

Company Registration No. 08118434

INPEX Angola Block 14 Ltd.

**Annual Report
and
Financial Statements**

Year ended 31 December 2020



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INPEX Angola Block 14 Ltd.

OFFICERS AND PROFESSIONAL ADVISORS

Directors:

H Nakashima
Y Sengoku
S Tauchi
S Katori

Registered Office:

3rd Floor, 53 New Broad Street
London
EC2M 1JJ

Independent Auditor:

Ernst & Young LLP
1 More London Place
London
SE1 2AF

Bankers:

Mizuho Bank
Bracken House
One Friday Street
London
EC4M 9JA

STRATEGIC REPORT

For the year ended 31 December 2020

The directors present their Strategic Report for the year ended 31 December 2020.

REVIEW OF THE BUSINESS AND FUTURE DEVELOPMENTS

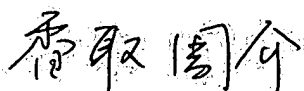
The directors are satisfied with results for the year which are outlined in the statement of comprehensive income on page 9. During the year the Company recognised an impairment reversal of \$12,535,993 (2019: 158,609,542) and an investment reduction of \$104,979,000 (2019: \$149,970,000) as a result of a capital reduction in its associate of \$210,000,000 (2019: \$300,000,000).

KEY PERFORMANCE INDICATORS

As an intermediate holding company with minimal operational activity the Company is not at a stage where it monitors any key performance indicators (KPIs). Management assess the performance of the Company based on the profit for the year of \$11,970,450 (2019: \$161,076,415).

PRINCIPAL RISKS AND UNCERTAINTIES

As an intermediate holding company, the majority of the risks faced by the Company are being managed by its investment, Angola Block 14 B.V.. The exceptions to this being the risk that the production, development and exploration activities undertaken by Angola Block 14 B.V. fail to succeed and result in impairment of the Company's investment.



S Katori
Director

27 September 2021

DIRECTORS' REPORT

For the year ended 31 December 2020

The directors present their report and the audited financial statements of INPEX Angola Block 14 Ltd. ("IAB14" or the "Company") for the year ended 31 December 2020.

PRINCIPAL ACTIVITY

IAB14 is an intermediate holding company for the INPEX Corporation Group's interest in Block 14 offshore Angola. The Company has a 49.99% shareholding in Angola Block 14 B.V., a company incorporated in the Netherlands which in turn owns a 20% participating interest in Block 14.

GOING CONCERN

The Company is involved in the financing of Block 14 offshore Angola. Capital and operational finance is provided by the Company's cash balance and the parent company INPEX Corporation and will continue to be provided for a period of 12 months from the date of these financial statements.

The directors do not expect a quantitative negative impact on the business driven by the significant reduction in the price of oil or as a direct result of COVID-19. The directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable a period of 12 months from the date of these financial statements. Accordingly, they continue to adopt the going concern basis in preparing the financial statements.

FINANCIAL RISK MANAGEMENT

The Company's principal financial asset is cash and cash equivalents and it is exposed to the following risks: liquidity risk, credit risk and foreign currency risk. The policy for managing these risks is outlined below.

Liquidity risk

The Company maintains good relationships with its bank, which has a high credit rating and its cash requirements are anticipated via the budgetary process.

Credit risk

The Company is mainly exposed to credit risk from its bank balances. An allowance for impairment is made where there is an identified loss event which, based on previous experience, is evidence of a reduction in the recoverability of the cash flows. Management considers the above measures to be sufficient to control the credit risk exposure.

Foreign currency risk

The Company is exposed to foreign currency risk. The functional currency of the Company is US Dollars. Certain purchases are denominated in foreign currencies including pound sterling. The directors believe that foreign currency risk is at an acceptable level and believe the cost of hedging against the risk would outweigh the benefits.

CAPITAL STRUCTURE

The Company is entirely financed through equity extended from its shareholder company, INPEX Corporation. The Company requests further capital funding for investment and operating expenditure when the need arises.

DIVIDENDS

The directors do not propose a dividend in respect of the year ended 31 December 2020 (2019: \$nil).

DIRECTORS' REPORT

For the year ended 31 December 2020

DIRECTORS

The following directors have held office during the year:

H Nakashima (appointed 1 June 2021)
T Hara (resigned 1 January 2021)
Y Sengoku
Y Sakai (resigned 1 June 2021)
S Tauchi
S Katori (appointed 1 January 2021)

There are no qualifying indemnities in place in respect of the directors.

