Sequa Petroleum N.V.

Annual report and accounts for the year ending 31 December 2015

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Annual report and accounts

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Report of the Management Board

To the shareholders

The Management Board of Sequa Petroleum NV (the 'Company') hereby presents its financial statements for the year ending 31 December 2015. The Company and its consolidated subsidiaries are considered to be 'the Group' in these financial statements.

General information

Sequa Petroleum NV is an oil and gas company founded on 27 August 2013 and listed on Euronext Marché Libre. The Company is a Dutch legal entity and a UK tax resident. It prepares its accounts in US dollars using IFRS as adopted in the EU.

The Company focuses on taking discovered oil and gas reserves and resources from appraisal through to production. The Company is supported by a strong and dedicated shareholder group which includes its senior management as well as the privately owned Principal Investment holding company Sapinda Holding B.V.

The Company has assembled a highly experienced Management Board with a proven track record and with expertise in exploration, appraisal, development and production of oil and gas assets, both onshore and offshore, in jurisdictions around the globe. The Management Board membership in 2015 is shown below:

Summary data	**Jacob Broekhuijsen**	**Peter Haynes**	**Alistair Williams**	**Jim Luke**	**Jelte Bosma**
Gender	Male	Male	Male	Male	Male
Age	53	61	52	57	52
Profession	Managing Director, CEO	Managing Director, Technical Director	Managing Director, CFO	Managing Director, COO	Managing Director, Business Development
Principal position	Chairman	Member	Member	Member	Member
Nationality	Dutch	British	British	USA	Dutch
Other position relevant to this role (if any)	Sequa Employee	Sequa Employee	Sequa Employee	Sequa Employee	Sequa Employee
Date of appointment/re-appointment	07 January 2016	07 January 2016	23 October 2013	07 January 2016	07 January 2016
Current term of office	until GM 2016	until GM 2016	N/A	until GM 2016	until GM 2016
Date of termination	N/A	N/A	15 June 2015	N/A	N/A
Securities held in Company	Yes (5.0%)	Yes (3.3%)	Yes (3.3%)	Yes (2.2%)	Yes (2.0%)
Benefit received on resigning from Board	N/A	N/A	None	N/A	N/A

As of 15 June 2015, Alistair Williams stepped down as Director and Member of the Management Board. He continued in his role of Chief Financial Officer until a replacement was identified. On 7 September 2015, the Company announced the appointment of Benjamin Lee as Interim Chief Financial Officer.

The Company's Articles of Association specify a two tier Board structure with appropriate powers being reserved to the Supervisory Board. The members of the Supervisory Board are Lars Windhorst and Edwin Eichler (both employees of Sapinda Holding B.V.) and Jos van Rijswijk (an independent executive, formerly employed through the majority of his career by Royal Dutch Shell).

No transactions have been entered into between any member of the Management Board and the Company in which there was a conflict of interest.

Financial information

- The Group made a post-tax loss for the year of USD 31.1 million (2014 USD 44.7 million) which includes a pre-tax business development expense of USD 30.1 million associated with an advance payment on the unsuccessful Wintershall – Tellus transaction described below. Net finance costs in the year was USD 9.9 million (2014 USD 3.7 million) primarily relating to interest on shareholder loans and senior convertible bonds, partially offset by foreign exchange differences.

- In June 2015, it was announced that agreement had been reached for the acquisition of Tellus Petroleum Invest AS (Tellus), an independent oil and gas company registered in Norway with an experienced management team. The acquisition completed in September 2015 for a total consideration of USD 18.5 million, including USD 8.1 million of contingent consideration payable subject to the completion of certain asset transactions in 2016. Further details on the business combination can be found in note 14.

- Concurrent with the agreement to acquire Tellus, the Group also announced its intention to acquire, via Tellus, a portfolio of assets in the Norwegian Continental Shelf from Wintershall Norge AS (Wintershall). On entering into the agreement, the Group made an advance payment to Wintershall of USD 30.1 million. Following subsequent discussions, in December 2015 Wintershall and Tellus agreed not to proceed with the transaction in the current market environment. Accordingly, the advance payment of USD 30.1 million was expensed to the income statement. 14

- In October 2015, it was announced that Tellus had entered into an agreement with Total E&P Norge AS to purchase interests in production licences representing 15% of the Gina Krog development in the Norwegian Continental Shelf. The effective date of the transaction is 1 January 2015 and on completion the Group will pay its share of operator costs for 2015 and 2016 pre-completion. On entering into the agreement, the Group made an advance payment of NOK 50 million (USD 6 million) against these costs. Tellus is progressing with the preparations for financing this transaction and completion is planned for end April 2016.

