

Company Registration No. 05072227 (England and Wales)

**SENNING (UK) LIMITED**  
**ANNUAL REPORT AND FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 DECEMBER 2020**

# SENNING (UK) LIMITED

## COMPANY INFORMATION

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<b>Directors</b>	Hao Wu Defeng Chi Ran Ji Guang Zhu
<b>Secretary</b>	Dentons Secretaries Limited
<b>Company number</b>	05072227
<b>Registered office</b>	3rd Floor Devonshire House 1 Mayfair Place London W1J 8AJ
<b>Auditor</b>	RSM UK Audit LLP 25 Farringdon Street London EC4A 4AB
<b>Business address</b>	3rd Floor Devonshire House 1 Mayfair Place London W1J 8AJ

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# SENNING (UK) LIMITED

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# SENNING (UK) LIMITED

## STRATEGIC REPORT

**FOR THE YEAR ENDED 31 DECEMBER 2020**

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The directors present the strategic report for the year ended 31 December 2020.

### Core purpose and strategy

The company's principal activity during this financial period was the trading of crude oil. The company envisages expansion over the coming year, seeing diversified development and expanding trading opportunities.

The core business purpose of the Company is to secure profit margins by crude oil trading and rendering related services. In the longer term, we will continue to seek new counterparties and suppliers in Asia, Mid-East, Africa and South America.

### Review of the business

In 2020, the Company has achieved a good result following the establishment of its customer relationships since 2017. The economic shock from the rapid spread of the Coronavirus has also impacted all markets, however the directors are confident that the pricing mechanism of the contracts and the pent up demand will ensure that the net profits will broadly be in line with our forecasts for the year.

<b>KPI</b>	<b>2020</b>	<b>2019</b>
	<b>\$'000</b>	<b>\$'000</b>
Revenue	515,283	1,020,258
Operating profit	1,561	2,087
Profit before tax	1,675	2,087
Equity shareholders' funds	4,315	2,954

  

	<b>2020</b>	<b>2019</b>
	<b>Quantity '000</b>	<b>Quantity '000</b>
Barrels	11,945	16,058

### Principal risks and uncertainties

The Company undertakes inherent risks of trading and business operations as with all trading companies. We list below the key risks as the Company enters into the next financial year.

The Board of Directors are responsible for applying risk management principles and policies and ensuring that the Company's management maintains an effective system of internal controls.

### Risk management

Traders are to abide strictly by delegated trading limits which are approved by the Board. Management and Heads of Trading are responsible for reviewing and approving pricing and quantity of all trades prior to entering into the contract. All counterparties are pre-approved by Credit and Management prior to the first trade.

### Credit risk

The Company has established a customer management policy and operates a strict credit risk management policy by which only a few selected counterparties are approved to give open credit and exposures which exceed authorized levels are minimized through the use of letters of credit or standby letters of credit (SBLC). Receivables may be discounted with financial institutions effectively selling down the risk to the financial institutions. In the financial period under review the Company did not suffer any credit losses.

# SENNING (UK) LIMITED

## STRATEGIC REPORT (CONTINUED)

**FOR THE YEAR ENDED 31 DECEMBER 2020**

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### **Operational and other risks**

The Company has established a funds management system according to which all funds transfers should be authorized by three persons. Also, the Company has drafted a contract management policy which specifies the contract approval process. The Company assesses its operational risk level to prevent or quickly detect operational errors and to minimize the impact on the Company.

### **Legal and compliance risk**

Our external and internal legal advisors are involved in every significant transaction. They provide essential advice and guidance to senior management on all business issues and ensure that our business is concluded in a manner that complies with all legal and statutory requirements.

### **Liquidity risk management**

Liquidity management is in place to ensure that sufficient cash is available to meet all contractual obligations as they fall due and to ensure that sufficient funding lines are in place with banks to meet all financial requirements on a timely basis. This is closely monitored and tracked by finance team of the Company.

### **Oil Price Risk**

The company undertakes to buy and sell crude oil at spot prices and as such this will mitigate the risks associated with any price fluctuations when carrying out transactions in a volatile crude oil market.

### **Going Concern Risk**

The economic uncertainties surrounding the Coronavirus along with issues within OPEC resulting in lower crude oil prices and overall market volatility all have an impact on the overall operation of the markets.

The directors feel that in the short term, as most of the contracts are already signed and being delivered, that there will not be any significant effect on the company in the next 12 months.