RELATED PARTY TRANSACTIONS

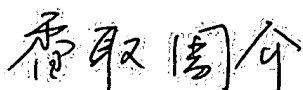
Details of related party transactions are given in note 13 to the financial statements.

DISCLOSURE OF INFORMATION TO THE AUDITOR

The directors, as at the date of this report, have confirmed that insofar as they are aware there is no relevant audit information (that is, information needed by the company's auditor in connection with preparing their report) of which the Company's auditor is unaware, and they have 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 auditor is aware of that information.

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

Approved by the board of directors and signed on behalf of the board:



S Katori
Director

27 September 2021

STATEMENT OF DIRECTORS' RESPONSIBILITIES

For the year ended 31 December 2020

The directors are responsible for preparing the Annual 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 International accounting standards in conformity with the requirements of the Companies Act 2006.

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 the financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- state whether, for the Company, international accounting standards in conformity with the Companies Act 2006 have been followed, subject to any material departures disclosed and explained in the financial statements;
- make judgements and accounting estimates that are reasonable and prudent; 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 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.

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.

Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

AUDITOR'S REPORT

For the year ended 31 December 2020

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF INPEX ANGOLA BLOCK 14 Ltd

Opinion

We have audited the financial statements of INPEX Angola Block 14 Limited for the year ended 31 December 2020 which comprise Statement of Comprehensive Income, the Statement of Changes in Equity, the Statement of Financial Position, the Statement of Cash Flows and the related notes 1 to 14, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and International Accounting Standards in conformity with the requirements of the Companies Act 2006.

In our opinion, the financial statements:

- give a true and fair view 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 International Accounting Standards in conformity with the requirements of the Companies Act 2006; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities 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 12 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. However, because not all future events or conditions can be predicted, this statement is not a guarantee as to the company's ability to continue as a going concern.

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 contained with the annual report.

Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in this report, we do not express any form of assurance conclusion thereon.

AUDITOR'S REPORT

For the year ended 31 December 2020

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 there is 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 the other information, we are required to report that fact.

We have nothing to report in this regard.

Opinions 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 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 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 strategic report or 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 set out on page 5, 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.

AUDITOR'S REPORT

For the year ended 31 December 2020

Explanation as to what extent the audit was considered capable of detecting irregularities, including fraud

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect irregularities, including fraud. The risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery or intentional misrepresentations, or through collusion. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below. However, the primary responsibility for the prevention and detection of fraud rests with both those charged with governance of the entity and management.

- We obtained an understanding of the legal and regulatory frameworks that are applicable to the company and determined that the most significant are: Companies Act 2006, UK Bribery Act 2010, UK Money Laundering, Terrorist Financing and Transfer of Funds Regulations 2017 and the International Financial Reporting Standards (IFRS).
- We understood how INPEX Angola Block 14 Limited is complying with those frameworks and considered the potential for Management override of controls or inappropriate influence over the financial reporting process. We also observed Management's culture of honesty and ethical behaviour and whether a strong emphasis is placed on fraud prevention, which may reduce opportunities for fraud to take place.
- We assessed the susceptibility of the company's financial statements to material misstatement, including how fraud might occur by gaining an understanding of the controls in place as part of our walkthroughs of the significant classes of transactions, which include the financial statement close process.
- Based on this understanding we designed our audit procedures to identify non-compliance with such laws and regulations. Our procedures involved performing substantive audit procedures over significant accounts (investments, cash and equity), performing walk-throughs of significant classes of transactions (including relevant controls), carrying out relevant enquiries with Management, reviewing minutes of board meetings and performing journal entry testing.

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

Ernst & Young LLP

Oxana Dorrington (Senior statutory auditor)

for and on behalf of Ernst & Young LLP, Statutory Auditor

London

27 September 2021

STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2020

	Notes	Year ended 31 December 2020 \$	Year ended 31 December 2019 (Restated) \$
Administrative expenses	3	(766,557)	(736,699)
OPERATING LOSS		(766,557)	(736,699)
Reversal of impairment of investment in associate	7	12,535,993	158,609,542
Interest income	4	205,418	3,246,737
Foreign exchange gain/(loss)		143	(786)
PROFIT BEFORE TAX	5	11,974,997	161,118,794
Income tax	6	(4,547)	(42,379)
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		11,970,450	161,076,415

The notes on pages 13 to 22 form part of these financial statements.

