

Sequa Petroleum UK LTD

Financial statements for the
year ended 31 December 2017



Company Registration Number 08767447 (England and Wales)

Directors' Report for the year ended 31 December 2017

The Directors present their report and the audited financial statements for the year ended 31 December 2017. The Company has taken advantage of the exemption contained in section 414B of the Companies Act 2006 not to prepare a strategic report as it prepares its financial statements in accordance with the small companies' regime.

Business review and future developments

Sequa Petroleum UK LTD (the "Company") was incorporated on 8 November 2013 in England and Wales. The Company is a subsidiary of Sequa Petroleum N.V. ("SPNV"), its ultimate parent company.

The Company holds and manages certain investments on behalf of its ultimate parent company. On 14 November 2013, the Company incorporated its subsidiary, Sequa Petroleum (Kazakhstan) LLP ("SPKaz"), an oil and gas exploration company in Kazakhstan. SPKaz has performed one project, being the appraisal of the Aksai licence in Kazakhstan where the Company's subsidiary became operator and 75% beneficial owner. It is the intention of the Directors that the Company will continue to hold and manage investments on behalf of the Sequa Petroleum N.V. group with a particular focus on business interests in Kazakhstan.

In August 2015, the Company acquired an interest in a loan receivable for USD 90 million from its parent undertaking. The loan receivable is due from Bolz LLP, the partner to SPKaz in the Aksai appraisal project. Subsequently, Bolz LLP made a cash repayment of USD 54 million against the receivable and the Company simultaneously increased its equity investment in SPKaz by the same amount. As at 31 December 2017, USD 36 million remains outstanding under the Bolz LLP loan agreement which allows for the loan to be repaid out of initial hydrocarbon revenue in the event the Aksai project is a success. This outstanding balance was impaired in full in 2016.

In September 2015, the Ministry of Energy of the Republic of Kazakhstan agreed to extend the Aksai licence for three years up to July 16, 2018.

During August 2017, the Group received sign-off regarding its renegotiation of the Aksai work programme, which it had been negotiating through 2016. The revised programme includes studies and seismic acquisition in 2017 and two wells in 2018. The total value of the works budgeted are USD 42.3 million and if not completed can incur a penalty of 1% (reduced from 30% previously). The works required to be completed in 2017 were not performed, and neither have the works scheduled for 2018 been performed before the licence expiry on 16 July 2018 as Management did not believe that further expenditure was warranted in the current (sub USD 100 per barrel oil) environment.

Management of SPKaz are in discussion with the Kazakh Ministry of Energy in regard to potential fines and training fees / social development payments for unfulfilled work commitments and have identified a maximum exposure of USD 1.2 million. This amount includes an abandonment cost estimate of USD 0.4 million, with protected funds of USD 0.3 million already in place and a lump sum contract of USD 0.3 million awarded.

During 2018, the Group has reduced the indebtedness between SPKaz and SPNV. This has been achieved through increasing the Company's investment in SPKaz's equity and using these funds to pay down the loan between SPKaz and SPNV. A total of USD 13.5 million has been invested and repaid.

Performance and dividends

The loss for the year was USD 121.

No dividends were paid or proposed during the year.

Directors' Report for the year ended 31 December 2017 (continued)

Financial risk management

The principal financial risk facing the Company includes the financial stability of the parent company. Discussion about the risks facing the parent company are included in the Annual Report of the parent company, available at www.sequa-petroleum.com.

Going concern

These financial statements have been prepared on the going concern basis.

As at 31 December 2017, the Company had net current liabilities of USD 90,003,352 (2016: USD 90,003,231), consisting entirely of intercompany borrowings owed to the parent undertaking, Sequa Petroleum N.V.

On 13 February 2017 the directors of SPNV agreed to amend the terms of this liability such that repayment of such amounts would only become due and payable upon the generation of profits arising on the successful generation of hydrocarbon revenues from, or sale of, the Aksai licence. Taking into consideration the disclaimer of opinion in the SPNV audit report, the directors consider that, SPNV will continue to provide financial support to allow the company to meet its liabilities as and when they fall due to the extent that funding is not otherwise available to the Company.

After making enquiries and based on the above, the Directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future. For this reason, they continue to adopt the going concern basis of accounting in preparing the annual financial statements.

Directors

The Directors of the Company, who served during the year, and up until the date of the signing of the financial statements are:

Jacob Broekhuijsen
James Michael Luke

Directors' insurance

Directors' and officers' liability insurance is provided for all Directors of the Company through their directorships of SPNV.