In the medium term, demand is likely to pick up again and the underlying demand for crude oil along with the established ~~Directors' duty~~ help to reduce the going concern risk.

The directors have acted in good faith to promote the success of the company for the benefit of the members taking into account the following: -

- The consequences of decisions taken at board level in the long term
- The interest of the company's employees
- The need to foster the company's business relationships with customers, suppliers and others
- The impact of the company's operations on the community and the environment
- The desirability of the company maintaining a reputation for high standards of business conduct and,
- The need to act fairly between members of the company.

On behalf of the board

Mr. WU Hao

**Director**

**17 August 2021**

# SENNING (UK) LIMITED

## DIRECTORS' REPORT

### FOR THE YEAR ENDED 31 DECEMBER 2020

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The directors present their annual report and financial statements for the year ended 31 December 2020.

#### Principal activities

The principal activity of the Company is the purchase and sale of crude oil. The Company also provides marketing services in connection with gas and oil exploration activities of group companies.

#### Directors

The directors who held office during the year and up to the date of signature of the financial statements were as follows:

Lingyi Kong	(Resigned 30 June 2020)
Xiaodong Liu	(Resigned 14 October 2020)
Hao Wu	
Defeng Chi	
Ran Ji	(Appointed 30 June 2020)
Guang Zhu	(Appointed 14 October 2020)

#### Results and dividends

The results for the year are set out on page 9.

No ordinary dividends were paid in 2020.

#### Financial risk management

Please refer to the strategic report on page 1 for further details in relation to financial risk management.

#### Auditor

RSM UK Audit LLP have indicated their willingness to continue in office as auditor to the Company and in accordance with section 485 of the Companies Act 2006, a resolution proposing that they be re-appointed will be put at a General Meeting.

#### Statement of disclosure to auditor

So far as each person who was a director at the date of approving this report is aware, there is no relevant audit information of which the Company's auditor is unaware. Additionally, the directors individually have taken all the necessary steps that they ought to have taken as directors in order to make themselves aware of all relevant audit information and to establish that the Company's auditor is aware of that information.

On behalf of the board

Mr. WU Hao

**Director**

17 August 2021

## **SENNING (UK) LIMITED**

### **DIRECTORS' RESPONSIBILITIES STATEMENT**

***FOR THE YEAR ENDED 31 DECEMBER 2020***

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The directors are responsible for preparing the strategic report, 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 the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting 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;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

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

# SENNING (UK) LIMITED

## INDEPENDENT AUDITOR'S REPORT

### TO THE MEMBERS OF SENNING (UK) LIMITED

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#### Opinion

We have audited the financial statements of Senning UK Limited (the 'company') for the year ended 31 December 2020 which comprise the profit and loss account, statement of comprehensive income, balance sheet, statement of changes in equity, statement of cash flows and notes to the financial statements, including significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" (United Kingdom Generally Accepted Accounting Practice).

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 December 2020 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; 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 under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

#### Conclusions relating to going concern

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

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the company's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

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

#### Other information

The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. The directors are responsible for the other information. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

Our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the course of the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether this gives rise to a material misstatement in the financial statements themselves. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.



# **SENNING (UK) LIMITED**

## **INDEPENDENT AUDITOR'S REPORT (CONTINUED)**

### **TO THE MEMBERS OF SENNING (UK) LIMITED**

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#### **Opinions on other matters prescribed by the Companies Act 2006**

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

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

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

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

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

- adequate accounting records have not been kept, 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

#### **Responsibilities of directors**

As explained more fully in the Directors' Responsibilities Statement on page 4, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

#### **Auditor's responsibilities for the audit of the financial statements**

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

A further description of our responsibilities is available on the Financial Reporting Council's website at: <https://www.frc.org.uk/auditorsresponsibilities>. This description forms part of our auditor's report.

## **SENNING (UK) LIMITED**

### **INDEPENDENT AUDITOR'S REPORT (CONTINUED)**

#### **TO THE MEMBERS OF SENNING (UK) LIMITED**

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**The extent to which the audit was considered capable of detecting irregularities, including fraud**

Irregularities are instances of non-compliance with laws and regulations. The objectives of our audit are to obtain sufficient appropriate audit evidence regarding compliance with laws and regulations that have a direct effect on the determination of material amounts and disclosures in the financial statements, to perform audit procedures to help identify instances of non-compliance with other laws and regulations that may have a material effect on the financial statements, and to respond appropriately to identified or suspected non-compliance with laws and regulations identified during the audit.