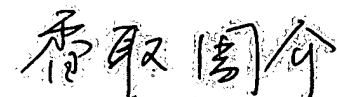
STATEMENT OF FINANCIAL POSITION

As at 31 December 2020

	Notes	31 December 2020 \$	31 December 2019 (Restated) \$
ASSETS			
NON-CURRENT ASSETS			
Investments in associate	7	81,885,120	174,328,127
TOTAL NON-CURRENT ASSETS		81,885,120	174,328,127
CURRENT ASSETS			
Corporation tax receivable		69,182	-
Cash and cash equivalents	8	144,407,438	40,031,034
TOTAL CURRENT ASSETS		144,476,620	40,031,034
TOTAL ASSETS		226,361,740	214,359,161
EQUITY AND LIABILITIES			
CAPITAL AND RESERVES			
Share capital	9	265,600,000	265,600,000
Accumulated losses	10	(39,466,206)	(51,436,656)
TOTAL EQUITY		226,133,794	214,163,344
CURRENT LIABILITIES			
Trade and other payables	11	227,946	195,817
TOTAL CURRENT LIABILITIES		227,946	195,817
TOTAL LIABILITIES		227,946	195,817
TOTAL EQUITY AND LIABILITIES		226,361,740	214,359,161

The notes on pages 13 to 22 form part of these financial statements.

The financial statements were approved by the board of directors and authorised for issue on 27 September 2021 and are signed on its behalf by:



S Katori
Director

Company Number: 8118434

STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2020

	Share capital	Accumulated Losses	Total equity
	\$	\$	\$
Balance at 1 January 2019	475,600,000	(212,513,071)	263,086,929
Total comprehensive income for the year	-	2,466,873	2,466,873
Adjustment for correction of error (note 2.4)	-	158,609,542	158,609,542
Repayment of share capital	(210,000,000)	-	(210,000,000)
Balance at 31 December 2019 (Restated)	265,600,000	(51,436,656)	214,163,344
Total comprehensive income for the year	-	11,970,450	11,970,450
Balance at 31 December 2020	265,600,000	(39,466,206)	226,133,794

The notes on pages 13 to 22 form part of these financial statements.

STATEMENT OF CASH FLOWS

For the year ended 31 December 2020

	Notes	Year ended 31 December 2020 \$	Year ended 31 December 2019 (Restated) \$
OPERATING ACTIVITIES:			
Profit before tax for the year		11,974,997	161,118,794
<i>Adjustments for:</i>			
Interest income	4	(205,418)	(3,246,737)
Impairment reversal	7	(12,535,993)	(158,609,542)
Foreign exchange on corporation tax receivable		(1,137)	-
<i>Changes in operating assets and liabilities</i>			
Increase/(decrease) in trade and other payables	11	74,508	(13,150)
Corporation tax paid		(114,971)	-
Net cash used in operating activities		<u>(808,014)</u>	<u>(750,635)</u>
INVESTING ACTIVITIES:			
Interest income received	4	205,418	3,246,737
Proceeds from capital reduction in associate	7	104,979,000	149,970,000
Net cash generated from investing activities		<u>105,184,418</u>	<u>153,216,737</u>
FINANCING ACTIVITIES:			
Repayment of share capital		-	(210,000,000)
Net cash used in financing activities		<u>-</u>	<u>(210,000,000)</u>
Net change in cash and cash equivalents		104,376,404	(57,533,898)
Cash and cash equivalents at beginning of year		40,031,034	97,564,932
Cash and cash equivalents at end of year	8	<u>144,407,438</u>	<u>40,031,034</u>

The notes on pages 13 to 22 form part of these financial statements.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2020

The principal accounting policies are summarised below. These policies have all been applied consistently throughout the year.

1. General information

INPEX Angola Block 14 Ltd. is a company incorporated in the United Kingdom, under the Companies Act 2006. The address of the registered office is given on page 1 of this report. The nature of the Company's operations and its principal activities are set out on page 3 of this report.

2. Basis of preparation and other significant accounting policies

2.1. Basis of preparation

The financial statements have been prepared in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006.

The financial statements have been prepared on a historical cost basis.

Going concern

The Company is involved in the financing of Block 14 offshore Angola. Capital and operational finance is provided by the Company's cash balance and the parent company INPEX Corporation and will continue to be provided for a period of 12 months from the date of these financial statements.

