Prax Lindsey Oil Refinery Limited

Annual report and financial statements
Registered number 00564599
28 February 2022

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Strategic report

Business review

The audited financial statements for the year ended 28 February 2022 are set out on pages 17 to 42. The Profit/(loss) for the period after taxation was £3m (2021: £195m loss).

The State Oil Limited Group acquired Prax Lindsey Oil Refinery Limited on 28th February 2021 providing the group with;

- A nationally strategic refinery with high complexity, strong operational performance and major recent investments bolstering competitiveness
- Direct integrated access to the North Sea at Immingham Oil Terminal and access to gas jetties
- Unique inland distribution assets with rail, road and pipeline providing direct connection to the London Area, major Airports and other national pipeline networks
- Integrated storage at Kingsbury and Hertfordshire

The performance of the refinery includes £18.0m of lost margin resulting from an outage of one of the gasoline production units in Q1, the unit was received offline on acquisition of the refinery on 28 February 2021 and on re-starting an issue was identified that required a repair to the unit during April and May, since repair the unit has been fully operational.

Integrating the Refinery into the Prax sales organisation has allowed us to direct more product domestically as well as through a wider customer base, providing us with benefits in transport costs and margin. Prax has actively optimised the crude diet further improving refinery profitability.

Shortly after the purchase of the Refinery the Group launched a project to focus on asset optimisation, commercial integration, optimisation of biofuels performance and cost reduction / synergies, both at the Refinery and at Group level. Much of the project has been delivered during the year through cost savings and revenue benefits.

The Company has achieved average throughput volumes (i.e., the quantity of Crude and Feedstock consumed in the production of products) of 510kT per month in normal operations, following the planned Inspection and Maintenance outage completed in August 2022 the throughput can now be increased further by 100kT per month.

Following a valuation by the Group of the tangible fixed assets of Refinery at the time of acquisition, an impairment reversal of £14.7m for Land & Buildings and £32.5m for Plant & Equipment has been recognisied in the year (2021:-nil)

Performance on Current Cost of Supply Basis

From the current year, 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 following the acquisition of Lindsey Oil Refinery on 28 February 2021. 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 the 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.

This year has seen significant changes in financing with the Group entering into new working capital facilities on behalf on the Refinery. The Group also entered into supply arrangements for crude and feedstocks for the refinery.

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

Business review (continued)

Consolidated Statement of Profit and Loss on CCS Basis for the year ended 28 February 2022

£'000s	CCS	Adopted IFRS
Revenue	4,642,693	4,642,693
Cost of Sales	-4,569,788	-4,609,588
Gross Profit	**72,905**	**33,105**
Other operating income	82	82
Reversal of impairment	47,217	47,217
Other administrative expenses	-66,978	-66,978
Operating Profit/(Loss)	**53,226**	**13,426**
Financial income	4	4
Financial Expenses	-12,652	-12,652
Profit/(Loss) before tax	**40,578**	**778**
Taxation	2,098	2,098
Profit/(Loss) after tax	**42,676**	**2,876**

Notes:

Adjusting for the one -off events of the outage of the gasoline production unit in April and May 2021 and the reversal of the impairment the underlying CCS Operating Profit was £24.0m

The difference of £39.8m between the CCS and Adopted IFRS cost of sale was due to:

i) £8.4m 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) £12.4m Timing effect of crude price between purchase and consumption period
iii) £12.8m Timing effect of crude premiums between purchase and consumption period
iv) £6.2m 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 as at 28 February 2022

£'000s	CCS	Adopted IFRS
Total Non-Current Assets	**213,082**	**213,082**
Inventories	306,007	266,207
Trade & other receivables	490,062	490,062
Cash and cash equivalents	24,493	24,493
Total Current Assets	**820,562**	**780,762**
Total Current Liabilities	**-526,289**	**-526,289**
Total Non-Current Liabilities	**-19,756**	**-19,756**
Net Assets	**487,599**	**447,799**
Share Capital	871,810	871,810
Profit and loss account	-384,211	-424,011
Shareholders' Funds	**487,599**	**447,799**

Business review (continued)

Governance

The parent compay State Oil Limited has five committees to oversea its governance and compliance activities. The committees are formed around the following disciplines: Executive, Audit & Risk, Investment, Remuneration and Safety, Health, Environment and Quality.

The Executive committee is authorised to constitute additional committees from time to time, depending on the business needs of the Company. The activities of Prax Lindsey Oil Refinery limited are overseen by these committees.

Principal Risks and uncertainties

The control and management of operational and financial risks form an integral part of the Company's objective to achieve high and stable returns.

We promote a culture of awareness, accountability and responsibility throughout our global risk functions with a lean risk monitoring, managing & reporting platform.

Health and Safety Risk

We recognise the paramount importance of safe operations to minimise the risk of harm to people, environment, assets and reputation. We have an excellent track record of health and safety, and it is an integral part of the Prax culture.

Cyber Risk

We are subject to risks associated with failures in technology systems and cyber-security. The operation of many of our business processes depends on the uninterrupted availability of our information technology systems and, to maintain competitiveness, we are increasingly reliant on automation, centralized operation and new technologies to manage and monitor our complex refining, logistics and distribution activities. Consequently, any localized 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. The perpetrators of a cyber-attack can include organised crime groups, competitors, disgruntled employees and politically motivated groups. The Company's dedicated and experienced IT team uses cyber security solutions and defensive practices to protect the Company against cyber-crime. 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.

Currency and Interest Risk Management

Our exposure to foreign currency and related commodity price risk arises principally from our 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. We rigorously monitor our daily exposure to currency fluctuations and eradicate any forex exposure with the use of financial derivative instruments. We enter into derivative contracts when concluding purchases in order to offset any fluctuations in prices up to the date of delivery to a customer and into forward currency contracts when contracting with customers in currency that differs from related liabilities (principally Sterling and United States dollars respectively). Our interest rate risk is managed by our Treasury function.

Business review (continued)

Market Price Risk Management

Our operating results and financial condition are exposed to fluctuations in the prices of crude oil and petroleum products, which have been volatile over recent years, in particular due to the COVID-19 pandemic and related global macro-economic and political dynamics. The market is volatile and the prices of the products it trades are susceptible to significant price movements. The Company negates the impact of such movements and protects current and future earnings by using forward contracts and other financial instruments.