In relation to fraud, the objectives of our audit are to identify and assess the risk of material misstatement of the financial statements due to fraud, to obtain sufficient appropriate audit evidence regarding the assessed risks of material misstatement due to fraud through designing and implementing appropriate responses and to respond appropriately to fraud or suspected fraud identified during the audit.

However, it is the primary responsibility of management, with the oversight of those charged with governance, to ensure that the entity's operations are conducted in accordance with the provisions of laws and regulations and for the prevention and detection of fraud.

In identifying and assessing risks of material misstatement in respect of irregularities, including fraud, the audit engagement team:

- obtained an understanding of the nature of the industry and sector, including the legal and regulatory framework that the company operates in and how the company is complying with the legal and regulatory framework;
- inquired of management, and those charged with governance, about their own identification and assessment of the risks of irregularities, including any known actual, suspected or alleged instances of fraud;
- discussed matters about non-compliance with laws and regulations and how fraud might occur including assessment of how and where the financial statements may be susceptible to fraud.

As a result of these procedures we consider the most significant laws and regulations that have a direct impact on the financial statements are FRS 102, the Companies Act 2006 and tax compliance regulations. We performed audit procedures to detect non-compliances which may have a material impact on the financial statements which included reviewing financial statement disclosures and completing a disclosure checklist.

The most significant laws and regulations that have an indirect impact on the financial statements are those in relation to sanctions against countries with which the company may trade. We performed audit procedures to inquire of management whether the company is in compliance with these laws and regulations and, for a sample of trades, tested the controls in place within the business.

The audit engagement team identified the risk of management override of controls as the area where the financial statements were most susceptible to material misstatement due to fraud. Audit procedures performed included but were not limited to testing manual journal entries and other adjustments and evaluating the business rationale in relation to significant, unusual transactions and transactions entered into outside the normal course of business and challenging judgments and estimates applied within the financial statements.

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

## **SENNING (UK) LIMITED**

### **INDEPENDENT AUDITOR'S REPORT (CONTINUED)**

#### **TO THE MEMBERS OF SENNING (UK) LIMITED**

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##### **Use of our report**

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

Graham Ricketts (Senior Statutory Auditor)  
**for and on behalf of RSM UK Audit LLP , Statutory Auditor**  
Chartered Accountants  
25 Farringdon Street  
London  
EC4A 4AB

20 August 2021

## SENNING (UK) LIMITED

### PROFIT AND LOSS ACCOUNT

FOR THE YEAR ENDED 31 DECEMBER 2020

	Notes	2020 \$	2019 \$
Turnover	3	515,283,383	1,020,258,141
Cost of sales		(509,303,596)	(1,013,691,146)
<b>Gross profit</b>		<b>5,979,787</b>	<b>6,566,995</b>
Administrative expenses		(4,418,891)	(4,480,453)
<b>Operating profit</b>	<b>4</b>	<b>1,560,896</b>	<b>2,086,542</b>
Interest receivable and similar income	7	114,474	-
<b>Profit before taxation</b>		<b>1,675,370</b>	<b>2,086,542</b>
Tax on profit	8	(314,028)	(394,461)
<b>Profit for the financial year</b>		<b>1,361,342</b>	<b>1,692,081</b>

The profit and loss account has been prepared on the basis that all operations are continuing operations.

## SENNING (UK) LIMITED

### STATEMENT OF COMPREHENSIVE INCOME

*FOR THE YEAR ENDED 31 DECEMBER 2020*

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	2020	2019
	\$	\$
Profit for the year	1,361,342	1,692,081
Other comprehensive income	-	-
Total comprehensive income for the year	<u>1,361,342</u>	<u>1,692,081</u>

# SENNING (UK) LIMITED

## BALANCE SHEET

AS AT 31 DECEMBER 2020

	Notes	2020 \$	\$	2019 \$	\$
<b>Fixed assets</b>					
Tangible assets	9		198,657		204,665
<b>Current assets</b>					
Debtors falling due after more than one year	10	542,935		524,495	
Debtors falling due within one year	10	21,632,527		138,810,709	
Cash at bank and in hand		4,778,213		10,094,118	
		<u>26,953,675</u>		<u>149,429,322</u>	
<b>Creditors: amounts falling due within one year</b>	11	<u>(22,631,451)</u>		<u>(146,470,422)</u>	
<b>Net current assets</b>			<u>4,322,224</u>		<u>2,958,900</u>
<b>Total assets less current liabilities</b>			<u>4,520,881</u>		<u>3,163,565</u>
<b>Creditors: amounts falling due after more than one year</b>	13		(175,314)		(175,314)
<b>Provisions for liabilities</b>	14		(30,361)		(34,388)
<b>Net assets</b>			<u><u>4,315,206</u></u>		<u><u>2,953,863</u></u>
<b>Capital and reserves</b>					
Called up share capital	16		179,430		179,430
Profit and loss reserves			<u>4,135,776</u>		<u>2,774,433</u>
<b>Total equity</b>			<u><u>4,315,206</u></u>		<u><u>2,953,863</u></u>