- As at 31 December 2015, the Group has one active appraisal project, being the Askai licence in Kazakhstan where the Group is operator and 75% beneficial owner. The Group signed the original Assignment and Financing Agreement (AFA) with Bolz LLP in 2013 which committed the Company to make a loan facility of USD 90 million available to Bolz LLP in addition to a licence acquisition fee of USD 10 million. The AFA allows for the loan to be repaid out of initial hydrocarbon revenues in the event of the project's success. Therefore, the Group capitalised the loan as part of intangible oil and gas exploration / appraisal assets.

- In 2015, the Group completed an internal restructure of the Aksai licence interest. The restructure involved transferring the capital cost associated with the Askai interest from the parent company to subsidiary entities to support future tax planning. The restructure also included a cash payment by Bolz LLP to the Group of USD 54 million, partially offsetting the loan facility of USD 90 million previously provided. The Group consequently made a cash payment to Kazkommertsbank JSC in order to release their encumbrance over the Aksai licence. The transaction had no impact on the net assets or income of the Group.
- Total capital appraisal expenditure incurred in 2015, excluding the cash flows associated with the Askai licence restructure, was USD 1,182 thousand (2014 USD 123,871 thousand) and was primarily associated with seismic activity in Kazakhstan.
- In April 2015, the Company launched a USD 300 million senior convertible bond programme in order to finance future business development. The bonds mature in April 2020 and pay a coupon of 5%. Once certain conditions have been met, the bonds are convertible at the option of the holders into ordinary shares of the Company at a conversion price of USD 3.50 per share. USD 129.4 million of the bonds were issued to Centrics Oil & Gas B.V. in full consideration for the principal and accrued interest outstanding under the existing shareholder loan facility as at the date the bonds were issued. A further USD 75 million under the bond programme was issued to third parties for cash consideration bringing the total amount of senior convertible bonds in issue as at 31 December 2015 to USD 204.4 million. In January 2016, the senior convertible bonds were listed on the Nordic ABM, an unregulated bond marketplace.
- In August 2015, the Government of Kazakhstan together with the National Bank of Kazakhstan renounced the practiced exchange rate corridor and implemented a new floating monetary policy for the KZT. As a result the KZT devalued immediately by some 30% against the USD. The KZT continued to weaken against the USD for the remainder of the year and as at 31 December 2015 the closing KZT/USD exchange rate was 339 compared to 182 the previous year. Accordingly, the value of KZT denominated assets and liabilities presented on the consolidated balance sheet reduced in USD terms. In particular, the value of oil and gas exploration / appraisal intangible assets decreased by around USD 20 million due to the effect of foreign exchange movements.
- At the balance sheet date, the Group held cash reserves of USD 10.8 million (2014 0.8 million) and had net liabilities of USD 36.3 million (2014 net assets of USD 21.2 million). As at the date of the financial statements, the Group has access to sufficient facilities to meet existing financial commitments. Further details can be found on page 8 under Going Concern.

Significant risks and uncertainties

The Group is subject to a variety of risks including those which derive from the nature of a business undertaking oil and gas appraisal, development and future production and relate to the countries in which it conducts its activities. Outlined below is a description of the principal risk factors that may affect performance. Such risk factors are not intended to be presented in any order of priority. Any of the risks, as well as the other risks and uncertainties referred to in this annual report, could have a material adverse effect on business performance. In addition, the risks set out below may not be exhaustive and additional risks and uncertainties, not presently known to the Group, or which the Group currently deems immaterial, may arise or become material in the future. The Group publishes its policies on its website, see page 14 for further details.

