

Company Registration No. 05072227 (England and Wales)

SENNING (UK) LIMITED
ANNUAL REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2018



SENNING (UK) LIMITED

COMPANY INFORMATION

Directors	Lingyi Kong Xiaodong Liu Hao Wu Defeng Chi
Secretary	Dentons Secretaries Limited
Company number	05072227
Registered office	3rd Floor Devonshire House 1 Mayfair Place London W1J 8AJ
Auditor	RSM UK Audit LLP 25 Farringdon Street London EC4A 4AB
Business address	3rd Floor Devonshire House 1 Mayfair Place London W1J 8AJ

SENNING (UK) LIMITED

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SENNING (UK) LIMITED

STRATEGIC REPORT

FOR THE YEAR ENDED 31 DECEMBER 2018

The directors present the strategic report for the year ended 31 December 2018.

Core purpose and strategy

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

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

Review of the business

In 2018, the Company has achieved a good result following the establishment of its customer relationships since 2017. As the global crude oil market continues to be volatile, performance in 2019 is expected to be more challenging as management remains conservative towards business operations given the instability of global economies.

KPI	2018	2017
	\$'000	\$'000
Revenue	1,028,300	285,242
Operating profit	1,301	157
Profit before tax	1,312	157
Equity shareholders' funds	1,262	189

The increases in the above KPIs from 2017 to 2018 is as a result of a full year's oil trading activities in 2018.

Principal risks and uncertainties

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

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

Risk management

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

Credit risk

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

SENNING (UK) LIMITED

STRATEGIC REPORT (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2018

Operational and other risks

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

Legal and compliance risk

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

Liquidity risk management

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

On behalf of the board



Hao Wu

Director

Date:

8/8/2019

SENNING (UK) LIMITED

DIRECTORS' REPORT

FOR THE YEAR ENDED 31 DECEMBER 2018

The directors present their annual report and financial statements for the year ended 31 December 2018.

Principal activities

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

Directors

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

Lingyi Kong	
Xiaodong Liu	
Shiguo Xu	(Resigned 2 July 2018)
Weimin Zhang	(Resigned 2 July 2018)
Hao Wu	(Appointed 2 July 2018)
Defeng Chi	(Appointed 2 July 2018)

Results and dividends

The results for the year are set out on page 8.

The Company's functional currency changed from Sterling to US dollars on 1 January 2018 following the change in activities to focus on oil trading in 2018. The Company's presentational currency also changed to US dollars therefore the comparative information has been restated in US dollars.

No ordinary dividends were paid in 2018.

Financial risk management

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

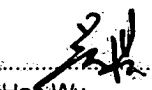
Auditor

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

Statement of disclosure to auditor

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

On behalf of the board


Hao Wu
Director
Date: 8/8/2019

SENNING (UK) LIMITED

DIRECTORS' RESPONSIBILITIES STATEMENT

FOR THE YEAR ENDED 31 DECEMBER 2018

The directors are responsible for preparing the strategic report, directors' report and the financial statements in accordance with applicable law and regulations.

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

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the Financial Statements;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

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

SENNING (UK) LIMITED

INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF SENNING (UK) LIMITED

Opinion

We have audited the financial statements of Senning UK Limited (the 'company') for the year ended 31 December 2018 which comprise the profit and loss account, statement of comprehensive income, balance sheet, statement of changes in equity, statement of cash flows and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" (United Kingdom Generally Accepted Accounting Practice).

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 December 2018 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

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

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.

We have nothing to report in this regard.

SENNING (UK) LIMITED

INDEPENDENT AUDITOR'S REPORT (CONTINUED)

TO THE MEMBERS OF SENNING (UK) LIMITED

Opinions on other matters prescribed by the Companies Act 2006

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

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

Matters on which we are required to report by exception

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

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

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

Responsibilities of directors

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

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

Auditor's responsibilities for the audit of the financial statements

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

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

SENNING (UK) LIMITED

INDEPENDENT AUDITOR'S REPORT (CONTINUED)

TO THE MEMBERS OF SENNING (UK) LIMITED

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.