The financial statements on pages 8 to 25 were approved by the Board and authorised for issue on 17 August 2021

Mr. WU Hao  
Director

Company Registration No. 05072227

## SENNING (UK) LIMITED

### STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 DECEMBER 2020

	Share capital	Profit and loss reserves	Total
	\$	\$	\$
Balance at 1 January 2019	179,430	1,082,352	1,261,782
Year ended 31 December 2019:			
Profit and total comprehensive income for the year	-	1,692,081	1,692,081
Balance at 31 December 2019	179,430	2,774,433	2,953,863
Year ended 31 December 2020:			
Profit and total comprehensive income for the year	-	1,361,343	1,361,343
Balance at 31 December 2020	179,430	4,135,776	4,315,206

# **SENNING (UK) LIMITED**

## **STATEMENT OF CASH FLOWS**

**FOR THE YEAR ENDED 31 DECEMBER 2020**

		2020		2019	
	Notes	\$	\$	\$	\$
<b>Cash flows from operating activities</b>					
Cash (absorbed by)/generated from operations	20	(4,697,365)		3,504,923	
Income taxes paid		(695,121)		(237,083)	
<b>Net cash (outflow)/inflow from operating activities</b>		<b>(5,392,486)</b>		<b>3,267,840</b>	
<b>Investing activities</b>					
Purchase of tangible fixed assets		(37,893)		(9,209)	
Proceeds on disposal of tangible fixed assets		-		27,022	
Interest received		114,474		-	
<b>Net cash generated from investing activities</b>		<b>76,581</b>		<b>17,813</b>	
<b>Net cash used in financing activities</b>		<b>-</b>		<b>-</b>	
<b>Net (decrease)/increase in cash and cash equivalents</b>		<b>(5,315,905)</b>		<b>3,285,653</b>	
Cash and cash equivalents at beginning of year		10,094,118		6,808,465	
<b>Cash and cash equivalents at end of year</b>		<b>4,778,213</b>		<b>10,094,118</b>	



# SENNING (UK) LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2020

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### 1 Accounting policies

#### Company information

Senning (UK) Limited is a private company limited by shares incorporated in England and Wales. The registered office is 3rd Floor, Devonshire House, 1 Mayfair Place, London, W1J 8AJ.

The principal activity is disclosed in the Directors' Report on page 3.

#### 1.1 Accounting convention

These financial statements have been prepared in accordance with FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" ("FRS 102") and the requirements of the Companies Act 2006.

The financial statements are prepared in US dollars, which is the functional currency of the company.

The financial statements have been prepared under the historical cost convention. The principal accounting policies adopted are set out below.

#### 1.2 Going concern

At the time of approving the financial statements, the directors have a reasonable expectation that the company has adequate resources to continue in operational existence for the foreseeable future. Thus the directors continue to adopt the going concern basis of accounting in preparing the financial statements.

The economic uncertainties surrounding the Coronavirus along with issues within OPEC resulting in lower crude oil prices and overall market volatility all have an impact on the overall operation of the markets.

The directors feel that in the short term, the management are reassured by the management accounts to date and the positive forecasts prepared for the future as most of the contracts are already signed and being delivered, that there will not be any significant effect on the company in the next 12 months.

In the medium term, demand is likely to pick up again and the underlying demand for crude oil along with the established supply chain will help to reduce the going concern risk.

#### 1.3 Turnover

Turnover is recognised at the fair value of the consideration received or receivable for goods and services provided in the normal course of business, and is shown net of VAT and other sales related taxes. The fair value of consideration takes into account trade discounts, settlement discounts and volume rebates.

Revenue from the sale of oil is recognised when the significant risks and rewards of ownership of the oil has been transferred from the company to the buyer (usually on delivery to an agreed shipping point), the amount of revenue can be measured reliably, it is probable that the economic benefits associated with the transaction will flow to the entity and costs incurred or to be incurred in respect of the transaction can be measured reliably.