Credit Risk Management

Credit risk is the risk of financial loss to the Company if a customer or counterparty to a financial instrument fails to meet its contractual obligations and arises principally from the Company's trade receivables. The failure to perform could take the form of non-payment for amounts due, or inability to fulfil the requirements of a physical or financial contract that would result in the Company incurring a loss by failing to source a replacement counterparty for the same contract in the market. Credit risk in monitored and managed by our credit risk committee. We insure our receivables and have no history of significant impairment losses. We have robust processes in place to monitor the credit quality of all counterparties and mitigate the risk of contractual non-performance or payment default by requiring credit support from creditworthy financial institutions. We also make extensive use of credit enhancement products, such as letters of credit, credit insurance policies and bank guarantees where appropriate, and by providing open account credit mainly to investment grade counterparties. We have rigorous counterparty onboarding processes which take into account both qualitative and quantitative parameters before establishing business relationships. We have a formalized credit process, managed and monitored by the senior credit manager of the Company. Our conservative credit policy requires provision of bank guarantees or insurance for counterparties which are not investment grade rated by Fitch, Moody's or Standard and Poor's.

Cash flow risk

The Company is exposed to variability in cash flows such as future interest payments on variable rate debt. The company manages this risk, where significant, by use of a syndicate of credit providers, financial instruments (such as interest rate swaps or caps) and by amending its pricing strategy.

Environmental Risk

Rising climate change concerns have led and could lead to additional regulatory and legislative measures, or encourage further technological innovations, that decrease demand for refined fuel products or add to our costs. The Group expect the continued and increased attention on climate change to continue to lead to additional regulations designed to reduce greenhouse gas emissions and demand for refined fuel products. Such changes could have an adverse impact on our business including on our access to and realization of competitive opportunities in any of our strategic focus areas, a decline in demand for, or constraints on our ability to sell certain products. As such we have developed an ESG strategy that is both ambitious and deliverable within a reasonable timeframe. The foundations of our ESG strategy are based on tangible and achievable goals, centred around energy efficiency projects and Carbon Capture, Usage & Storage ("CCUS"), allowing us to commit to a scope 1 and 2 emissions reduction of at least 65% by 2030. We firmly believe that we are at the heart of this transition and are instrumental in delivering this ambition without neglecting our critical infrastructure role or compromising energy security in the countries in which we operate.

Business review (continued)

Operational risk

An interruption to the normal production of the Refinery as well as operational issues at the Refinery may have a material adverse effect on our business. The production at the Refinery could be adversely affected by a variety of extraordinary events, including fire, explosion, mechanical failures, protests causing the closure of primary access routes, and severe weather conditions, any of which could lead to reduce production for a period that could affect our financial performance. The Refinery management team simulate such occurrences at monthly emergency exercises to ensure that the crisis management response plans used to mitigate such risks are fit for purpose.

Geopolitical Risk

Geopolitical risks and changes in the political and financial environment in oil and gas producing countries or countries in which we operate may affect the availability of crude oil, the demand for oil products or otherwise affect our business. As we operate and own assets in different geographic regions and countries, we are exposed to changes in their political, regulatory and financial environment.

Events such as the conflict in the Ukraine and the subsequent sanctioning of trade with the Russian Federation are a prime example of how geopolitical risks could impact on the Company's activities. The Company has taken steps to restructure its supply chain to ensure compliance with all current sanctions legislation and has the flexibility within its industrial assets to rebalance production and supply activities to meet the needs of our customers.

Covid-19 Pandemic

The Company continues to closely manage the impacts of the pandemic and has proven its resilience and agility by successfully navigating those impacts.

Human Capital Management

Our future success as we expand is dependent on our ability to attract and retain highly skilled and qualified personnel. We continue to appreciate the value of talent and the significance of placing the right people in the right positions and seek to use existing talent within the Company wherever possible.

We believe that our lean management structure, coupled with our support for entrepreneurial initiative, offers unparalleled career development opportunities and is a key retention feature. Each of our people can play an active role in our success. Fast track and executive development programmes are in place and formal succession planning is regularly reviewed. The Company also operates a bonus and a long-term employee incentive scheme.

Key Performance Indicators

The Key Performance Indicators pertaining to sales, volume, margins and operating costs are reviewed on a monthly basis by the directors. The Company uses a number of non-financial performance indicators, one of them being refinery process capacity rate which represents the utilisation of production unit capacity. During 2022 the refinery process capacity rate was 63% (2021: 52%). The increase in the period is due the recovery from the prior year lower refinery throughput due to the reduced demand resulting from the COVID-19 restrictions. Other non-financial indicators include those monitoring health and safety statistics of employees and contractors, and attending to customer complaints in a timely fashion.

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

The Company's Board of Directors consider they have acted prudently and in good faith and in a manner most likely to promote the success of the company for the benefit of its members and of its shareholders as a whole.

The Directors of the Company acted in accordance with a set of general duties. These duties are detailed in section 172 of the 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 State Oil Limited 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.

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

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

Approved by the Board of Directors on 6 October 2022

And signed on behalf of the Board

Mr Winston Sanjeev Kumar Soosaipillai

Director

Directors' report

The directors present their report and financial statements for the period ended 28 February 2022.

No dividend is proposed *(2021: £nil)*.

Directors and their interests

The directors who served during the period were as follows:

F Mornand (resigned 1 March 2021)
F Bourrasse (resigned 1 March 2021)
T Behrends (resigned 1 March 2021)
E Stobseth-Brown (resigned 1 March 2021)
D Borneo (appointed 1 March 2021, resigned 29 May 2022)
L Smets (appointed 1 March 2021, resigned 14 March 2022)
W Soosaipillai (appointed 1 March 2021)

None of the directors held any beneficial interest in the shares of the Company or other group companies which are required to be disclosed under the provisions of the Companies Act 2006.

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 auditors is aware of that information.

Employees

The Company has 409 professional employees 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.

The Company 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 Company's policy includes the provision of suitable training & 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 Company continues to undertake research and development activities, either internally or through 3rd party specialist partners, to support our refining activities, developing bio-fuel alternatives and the further the development of our carbon reduction projects.

Financial Instruments

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

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.

Directors' report (continued)

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

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.

Streamlined Energy and Carbon Reporting

Greenhouse Gas (GHG) Emissions

In line with the GHG Corporate Accounting and Reporting Standard, the Cmpany continues to be engaged in a process aimed at reducing our energy usage and greenhouse gas emissions.

The Company currently measure both Scope 1 & 2 emissions, which are generated from our premises, processes, warehouses, and offices, respectively. We also measure Scope 1 emissions from a range of transport including company cars and lorries, which are owned and / or controlled by the company.

The Company has also calculated Scope 3.11 emissions from the use of sold products and also Scope 3 emissions from the transmission and distribution of electricity, in line with government best practice guidance.

The Company previously devised a strategy to reduce our carbon footprint significantly including:

- Encouraging employees to purchase renewable technology vehicles i.e., hybrid, electric,
- Purchasing energy efficient equipment where appropriate and required in our premises,
- Replacing HVAC systems with energy-efficient equipment where possible,
- Adopting behavioural change measures where possible.