Legislation, licence terms and conditions

Oil and gas exploration / appraisal licences have work commitments that must be carried out within certain agreed timeframes. Failure to carry out these work commitments within the currently agreed timeframes, or to successfully negotiate extensions to the time permitted to carry out these work commitments, could result in the Group losing licences and the associated resource potential therein.

Planning and permitting risk

Planning for oil and gas projects requires long lead times for both sourcing equipment and obtaining necessary permits. Interruptions to either of these activities can delay the completion of such projects and may have a significant impact on valuation.

Exploration and appraisal risk

The Group employs advanced geoscience techniques, together with the support of experienced staff and consultants, to evaluate its exploration and appraisal prospects. However, such resource and technology only mitigates and cannot eliminate the risk that economically producible oil or gas will not be discovered through its exploration / appraisal efforts.

Oil and gas prices

The Group's asset value and the economic value of its projects depend on the price of oil and gas. The ability to raise capital in the future is sensitive to the price of oil and gas. Once the Group has oil and gas to sell, it may seek to mitigate this risk through appropriate long term contracts.

Exchange risk

Although the Group reports in US dollars, it operates in Kazakhstan and Norway. Further, the Group's head office is in the United Kingdom where most costs are Sterling denominated and where it also enters into some Euro denominated contracts. The Group manages these exchange risks by trying to ensure where possible that all key operating contracts and expenditure commitments are either US dollar denominated or that the contract is fixed in US dollars, even if the final payment is in local currency. In addition, the Group maintains adequate amounts of funding in US dollars and the required currencies to meet its various local currency expenditure commitments.

Operational, HSE and environmental risks

The Group's operations are subject to the environmental risks inherent in the oil and gas industry. In particular, the Aksai project involves drilling deep wells. Major incidents could occur, but this risk is mitigated by management supervision, careful choice and monitoring of contractors and the ongoing development and testing of management and emergency procedures.

Kazakhstan business environment risks

The Kazakhstan government has exercised and continues to exercise significant influence over many aspects of the private sector. The government has been attempting to implement economic reform policies and encourage substantial private economic activity. These reforms are ongoing and may result in significant structural changes to the Kazakhstan economy.

The financial return on the activities in which the Group participates is also subject to unique economic, political, and social risks inherent in doing business in Kazakhstan.

These risks include matters arising out of the policies of the government, economic conditions, imposition of or changes to tax and other legislation, foreign exchange fluctuations, unenforceability of contract rights, and the transfer of property without fair compensation. The risks are managed through the employment of experienced employees with knowledge of the industry and local economy.

The accompanying financial statements reflect management's assessment of the possible impact of the current environment on the financial position of the Group. The future business environment may differ from management's assessment. The impact of such differences on the operations and financial statements of the Group may be significant.

Environmental and personnel related information

The Group is engaged in oil and gas appraisal, development and future production. All activities are planned and conducted in accordance with appropriate standards to minimise environmental impact.

All the Group's activities are planned to ensure the continued health and safety of employees, consistent with all legal requirements.

The Group provides appropriate incentives to the Management Board. Each member of the Management Board receives a competitive market salary, appropriate for their skills and experience, and is also a shareholder in the Company. These arrangements fully align the interests of shareholders and the Management Board.

Supervisory Directors receive appropriate fees to reflect their experience and time commitment to the Group.

Information regarding financial instruments

The Group does not enter into derivative contracts for hedging purposes. Spot foreign exchange transactions are undertaken for operational purposes only. Surplus funds are deposited with certain financial institutions approved by the Management Board and regulated by the Financial Conduct Authority in the UK.

Research and development information

The Group does not have or plan to have any research and development activities.

Sustainability related information

The Group considers itself to be a guest in the countries that it operates in and manages its affairs to comply with all applicable local laws as well as international best practice standards for the sustainability of oil and gas extraction operations.

Information on male/female partitioning of Board members

The Management and Supervisory Boards of the Company are all male. This reflects the history of the Group to date, but the Company is committed to gender equality as a principle and will seek opportunities to recruit appropriately qualified female Directors in the future.

