial statements of operations into United States dollars.

*Revaluation reserve*
Where property, plant and equipment is revalued, the cumulative increase in the fair value of the property at the date of reclassification in excess of any previous impairment losses is included in the revaluation reserve.

*Dividends*

| The following dividends were recognised during the year: | **2023** | 2022 |
|---|---|---|
| | **$'000s** | $'000s |
| $0 (2022: $2.059) per qualifying ordinary share | - | 2,059 |

## 23 Financial Instruments

### *(a) Fair values of financial instruments*

*Fair values*

The Group holds forward foreign exchange and commodity contracts which are valued using observable inputs on a Level 2 basis (including quoted prices in active markets for similar assets or liabilities and observable market data). Fair value is estimated by discounting the difference between the contractual forward price and the current forward price for the residual maturity of the contract using a risk-free interest rate (based on government bonds).

**Financial Assets and liabilities designated as FVTPL**

| **$'000s** | **Carrying Value** | **Fair Value** | **Level 2** |
|---|---|---|---|
| Gross financial asset | 178,905 | 178,905 | 178,905 |
| Gross financial liability | 164,400 | 164,400 | 164,400 |

### *(b) Credit risk*

*Financial risk management*
Credit risk is the risk of financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations and arises principally from the Group's trade receivables. The ageing of trade receivables at the balance sheet date was:

| | **2023** | 2022 |
|---|---|---|
| | **$'000s** | $'000s |
| Not past due | **584,802** | 840,446 |
| Past due and not impaired (0-30 days) | **27,560** | 26,479 |
| Past due and not impaired (over 30 days) | **21,322** | 2,297 |
| | **633,684** | 869,222 |

However, the Group insures its receivables and has no history of any significant impairment losses. No expected credit loss in respect of trade receivables has therefore been recorded and in view of this, there is not considered to be any specific concentration of credit risk.

The increase in past due and not impaired (over 30 days) in 2023 is driven by delays in invoicing due to a new system implementation and have since reduced back to normal levels.

***(c) Liquidity risk***

*Financial risk management*

Liquidity risk is the risk that the Group will not be able to meet its financial obligations as they fall due. The Group's approach to managing liquidity is to ensure that it will have sufficient liquidity through trade receivable securitisation, Inventory monetisation, bilateral and supply chain finance, overdraft and other short-term facilities to meet its liabilities when due in normal and stressed conditions, without incurring unacceptable losses.

The Group forecasts on a regular basis, the expected cashflows that will occur on a weekly and monthly basis. This information is used in conjunction with the daily reporting of the actual cash balances at bank in order to calculate the level of funding that will be required on the short to medium term.

The following are the contractual maturities of financial liabilities, including estimated loan interest payments based on year-end rates for future floating rate interest payments.

**At 28 February 2023**

| | Carrying amount | Total future cash flows | 1 year or less | 1 to <2years | 2 to <5years |
|---|---|---|---|---|---|
| | **$'000** | **$'000** | **$'000** | **$'000** | **$'000** |
| Secured bank loans | 102,712 | 107,066 | 103,597 | 1,208 | 2,261 |
| Unsecured loans | 9,080 | 9,319 | 9,319 | - | - |
| Overdrafts | - | - | - | - | - |
| Trade and working capital finance facilities | 3,707 | 3,707 | 3,707 | - | - |
| Securitisation Loan | 582,732 | 617,037 | 617,037 | - | - |
| Trade and other payables | 612,161 | 612,161 | 612,161 | - | - |
| Lease liabilities | 19,408 | 19,408 | 3,313 | 3,477 | 12,618 |
| Other short-term financing | 140,670 | 140,670 | 140,670 | - | - |
| | **1,470,470** | **1,509,368** | **1,489,804** | **4,685** | **14,879** |

