Sequa Petroleum UK LTD

Unaudited

Financial statements for the year ended 31 December 2021

Company Registration Number 08767447 (England and Wales)

Directors' Report for the year ended 31 December 2021

The Directors present their report and the financial statements for the year ended 31 December 2021. 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 was set up to hold and manage certain investments on behalf of its ultimate parent company.

On 14 November 2013, the Company incorporated its subsidiary, Sequa Petroleum (Kazakhstan) LLP ("SP Kaz"), an oil and gas exploration company in Kazakhstan. SP Kaz has performed one project, being the appraisal of the Aksai licence in Kazakhstan where the Company's subsidiary became 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. The loan receivable was due from Bolz LLP, the partner to SP Kaz 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 SP Kaz by the same amount.

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 included studies and seismic acquisition in 2017 and two wells in 2018. The total value of the works budgeted were USD 42.3 million and if not completed would incur a penalty of 1% (reduced from 30% previously).

The works required to be completed in 2017 were not performed, and neither were the works scheduled for 2018 performed. The licence was allowed to expire on 16 July 2018 as Management did not believe that further expenditure was warranted in the then and current (sub USD 100 per barrel oil) environment.

Failure to perform the agreed work programme meant SP Kaz incurred fines and demands for unpaid Training Fees and Social fund contributions totalling USD 0.9 million, saving around USD 12 million due to the negotiation of the penalty rate down from 30%.

During 2018, the Group reduced the indebtedness between SPKaz and SPNV. This was 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 31.0 million was invested and repaid.

During 2019 the Group successfully completed abandonment works on the Aksai oil & gas licence that were required of it after having allowed the licence to lapse in July 2018. In November 2019 the company finalised a sale of Sequa Petroleum (Kazakhstan) LLP to its local management for a nominal amount. This sale has allowed the Group to exit Kazakhstan more quickly and at lower cost than would otherwise have been possible.

The Company had no activities in 2020.

At the end of 2021 the Company became a 1/3rd shareholder in a newly incorporated entity, Sungara Energies Limited ("Sungara"). Sungara is jointly owned by three partners: the Company, the National Petroleum Corporation of Namibia's subsidiary NAMCOR Exploration and Production (Proprietary) Limited ("NAMCOR") and Petrolog Energies Limited ("Petrolog", a company affiliated with African multinational Petrolog Group). The Company, NAMCOR and Petrolog have signed a shareholder agreement relating to their interests in Sungara, with equal terms and shareholdings in Sungara for each partner.

Sungara was set up with the intention of acquiring Oil & Gas assets in Sub-Saharan Africa.

Performance and dividends

The profit for the year was USD 17.

No dividends were proposed or paid during the year.

Directors' Report for the year ended 31 December 2021 (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 2021, the Company had net current liabilities of USD 122 million (2020: USD 122 million), consisting entirely of intercompany borrowings owed to the parent undertaking, Sequa Petroleum N.V.

On 13 February 2017 the Directors of SPNV amended 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 Company's projects. 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.

Subsequent Events

On 28 April 2022, it was announced that an agreement had been reached to acquire 10% of Block 15/06 in Angola from Sonangol P&P through Sungara.

Sungara has entered into an agreement with Sonangol Pesquisa E Produção, S.A. ("Sonangol P&P") to purchase a 10% participating interest in Block 15/06, 40% participating interest in Block 23 (with operatorship), and 35% participating interest in Block 27 (the "Transaction").

The Block 15/06 Joint Venture comprises Eni (operator, 36.84%), Sonangol P&P (36.84%) and SSI Fifteen Limited (26.32%). Block 15/06 is one of the most prolific blocks in deepwater offshore Angola with current oil production of more than 100,000 barrels per day through two large floating production and storage facilities. Following successful exploration and appraisal in the past several years, an ongoing development programme is forecasted to increase production in the medium term beyond 150,000 barrels per day. The block has further upside potential which may materialise following future exploration, appraisal and development activity.

Sungara's 10% participating interest in Block 15/06 provides it with current production of more than 10,000 barrels of oil per day, forecasted to grow beyond 15,000 barrels per day in the medium term, 75 million barrels reserves and resources, and further upside potential. Offshore exploration Blocks 23 and 27 also provide upside value. The consideration for the Transaction is ca. USD 500 million which includes a contingent payment of up to USD 50 million.