The directors do not expect a quantitative negative impact on the business driven by the significant reduction in the price of oil or as a direct result of COVID-19. The directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future. Accordingly, they continue to adopt the going concern basis in preparing the financial statements.

2.2. Summary of significant accounting policies

Foreign exchange

The financial statements are presented in US dollars which is also the functional currency of the Company.

Transactions denominated in foreign currencies are translated into the functional currency using the exchange rates prevailing at the date of transaction. Monetary assets and liabilities denominated in foreign currencies at the statement of financial position date are retranslated at the rates ruling at that date. Translation differences are recognised in the statement of comprehensive income.

Dividend revenue

Dividend income from investments is recognised when the shareholders' rights to receive payments have been established (provided that it is probable that the economic benefits will flow to the group and the amount of revenue can be measured reliably).

Investments

Investments in associates are stated at cost less, where appropriate, provisions for impairment.

Impairment

At each reporting date, or if an event or change in circumstances indicate they might be impaired, the directors review the carrying amounts of its non-current assets (investments) to determine whether there is any indication that they are impaired. 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 the asset, the company estimates the recoverable amount of the cash-generating unit to which the asset belongs.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2020

2.2. Summary of significant accounting policies (continued)

Impairment (continued)

If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. Any impairment loss is recognised as an expense within profit or loss immediately.

If an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, provided that the increased carrying amount does not exceed the carrying amount that would have been determined (net of depreciation or amortisation) had no impairment loss been previously recognised for that asset. A reversal of an impairment loss is recognised as a gain within profit or loss immediately.

Taxation

The tax expense represents the sum of the tax currently payable and deferred tax. The tax is based on taxable profit for the period. Taxable profit differs from net profit as reported in the statement of comprehensive income, 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 by using tax rates that have been enacted or substantively enacted by the statement of financial position date.

Deferred tax is calculated at the tax rates that are expected to apply to the period when the asset is realised, or the liability is settled based upon tax rates that have been enacted or substantively enacted by the statement of financial position date. Deferred tax is charged or credited in the statement of comprehensive income, except when it relates to items credited or charged directly to equity, in which case the deferred tax is also dealt with in equity.

Deferred tax is the tax expected to be payable or recoverable on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit, and is accounted for using the balance sheet liability method. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the tax profit nor the accounting profit.

The carrying amount of deferred tax assets is reviewed at each statement of financial position date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Financial instruments

Financial assets and financial liabilities are recognised on the statement of financial position when the Company has become a party to the contractual provisions of the instrument. Financial instruments are classified into specified categories, dependent upon the nature and purpose of the instruments and are determined at the time of initial recognition.

Financial assets:

Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and demand deposits, and other short-term highly liquid investments with an original maturity of three months or less.

Impairment of financial assets

Expected Credit Losses (ECL) are recognised for financial assets held at amortised cost. At initial recognition, allowance is required for ECL resulting from default events that are possible within the next 12 months, or less, where the remaining life is less than 12 months ('12-month ECL').

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2020

2.2. Summary of significant accounting policies (continued)

Impairment of financial assets (continued)

In the event of a significant increase in credit risk, allowance is required for ECL resulting from all possible default events over the expected life of the financial instrument. Financial assets where 12-month ECL is recognised are considered to be 'stage 1'; financial assets that are considered to have experienced a significant increase in credit risk are in 'stage 2'; and financial assets for which there is objective evidence of impairment so are considered to be in default or otherwise credit impaired are in 'stage 3'.

Cash and cash equivalents are the only financial assets held by the Company subject to ECL assessment. The Company uses the credit rating of the bank where its cash and cash equivalents are deposited when performing ECL assessment.

Financial liabilities and equity:

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. Equity instruments issued by the Company are recorded at the proceeds received, net of direct issue costs.

Trade and other payables

Trade payables are initially measured at their fair value and are subsequently measured at their amortised cost using the effective interest rate method; this method allocates interest expense over the relevant period by applying the 'effective interest rate' to the carrying amount of the liability, except for short term trade payables when the recognition of interest would be immaterial.