Revenue from contracts for the provision of marketing services is recognised on a straight line basis over the period of the contract.

#### 1.4 Tangible fixed assets

Tangible fixed assets are initially measured at cost and subsequently measured at cost or valuation, net of depreciation and any impairment losses.

# SENNING (UK) LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2020

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### 1 Accounting policies

(Continued)

Depreciation is recognised so as to write off the cost or valuation of assets less their residual values over their useful lives on the following bases:

Leasehold land and buildings	Equal annual instalments over lease term
Fixtures and fittings	25% per annum on cost

The gain or loss arising on the disposal of an asset is determined as the difference between the sale proceeds and the carrying value of the asset, and is credited or charged to profit or loss.

#### 1.5 Impairment of fixed assets

At each reporting period end date, the company reviews the carrying amounts of its tangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where it is not possible to estimate the recoverable amount of an individual asset, the company estimates the recoverable amount of the cash-generating unit to which the asset belongs.

If an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, but not in excess of the amount that would have been determined had no impairment loss been recognised for the asset in prior years. A reversal of an impairment loss is recognised immediately in profit or loss.

#### 1.6 Cash at bank and in hand

Cash and cash equivalents are basic financial assets and include cash in hand, deposits held at call with banks, other short-term liquid investments with original maturities of three months or less.

#### 1.7 Financial instruments

The company has elected to apply the provisions of Section 11 'Basic Financial Instruments' and Section 12 'Other Financial Instruments Issues' of FRS 102 to all of its financial instruments.

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

Financial assets and liabilities are offset, with the net amounts presented in the financial statements, when there is a legally enforceable right to set off the recognised amounts and there is an intention to settle on a net basis or to realise the asset and settle the liability simultaneously.

##### **Basic financial assets**

Basic financial assets, which include debtors and cash and bank balances, are initially measured at transaction price including transaction costs and are subsequently carried at amortised cost using the effective interest method unless the arrangement constitutes a financing transaction, where the transaction is measured at the present value of the future receipts discounted at a market rate of interest. Financial assets classified as receivable within one year are not amortised.

# SENNING (UK) LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2020

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### 1 Accounting policies

(Continued)

#### **Impairment of financial assets**

Financial assets are assessed for indicators of impairment at each reporting end date.

Financial assets are impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows have been affected. If an asset is impaired, the impairment loss is the difference between the carrying amount and the present value of the estimated cash flows discounted at the asset's original effective interest rate. The impairment loss is recognised in profit or loss.

If there is a decrease in the impairment loss arising from an event occurring after the impairment was recognised, the impairment is reversed. The reversal is such that the current carrying amount does not exceed what the carrying amount would have been, had the impairment not previously been recognised. The impairment reversal is recognised in profit or loss.

#### **Derecognition of financial assets**

Financial assets are derecognised only when the contractual rights to the cash flows from the asset expire or are settled, or when the company transfers the financial asset and substantially all the risks and rewards of ownership to another entity, or if some significant risks and rewards of ownership are retained but control of the asset has transferred to another party that is able to sell the asset in its entirety to an unrelated third party.

#### **Classification of financial liabilities**

Financial liabilities and equity instruments are classified according to the substance of the contractual arrangements entered into. An equity instrument is any contract that evidences a residual interest in the assets of the company after deducting all of its liabilities.

#### **Basic financial liabilities**

Basic financial liabilities, including trade and other creditors and loans from fellow group companies, are initially recognised at transaction price unless the arrangement constitutes a financing transaction, where the debt instrument is measured at the present value of the future payments discounted at a market rate of interest. Financial liabilities classified as payable within one year are not amortised.

Debt instruments are subsequently carried at amortised cost, using the effective interest rate method.

Trade creditors are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Amounts payable are classified as current liabilities if payment is due within one year or less. If not, they are presented as non-current liabilities. Trade creditors are recognised initially at transaction price and subsequently measured at amortised cost using the effective interest method.

#### **Derecognition of financial liabilities**

Financial liabilities are derecognised when the company's contractual obligations expire or are discharged or cancelled.

### 1.8 Equity instruments

Equity instruments issued by the company are recorded at the proceeds received, net of transaction costs.

Dividends payable on equity instruments are recognised as liabilities once they are no longer at the discretion of the company.

# SENNING (UK) LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2020

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### 1 Accounting policies

(Continued)

#### 1.9 Taxation

The tax expense represents the sum of the tax currently payable and deferred tax.