**At 28 February 2022 (restated)**

| | Carrying amount | Total future cash flows | 1 year or less | 1 to <2years | 2 to <5years |
|---|---|---|---|---|---|
| | **$'000** | **$'000** | **$'000** | **$'000** | **$'000** |
| Secured bank loans | 119,206 | 138,489 | 21,101 | 116,761 | 627 |
| Unsecured loans | 10,064 | 10,781 | 453 | 10,328 | - |
| Overdrafts | 1,738 | 1,738 | 1,738 | - | - |
| Trade and working capital finance facilities | 21,411 | 21,411 | 21,411 | - | - |
| Securitisation Loan | 502,341 | 502,341 | 502,341 | - | - |
| Trade and other payables | 841,498 | 841,498 | 841,498 | - | - |
| Lease liabilities | 20,763 | 27,127 | 6,396 | 2,674 | 18,057 |
| Other short-term financing | 95,969 | 95,969 | 95,969 | - | - |
| | **1,612,990** | **1,639,354** | **1,490,907** | **129,763** | **18,684** |

Overdrafts are repayable on demand and working capital and trade finance facilities relate to the receipt of trade receivables settled in less than 3 months. Trade and other payables principally relate to amounts settled in less than 3 months. Derivative liabilities are not included as they are used to hedge short term currency fluctuations in trade receivables or short-term fuel purchase liability prices and are not significant to the aggregate analysis.

***(d) Market risk***

*Financial risk management*

Market risk is the risk that changes in market prices, such as foreign exchange rates, commodity prices and interest rates will affect the Group's income and net assets.

**Market risk - Foreign currency and purchase price risk**

The Group's exposure to foreign currency and related commodity price risk arises principally from its trading in oil with purchases in United States dollars where commodity prices can change in the short term and from its revenue earned in local currencies. The Group enters into derivative contracts in respect of its fuel purchases in order to offset any fluctuations in fuel prices up to the date of delivery to a customer and into forward currency contracts in respect of outstanding receivables from customers in currency that differs from related liabilities (principally sterling and United States dollars respectively). At 28 February 2023 the fair value of

## Notes *(continued)*

these was a liability of $75,075,059 (2022. $67,547,803) with a loss of $598,274 (2022: gain $15,445) recorded in cost of sales in the year which was matched by compensating amounts within purchases in cost of sales. Management monitor all transactions and enter into these contracts to cover substantially all of the price and currency risks such that there is no major sensitivity to movements in prices and currency rates other than in respect of the remaining surplus net assets in the Group.

In addition, the Group has exposure to foreign currency fluctuations on the trade receivables and payables denominated in foreign currency other than the functional currency. These could significantly impact the operations and reported results. In order to mitigate the risks of translating such foreign currency assets and liabilities to the functional currency, the Group reviews its exposures from time to time and determine the strategy to cover its currency exposures to the extent possible. The strategy includes benefitting from the opportunity of prevailing market conditions coupled with continuous monitoring of the economic outlook based. The realised and unrealised translation loss amounted to $11,534,063, recorded in cost of sales for year ended 28 February 2023 (2022: gain of $19,682,967)

The Group's functional currency is sterling and if there was a 5% difference in year-end exchange rates the net assets and income for the year would have been approximately $26m higher/lower at 28 February 2023 ($28m at 28 February 2022).

| 28 February 2023 | Sterling $'000 | Euro $'000 | US Dollar $'000 | Other $'000 | Total $'000 |
|---|---|---|---|---|---|
| Cash and cash equivalents | 116,961 | 860 | 7,907 | 307 | 126,035 |
| Trade debtors | 551,556 | 12,469 | 69,659 | - | 633,684 |
| Secured bank loans | (105,317) | - | (6,475) | - | (111,792) |
| Short term borrowing | (140,670) | - | - | - | (140,670) |
| Trade creditors | (299,517) | (2,317) | - | - | (301,834) |
| Balance sheet exposure | 406,383 | 11,012 | 71,091 | 307 | 488,793 |

The mix of currencies is similar year-on-year with sterling consistently being the main currency of the Group.

**Market risk – Interest rate risk**
At the balance sheet date carrying value the interest rate profile of the Group's interest-bearing financial liability

| | **2023 $'000s** | 2022 $'000s |
|---|---|---|
| **Fixed rate instruments** | | |
| Financial liabilities - Fixed Rate | **(9,080)** | (10,064) |
| **Variable rate instruments** | | |
| Financial liabilities - Variable Rate | **(830,446)** | (740,662) |

Certain cash balances currently earn a limited amount of interest income at a floating rate.

An increase of 0.5% in interest rates would decrease equity and reduce profit or loss by approximately $2.5m based on a full year and the closing balance sheet borrowings. Interest on the main loan facility of $92m has a variable element which is capped at 2.5% over base rates for 4 years.