Derecognition of financial liabilities

The Company derecognises financial liabilities when, and only when, the Company's obligations are discharged, cancelled or have expired. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

2.3. Critical accounting judgements and key sources of estimation uncertainty

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise judgement in the process of applying the accountancy policies. In the process of applying the Company's accounting policies, management has made the following judgements that may have a significant effect on the amounts recognised in the financial statements:

Impairment of investment in associate

Under accounting standard 'IAS 36 Impairment of Assets', entities are required to conduct an impairment test where there is an indication of impairment or impairment reversal of an asset. Management have concluded in their judgement that an indicator of impairment reversal exists in respect of the investment in associate, Angola Block 14 B.V. The main factors considered in forming the assessment were significant capital reductions performed by the associate during the year and the Company's share of the net assets of the associate exceeding the carrying value of the investment as at the balance sheet date of 31 December 2020. The impairment reversal review resulted in an impairment reversal being recognised for the year ended 31 December 2020 of \$12,535,993.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2020

2.4. Correction of prior period error

As part of carrying out the impairment reversal review of the Company's investment in associate (note 2.3), management also reassessed the judgment made in the previous year and noted that the investment balance was understated. The Company's share of the net assets of the associate exceeded the carrying value of the investment. Management have assessed the nature and extent for the increased headroom in the underlying net assets of the investment and understand that the performance of the underlying producing asset, combined with the impact of sustained higher oil prices, resulted in excess capital being available to the investors. As a result, it was concluded that an impairment reversal of \$158,609,542 should have been recognised as at 31 December 2019.

The error has been corrected by restating each of the affected financial statement line items for the prior period, as follows:

	Investment in Associate \$	Reversal of Impairment \$	Accumulated Losses \$
As reported in 2019 Financial Statement	15,718,585	-	(210,046,198)
Impact of correction of error	158,609,542	158,609,542	158,609,542
As restated in 2020 Financial Statement	174,328,127	158,609,542	(51,436,656)

2.5. Adoption of new and revised standards

In the current year, the following new and revised standards and interpretation has been adopted:

- Amendments to IAS 1 and IAS 8 Definition of Material
- Amendments to IFRS 3 Business Combinations: Definition of a Business
- Amendments to IFRS 9, IAS 39 and IFRS 7 Interest Rate Benchmark Reform – Phase 1
- Amendments to references to the Conceptual Framework in IFRS standards

The adoption of these standards and interpretations had no material impact of the financial statements of the Company.

Standards that are in issue but not yet effective

At the date of authorisation of these financial statements, the Company has not applied the following new and revised IFRSs that have been issued but are not yet effective:

- IFRS 17 Insurance Contracts (applicable for annual periods beginning on or after 1 January 2023.)
- Amendment to IFRS 4 Insurance Contracts - deferral of mandatory application of IFRS 9 (applicable for annual periods beginning on or after 1 January 2021)
- Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 Interest Rate Benchmark Reform – Phase 2 (applicable for annual periods beginning on or after 1 January 2021)
- Amendment to IFRS 16 Leases: COVID-19-Related Rent Concessions (applicable for annual periods beginning on or after 1 June 2020)

The directors have assessed that the application of any new standard and amendment will not have a material impact on the financial statements.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2020

3. Administrative Expenses

	2020	2019
	\$	\$
Professional and consultancy fees	66,765	49,716
Service fees recharged from Group undertakings	632,685	581,796
Travel costs	66,695	104,813
Bank charges	412	374
	<u>766,557</u>	<u>736,699</u>

4. Interest Income

	2020	2019
	\$	\$
Bank interest received	<u>205,418</u>	<u>3,246,737</u>

5. Profit Before Taxation

Amounts payable to Ernst & Young LLP and its related entities, in respect of audit service is set out below:

	2020	2019
	\$	\$
The profit before taxation for the period has been arrived at after charging:		
Auditors' remuneration	<u>18,125</u>	<u>12,526</u>
Fees payable to the auditors for the statutory audit of the Company accounts	18,125	12,526
Fee payable to the auditors for non-audit services	-	-
Total fees payable to the auditors	<u>18,125</u>	<u>12,526</u>

Staff costs

The only employees of the Company during the year were the directors. The directors did not receive any remuneration for their services during the year but were remunerated through a related party.