RSM UK Audit LLP

Graham Ricketts (Senior Statutory Auditor)
for and on behalf of RSM UK Audit LLP

14/8/19

Chartered Accountants
Statutory Auditor

25 Farringdon Street
London
EC4A 4AB

SENNING (UK) LIMITED

PROFIT AND LOSS ACCOUNT

FOR THE YEAR ENDED 31 DECEMBER 2018

	Notes	2018 \$	2017 \$
Turnover	3	1,028,299,819	285,242,173
Cost of sales		(1,021,914,272)	(281,352,611)
Gross profit		6,385,547	3,889,562
Administrative expenses		(5,084,778)	(3,732,824)
Operating profit	4	1,300,769	156,738
Interest receivable and similar income	7	11,047	-
Profit before taxation		1,311,816	156,738
Tax on profit	8	(239,421)	(31,114)
Profit for the financial year		1,072,395	125,624

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

SENNING (UK) LIMITED

STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 DECEMBER 2018

	2018	2017
	\$	\$
Profit for the year	1,072,395	125,624
Other comprehensive income		
Currency translation differences		22,920
Total comprehensive income for the year	1,072,395	148,544

SENNING (UK) LIMITED

BALANCE SHEET

AS AT 31 DECEMBER 2018

	Notes	2018 \$	2017 \$
Fixed assets			
Tangible assets	9	245,954	294,666
Current assets			
Debtors falling due after more than one year	10	507,970	539,521
Debtors falling due within one year	10	31,505,373	118,543,389
Cash at bank and in hand		6,808,465	1,711,600
		<u>38,821,808</u>	<u>120,794,510</u>
Creditors: amounts falling due within one year	11	<u>(37,614,284)</u>	<u>(120,690,996)</u>
Net current assets		1,207,524	103,514
Total assets less current liabilities		<u>1,453,478</u>	<u>398,180</u>
Creditors: amounts falling due after more than one year	12	(150,040)	(162,463)
Provisions for liabilities	14	(41,656)	(46,330)
Net assets		<u>1,261,782</u>	<u>189,387</u>
Capital and reserves			
Called up share capital	16	179,430	179,430
Profit and loss reserves		1,082,352	9,957
Total equity		<u>1,261,782</u>	<u>189,387</u>

The financial statements on pages 8 to 24 were approved by the Board and authorised for issue on 8/8/2019

Hao Wu
Director

Company Registration No. 05072227

SENNING (UK) LIMITED

STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2018

	Share capital	Profit and loss reserves	Total
	\$	\$	\$
Balance at 1 January 2017	179,430	(138,587)	40,843
Year ended 31 December 2017:			
Profit for the year	-	125,624	125,624
Other comprehensive income:			
Currency translation differences	-	22,920	22,920
Total comprehensive income for the year	-	148,544	148,544
Balance at 31 December 2017	179,430	9,957	189,387
Year ended 31 December 2018:			
Profit and total comprehensive income for the year	-	1,072,395	1,072,395
Balance at 31 December 2018	179,430	1,082,352	1,261,782

SENNING (UK) LIMITED

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31 DECEMBER 2018

	Notes	2018 \$	2017 \$
Cash flows from operating activities			
Cash generated from operations	20	5,166,384	1,025,575
Income taxes (paid)/refunded		(70,274)	1,524
Net cash inflow from operating activities		<u>5,096,110</u>	<u>1,027,099</u>
Investing activities			
Purchase of tangible fixed assets		(10,292)	(4,357)
Interest received		11,047	-
Net cash generated from/(used in) investing activities		<u>755</u>	<u>(4,357)</u>
Net increase in cash and cash equivalents		<u>5,096,865</u>	<u>1,022,742</u>
Cash and cash equivalents at beginning of year		1,711,600	688,858
Cash and cash equivalents at end of year		<u><u>6,808,465</u></u>	<u><u>1,711,600</u></u>

SENNING (UK) LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2018

1 Accounting policies

Company information

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

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

1.1 Accounting convention

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

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

The Company's functional currency changed from Sterling to US dollars on 1 January 2018 following the change in activities to focus on oil trading in 2018. The Company's presentational currency also change to US dollars therefore the comparative information has been restated in US dollars.

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

1.2 Going concern

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

1.3 Turnover

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

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

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

1.4 Tangible fixed assets

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

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

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

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

SENNING (UK) LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2018

1 Accounting policies

(Continued)

1.5 Impairment of fixed assets

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

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

1.6 Cash at bank and in hand

Cash at bank and in hand are basic financial assets and include cash in hand, deposits held at call with banks, other short-term liquid investments with original maturities of three months or less, and bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities.