All of the above elements continue to be prevalent.

We have a longstanding commitment to tackling climate change. The Groups calculated carbon footprint for our current financial year was 12,837,610 tCO2e, with the Refinery accounting for the vast majority of scope 1 & 2 emissions.

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 2021 (reference "Introduction guidance").

The reporting period is the financial year 2021 - 2022, 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 (continued)

Streamlined Energy and Carbon Reporting (continued)

2021 - 2022 Emissions

		Tonnes CO2 equivalent (tCO2e)		
Scope	**Item**	**2022**		2021
Scope 1	Refinery Stack emissions, natural gas and transport	1,192,095		3,567
Scope 2	Steam and Electricity	199,844		1,899
Scope 3	Use of sold product, Electricity T & D	11,445,671	*	**
Total		**12,837,610**		**5,466**

* for sales to UK end-users.

** This year is the first year for which we have estimated Scope 3.11 emissions for the Group and we do not have like-for-like comparatives for Scope 3 for the prior year

The figures quoted above are for the group as a whole but the refinery accounts for almost all the Scope 1 & 2 emissions.

Efficiency Measures Taken (2021 – 2022)

1) Implemented actions to improve energy efficiency at the Prax Lindsey Oil Refinery, including a steam conservation programme
2) Undertook feasibility study for CCUS at the refinery and applied to participate in the Phase 2 cluster sequencing process run by the UK government's Department for Business, Energy and Industrial Strategy
3) Planned for the construction of a pre-flash unit at the refinery to re-use waste heat and improve efficiency
4) Reduced fuel losses from flaring at the refinery
5) Eliminated LPS venting from the VDU2

Objectives for 2022 - 2023

1) Progress into Pre-FEED for the CCUS project.
2) Improve operating efficiency post-turnaround, continue to deliver significant improvements at the refinery.
3) Prepare for the Energy Savings Opportunity Scheme (ESOS) phase 3 compliance process.
4) Continue with our energy savings programme.
5) Prepare for replacement of waste heat boiler on FCCU unit to improve efficiency.

Prax Lindsey Oil Refinery has been selected by the UK government's Department for Business, Energy and Industry Strategy (BEIS) for the next phase of CCUS (carbon capture, utilisation and storage) sequencing, following the submission of a plan to deploy carbon capture technology in order to reduce carbon emissions at the site. It is one of 20 projects to proceed to the due diligence stage of the Phase-2 Cluster Sequencing process, which in turn opens the potential to access government funding.

Directors' report (continued)

Streamlined Energy and Carbon Reporting (continued)

The proposed plan will see innovative CCUS technologies employed to accelerate the Prax 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 Company will report on progress within our next set of financial accounts.

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 Sanjeev Kumar Soosaipillai
Director
Date: 6 October 2022
Company Registration Number 00564599

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STATEMENT OF DIRECTORS' RESPONSIBILITIES IN RESPECT OF THE STRATEGIC REPORT, DIRECTORS' REPORT AND FINANCIAL STATEMENTS

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

Company law requires the directors to prepare financial statements for each financial year. Under that law they have elected to prepare the financial statements in accordance with 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 company and of its profit or loss for that period. In preparing the financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgments and estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- assess the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and
- use the going concern basis of accounting unless they either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

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

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF PRAX LINDSEY OIL REFINERY LIMITED

Opinion

We have audited the financial statements of Prax Lindsey Oil Refinery Limited ("the company") for the period ended 28 February 2022, which comprise the income statement, statement of other comprehensive income, statement of changes in equity, balance sheet and related notes, including the accounting policies in note 1.

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 28 February 2022and of its profit for the year then ended;
- have been properly prepared in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities are described below. We have fulfilled our ethical responsibilities under, and are independent of the company in accordance with, UK ethical requirements including the FRC Ethical Standard. We believe that the audit evidence we have obtained is a sufficient and appropriate basis for our opinion.

Going concern

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

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

Our conclusions based on this work:

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

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

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 as to the Company's high-level policies and procedures to prevent and detect fraud, 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.

We communicated identified fraud risks throughout the audit team and remained alert to any indications of fraud throughout the audit. As required by auditing standards and taking into account possible pressures to meet profit targets and 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 management may be in a position to make inappropriate accounting entries and the risk that revenue is misstated through recording revenues in the wrong period. We did not identify any additional fraud risks.

In determining the audit procedures, we took into account the results of our evaluation and testing of the operating effectiveness of the company-wide fraud risk management controls.

We also performed procedures including:

- Identifying journal entries and other adjustments to test based on risk criteria and comparing the identified entries to supporting documentation. These included those posted by senior finance management, those posted at the end of the period or as post-closing entries and unusual pairings to revenue and cash.
- 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 through discussion with the directors and other management (as required by auditing standards) and discussed with the directors and other management the policies and procedures regarding compliance with laws and regulations.

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

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

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

Secondly, the Company is subject to many other laws and regulations where the consequences of non-compliance could have a material effect on amounts or disclosures in the financial statements, for instance through the imposition of fines or litigation or the loss of the Company's license to operate. We identified the following areas as those most likely to have such an effect: health and safety, data protection laws, anti-bribery, employment law and certain aspects of company legislation recognising the nature of the Company'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.

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

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

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

Strategic report and directors' report

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

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

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

Matters on which we are required to report by exception

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

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

We have nothing to report in these respects.

Directors' responsibilities

As explained more fully in their statement set out on page 12, the directors are responsible for: the preparation of the financial statements and for being satisfied that they give a true and fair view; such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error; assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and using the going concern basis of accounting unless they either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

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

Julie Wheeldon (Senior Statutory Auditor)
for and on behalf of KPMG LLP, Statutory Auditor
Chartered Accountants
1 Forest Gate
Crawley
RH11 9PT,
United Kingdom
7 October 2022

Income statement
for the year ended 28 February 2022

	Note	12 months ended 28th February 2022 £000	14 months ended 28th February 2021 £000
Revenue	2	**4,642,693**	3,024,356
Cost of Sales		**-4,609,588**	-3,142,078
Gross Profit		**33,105**	**-117,722**
Other Operating Income	3	**82**	**556**
Reversal of impairment	10	**47,217**	**0**
Other administrative expenses		**-66,978**	-109,928
Operating profit/(loss)		**13,426**	-227,094
Financial Income		**4**	558
Financial Expenses	7	**-12,652**	-1,991
Profit/(Loss) before taxation		**778**	-228,527
Taxation	8	**2,098**	33,811
Profit/(Loss) for the financial year		**2,876**	-194,716

Notes on the pages 21 to 43 form part of the financial statements.