Certain directors of the Company are also employees of the Company's ultimate parent company. The directors received salaries in their capacity as employees of that company, but have not received any remuneration in their capacity as directors of INPEX Angola Block 14 Ltd.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2020

6. Taxation

	2020	2019 (Restated)
	\$	\$
Current tax:		
Current tax on profits for the year	-	42,379
Adjustments to tax charge in respect of prior years	4,547	-
Deferred tax:		
Origination and reversal of temporary differences	-	-
Total tax charge for the year	4,547	42,379

The charge for the year can be reconciled to the profit/(loss) in the statement of comprehensive income as follows:

	2020	2019 (Restated)
	\$	\$
Profit before taxation	11,974,997	161,118,794
Profit before taxation multiplied by the UK corporation tax rate of 19% (2019: 19%)	2,275,249	30,612,571
Effects of:		
Non-taxable impairment reversal	(2,381,839)	(30,135,813)
Movement in unrecognised deferred tax assets	106,589	(434,379)
Adjustments to tax charge in respect of prior years	4,547	-
Total tax charge for the year	4,547	42,379

At the statement of financial position date, the Company has unused tax losses of \$560,996 (2019: \$nil) available for offset against future profits. Deferred tax asset for the year was \$nil (2019: \$nil).

7. Investment in associate

	2020	2019 (Restated)
	\$	\$
Cost:		
At 1 January	174,328,127	165,688,585
Impairment reversal	12,535,993	158,609,542
Investment reduction	(104,979,000)	(149,970,000)
At 31 December	81,885,120	174,328,127

The Company owns a 49.99% interest in Angola Block 14 B.V, a company incorporated in the Netherlands, which was acquired on the 11 July 2012 and was initially measured at cost. In 2020 an impairment reversal was identified in respect of the investment in Angola Block 14 B.V. of \$12,535,993 (2019: \$158,609,542).

In 2020, the Company recognised an investment reduction of \$104,979,000 (2019: \$149,970,000) as a result of a capital reduction in the associate by \$210,000,000 (2019: \$300,000,000). The aim of the capital reduction was to refund the excess funds of Angola Block 14 B.V to the shareholders via a direct cash transfer through the Company.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2020

8. Cash and cash equivalents

	2020 \$	2019 \$
Cash and cash equivalents	<u>144,407,438</u>	<u>40,031,034</u>

The Company's cash and cash equivalents at 31 December 2020 of \$144,407,438 (2019: \$40,031,034) are held with Mizuho Bank Ltd. at a floating interest rate. The directors consider that the carrying amount of cash and cash equivalents approximates their fair value.

9. Share capital

	Number of Shares	\$
This comprises issued and fully paid ordinary shares of \$1,000 each:		
At 31 December 2019 and 31 December 2020	<u>265,600</u>	<u>265,600,000</u>

The Company has taken advantage of the Companies Act 2006 and does not have an authorised share capital set in the Company's articles.

10. Accumulated losses

	2020 \$	2019 (Restated) \$
At 1 January	(51,436,656)	(212,513,071)
Total comprehensive income for the for the year	11,970,450	161,076,415
At 31 December	<u>(39,466,206)</u>	<u>(51,436,656)</u>

11. Trade and other payables

	2020 \$	2019 \$
Due to group undertakings	22,558	19,442
Corporation tax payable	-	42,379
Other payables	-	2,930
Accruals	205,388	131,066
	<u>227,946</u>	<u>195,817</u>

The average credit period taken has been calculated as 109 days (2019: 97 days).

A portion of the trade and other payables are denominated in foreign currencies. Further detail on this can be found in note 12 to these financial statements.

The Company has financial risk management policies in place to ensure that all payables are paid within the credit timeframe and no interest has been charged by any suppliers as a result of late payment of invoices during the year.

The directors consider that the carrying amount of trade and other payables approximates their fair value.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2020

12. Financial Instruments

The Company is exposed to the risks that arise from its use of financial instruments. This note describes the objectives, policies and processes of the Company for managing those risks and the methods used to measure them. Further quantitative information in respect of these risks is presented throughout these financial statements.

Capital risk management

The Company manages its capital to ensure that it will be able to continue as a going concern while maximising the return to stakeholders. The Company is funded by its ultimate parent company through equity financing.

The capital structure of the Company consists of cash and cash equivalents and equity, comprising issued capital and retained profits.

The Company has no externally imposed capital requirements.

Principal financial instruments

The principal financial instruments used by the Company, from which financial instrument risk arises, are as follows:

- Cash and cash equivalents
- Trade and other payables

Categories of financial instruments

At 31 December 2020, the Company held the following financial assets:

	2020 \$	2019 \$
	Amortised Cost	Amortised Cost
Cash and cash equivalents	144,407,438	40,031,034
	<u>144,407,438</u>	<u>40,031,034</u>

At 31 December 2020, the Company held the following financial liabilities:

	2020 \$	2019 \$
	Amortised Cost	Amortised Cost
<i>Other financial liabilities</i>		
Due to group undertakings	22,558	19,442
Trade and other payables	-	2,930
Accruals	205,388	131,066
	<u>227,946</u>	<u>153,438</u>

Market risk

The Company's activities expose it primarily to the financial risks of changes in foreign currency exchange rates.