Secretary

The Secretary of the Company during the year was:

Robin Storey (resigned 27 June 2017)

The Company does not currently have a Secretary.

Registered office

The registered office of Sequa Petroleum UK Limited is:

23 Savile Row
London
W1S 2ET

Directors' Report for the year ended 31 December 2017 (continued)


Auditor

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

Disclosure of information to auditor:

So far as the Directors are aware, there is no relevant audit information of which the Company's auditor is unaware, and each Director has taken all the steps that they ought to have taken as Directors in order to make themselves aware of any relevant audit information and to establish that the Company's auditors are aware of that information.

On Behalf of the Board



Jacob Broekhuijsen
Director

27 September 2018

23 Savile Row
London W1S 2ET

Statement of Directors' responsibilities in respect of the Directors' report and the financial statements

The Directors are responsible for preparing 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 IFRSs as adopted by the European Union 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 year. In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether they have been prepared in accordance with IFRSs as adopted by the European Union; and
- 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 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 Member of Sequa Petroleum UK LTD

Opinion

We have audited the financial statements of Sequa Petroleum UK Ltd (the 'Company') for the year ended 31 December 2017, which comprise the Statement of Comprehensive Income, the Balance Sheet, the Statement of Changes in Equity and the related notes, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union.

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 Auditors' 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 United Kingdom, including the Financial Reporting Council'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

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the directors' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the Company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

Other information

The directors are responsible for the other information. The other information comprises the information included in the Annual Report, other than the financial statements and our Auditors' Report thereon. 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.

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

INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS OF SEQUA PETROLEUM UK LTD

We have nothing to report in this regard.

Opinion on other matters prescribed by the Companies Act 2006

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

- the information given in the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements; 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.

We have nothing to report in this regard.

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

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

Use of our report

This report is made solely to the Company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an Auditors' 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.



Christina Georgiou (Senior Statutory Auditor)

for and on behalf of
Haslers

Chartered Accountants
Statutory Auditor

Old Station Road
Loughton
Essex
IG10 4PL

27 September 2018

Statement of comprehensive income for the year ended 31 December 2017

	Year ended 31 Dec 2017 USD	Year ended 31 Dec 2016 USD
Administrative expenses		
Other administrative expenses	4 -	(2,057)
Operating loss	-	(2,057)
Finance (costs) / income	5 (121)	252
Loss before taxation	(121)	(1,805)
Taxation	6 -	-
Loss for the period attributable to equity shareholders	(121)	(1,805)
Total comprehensive loss for the period attributable to equity shareholders	(121)	(1,805)


The accompanying notes on pages 12 to 19 are an integral part of these financial statements.

Statement of financial position as at 31 December 2017

	2017 USD	2016 USD
Current assets		
Trade and other receivables	8 —	—
	—	—
Total assets	—	—
Equity		
Called-up equity share capital	13 2	2
Retained deficit	(90,003,354)	(90,003,233)
	(90,003,352)	(90,003,231)
Current liabilities		
Trade and other payables	11 (90,003,352)	(90,003,231)
Total equity and liabilities	—	—

The accompanying notes on pages 12 to 19 are an integral part of these financial statements.

The financial statements on pages 8 to 19 were authorised for issue by the Board of Directors on 27 September 2018 and were signed on its behalf by:



Jacob Broekhuijsen
Director

Statement of changes in equity for the year ended 31 December 2017

	Share capital USD	Retained deficit USD	Total USD
Balance as at 31 December 2015	2	(90,001,428)	(90,001,426)
Total comprehensive income for the year	–	(1,805)	(1,805)
Balance as at 31 December 2016	2	(90,003,233)	(90,003,231)
Total comprehensive income for the year	–	(121)	(121)
Balance as at 31 December 2017	2	(90,003,354)	(90,003,352)

The accompanying notes on pages 12 to 19 are an integral part of these financial statements.

Statement of cash flows for the year ended 31 December 2017

	Year ended 31 Dec 2017 USD	Year ended 31 Dec 2016 USD
Loss after taxation	(121)	(1,805)
<i>Adjustments for:</i>		
Exchange differences	121	(252)
Decrease/(Increase) in accounts receivables	-	2,057
Net cash used in operating activities	-	-
Net cash used in investing activities	-	-
Net cash inflow from financing activities	-	-
(Decrease) / increase in cash and cash equivalents in the year / period	-	-
Cash and cash equivalents at start of the year / period	-	-
Cash and cash equivalents as at 31 December	-	-

The accompanying notes on pages 12 to 19 are an integral part of these financial statements.