### *(e) Capital management*

The Group's capital comprises all components of equity which includes share capital, retained earnings and other reserves. The Group's objectives when maintaining capital are:

- To safeguard the entity's ability to continue as a going concern, so that it can continue to provide returns for shareholders and benefits for other stakeholders; and
- To provide an adequate return to shareholders by pricing products and services commensurately with the level of risk.

The capital structure of the Group consists of shareholders equity with all working capital requirements financed from cash and revolving credit facilities. Most major acquisitions are financed from term loan facilities. The Group sets the amount of capital it requires in proportion to risk. It manages its capital structure and makes adjustments to it in the light of changes in economic conditions, terms of borrowing facilities and the risk characteristics of the underlying assets and activity. In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares, or sell assets to reduce debt.

### 24 Leases

The Group and company leases oil storage facilities as well as a number of petrol station sites and offices used by the business. The lease terms vary from short term renewable rolling agreements for storage facilities and office property rentals through to 15 to 20 year lease terms for the operational sites. These are subject to periodic rent reviews. The right-of-use assets related to lease properties that do not meet the definition of investment properties are presented as part of tangible fixed assets.

| | **Group** | | **Company** | |
|---|---|---|---|---|
| | **Plant and machinery** | **Leasehold property** | **Plant and machinery** | **Leasehold property** |
| | **$'000s** | **$'000s** | **$'000s** | **$'000s** |
| Balance as at 1 March 2022 | **7,802** | **13,236** | **209** | - |
| Additions to right-of-use assets | **6,242** | **5,207** | **398** | - |
| Disposal of right-of-use assets | - | **(1,316)** | - | - |
| Depreciation charge for the year | **(1,329)** | **(4,420)** | **(152)** | - |
| Effect of foreign exchange movement | **(760)** | **(1,262)** | **(20)** | - |
| **Balance as at 28 February 2023** | **11,955** | **11,445** | **435** | - |

The following amounts in respect of leases, where the Group is a lessee, have been recognised in profit or loss:

| | Group $'000s |
|---|---|
| 2023 - Leases under IFRS 16 | |
| Interest expense on lease liability | 837 |
| 2022 - Leases under IFRS 16 | |
| Interest expense on lease liability | 1,088 |

### 25 Related parties and directors' remuneration

The Group's interest in Joint Ventures are detailed in Note 13.

The Group's transactions with its joint ventures in the normal course of business during the period were;

| | Purchases | Purchases |
|---|---|---|
| | 2023 | 2022 |
| | $'000 | $'000 |
| Logistics Services | 23,430 | 26,949 |

Directors' emoluments were as follows:

| | **2023** | 2022 |
|---|---|---|
| | **$'000s** | $'000s |
| Directors' emoluments | 5,230 | 4,628 |
| Company contributions to defined contribution pension schemes | 10 | 22 |

The highest paid Director received remuneration of $3,094,280 (2022: $2,482,785) and the value of the company's contributions paid to a defined contribution pension scheme in respect of the highest paid Director amounted to nil (2022 - $21,960).

## Notes *(continued)*

During the year 2 directors were accruing benefits in a defined contribution pension plan (2022: 1).

The directors consider the executive committee as key management personnel.

The compensation of key management personnel (including the directors) is as follows

| | **2023** | 2022 |
|---|---|---|
| | **$'000s** | $'000s |
| Key management remuneration including social security costs | 8,049 | 7,519 |
| Company contributions to defined contribution pension schemes | 119 | 40 |

Other related party transactions

| | **2023** | 2022 |
|---|---|---|
| | **$'000s** | $'000s |
| Amounts owed by related parties | 5,061 | - |

**26 Ultimate controlling party**

During the course of the year two additional holding companies were inserted into the group structure above State Oil, as a result of which all of the shares of State Oil Limited are now held by Prax Group Limited, all of the shares of which are now held by Prax Group Holdings Limited. The ultimate shareholders, Mr and Mrs Soosaipillai, each transferred 10% of their shares in Prax Group Holdings Limited to a UK family trust structure controlled by Mr and Mrs Soosaipillai. As a result of which they each now hold 40% of the ultimate group holding company (Prax Group Holdings Limited) and the remaining 20% is held equally by two UK family trusts.