1.7 Financial instruments

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

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

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

Basic financial assets

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

Impairment of financial assets

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

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

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

SENNING (UK) LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2018

1 Accounting policies

(Continued)

Derecognition of financial assets

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

Classification of financial liabilities

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

Basic financial liabilities

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

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

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

Derecognition of financial liabilities

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

1.8 Equity instruments

Equity instruments issued by the company are recorded at the proceeds received, net of transaction costs. Dividends payable on equity instruments are recognised as liabilities once they are no longer at the discretion of the company.

1.9 Taxation

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

Current tax

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

SENNING (UK) LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2018

1 Accounting policies

(Continued)

Deferred tax

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

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

1.10 Employee benefits

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

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

1.11 Retirement benefits

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

1.12 Leases

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

1.13 Foreign exchange

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

2 Judgements and key sources of estimation uncertainty

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

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

SENNING (UK) LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2018

3 Turnover and other revenue

	2018	2017
	\$	\$
Turnover analysed by class of business		
Sale of oil	1,025,808,413	281,956,836
Provision of marketing services	2,491,406	3,285,337
	<u>1,028,299,819</u>	<u>285,242,173</u>
	2018	2017
	\$	\$
Other significant revenue		
Interest income	11,047	-
	<u>11,047</u>	<u>-</u>
	2018	2017
	\$	\$
Turnover analysed by geographical market		
Africa	186,031,988	3,285,337
America	51,304,679	-
Asia	718,222,103	281,956,836
Europe	72,741,049	-
	<u>1,028,299,819</u>	<u>285,242,173</u>

4 Operating profit

	2018	2017
	\$	\$
Operating profit for the year is stated after charging:		
Exchange losses	322,276	619
Fees payable to the company's auditor for the audit of the company's financial statements	33,081	43,615
Depreciation of owned tangible fixed assets	58,026	55,410
Loss on disposal of tangible fixed assets	978	-
Operating lease charges	499,621	383,563
	<u>499,621</u>	<u>383,563</u>

5 Employees

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

2018	2017
Number	Number
10	7

SENNING (UK) LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) **FOR THE YEAR ENDED 31 DECEMBER 2018**

5 Employees

(Continued)

Their aggregate remuneration comprised:

	2018	2017
	\$	\$
Salaries	2,472,064	2,215,004
Employment benefits	366,635	-
Social security costs	405,300	286,580
Pension costs	55,408	46,853
	<u>3,299,407</u>	<u>2,548,437</u>

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

6 Directors' remuneration

	2018	2017
	\$	\$
Remuneration for qualifying services	722,637	232,910
Directors' benefits	189,831	-
Company pension contributions to defined contribution schemes	10,784	4,421
	<u>923,252</u>	<u>237,331</u>

The number of directors for whom retirement benefits are accruing under defined contribution schemes amounted to 2 (2017:1).

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

	2018	2017
	\$	\$
Remuneration for qualifying services	507,747	232,910
Company pension contributions to defined contribution schemes	5,174	4,421
	<u>512,921</u>	<u>237,331</u>

7 Interest receivable and similar income

	2018	2017
	\$	\$
Interest income		
Other interest income	11,047	-
	<u>11,047</u>	<u>-</u>

SENNING (UK) LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2018

8 Taxation

	2018 \$	2017 \$
Current tax		
UK corporation tax on profits for the current period	241,386	42,159
Deferred tax		
Origination and reversal of timing differences	(1,965)	(11,045)
Total tax charge	239,421	31,114

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

	2018 \$	2017 \$
Profit before taxation	1,311,816	156,738
Expected tax charge based on the standard rate of corporation tax in the UK of 19.00% (2017: 19.25%)	249,245	30,172
Tax effect of expenses that are not deductible in determining taxable profit	(7,114)	942
Deferred tax adjustments in respect of prior years	(2,710)	-
Taxation charge for the year	239,421	31,114

SENNING (UK) LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2018

9 Tangible fixed assets

	Leasehold land and buildings	Fixtures and fittings	Total
	\$	\$	\$
Cost			
At 1 January 2018	359,254	163,416	522,670
Additions	-	10,292	10,292
Disposals	-	(12,349)	(12,349)
At 31 December 2018	359,254	161,359	520,613
Depreciation and impairment			
At 1 January 2018	97,438	130,566	228,004
Depreciation charged in the year	36,239	21,787	58,026
Eliminated in respect of disposals	-	(11,371)	(11,371)
At 31 December 2018	133,677	140,982	274,659
Carrying amount			
At 31-December 2018	225,577	20,377	245,954
At 31 December 2017	261,816	32,850	294,666