The Transaction is planned to be funded by Sungara through a combination of equity contributions from each of the Sungara partners and third-party debt. The economic effective date of the Transaction is April 2022 and completion, subject to customary conditions and approvals, is planned to occur in 2022.

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 Company does not currently have a Secretary.

Registered office

The registered office of Sequa Petroleum UK Limited is:

23 Savile Row
London
W1S 2ET

Signed on Behalf of the Board

Jacob Broekhuijsen
Director
30 September 2022

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.

Statement of comprehensive income for 2021

		Year ended 31 Dec 2021 USD	Year ended 31 Dec 2020 USD
Administrative expenses			
Impairment of investment in subsidiary	9	-	-
Operating loss		-	-
Finance (costs) / income	5	17	(45)
Loss before taxation		17	(45)
Taxation	6	–	–
Loss for the period attributable to equity shareholders		17	(45)
Total comprehensive loss for the period attributable to equity shareholders		17	(45)

The accompanying notes on pages 15 to 22 are an integral part of these financial statements.

Statement of financial position as at 31 December 2021

	Note	2021 USD	2020 USD
Fixed assets			
Investments	9	**1**	–
		1	–
Total assets		**1**	–
Equity			
Called-up equity share capital	13	**2**	2
Retained deficit		**(122,223,768)**	(122,223,785)
		(122,223,766)	(122,223,783)
Current liabilities			
Trade and other payables	11	**(122,223,766)**	(122,223,783)
Other creditors	11	**(1)**	-
Total liabilities		**(122,223,767)**	–
Total equity and liabilities		**(1)**	–

The accompanying notes on pages 15 to 22 are an integral part of these financial statements.

For the year ending 31 December 2021 the company was entitled to exemption from audit under section 477 of the Companies Act 2006 relating to small companies.

The members have not required the company to obtain an audit of its accounts for the year in question in accordance with section 476.

The directors acknowledge their responsibilities for complying with the requirements of the Act with respect to accounting records and the preparation of accounts.

These accounts have been prepared in accordance with the provisions applicable to companies subject to the small companies' regime:

Jacob Broekhuijsen
Director

Statement of changes in equity for the year ended 31 December 2021

	Share capital USD	Retained deficit USD	Total USD
Balance as at 31 December 2019	2	(122,223,740)	(122,223,738)
Total comprehensive income for the year	–	(45)	(45)
Balance as at 31 December 2020	2	(122,223,785)	(122,223,783)
Total comprehensive income for the year	–	17	17
Balance as at 31 December 2021	**2**	**(122,223,768)**	**(122,223,766)**

The accompanying notes on pages 15 to 22 are an integral part of these financial statements.

Statement of cash flows for the year ended 31 December 2021

	Year ended 31 Dec 2021 USD	Year ended 31 Dec 2020 USD
Loss after taxation	**17**	(45)
Adjustments for:		
Exchange differences	**(17)**	45
Impairment of investment	-	-
Net cash used in operating activities	-	-
Capital contributions in subsidiary	-	-
Net cash used in investing activities	-	-
Loan from parent company	-	-
Net cash inflow from financing activities	-	-
(Decrease) / increase in cash and cash equivalents in the year	–	–
Cash and cash equivalents at start of the year	–	–
Cash and cash equivalents as at 31 December	–	–

The accompanying notes on pages 15 to 22 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. (SPNV) and is included in the audited consolidated financial statements of 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 2021, the Company had net current liabilities of USD 122,223,767 (2020: USD 122,223,783), consisting of intercompany borrowings owed to the parent undertaking, SPNV.

On 13 February 2017 the directors of SPNV amended 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 Company's projects. 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 and support from its parent company 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 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.

2.3 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.

2.4 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.