The company's immediate parent undertaking is Prax Group, a company registered in England and Wales. The ultimate parent undertaking is Prax Group Holdings Limited. The largest and smallest group for which consolidated financial statements have been prepared is that headed by Prax Group Holdings Limited. Consolidated financial statements are available from Companies House, Crown Way, Cardiff, CF14 3UZ. The ultimate controlling parties were Mr Winston Sanjeevkumar Soosaipillai and Mrs Arani Soosaipillai by virtue of being the majority shareholders of the ultimate parent company.

**27 Subsequent events**

**Acquisition of Hurricane Energy plc**

On 8 June 2023 the Group acquired the entire share capital of Hurricane Energy plc ("Hurricane"). Hurricane is an oil and gas exploration and production company and is a significant player in the UK oil and gas industry. Following the completion of the acquisition, the company was renamed as Prax Upstream Limited. The acquisition furthers the Group's long-term strategy to be fully integrated across the oil value chain by expanding its upstream capabilities.

The consideration includes initial cash consideration of £119.8m ($149.0m). Additional consideration, in the form of Deferred Consideration Units ("DCUs"), of £129.1m ($160.6m) may be payable in cash based on the fulfilment of certain conditions. These DCUs are listed on London Stock Exchange.

The DCUs entitle the holders to receive 17.5% of all future net revenues generated from assets owned or acquired by Prax Upstream Limited or its subsidiaries between 1 March 2023 and 31 December 2026, capped at £129.1m ($160.6m). Future net revenues are dependent on production volumes of the assets, including any future acquisitions during the DCU period that results in additional production volumes, and the oil price at the time of production.

The Group is in the process of determining the fair value of the consideration transferred and a detailed purchase price allocation exercise is being performed to calculate the goodwill arising on this acquisition.

At the date of this report, it is impracticable to disclose the provisional fair values of the total consideration paid and the acquired assets, liabilities, contingent liabilities, and goodwill.

The Group will provide further disclosure about this acquisition in its next annual report.

**Extension and amendment of working capital facility**

On 8th June 2023, the Group executed an extension of its existing trade debt securitisation facility, our largest working capital facility, to 25th February 2025 and its amendment to include overseas group companies Prax SA, incorporated in Switzerland, Prax PTE, incorporated in Singapore and Prax Inc., incorporated in the US.

The facility is underwritten by HSBC, Citi, JPMorgan Chase, Royal Bank of Canada and NordLB as Note Purchasers.

These changes provide greater certainty on funding for working capital over the next 20 months and more flexibility in its use.

**Dividends**

During the year the Company declared and paid a dividend of $5,061k (£4,180k) to its immediate parent company, Prax Group Limited. The distribution was approved by the directors in good faith based on information available at that time. However, based on current information it has been identified that the distribution exceeded the available level of distributable reserves. As a result the amount has been classified as an amount receivable from related parties (see note 16).

Subsequent to the period end, the Directors have taken steps to remedy this matter by declaring a further dividend from currently available distributable reserves, which will be satisfied by releasing the parent company from its obligation to repay the amount already transferred.

**Refinancing of term loan**

On 9 August 2023 the Group entered into a Term Loan Facility with a group of institutional investors in order to refinance existing indebtedness that is due to mature in October 2023.

The new facility includes a £90m loan over 5 years to refinance existing indebtedness and an option for increased funding to allow further M&A activities, subject to specific conditions. The £90m loan was drawn down on 8 September 2023 and the proceeds were used to refinance the existing facilities.

This funding provides the Group with support for its liquidity requirements and enhanced flexibility to pursue its long-term strategy of developing its oil and gas portfolio through acquisitions.

The facilities include leverage, interest, and minimum liquidity covenants, which will be tested either monthly or quarterly, depending on the covenant.

The impact of the refinancing facility to clear the existing indebtedness has been included within the financial forecasts used in the assessment of going concern presented in Note 2.5.

**Inventory financing facility**

Since the year end the Group has announced the successful signing of a new two-year $350 million dollar inventory financing facility. This will provide liquidity and flexibility for future product procurement, as well as securing supply for the Group's strong customer base.

There were no other reportable subsequent events which occurred between the end of the reporting period and prior to the authorisation of these financial statements.