##### **Current tax**

The tax currently payable is based on taxable profit for the year. Taxable profit differs from net profit as reported in the profit and loss account because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The company's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the reporting end date.

##### **Deferred tax**

Deferred tax liabilities are generally recognised for all timing differences and deferred tax assets are recognised to the extent that it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits. Such assets and liabilities are not recognised if the timing difference arises from goodwill or from the initial recognition of other assets and liabilities in a transaction that affects neither the tax profit nor the accounting profit.

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised. Deferred tax is charged or credited in the profit and loss account, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity. Deferred tax assets and liabilities are offset when the company has a legally enforceable right to offset current tax assets and liabilities and the deferred tax assets and liabilities relate to taxes levied by the same tax authority.

#### 1.10 Employee benefits

The costs of short-term employee benefits are recognised as an expense in the period they are incurred.

The cost of any unused holiday entitlement is recognised in the period in which the employee's services are received.

#### 1.11 Retirement benefits

Payments to defined contribution retirement benefit schemes are charged as an expense as they fall due.

#### 1.12 Leases

Rentals payable under operating leases, including any lease incentives received, are charged to profit or loss on a straight line basis over the term of the relevant lease except where another more systematic basis is more representative of the time pattern in which economic benefits from the leases asset are consumed.

#### 1.13 Foreign exchange

Transactions in currencies other than US dollars are recorded at the rates of exchange prevailing at the dates of the transactions. At each reporting end date, monetary assets and liabilities that are denominated in foreign currencies are retranslated at the rates prevailing on the reporting end date. Gains and losses arising on translation are included in the profit and loss account for the period.

## SENNING (UK) LIMITED

### NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2020

#### 2 Judgements and key sources of estimation uncertainty

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

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

#### 3 Turnover and other revenue

	2020	2019
	\$	\$
<b>Turnover analysed by class of business</b>		
Sale of oil	510,821,249	1,015,258,064
Provision of marketing services	4,462,134	5,000,077
	<u>515,283,383</u>	<u>1,020,258,141</u>
	2020	2019
	\$	\$
<b>Other significant revenue</b>		
Interest income	114,474	-
	<u>114,474</u>	<u>-</u>
	2020	2019
	\$	\$
<b>Turnover analysed by geographical market</b>		
Africa	80,737,699	1,000,077
America	1,078,334	-
Asia	433,467,350	709,803,032
Europe	-	309,455,032
	<u>515,283,383</u>	<u>1,020,258,141</u>

#### 4 Operating profit

	2020	2019
	\$	\$
Operating profit for the year is stated after charging/(crediting):		
Exchange differences apart from those arising on financial instruments measured at fair value through profit or loss	(361,279)	(276,690)
Fees payable to the company's auditor for the audit of the company's financial statements	34,753	37,891
Depreciation of owned tangible fixed assets	43,901	50,497
Profit on disposal of tangible fixed assets	-	(27,022)
Operating lease charges	355,961	490,729
	<u>355,961</u>	<u>490,729</u>

## SENNING (UK) LIMITED

### NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2020

#### 5 Employees

The average monthly number of persons (including directors) employed by the company during the year was:

2020 Number	2019 Number
12	10

Their aggregate remuneration comprised:

	2020 \$	2019 \$
Salaries	2,758,779	2,673,545
Employment benefits	391,369	385,705
Social security costs	455,762	428,124
Pension costs	61,648	55,212
	<u>3,667,558</u>	<u>3,542,586</u>

The company operates a defined contribution pension scheme for all qualifying employees. The assets of the scheme are held separately from those of the company in an independently administered fund.

#### 6 Directors' remuneration

	2020 \$	2019 \$
Remuneration for qualifying services	842,162	862,655
Directors' benefits	268,648	222,527
Company pension contributions to defined contribution schemes	15,167	14,530
	<u>1,125,977</u>	<u>1,099,712</u>

The number of directors for whom retirement benefits are accruing under defined contribution schemes amounted to 3 (2019:2).