Statement of other comprehensive income
for the period ended 28 February 2022

	12 months ended 28th February 2022 £000	14 months ended 28th February 2021 £000
Profit / (Loss) for the financial year	2,876	-194,716
Items that will not be reclassified to profit or loss:		
Remeasurement of defined benefit liability	-	-32,927
Deferred tax on remeasurement of defined benefit liability that will not be reclassified to profit or loss	-	6,256
Other comprehensive income for the year net of income tax	0	-26,671
Total comprehensive income for the year	2,876	-221,387

In the prior year on 28th February 2021 the assets and liabilities within the Total UK Pension Plan were derecognised and attributed to a different participating member of the Total UK Pension Plan.

Notes on the pages 21 to 43 form part of the financial statements.

Statement of changes in equity
for the period ended 28 February 2022

	Called Up Share Capital	Retained Earnings	Total
	£'000	£'000	£'000
At 1 January 2020	**574,110**	**-242,499**	**331,611**
Loss for the financial period	0	-194,716	-194,716
Other comprehensive income	0	-26,671	-26,671
Total comprehensive income for the year	**0**	**-221,387**	**-221,387**
Issue of shares	297,700	**0**	**297,700**
Contribution due to derecognition of defined benefit pension scheme	0	**45,336**	**45,336**
Deferred tax on defined benefit pension scheme derecognition	0	**-8,614**	**-8,614**
Equity settled share based payments	0	277	277
Total contributions by and distribution to owners	**297,700**	**36,999**	**334,699**
At 28 February 2021	**871,810**	**-426,887**	**444,923**
At 1 March 2021	**871,810**	**-426,887**	**444,923**
Profit for the financial period	0	2,876	2,876
At 28 February 2022	**871,810**	**-424,011**	**447,799**

Notes on the pages 21 to 43 form part of the financial statements.

Balance Sheet

At 28 February 2022

	Note	28th February 2022	28th February 2021
		£000	£000
Fixed assets			
Intangible assets	9	2,008	0
Tangible assets	10	209,490	153,612
Investments	11	1,584	1,584
		213,082	155,196
Current assets			
Stocks	12	266,207	342,264
Debtors (including £66,169,000 (2021: £45,012,000) due after more than one year)	13	490,062	100,216
Cash at bank and in hand		24,493	315
		780,762	442,795
***Creditors:** amounts falling due within one year*	14	-526,289	-149,727
Net current assets		254,473	293,068
Total assets less current liabilities		467,555	448,264
***Creditors:** amounts falling due after more than one year*	15	-184	-817
Deferred tax liability		-19,059	0
Provisions for liabilities	16	-513	-2,524
Net assets		447,799	444,923
Capital and reserves			
Called up share capital	17	871,810	871,810
Profit and loss account		-424,011	-426,887
Equity shareholders' funds		447,799	444,923

These financial statements were approved by the board of directors on 6 October 2022 and were signed on its behalf by:

Mr Winston Sanjeev Kumar Soosaipillai

Director
6 October 2022

Notes on the pages 21 to 43 form part of the financial statements.

Notes to the financial statements

1 Basis of preparation & Use of Judgement and Estimates

Prax Lindsey Oil Refinery Limited (the "Company") is a company incorporated, domiciled and registered in England in the UK. The registered number is 00564599 and the registered address is Harvest House, Horizon Business Village, 1 Brooklands Road, Weybridge, Surrey, KT13 0TJ. These financial statements present information about the Company as an individual undertaking and not about its group.

These financial statements were prepared in accordance with Financial Reporting Standard 101 *Reduced Disclosure Framework ("FRS 101").* The amendments to FRS 101 (2013/14 Cycle) issued in July 2014 and effective immediately have been applied.

In preparing these financial statements, the Company applies the recognition, measurement and disclosure requirements of international accounting standards in conformity with the requirements of the Companies Act 2006 ("UK-adopted IFRS"), but makes amendments where necessary in order to comply with Companies Act 2006 and has set out below where advantage of the FRS 101 disclosure exemptions has been taken.

The Company's financial statements are presented in Sterling, and all amounts rounded to the nearest thousand pounds (£'000) except where otherwise indicated.

Going Concern

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

The Company is part of a Group whose customers operate in a wide range of different sectors. The Group has prepared detailed base forecasts and downside scenarios to stress test, taking into account, key uncertainties and risks that could impact Group's financial performance. Stress testing specifically focused on impact on volume demand and product margins arising from potential COVID-19 lockdowns, fuel supply interruptions and market volatility. The Group's liquidity remained strong and continued to comply with the financial covenants during the forecast period to 31 December 2023 under both base and downside scenarios.

The directors have prepared financial forecasts including cashflow forecasts for the Company for the period to 31 December 2023 which include reasonably possible downside scenarios arising from the continuing effects of COVID-19 and the supply chain disruption and inflationary pressures generated by Russia's invasion of Ukraine. Having carried out extensive analysis and assessment of various risks on the business, the directors are satisfied that the Company will have sufficient funds, through funding from its ultimate parent Company, State Oil Limited, to meet its liabilities as they fall due for that period.

Those forecasts are dependent on State Oil Limited providing additional financial support during that period. State Oil Limited has indicated its intention to continue to make available such funds as are needed by the company for the period covered by the forecasts. As with any company placing reliance on other group entities for financial support, the directors acknowledge that there can be no certainty that this support will continue although, at the date of approval of these financial statements, they have no reason to believe that it will not do so.

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

1.2 Application of reporting exemptions

The Company has taken advantage of the exemption under s.400 of the companies Act 2006 not to prepare group accounts as it is a wholly owned subsidiary of State Oil Limited. The Company's ultimate parent undertaking, State Oil Limited includes the Company in its consolidated financial statements. The consolidated financial statements of State Oil Limited are prepared in accordance with International Financial Reporting Standards and are available to the public and may be obtained from Companies House, Crown Way, Cardiff, CF14 3UZ.

Notes (continued)

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

- a Cash Flow Statement and related notes;
- Comparative period reconciliations for share capital, tangible and intangible fixed assets;
- Disclosures in respect of capital management;
- Disclosure of related party transactions between wholly-owned subsidiaries and parents within a group;
- Disclosures in relation to impairment of assets;
- The effects of new but not yet effective IFRSs; and
- Disclosures in respect of the compensation of Key Management Personnel.

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

- IFRS 2 *Share Based Payments* in respect of group settled share based payments
- Certain disclosures required by IFRS 13 *Fair Value Measurement* and the disclosures required by IFRS 7 *Financial Instrument Disclosures*.