Foreign currency risk management

As highlighted earlier in these financial statements, the functional currency of the Company is US dollar. The Company also has foreign currency denominated costs and liabilities. Exposures to exchange rate fluctuations therefore arise and as a result the Company does suffer from a level of foreign currency risk. Due to the minimal level of foreign transactions, the directors currently believe that foreign currency risk is at an acceptable level.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2020

12. Financial instruments (continued)

The Company does not enter into any derivative financial instruments to manage its exposure to foreign currency risk.

The carrying amount of the Company's foreign currency denominated monetary assets and monetary liabilities at 31 December 2020 is as follows:

	2020 \$	2019 \$
Pound Sterling		
Accruals and other payables	<u>24,622</u>	<u>12,526</u>

The following table details the Company's sensitivity to a 10% increase and decrease in the US dollar against Sterling. 10% is the sensitivity rate used when reporting foreign currency risk internally to key management personnel and represents management's assessment of the reasonable possible change in foreign exchange rates. The sensitivity analysis includes only outstanding foreign currency denominated monetary items and adjusts their translation at the year end for a 10% change in foreign currency rates. A positive number below indicates an increase in profit or other equity where the US dollar strengthens 10% against the relevant currency. For a 10% weakening of the US dollar against the relevant currency, there would be an equal and opposite impact on the profit and other equity, and the balances below would be negative.

	Currency impact 2020 \$	Currency impact 2019 \$
Profit or (loss) / other equity	<u>2,462</u>	<u>1,546</u>

Credit risk management

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the Company. Credit risk arises principally from the Company's cash balances. The Company gives careful consideration to which organisations it uses for its banking services in order to minimise credit risk.

The concentration of the Company's credit risk is considered by counterparty, geography and currency. The carrying amount of financial assets recorded in the financial statements, represents the Company's maximum exposure to credit risk without taking account of the value of any collateral obtained.

Cash and cash equivalents are the only financial assets held at amortised cost by the Company. The Company has a significant concentration of cash held on deposit with one bank in the UK. At 31 December 2020, the concentration of credit risk held with the bank was \$144,407,438 (2019: \$40,031,034). All the amount was denominated in US \$.

The credit rating of the bank where these financial assets are deposited is AA. Therefore, no allowance for ECL has been recognised during the year. The credit rating of the bank is regularly monitored and only when there is a significant increase in credit risk, the Company will consider recognising an allowance for ECL.

At 31 December 2020, the Company held no collateral as security against any financial asset. No financial assets were past their due date and there were no problems with the credit quality of any financial asset in either year.

There are no other significant concentrations of credit risk at 31 December 2020.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2020

12. Financial instruments (continued)

Liquidity risk management

Liquidity risk is the risk that the Company will encounter difficulty in meeting its financial obligations as they fall due. Ultimate responsibility for liquidity risk management rests with the board of directors. The board manages liquidity risk by regularly reviewing the Company's cash flow projections. The Company maintains good relationships with its bank, which has a high credit rating and its cash requirements are anticipated via the budgetary process.

At 31 December 2020, the Company had \$144,407,438 (2019: \$40,031,034) of cash reserves.

Maturity of financial assets and liabilities

All of the Company's financial liabilities and its financial assets at the year ended 31 December 2020 are either payable or receivable within one year.

13. Related party transactions

None of the directors were paid any remuneration by the Company during the year. They were all remunerated through another group company.

The following service was provided by the Company's parent company, INPEX Corporation during the year:

	2020	2019
	\$	\$
Travel costs recharged	66,695	104,813
Service fees recharged	632,685	581,796
	<u>699,380</u>	<u>686,609</u>

At 31 December 2020, the company owed \$22,558 (2019: \$19,442) to its parent company, INPEX Corporation.

14. Ultimate parent company and controlling party

The Company's immediate and ultimate parent company is INPEX Corporation, incorporated and registered in Japan, which is the parent company of both the smallest and largest group to consolidate these financial statements. Copies of the INPEX Corporation consolidated financial statements can be obtained from Akasaka Biz Tower 5-3-1 Akasaka, Minato-ku, Tokyo 107-6332, Japan.