Notes to the Financial Statements

1. General information

Sequa Petroleum UK Ltd (the 'Company') is a private limited company and was incorporated on 8 November 2013 under the Companies Act 2006 and domiciled in the United Kingdom. The Company's registered office is 23 Savile Row, London W1S 2ET, England.

2. Principal accounting policies

The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied, unless otherwise stated.

2.1 Basis of preparation

The Company's financial statements have been prepared on a going concern basis in accordance with International Financial Reporting Standards and IFRS Interpretations Committee interpretations (IFRICs) as adopted by the European Union ('adopted IFRS') and those parts of the Companies Act 2006 applicable to companies reporting under adopted IFRS. The financial statements have been prepared under the historical cost convention. The preparation of financial statements in conformity with adopted IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Company's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in Note 3.

The Company is a wholly owned subsidiary of Sequa Petroleum N.V. and is included in the audited consolidated financial statements Sequa Petroleum N.V. prepared in accordance with adopted IFRS. Consequently, the Company has taken advantage of the exemption from preparing consolidated financial statements under the terms of section 401 of the Companies Act 2006.

These financial statements are presented in US dollars ("USD") and rounded to the nearest USD.

Going concern

These financial statements have been prepared on the going concern basis.

As at 31 December 2017, the Company had net current liabilities of USD 90,003,354 (2016: USD 90,003,231), consisting entirely of intercompany borrowings owed to the parent undertaking, Sequa Petroleum N.V.

On 13 February 2017 the directors of SPNV agreed to amend the terms of this liability such that repayment of such amounts would only become due and payable upon the generation of profits arising on the successful generation of hydrocarbon revenues from, or sale of, the Aksai licence. Taking into consideration the disclaimer of opinion in the SPNV audit report, the directors consider that, SPNV will continue to provide financial support to allow the company to meet its liabilities as and when they fall due to the extent that funding is not otherwise available to the Company.

After making enquiries and based on the above, the Directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future. For this reason, they continue to adopt the going concern basis of accounting in preparing the annual financial statements.

2.2 New accounting standards

The following relevant new standards, amendments to standards and interpretations are effective for annual periods beginning on or after 1 January 2018 and have not been applied in preparing these consolidated financial statements.

	Effective date for periods beginning on or after
IFRS 9 'Financial Instruments'	1 January 2018
IFRS 15 'Revenue from Contracts with Customers'	1 January 2018
IFRS 16 'Leases'	1 January 2019

2.3 Foreign currencies

The functional and presentation currency of the Company is the US dollar.

The Company translates foreign currency transactions into the functional currency at the rate of exchange prevailing at the transaction date. Monetary assets and liabilities denominated in foreign currency are translated into the functional currency at the rate of exchange prevailing at the reporting date. Exchange differences arising are taken to the income statement. Non-monetary items in a foreign currency that are measured based on historical cost are translated using the exchange rate at the date of the transaction.

2.4 Taxation

Income tax

Income tax on the loss for the year comprises current and deferred tax. Income tax is recognised in the Company income statement except to the extent that it relates to items recognised directly in shareholders' equity, in which case it is recognised in the statement of changes in equity.

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

Deferred tax

Deferred tax is provided in full, using the liability method, on all taxable and deductible temporary differences at the balance sheet date arising between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted as at the balance sheet date.

Deferred tax assets are recognised to the extent that it is probable that future taxable profits will be available against which the deductible temporary differences can be utilised.

2.5 Investments

Investments are included in the balance sheet at cost less any provision for impairments. Investments are reviewed for impairment if events or changes in circumstances indicate that the carrying amount may not be recoverable. When a review for impairment is conducted, the recoverable amount is assessed by reference to the net present value of expected future cash flows of the relevant income generating unit on a value in use basis or at its fair value less costs of disposal if higher.

An impairment loss is recognised if the carrying amount of the non-financial asset exceeds its recoverable amount. Impairment losses are recognised in the statement of comprehensive income.

2.6 Financial instruments

The non-derivative financial instruments held by the Company at the balance sheet date comprise cash, other payables, and trade and other receivables.

The Group classifies non-derivative financial liabilities into the other financial liabilities category.

The Company classifies non-derivative financial assets as loans and receivables.

Non-derivative financial assets - recognition and measurement

The Group initially recognises loans and receivables issued on the date that they are originated.

These assets are initially recognised at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, they are measured at amortised cost using the effective interest method.

Impairment

Financial assets not classified as at fair value through profit or loss, are assessed at each reporting date to determine whether there is objective evidence of impairment.