Remuneration disclosed above include the following amounts paid to the highest paid director:

	2020 \$	2019 \$
Remuneration for qualifying services	700,562	544,726
Company pension contributions to defined contribution schemes	10,576	9,179

# **SENNING (UK) LIMITED**

## **NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

**FOR THE YEAR ENDED 31 DECEMBER 2020**

### **7 Interest receivable and similar income**

	<b>2020</b>	<b>2019</b>
	<b>\$</b>	<b>\$</b>
<b>Interest income</b>		
Other interest income	114,474	-
	<u>114,474</u>	<u>-</u>

### **8 Taxation**

	<b>2020</b>	<b>2019</b>
	<b>\$</b>	<b>\$</b>
<b>Current tax</b>		
UK corporation tax on profits for the current period	319,264	403,084
	<u>319,264</u>	<u>403,084</u>
<b>Deferred tax</b>		
Origination and reversal of timing differences	(4,027)	(7,268)
Foreign exchange differences	(1,209)	(1,355)
	<u>(5,236)</u>	<u>(8,623)</u>
<b>Total deferred tax</b>	<u>(5,236)</u>	<u>(8,623)</u>
<b>Total tax charge</b>	<u>314,028</u>	<u>394,461</u>

The actual charge for the year can be reconciled to the expected charge for the year based on the profit or loss and the standard rate of tax as follows:

	<b>2020</b>	<b>2019</b>
	<b>\$</b>	<b>\$</b>
Profit before taxation	1,675,370	2,086,542
	<u>1,675,370</u>	<u>2,086,542</u>
Expected tax charge based on the standard rate of corporation tax in the UK of 19.00% (2019: 19.00%)	318,320	396,443
Tax effect of expenses that are not deductible in determining taxable profit	(4,292)	(3,337)
Deferred tax adjustments in respect of prior years	-	1,355
	<u>-</u>	<u>1,355</u>
<b>Taxation charge for the year</b>	<u>314,028</u>	<u>394,461</u>

# **SENNING (UK) LIMITED**

## **NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

**FOR THE YEAR ENDED 31 DECEMBER 2020**

### **9 Tangible fixed assets**

	Leasehold land and buildings	Fixtures and fittings	Total
	\$	\$	\$
<b>Cost</b>			
At 1 January 2020	359,254	94,638	453,892
Additions	-	37,893	37,893
At 31 December 2020	359,254	132,531	491,785
<b>Depreciation and impairment</b>			
At 1 January 2020	170,211	79,016	249,227
Depreciation charged in the year	36,534	7,367	43,901
At 31 December 2020	206,745	86,383	293,128
<b>Carrying amount</b>			
At 31 December 2020	152,509	46,148	198,657
At 31 December 2019	189,043	15,622	204,665

### **10 Debtors**

	2020	2019
	\$	\$
<b>Amounts falling due within one year:</b>		
Trade debtors	21,182,648	138,529,154
Amounts owed by group undertakings	66,759	26,459
Other debtors	143,564	72,706
Prepayments and accrued income	239,556	182,390
	21,632,527	138,810,709
<b>Amounts falling due after more than one year:</b>		
Other debtors	542,935	524,495
<b>Total debtors</b>	22,175,462	139,335,204



# **SENNING (UK) LIMITED**

## **NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

**FOR THE YEAR ENDED 31 DECEMBER 2020**

**11 Creditors: amounts falling due within one year**

	<b>2020</b>	<b>2019</b>
	<b>\$</b>	<b>\$</b>
Trade creditors	20,531,608	138,040,526
Amounts owed to group undertakings	1,202,126	7,198,147
Corporation tax	3,558	380,625
Other taxation and social security	816,281	752,111
Other creditors	17,382	15,089
Accruals and deferred income	60,496	83,924
	<b>22,631,451</b>	<b>146,470,422</b>

**12 Financial instruments**

	<b>2020</b>	<b>2019</b>
	<b>\$</b>	<b>\$</b>
<b>Financial assets</b>		
Debt instruments measured at amortised cost	21,935,906	139,152,814
<b>Financial liabilities</b>		
Measured at amortised cost	21,986,927	145,513,000

**13 Creditors: amounts falling due after more than one year**

	<b>2020</b>	<b>2019</b>
	<b>\$</b>	<b>\$</b>
Accruals and deferred income	175,314	175,314

**14 Provisions for liabilities**

		<b>2020</b>	<b>2019</b>
	<b>Notes</b>	<b>\$</b>	<b>\$</b>
Deferred tax liabilities	<b>15</b>	30,361	34,388

## SENNING (UK) LIMITED

### NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2020

#### 15 Deferred taxation

The following are the major deferred tax liabilities and assets recognised by the company and movements thereon:

	Liabilities 2020 \$	Liabilities 2019 \$
<b>Balances:</b>		
Accelerated capital allowances	30,361	34,388
<b>Movements in the year:</b>		2020 \$
Liability at 1 January 2020		34,388
Credit to profit or loss		(4,027)
Liability at 31 December 2020		30,361

The deferred tax liability set out above is expected to reverse within 48 months and relates to accelerated capital allowances that are expected to mature within the same period.