1.3 Judgements and key sources of estimation uncertainty

The preparation of financial statements requires management to make judgements, estimates and assumptions that affect the amounts reported for assets and liabilities as at the balance sheet date and the amounts reported for revenues and expenses during the period. However, the nature of estimation means that actual outcomes could differ from those estimates.

The following judgements have had the most significant effect on amounts recognised in the financial statements:

1.3 Judgements and key sources of estimation uncertainty (continued)

Impairment of fixed assets

Fixed assets are reviewed for impairment if there is an indication that impairment has occurred. 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, to the extent that the asset's carrying amount does not exceed that which would have been determined if no impairment loss had been recognised. 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. Assessing value in use involves making assessments of the estimated future cash flows, and determining a discount rate which reflects current market assessments of the time value of money and the risks specific to the asset.

1.4 Significant accounting policies

Measurement convention

The financial statements are prepared on the historical cost basis other than derivative financial instruments, which are stated at their fair value.

Intangible fixed assets

Intangible fixed assets are stated at cost less accumulated amortisation and accumulated impairment losses. Amortisation is charged to the profit and loss account on a straight-line basis over the estimated useful lives of intangible assets from the date they are available for use. The estimated useful lives are as follows:

- licences 12 years
- computer software 5 years

Notes (continued)

Tangible fixed assets

Tangible fixed assets are stated at cost less accumulated depreciation and accumulated impairment losses. Where parts of an item of tangible fixed assets have different useful lives, they are accounted for as separate items of tangible fixed assets.

Depreciation is charged to the profit and loss account on a straight-line basis over the estimated useful lives of each part of an item of tangible fixed assets. The estimated useful lives are as follows:

- Buildings 20 years
- Plant, equipment and vehicles 3-15 years.

Depreciation is not provided on freehold land.

Costs relating to general repairs and maintenance, and replacements required in order to keep assets in an operating condition, but which do not enhance the capabilities of the plant, are treated as an expense, in accordance with IAS 16.

Fixed assets are reviewed for impairment if there is an indication that impairment has occurred. Where possible, individual fixed assets are tested for impairment. However in certain cases impairment is tested for groups of assets because the cash flows upon which the calculation is based do not arise from the use of a single asset. In these cases impairment is measured for the smallest group of assets (the income-generating unit) that produces a largely independent income stream.

Impairment losses recognised in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. If any such indication exists, the entity shall estimate the recoverable amount of that asset. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount, to the extent that the asset's carrying amount does not exceed that which would have been determined if no impairment loss had been recognised.

Turnaround and Inspection

Turnaround and inspection programmes take place at the company's refinery on a periodic basis. The capital elements of these costs are capitalised as tangible fixed assets at the time of the event, and are depreciated on a straight line basis over the period to the next anticipated turnaround and inspection (3 to 7 years).

Investments

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.

Stocks

Stocks are stated at the lower of cost and net realisable value on a FIFO basis. Cost comprises direct material costs including freight charges and, where appropriate, processing, transportation and storage costs and excise duty. Net realisable value is based on estimated selling price less further processing, administration and selling costs. Provision is made for obsolete, slow moving or defective items where appropriate.

Taxation

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

Notes (continued)

Taxation (continued)

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

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, in accordance with IAS 12.

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.

Classification of financial instruments issued by the Company

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

The company enters in to derivative agreements to mitigate the risk of fluctuations in price against fixed contract sales contracts. The derivatives are recognised as Financial Instruments and the gain or loss arising from a change in the fair value of the financial asset or financial liability is recorded in Purchases of crude oil, consumables and refined products. The Company does not adopt hedge accounting.

Non-derivative financial instruments

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

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

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

Cash and cash equivalents
Cash and cash equivalents comprise cash balances and call deposits.

Non-derivative financial instruments
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.

Notes (continued)

1.4 Significant accounting policies (continued)

Leased assets

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

The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the end of the lease term, unless the lease transfers ownership of the underlying asset to the Company by the end of the lease term or the cost of the right-of-use asset reflects that the Company will exercise a purchase option. In that case the right-of-use asset will be depreciated over the useful life of the underlying asset, which is determined on the same basis as those of property and equipment. In addition, the right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Company's incremental borrowing rate. Generally, the Company uses its incremental borrowing rate as the discount rate.

The Company determines its incremental borrowing rate by obtaining interest rates from various external financing sources and makes certain adjustments to reflect the terms of the lease and type of the asset leased.

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

- fixed payments, including in-substance fixed payments;
- variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date;
- amounts expected to be payable under a residual value guarantee; and
- the exercise price under a purchase option that the Company is reasonably certain to exercise, lease payments in an optional renewal period if the Company is reasonably certain to exercise an extension option, and penalties for early termination of a lease unless the Company is reasonably certain not to terminate early.

The lease liability is measured at amortised cost using the effective interest method. It is remeasured when there is a change in future lease payments arising from a change in an index or rate, if there is a change in the Company's estimate of the amount expected to be payable under a residual value guarantee, if the Company changes its assessment of whether it will exercise a purchase, extension or termination option or if there is a revised in-substance fixed lease payment.

When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

The Company presents right-of-use assets that do not meet the definition of investment property in 'property, plant and equipment' and lease liabilities in 'loans and borrowings' in the statement of financial position.

The Company has elected not to recognise right-of-use assets and lease liabilities for leases of low-value assets and short-term leases, including IT equipment. The Company recognises the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

Notes (continued)

1.4 Significant accounting policies (continued)

Foreign currency

Transactions in foreign currencies are translated to the Company's functional currency, sterling, at the foreign exchange rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are retranslated to the functional currency at the foreign exchange rate ruling at that date. Foreign exchange differences arising on translation are recognised in the profit and loss account and reported in cost of sale on the basis that the differences result from the purchase and sale of crude and petroleum products and the related hedging activities.

Turnover

Turnover represents the fair value of sales and services provided by the Company, being amounts receivable from third parties less allowances and value added tax. Revenues from sales are recognised when the significant control have been passed to the buyer, and when the amount can reasonably be measured and is recoverable. Revenue from sales of oil refined products are recorded upon transfer of title, in accordance with the terms of the sales contracts.

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 company 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.

Pension benefits

The Company operated defined benefit and operates defined contribution arrangements. For the defined benefit scheme the pension scheme assets are measured using market values. Pension scheme liabilities are measured using a projected unit method and discounted at the current rate of return on a high quality bond of equivalent term and currency to the liability. The scheme assets are held separately from those of the Company.

The pension scheme surplus (to the extent that it is recoverable) or deficit is recognised in full. The movement in the scheme surplus/deficit is split between operating charges, finance items and, in the statement of total recognised gains and losses, actuarial gains and losses.