2.5 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 Company 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 Company 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 Company'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 judgements, 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 2021 USD	Period ended 31 Dec 2020 USD
Bank fees and charges	-	-

5. Finance (costs) / income

	Year ended 31 Dec 2021 USD	Period ended 31 Dec 2020 USD
Net foreign exchange differences	**17**	(45)

6. Taxation

Current taxation

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

Reconciliation of effective tax rate

	Year ended 31 Dec 2021 USD	Period ended 31 Dec 2020 USD
(Profit)/loss before tax	**(17)**	45
Income tax / benefit calculated at 19.00% (2020: 19.00%) of the profit/loss before taxation	**(3)**	8
Set against brought forward tax losses	**3**	–
Losses for which no deferred tax asset was recognised	–	(8)
Income tax expense	–	–

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 2021, there were USD 36,002,249 (2020 USD 36,002,266) 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

The Company had no receivables at the reporting date in 2021 or 2020.

9. Investments

	2021	2020
	USD	USD
Balance at the beginning of the year / period	-	-
Additions	1	-
Balance as at 31 December	1	-

During December 2021 the Company acquired a 33.3% shareholding in a newly incorporated entity, Sungara Energies Limited ("Sungara"). The Company, together with two other consortium members, set up Sungara in order to jointly pursue acquisitions of oil & gas assets in Sub-Saharan Africa.

NAMCOR, Petrolog and Sequa have signed a shareholder agreement relating to their interests in Sungara, with equal terms and shareholdings for each partner.

10. Cash and cash equivalents

	2021	2020
	USD	USD
Cash at bank	-	-

11. Creditors

	2021	2020
	USD	USD
Amounts owed to group undertakings	122,223,766	122,223,783
Other creditors	1	-
Balance as at 31 December	122,223,767	122,223,783

Amounts owed to group undertakings comprise USD 1,365 (2020: USD 1,348) denominated in Pounds Sterling with the remainder denominated in USD. The amounts are unsecured, with no fixed repayment date and are interest free.

Other creditors at 31 December 2021 comprised unpaid share capital of Sungara Energies Limited of GBP 1.

12. Financial instruments

Principal financial instruments

The Company holds no financial assets (2020: nil). The Company holds no cash and cash equivalents (2020: nil).

Financial liabilities comprise amounts owed to the parent undertaking of USD 122,223,766 (2020: USD 122,223,783) and GBP 1 of unpaid share capital in an investment. The carrying value of the Company's financial 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 2021 and 31 December 2020	1	2

14. Related party transactions

During the 2021 calendar year, the Company entered into no transactions with related parties besides the intercompany loan and investment transactions described above. 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. ("SPNV"), 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 the SPNV consolidated financial statements can be obtained from Sequa's website at http://www.sequa-petroleum.com.

16. Subsequent events

On 28 April 2022, it was announced that an agreement had been reached to acquire 10% of Block 15/06 in Angola from Sonangol P&P through Sungara.

Sungara has entered into an agreement with Sonangol Pesquisa E Produção, S.A. ("Sonangol P&P") to purchase a 10% participating interest in Block 15/06, 40% participating interest in Block 23 (with operatorship), and 35% participating interest in Block 27 (the "Transaction").

The Block 15/06 Joint Venture comprises Eni (operator, 36.84%), Sonangol P&P (36.84%) and SSI Fifteen Limited (26.32%). Block 15/06 is one of the most prolific blocks in deepwater offshore Angola with current oil production of more than 100,000 barrels per day through two large floating production and storage facilities. Following successful exploration and appraisal in the past several years, an ongoing development programme is forecasted to increase production in the medium term beyond 150,000 barrels per day. The block has further upside potential which may materialise following future exploration, appraisal and development activity.

Sungara's 10% participating interest in Block 15/06 provides it with current production of more than 10,000 barrels of oil per day, forecasted to grow beyond 15,000 barrels per day in the medium term, 75 million barrels reserves and resources, and further upside potential. Offshore exploration Blocks 23 and 27 also provide upside value. The consideration for the Transaction is ca. USD 500 million which includes a contingent payment of up to USD 50 million.

The Transaction is planned to be funded by Sungara through a combination of equity contributions from each of the Sungara partners and third-party debt. The economic effective date of the Transaction is April 2022 and completion, subject to customary conditions and approvals, is planned to occur in 2022.

17. Contingent liabilities

The Company has no contingent liabilities.