Objective evidence that financial assets are impaired includes:

- default or delinquency by a debtor;
- restructuring of an amount due to the Company on terms that the Company would not consider otherwise;
- indications that a debtor or issuer will enter bankruptcy;
- adverse changes in the payment status of borrowers or issuers;
- the disappearance of an active market for a security;

An impairment loss is calculated as the difference between an asset's carrying amount and the present value of the estimated future cash flows discounted at the asset's original effective interest rate. Losses are recognised in profit or loss and reflected in an allowance account. When the Company considers that there are no realistic prospects of recovery of the asset, the relevant amounts are written off. If the amount of impairment loss subsequently decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, then the previously recognised impairment loss is reversed through profit or loss.

Cash and cash equivalents

In the statement of cash flows, cash and cash equivalents includes bank overdrafts that are repayable on demand and form an integral part of the Group's cash management.

Non-derivative financial liabilities

Non-derivative financial liabilities are recognised initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, these liabilities are measured at amortised cost using the effective interest method.

Equity

Equity instruments issued by the company are recorded at the proceeds received, net of direct issue costs, allocated between share capital and share premium.

3. Uses of estimates and judgements

In preparing financial statements, management may make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

4. Expenses by nature

The operating loss is stated after charging the following:

	Year ended 31 Dec 2017 USD	Period ended 31 Dec 2016 USD
Bank fees and charges	-	-

Audit fees of USD 2,433 for the year ended 31 December 2017 (2016 USD 2,230) were borne by another group company.

5. Finance (costs) / income

	Year ended 31 Dec 2017 USD	Period ended 31 Dec 2016 USD
Net foreign exchange differences	(121)	252

6. Taxation**Current taxation**

There is no (credit)/charge for taxation in the year.

Reconciliation of effective tax rate

	Year ended 31 Dec 2017 USD	Period ended 31 Dec 2016 USD
Loss before tax	121	1,805
Income tax benefit calculated at 19.25% (2016 20%) of the loss before taxation	23	361
Tax effect of expenses that are not deductible for tax purposes:		
• Impairment of investment in subsidiary	-	-
Current year / period losses for which no deferred tax asset was recognised	(23)	(361)
Income tax expense	-	-

Factors that may affect future tax charges

Reductions in the UK corporation tax rate were substantively enacted on 2 July 2013. Further reductions to 19% (effective from 1 April 2017) and 18% (effective from 1 April 2020) were substantively enacted on 26 October 2015.

An additional reduction to 17% (effective from 1 April 2020) was announced in the Budget on 16 March 2016. This will reduce the Company's future current tax charge accordingly.

Deferred taxation

A deferred tax asset will only be created if there is reasonable certainty that profits will be earned in the foreseeable future.

As at 31 December 2017, there were USD 36,002,032 (2016 USD 36,001,911) of gross tax losses carried forward to future periods. In the UK, there is no expiry date on these losses.

The benefits of tax losses not brought to account will only be obtained if:

- assessable income is derived of a nature and of amount sufficient to enable the benefit from the deductions to be realised;
- conditions for deductibility imposed by the law are complied with; and
- no changes in tax legislation adversely affect the realisation of the benefit from the deductions.

No income tax has been charged or credited directly to equity or other comprehensive income during the year.

7. Directors' emoluments and employees

None of the Directors received any remuneration or benefits from the Company during the current year or prior period, nor are they employees of the Company. All of the Directors are remunerated by Sequa Petroleum N.V. The Company had no employees during the current year.

8. Trade and other receivables

	2017	2016
	USD	USD
External loan receivable	-	-
Non-current	-	-
Current	-	-

The Company's subsidiary, Sequa Petroleum (Kazakhstan) LLP, is an oil and gas exploration company operating in Kazakhstan. Sequa Petroleum (Kazakhstan) LLP has had one unsuccessful appraisal project, being the Aksai licence in Kazakhstan where the subsidiary was operator and 75% beneficial owner.

In August 2015, the Company acquired an interest in a loan receivable for USD 90 million from its parent undertaking, Sequa Petroleum N.V. The loan receivable was due from Bolz LLP, the partner to Sequa Petroleum (Kazakhstan) LLP in the Aksai appraisal project. The loan was to be repaid out of initial hydrocarbon revenue in the event the Aksai project was a success. The loan receivable was non-interest bearing.

On 27 August 2015, Bolz LLP made a repayment of USD 54 million against the balance as part of a restructure of the Aksai investment by the Sequa Petroleum NV group.