For defined contribution schemes the amount charged to the profit and loss account in respect of pension costs and other post-retirement benefits is the contributions payable in the period. Differences between contributions payable in the period and contributions actually paid are shown as either accruals or prepayments in the balance sheet.

Provisions

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

Share based payments

Prior to the acquisition by the State Oil Limited group, the share option programme relates to restricted stock grants and options granted to Company staff for shares in TotalEnergies SE The fair value of options granted is recognised as an employee expense with a corresponding increase in equity. The fair value is measured at grant date and spread over the period during which the employees become unconditionally entitled to the options. The fair value of the options granted is measured using an option pricing model, taking into account the terms and conditions upon which the options were granted. The amount recognised as an expense is adjusted to reflect the actual number of share options that vest except where forfeiture is only due to share prices not achieving the threshold for vesting.

Notes (continued)

1.4 Significant accounting policies (continued)

Expenses

Lease payments
Minimum lease payments are apportioned between the finance charge and the reduction of the outstanding liability. The finance charge is allocated to each period during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability.

Interest receivable and Interest payable
Interest payable and similar charges includes interest payable, and net foreign exchange losses that are recognised in the profit and loss account (see foreign currency accounting policy).
Other interest receivable and similar income includes interest receivable on funds invested and net foreign exchange gains.

Interest income and interest payable is recognised in the profit and loss account as it accrues, using the effective interest method. Foreign currency gains and losses are reported on a net basis.

1.5 Changes to presentation of profit and loss account

During the financial year, following the acquisition by the State Oil Limited group of companies, the directors have reviewed the presentation of the Profit and Loss account and considered whether it continues to provide relevant and reliable information to stakeholders. The State Oil Group presents its Profit and Loss Account by function whereas the company has previously presented expenses by nature, separating purchases, stock movements and depreciation. It was concluded that the Profit and Loss Account of the company should be updated to align the presentation with the State Oil Limited group and therefore changed its accounting policy for expense classifications to function. Comparative figures have been restated to the new presentation. There is no effect on Profit for the financial period or Net assets for any period presented.

2 Revenue

The Company has a single class of business, which is the refining, distribution and sale of petroleum products. Revenue originates wholly in the United Kingdom. An analysis of revenue by destination is given below:

	2022	2021
	£000	£000
UK	**3,617,146**	2,571,512
Rest of Europe	**1,025,547**	452,844
	4,642,693	3,024,356

3 Other operating income

	12 months ended 28th February	14 months ended 28th February
	2022	2021
	£000	£000
Rental and other miscellaneous income	**82**	556

Notes (continued)

4 Expenses and auditor's remuneration

	12 months ended 28th February 2022 £000	14 months ended 28th February 2021 £000
Loss on ordinary activities before taxation is stated after charging		
Foreign exchange gain and losses reported in cost of sales	**-480**	
Amortisation of intangible fixed assets	**226**	-
Depreciation and other amounts written off tangible fixed assets:		
Owned	**28,592**	28,336
Leased	**798**	1,118
Reversal of impairment	**-47,217**	0
Profit/(loss) on sale of tangible fixed assets	**-4**	1,299
Research and development expensed as incurred	**0**	787

Auditor's remuneration

	12 months ended 28th February 2022 £000	14 months ended 28th February 2021 £000
Audit of these financial statements	**305**	391

5 Remuneration of directors

	12 months ended 28th February 2022 £000	14 months ended 28th February 2021 £000
Directors' remuneration	**188**	684
Pension contributions	**11**	103
	199	787

The emoluments above relate to 1 director (2021: 4). Nil remuneration is paid for the qualifying services for the remaining directors within Prax Lindsey Oil Refinery Limited.

Notes (continued)

5. Remuneration of directors (Continued)

	12 months ended 28th February	14 months ended 28th February
	2022	2021
Retirement benefits are accruing to the following number of directors under:		
Defined benefit schemes	**0**	1
Defined contribution schemes	**1**	0

Highest paid director

The above amounts include the following in respect of the highest paid director:

	12 months ended 28th February	14 months ended 28th February
	2022	2021
	£000	£000
Emoluments	**188**	438
Pension contributions	**11**	70
	199	508

Notes (continued)

6 Company staff numbers and costs

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

	12 months ended 28th February	14 months ended 28th February
	2022	2021
Administration *	**137**	144
Production *	**272**	247
	409	391

*Administration refers to employees working in finance, IT, HR and general management. Production refers to employees working in refining.

The aggregate payroll costs of these persons were as follows:

	12 months ended 28th February	14 months ended 28th February
	2022	2021
	£'000	£'000
Wages and salaries	**25,497**	28,852
Social security costs	**3,151**	3,281
Pension costs (see note 20)	**5,086**	2,890
Other benefits	**997**	1,858
	34,731	36,881

Notes (continued)

7 Finance expense

	2022	2021
	£'000	£'000
Expected return on pension scheme assets	-	-15,079
Interest on pension scheme liabilities	-	15,741
Loans from fellow subsidiary companies	**771**	1,130
Bank interest and facility costs	**11,881**	-
Other	**0**	199
	12,652	1,991

Notes *(continued)*

8 Taxation

	12 months ended 28th February	14 months ended 28th February
(a) Tax charged in the income statement	**2022**	2021
	£000	£000
UK Corporation tax		
Current tax on income for the period	**0**	0
Prior year's adjustment	-	2,632
Total current tax	**0**	2,632
Deferred tax		
Origination and reversal of timing differences	19,927	3,324
Deferred tax on current year losses	-23,092	-46,894
Impact of change in tax laws and rates	-9,900	-1,226
Impact of IAS 19 Defined Benefit Scheme	-	5763
Adjustment in respect of prior years	10,967	2590
Total deferred tax	**-2,098**	-36,443
Tax on loss on ordinary activities	**-2,098**	-33,811

	12 months ended 28th February	14 months ended 28th February
	2022	2021
	£000	£000
(b) Tax relating to items charged or credited to other comprehensive income		
Deferred tax:		
Actuarial (gains)/losses on defined benefit pension plans	-	-2,358
Total deferred tax	-	-2,358
Tax charge in the statement of other comprehensive income and statement of changes in equity	-	-2,358

Notes *(continued)*

8 Taxation (continued)

(c) Reconciliation of total tax charge

The corporation tax assessed on the profit on ordinary activities for the period is different from the standard rate of tax in the UK of 19% (2021: 19%). The differences are reconciled below:

	12 months ended 28th February 2022	14 months ended 28th February 2021
	£000	£000
Profit/(Loss) on ordinary activities before tax	**778**	-228,527
Taxation credit at UK corporation tax rate of 19.0% (2021: 19%)	**148**	-43,420
Effects of:		
Expenses not deductible for tax purposes	**247**	-87
Provision against current year tax losses	**-**	5,700
Adjustment to tax charge in respect of prior year	**10,967**	5,221
Change in tax laws and rate	**-13,460**	-1,225
	-2,098	-33,811

(d) Deferred taxation

The deferred tax in the company's balance sheet is as follows:	**12 months ended 28th February 2022**	14 months ended 28th February 2021
	£000	£000
Deferred tax assets:		
Deferred tax on losses	**63,354**	44,265
Pension	**0**	0
Capital allowances on tangible fixed assets	**0**	142
Other temporary differences	**2,815**	605
At end of year	**66,169**	45,012
Deferred tax Liabilities (amounts falling due after more than one year)		
Capital allowances on tangible fixed assets	**-19,059**	0

Notes *(continued)*

8 Taxation (continued)

Movement in deferred tax in the year

	1st March 2021	Recognised in the Profit and Loss	Recognised in other comprehensive income	**28th February 2022**
	£'000	£'000	£'000	**£'000**
Deferred tax on losses	**44,265**	19,089	0	63,354
Capital allowances on tangible fixed assets	**142**	-19,201	0	-19,059
Other temporary timing differences	**605**	2,210	0	2,815
	45,012	2,098	0	47,110

Movement in deferred tax - prior period

	1st January 2020	Recognised in the Profit and Loss	Recognised in other comprehensive income	**28th February 2021**
	£'000	£'000	£'000	**£'000**
Deferred tax on losses	**0**	44,265	0	**44,265**
Capital allowances on tangible fixed assets	**2,978**	-2,836	0	**142**
Pension	**7,266**	-8,614	1,348	**0**
Other temporary timing differences	**709**	-104	0	**605**
	10,953	32,711	1,348	**45,012**

(e) Change in corporation tax rate

The UK Budget 2021 announcements on 3 March 2021 included measures to support economic recovery as a result of the Covid-19 pandemic. These included an increase to the UKs main corporation tax rate from 19% to 25% which is due to be effective from 1 April 2023. This new law was substantially enacted on 24 May 2021 and received royal assent on 10 June 2021, therefore the deferred tax balances have been remeasured at 25% with an adjustment recognized in the remeasurement of the opening deferred tax balance.

In the 23rd September 2022 Mini Budget it was announced that the UK tax rate will remain at 19%. This will have a consequential effect on the company's future tax charge.

Notes (Continued)

9 Intangible fixed assets

	Licenses £000
Cost	
At beginning of year	581
Additions	2234
	2,815
Depreciation	
At beginning of year	-117
Charged in year	-226
	-343
Impairment	
At beginning of year	-464
	-464
Net book value	
As at 28 February 2022	2,008
As at 28 February 2021	0

10 Tangible fixed assets

	Land & Buildings	Plant equipment & vehicle	Assets in course of construction	Total
	£000	£000	£000	£000
Cost				
At beginning of year	68,572	219,666	42,285	330,523
Additions	8	3,248	34,806	38,062
Reclassification & transfers	137	17,465	-17,602	0
Disposals	-15	-2,100		-2,115
	68,702	238,279	59,489	366,470
Depreciation				
At beginning of year	-8,360	-57,876	0	-66,236
Charged in year	-545	-28,845	0	-29,390
Disposals	4	2,100	0	2,104
	-8,901	-84,621	0	-93,522
Impairment				
At beginning of year	-52,933	-57,726	-16	-110,675
Reversal	14,704	32,513	0	47,217
Disposals				0
	-38,229	-25,213	-16	-63,458
Net book value				
As at 28 February 2022	**21,572**	**128,445**	**59,473**	**209,490**
As at 28 February 2021	7,279	104,064	42,269	153,612

The net book value of leased assets as at 28 February 2022 is £'000 £354 (2021: £1,163)
Depreciation charged on leased assets is £'000 £798 (2021: £1,111).

Notes (Continued)

10 Tangible fixed assets (continued)

Following the acquisition of the Company by State Oil Limited on 28 February 2021, the Group performed a valuation exercise at the balance sheet date, which confirms that the recoverable amount is higher than the carrying value and no impairment is required. The carrying values are 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 8%. This model was rolled forward into the current financial year.

Comparing the fair value on acquisition by the State Oil Limited Group on 28th February 2021 and the value in use calculation, with the carrying value of the assets has resulted in a reversal of impairment of £'000 14,704 for land & buildings and £'000 32,513 for plant, equipment and vehicles.

11 Fixed asset investments

	28th February 2022	28th February 2021
	£000	£000
Loans to joint ventures	**1,023**	1,023
Share of net assets in joint ventures	**537**	537
Ordinary shares in Joint ventures	**24**	24
	1,584	1,584

Notes (Continued)

11 Fixed asset investments (continued)

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

	Investment Type	Country of Incorporation	Principal Activity	Holding
Associated Petroleum Terminals (Immingham) Ltd Registered at Queens Road, Immingham, Grimsby, North East Lincolnshire, DN40 2PN	Joint Venture	England	Logistics	50%
Crude Oil Terminals (Humber) Limited Registered at 7th Floor, 200-202 Aldersgate Street, London, EC1A 4HD	Joint Venture	England	Logistics	50%
Humber Oil Terminals Trustee Ltd Registered at Queens Road, Immingham, Grimsby, North East Lincolnshire, DN40 2PN	Joint Venture	England	Logistics	50%
Prax Milford Haven Refinery Limited Registered at Lindsey Oil Refinery, Eastfield Road, North Killingholme, Immingham, North Lincolnshire, DN40 3LW	Subsidiary	England	Dormant	100%
Warwickshire Oil Storage Limited Registered at Olympus House, Olympus Avenue, Leamington Spa, Warwickshire, CV34 6BF	Joint Venture	England	Logistics	50%
Hertfordshire Oil Storage Limited Registered at Eversheds House, 70 Great Bridgewater Street, Manchester, M1 5ES	Joint Venture	England	Remediation	60%

There has been no change in the company's interest in the shares of the above companies in the current or prior period.

Notes (continued)

12 Stocks

	28th February 2022	28th February 2021
	£000	£000
Crude oil and feedstocks	6,644	105,970
Refined products	218,429	208,802
Other stock	41,134	27,492
	266,207	342,264

The write-down of stocks to net realisable value amounted to £0m at 28 February 2022 *(2021: £20m)*, as a result of a fall in market prices for crude oil and petroleum products. The net impact of write-downs amounted to an increase of £20m for the period ended 28 February 2022 *(2021:increase of £2m)*. The write-down and reversal are included in cost of sales.