10 Debtors

	2018	2017
	\$	\$
Amounts falling due within one year:		
Trade debtors	16,873,785	117,378,931
Amounts owed by group undertakings	215,832	894,471
Other debtors	2,622,592	102,588
Prepayments and accrued income	11,793,164	167,399
	31,505,373	118,543,389
Amounts falling due after more than one year:		
Other debtors	507,970	539,521
Total debtors	32,013,343	119,082,910

SENNING (UK) LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2018

11 Creditors: amounts falling due within one year

	2018	2017
	\$	\$
Payments received on account	2,532,025	-
Trade creditors	16,848,576	117,345,216
Amounts owed to group undertakings	5,909,919	2,751,238
Corporation tax	215,980	42,159
Other taxation and social security	868,194	517,283
Other creditors	13,222	8,874
Accruals and deferred income	11,226,368	26,226
	<u>37,614,284</u>	<u>120,690,996</u>

12 Creditors: amounts falling due after more than one year

	2018	2017
	\$	\$
Accruals and deferred income	<u>150,040</u>	<u>162,463</u>

13 Financial instruments

	2018	2017
	\$	\$
Financial assets		
Debt instruments measured at amortised cost	<u>31,810,450</u>	<u>118,915,512</u>
Financial liabilities		
Measured at amortised cost	<u>36,680,150</u>	<u>120,294,017</u>

14 Provisions for liabilities

		2018	2017
	Notes	\$	\$
Deferred tax liabilities	15	<u>41,656</u>	<u>46,330</u>

SENNING (UK) LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2018

15 Deferred taxation

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

	Liabilities 2018	Liabilities 2017
Balances:	\$	\$
Accelerated capital allowances	41,656	46,330
	<u>41,656</u>	<u>46,330</u>
Movements in the year:		2018 \$
Liability at 1 January 2018		46,330
Credit to profit or loss		(1,965)
Deferred tax adjustments in respect of prior years		(2,709)
Liability at 31 December 2018		<u>41,656</u>

The deferred tax liability set out above is expected to reverse within 12 months and relates to accelerated capital allowances that are expected to mature within the same period.

16 Share capital

	2018	2017
	\$	\$
Ordinary share capital		
Issued and fully paid		
50,000 Ordinary shares of \$2.71114 each	179,430	179,430
	<u>179,430</u>	<u>179,430</u>

17 Operating lease commitments

Lessee

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

	2018	2017
	\$	\$
Within one year	423,308	447,666
Between two and five years	1,693,232	1,789,321
In over five years	493,859	969,944
	<u>2,610,399</u>	<u>3,206,931</u>

SENNING (UK) LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2018

18 Related party transactions

Remuneration of key management personnel

The remuneration of key management personnel is as follows.

	2018	2017
	\$	\$
Aggregate compensation	1,036,484	232,910

Transactions with related parties

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

	Sales		Purchases	
	2018	2017	2018	2017
	\$	\$	\$	\$
CNPC Companies	188,448,447	-	474,485,344	10,565,546

	Sales of services	
	2018	2017
	\$	\$
CNPC Companies	2,491,406	3,426,121

Senning Company Inc. - immediate parent company.

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

The following amounts were outstanding at the reporting end date:

	2018	2017
	\$	\$
Amounts due to related parties		
CNPC Companies	27,988,966	-
Senning Company Inc.	5,909,919	1,590,770
China Volant Industry Co. Ltd	-	1,160,469

The following amounts were outstanding at the reporting end date:

	2018	2017
	\$	\$
Amounts due from related parties		
CNPC Companies	215,832	894,471

SENNING (UK) LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2018

19 Controlling party

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

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

20 Cash generated from operations

	2018	2017
	\$	\$
Profit for the year after tax	1,072,395	125,624
Adjustments for:		
Taxation charged	239,421	31,114
Investment income	(11,047)	-
Loss on disposal of tangible fixed assets	978	-
Depreciation and impairment of tangible fixed assets	58,026	55,410
Movements in working capital:		
Decrease/(increase) in debtors	87,069,567	(118,126,407)
(Decrease)/increase in creditors	(83,262,956)	118,939,834
Cash generated from operations	<u>5,166,384</u>	<u>1,025,575</u>

21 Analysis of changes in net debt

	2018
	\$
Opening net funds	
Cash at bank and in hand	1,711,600
Changes in net debt arising from:	
Cash flows of the entity	5,096,865
Closing net funds as analysed below	<u>6,808,465</u>
Closing net funds	
Cash at bank and in hand	<u>6,808,465</u>