#### 16 Share capital

	2020 \$	2019 \$
<b>Ordinary share capital Issued and fully paid</b>		
50,000 Ordinary shares of GBP £2 each	179,430	179,430

#### 17 Operating lease commitments

##### Lessee

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

	2020 \$	2019 \$
Within one year	522,256	354,084
Between two and five years	1,668,319	1,983,288
In over five years	-	96,410
	2,190,575	2,433,782

# **SENNING (UK) LIMITED**

## **NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

**FOR THE YEAR ENDED 31 DECEMBER 2020**

### **18 Related party transactions**

#### **Remuneration of key management personnel**

The remuneration of key management personnel is as follows.

	2020	2019
	\$	\$
Aggregate compensation	1,260,993	1,232,158

#### **Transactions with related parties**

During the year the company entered into the following transactions with related parties:

	Sales		Purchases	
	2020	2019	2020	2019
	\$	\$	\$	\$
CNPC Companies	231,529,556	-	192,580,433	228,221,693
Hongkong Xinming Limited	-	-	79,334,892	-

	Sales of services	
	2020	2019
	\$	\$
CNPC Companies	3,369,214	3,000,076
China Volant Industry Co. Ltd	1,000,000	2,000,000

The following amounts were outstanding at the reporting end date:

	2020	2019
	\$	\$
<b>Amounts due to related parties</b>		
CNPC Companies	20,531,608	12,654,600
Senning Company Inc.	1,202,126	7,198,146

## SENNING (UK) LIMITED

### NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2020

#### 18 Related party transactions

(Continued)

The following amounts were outstanding at the reporting end date:

	2020	2019
Amounts due from related parties	\$	\$
CNPC Companies	21,219,490	311,808

Senning Company Inc. - immediate parent company.

Senning Company Inc. is 50% owned by CNPC International Limited and 50% owned by Huaning Energy Company Limited.

China Volant Industry Co. Ltd is the parent company of the Huaning Energy Company Limited.

HongKong Xinming is ultimately controlled by China Aerospace Science & Industry Corporation which itself is owned by the People's Republic of China.

From 14/5/21, the shareholding ratio of shareholders changed: Senning Company Inc. is 51% owned by CNPC International Limited and 49% owned by Huaning Energy Company Limited.

#### 19 Controlling party

The company is immediately wholly-owned by Senning Company Inc. a company incorporated in British Virgin Islands.

At the year-end Senning Company Inc. was owned 50% by CNPC International Limited, a company incorporated in Cayman Islands and 50% owned by Huaning Energy Company Limited, a company incorporated in Hong Kong. These entities are state owned by the People's Republic of China by virtue of the shares held by their ultimate parent companies China National Petroleum Corporation and China Aerospace Science & Industry Corporation Limited respectively.

From 14/5/21, the shareholding ratio of shareholders changed: Senning Company Inc. is 51% owned by CNPC International Limited and 49% owned by Huaning Energy Company Limited.

# **SENNING (UK) LIMITED**

## **NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

**FOR THE YEAR ENDED 31 DECEMBER 2020**

### **20 Cash (absorbed by)/generated from operations**

	<b>2020</b>	<b>2019</b>
	<b>\$</b>	<b>\$</b>
Profit for the year after tax	1,361,342	1,692,081
<b>Adjustments for:</b>		
Taxation charged	314,028	394,461
Investment income	(114,474)	-
Gain on disposal of tangible fixed assets	-	(27,022)
Depreciation and impairment of tangible fixed assets	43,901	50,497
<b>Movements in working capital:</b>		
Decrease/(increase) in debtors	117,159,742	(107,321,861)
(Decrease)/increase in creditors	(123,461,904)	108,716,767
<b>Cash (absorbed by)/generated from operations</b>	<b>(4,697,365)</b>	<b>3,504,923</b>

### **21 Analysis of changes in net debt**

	<b>2020</b>
	<b>\$</b>
<b>Opening net funds</b>	
Cash at bank and in hand	10,094,118
<b>Changes in net debt arising from:</b>	
Cash flows of the entity	(5,315,905)
<b>Closing net funds as analysed below</b>	<b>4,778,213</b>
<b>Closing net funds</b>	
Cash at bank and in hand	4,778,213

This document was delivered using electronic communications and authenticated in accordance with the registrar's rules relating to electronic form, authentication and manner of delivery under section 1072 of the Companies Act 2006.