As at 31 December 2015, an impairment charge of USD 36 million was recognised to reflect the uncertainty at that time as to the Group's ability to fund further seismic and drilling campaigns within a time frame to

develop the Aksai asset, and accordingly the ability for the Company to recover the outstanding loan receivable outstanding.

9. Investment in subsidiary

	2017	2016
	USD	USD
Cost at the beginning of the year / period	-	-
Additions	-	-
Impairment of investment in subsidiary	-	-
	<hr/>	<hr/>
Cost as at 31 December	-	-
	<hr/>	<hr/>

As at 31 December 2016 and 31 December 2017 the Company is the direct holding company of the following investment, holding 100% of the charter capital of the subsidiary:

- Sequa Petroleum (Kazakhstan) LLP (registered and operating in Kazakhstan).

On 28 August 2015, the Company increased its equity investment in Sequa Petroleum (Kazakhstan) LLP by USD 54 million through the subscription of 54,000,000 charter capital.

As disclosed in the Directors' Report, the investment in the charter capital of Sequa Petroleum (Kazakhstan) LLP was impaired in full at 31 December 2015.

10. Cash and cash equivalents

	2017	2016
	USD	USD
Cash at bank	-	-
	<hr/>	<hr/>

11. Trade and other payables

	2017	2016
	USD	USD
Amounts owed to group undertakings	90,003,352	90,003,231
	<hr/>	<hr/>

Amounts owed to group undertakings comprise USD 1,352 (2016 USD 1,231) denominated in Pounds Sterling with the remainder denominated in USD. The amounts are unsecured, with no fixed repayment date and are interest free.

12. Financial instruments

Principal financial instruments

Financial assets comprise amounts due from third parties totalling USD nil (2016 nil) which is further detailed in note 8. The loan receivable is held at its amortised cost less impairment. The fair value of the loan receivable is categorised as a Level 3 financial instrument and is equivalent to the carrying value of the instrument.

The movement in the allowance for impairment in respect of trade receivables during the year was as follows:

	Gross 2017 USD	Impaired 2017 USD	Gross 2016 USD	Impaired 2016 USD
Balance at 1 January	36,002,057	36,002,057	36,002,057	36,000,000
Additions	-	-	-	-
Impairment loss recognised	-	-	-	2,057
Non-current	-	-	-	-
Current	36,002,057	36,002,057	36,002,057	36,002,057

The allowance account for trade receivables is used to record impairment losses unless the Company is satisfied that no recovery of the amount owing is possible; at that point the amounts considered irrecoverable are written off against the trade receivables directly.

The Company holds no Financial assets (2016 USD nil). The Company holds no cash and cash equivalents (2016 nil).

Financial liabilities comprise amounts owed to the parent undertaking of USD 90,003,354 (2016 USD 90,003,231). The carrying value of the Company's financial assets and liabilities are considered equivalent to the fair value.

Financial risk management

The Company has no formal financial risk management policies and is not considered to be significantly exposed to financial risks. Financial risk management is undertaken centrally by the Directors of the Company's ultimate parent, Sequa Petroleum N.V.

13. Equity

Share capital

Amounts subscribed for share capital are at nominal value.

Retained deficit

Cumulative net gains and losses recognised in the Statement of Comprehensive Income net of amounts recognised directly in equity.

Ordinary shares

	Number Ordinary shares of 1 GBP each	Share capital USD
As at 31 December 2016 and 31 December 2017	1	2

14. Related party transactions

During the 2017 calendar year, the Company entered into no transactions with related parties. All previous transactions with related parties were made on terms equivalent to those that prevail in arm's length transactions.

See note 12 for amounts payable to related parties at the end of the year.

The key management personnel consist solely of the Directors. See note 7 for further details.

15. Parent company and ultimate controlling party

The immediate parent undertaking and controlling party is Sequa Petroleum N.V., a company registered in The Netherlands. Sequa Petroleum N.V. is the parent undertaking of the smallest and largest group to prepare consolidated financial statements. Copies of Sequa Petroleum N.V. consolidated financial statements can be obtained from Sequa's website at <http://www.sequa-petroleum.com>.

16. Subsequent events

During 2018, to the date of publication of these accounts, SPNV has financed the Company through its inter-group debt to the tune of USD 13.5 million to allow the Company to increase its investment in the shares of SPKaz. SPKaz has used these funds to pay down its inter-group debt to SPNV.

17. Contingent liabilities

As referred to in the Directors' Report, the subsidiary SPKaz may potentially be liable for fines in relation to unfulfilled work commitments, the maximum these fines could amount to are \$1.2m.