13 Debtors

	28th February 2022	28th February 2021
	£000	£0
Trade debtors	82,249	43,484
Amounts owed by fellow subsidiary undertakings *	328,741	11,376
Other debtors	4,213	343
Accrued income	8,690	0
Deferred tax	66,169	45,012
Amounts owed by joint ventures	0	1
	490,062	100,216
Due within one year	423,893	55,204
Due after more than one year	66,169	45,012

The Group has implemented a number of significant changes in financing this year on behalf of the refiney including entering into new working capital facilities, resulting in the derecognition of trade receivables and an increase in interest charges.

Debtors include deferred tax assets of £66,169,000 (2021: £45,012,000) due after more than one year.

The deferred tax asset is deemed recoverable as management projections show sufficient tax relief on future profits. Further details are disclosed in note 8.

Notes (continued)

14 Creditors: amounts falling due within one year

	28th February 2022	28th February 2021
	£000	£000
Trade creditors	86,408	26,607
Amounts owed to group undertakings	113,148	1,040
Taxation and social security	187,122	99,619
Other creditors	1,033	895
Accruals	138,335	21,116
Lease liabilities	243	450
	526,289	149,727

15 Creditors: amounts falling after more than one year

	28th February 2022	28th February 2021
	£000	£000
Lease liabilities	184	817
	184	817

16 Provisions for liabilities

	Restructuring costs	Environmental Provisions	Other	Total
	£000	£000	£000	£000
At 1 January 2020	1,838	154	1,610	3,602
Additions	0	0	0	0
Utilised in year	-1,216	-154	292	-1,078
At 28 February 2021	622	0	1,902	2,524
At 1 March 2021	622	0	1,902	2,524
reversal	-622	0	-1,139	-1,761
Utilised in year	0	0	-250	-250
At 28 February 2022	**0**	**0**	**513**	**513**

The restructuring provision covers costs related to the Adaptation Plan.

Environmental provisions related to clean up costs from a 2018 incident on the Finaline pipeline.

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

Notes (continued)

17 Called up Share Capital

	28th February 2022 Thousands of Shares	28th February 2021 Thousands of Shares
Allotted, called up and fully paid ordinary shares of £1 each		
At beginning of year	**871,810**	574,110
Shares issued	-	297,700
At beginning and at the end of year	**871,810**	871,810

	28th February 2021 £'000	28th February 2021 £'000
Allotted, called up and fully paid ordinary shares of £1 each		
At beginning of year	**871,810**	574,110
Shares issued	-	297,700
At beginning and at the end of year	**871,810**	871,810

18 Leases

Information about leases for which the Group is a lessee is presented below.

Right of Use Assets

Right-of-use assets are presented as tangible fixed assets (see note 10).

	Land & Buildings £'000	Plant £'000	**Total £'000**
Balance at 31 December 2020	**3,416**	**1,392**	**4,808**
Disposals	-2,534	0	**-2,534**
Depreciation charge for the year	-285	-826	**-1,111**
Balance at 28 February 2021	**597**	**566**	**1,163**
Disposals	-11	0	**-11**
Depreciation charge for the year	-232	-566	**-798**
Balance at 28 February 2022	**354**	**0**	**354**

Notes (continued)

18 Leases (continued)

Right of Use assets amounts recognised in profit and loss

	12 months ended 28th February	14 months ended 28th February
	2022	2021
Leases under IFRS 16	**£'000**	£'000
Interest on lease liabilities	22	153
Expenses relating to short term leases	87	101
Expenses relating to leases of low value assets	41	68

19 Commitments

The Company has the following commitments under other contracts as follows:

	28th February 2022	28th February 2022	28th February 2021	28th February 2021
	Logistics	**Utilities**	Logistics	Utilities
	£000	**£000**	£000	£000
Within one year	**8,880**	-	9,605	-
In the second to fifth years inclusive	**35,520**	-	26,160	-
Over five years	**8,880**	**2,000**	26,160	2,000
	53,280	**2,000**	61,925	2,000

The commitment for marine terminal usage, which secures facilities for the movement of feedstocks and products to and from the refinery, expires in 2028.

20 Pension Scheme

The Company operates a defined contribution pension plans.

The total expense relating to the defined contribution pension plan in the current period was £5,086,000 (2021: £2,502,000). The expense relating to defined benefit pension plans is £nil (2021: £388,000).

In the prior year on 28th February 2021 the assets and liabilities within the Total UK Pension Plan were derecognised and attributed to a different participating member of the Total UK Pension Plan, and members became deferred members of the plan. The derecognition resulted in a net gain recognised in Statement of Changes in Equity of £45,336,000, and a curtailment gain of £3,700,000 due to the change in valuation due to future salary increases no longer being relevant for the deferred members.

From the 28th February 2021, the company has no liabilities or commitments to the Total UK Pension Plan.

Notes (continued)

21 Related Party Transactions

The Company's interests in joint ventures are detailed in Note 11.

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

	Purchases	Purchases
	12 months ended 28th February	14 months ended 28th February
	2022	2021
	£'000	£'000
Logistic Services	**19,635**	22,234

There were no other transactions with related parties required to be disclosed.

22 Financial instruments

(a) Market Risk

The company seeks to minimise the risk due to fluctuations in the market price of crude oil and refined products by entering into derivative agreements to mitigate the risk of fluctuations in those prices. All agreements are with other group companies and comprise industry standard futures and options on publicly quoted instruments. Maturity is within one year for oil and emissions contracts. The fair value of these derivatives is determined at each reporting date by making reference to the current forward prices at those dates.

A loss of £80,998,000 has been recognised in the current period (2021: gain of £8,759,000).

The fair value of these derivatives at the balance sheet date is deemed to be a liability of £14,366,516 (2021 a liability of £nil). This balance is included within amounts owed to group undertakings.

(b) Capital management

The Group has implemented a number of significant changes in financing this year on behalf of the refiney including entering into new working capital facilities, resulting in the derecognition of trade receivables and an increase in interest charges.

Included in Cash at Bank and in Hand is cash pledged as part of securitisation of trade receiveables of £23,699k (2021 £nil).

Notes (continued)

24 Ultimate parent company

The company's immediate parent undertaking is Prax Downstream UK Limited, a company registered in England and Wales. The company's ultimate parent undertaking from 28th February 2021 is State Oil Limited, a company registered in England and Wales. The largest group for which consolidated financial statements have been prepared is that headed by State Oil Limited. Consolidated financial statements are available from Companies House, Crown Way, Cardiff, CF14 3UZ.

The ultimate controlling parties were Mr Winston Sanjeev Kumar Soosaipillai and Mrs Arani Soosaipillai by virtue of being joint shareholders of State Oil Limited.