Strategy and outlook

Strategy

The Group's strategy is to create a successful European mid-cap independent oil and gas company with a focus on acquiring under-valued, discovered, material oil and gas assets that already produce or can be taken quickly to production. The business model aims to balance a diverse portfolio of appraisal and development opportunities with stable producing assets that deliver cash flows. The partnerships established will range from the acquisition of an exploration / appraisal licence and committing to co-invest in a work programme to evaluate and commercialise a potential resource to partnering with established industry players and capturing value opportunities from producing or developing assets.

The strategic focus for the Group is areas where market conditions and geological prospectively allow for stable returns and high growth.

Outlook

In the current low oil price environment, the Group is actively seeking and evaluating production and short-term development opportunities in North West Europe and Kazakhstan.

The Group's initial investment deal was completed in January 2014 with the Group becoming operator and 75% owner of the Askai licence in Kazakhstan. During 2015, the Group successfully extended the licence period to July 2018 and performed 2D seismic studies of the Eastern part of the Aksai license. The results of interpretation show the presence of prospective geological structures. In 2016, the Group plans in accordance with the approved work programme to perform further 2D seismic studies of the Aksai license. The results of seismic studies will determine whether the Group undertakes further drilling and the location of any future wells. With a strong local team and track record as operator, the Group is well placed to pursue several other opportunities which have already been identified in the Pre-Caspian Basin.

The Group completed the acquisition of Tellus Petroleum Invest A.S. (Tellus), an independent oil and gas company in September 2015. The acquisition of Tellus provides the Group with a stable investment in an environment that provides strong support and incentives to independent E&P companies. Tellus had previously agreed to acquire from Wintershall a large asset portfolio on the Norwegian Continental Shelf (NCS). The transaction was expected to close in early 2016. However, following discussions, the Group decided not to proceed with the transaction in light of the existing market environment. In light of this decision, Tellus is evaluating the transaction to acquire a 0.554% in the Ivar Aasen field, announced in October 2015.

It was also announced in October 2015 that Tellus had entered into an agreement with Total E&P Norge AS to purchase interests in production licences representing 15% of the Gina Krog unit in the NCS. The funding plans for the acquisition were announced in March 2016 and completion is planned for end April 2016. In addition, the Group has identified and is actively pursuing a number of further acquisitions in the NCS that would provide immediate production and cash flows. The Group continues to evaluate further opportunities in North West Europe, Kazakhstan and Sub Saharan Africa in the light of market conditions.

Going Concern

In assessing Group's ability to continue as a going concern, Management has reviewed the financial position of the Group, operating cost profile, capital expenditure plans and cash flow projections under a range of assumptions.

In November 2015, the Company entered into a loan agreement with Sapinda Invest S.a.r.l ('Sapinda Invest'), under which Sapinda Invest provides a convertible shareholder loan facility of USD 62.5 million through 2016 and 2017. The loan facility will be converted into ordinary equity shares of Sequa Petroleum N.V. upon the loan facility either having been drawn in full or after two years, whichever is earlier. The Group is reliant on the facility to fund the commitments of the business. The Management and Supervisory Boards retain confidence regarding Sapinda Invest's commitment to honouring the loan agreement and notes that the timing of the delivery of the funds may not be in line with the requested drawdown timing, and notes that the fulfilment of this commitment is an essential part of the going concern assumption.

Management are proactively working to deliver an appropriate capital structure to finance existing and future activities going forward. Management acknowledges their dependence on the committed shareholder loan facility but retains a reasonable expectation that sufficient funds will be made available to allow the Group to continue in operational existence for at least twelve months and are therefore satisfied that it is appropriate to continue to adopt the going concern basis in the preparation of the consolidated and Company financial statements. Ultimately the repayment of the existing obligations depends on the ability to generate cash flows from future business activities.

Subsequent Events

In January 2016, the Group's senior convertible bonds in issue of USD 204.4 million were listed on the Nordic ABM, an unregulated bond marketplace.

On 16 March 2016, the Group announced its funding plans in relation to the acquisition of a 15% interest in Gina Krog. The Company, through its subsidiary Tellus Petroleum A.S., is planning the issuance of up to USD 275 million of senior secured bonds due 2019 secured by a first lien security over the Gina Krog interest. In addition, the Company is planning the issuance of up to USD 200 million second lien secured high yield bonds due 2021. These bonds will be secured by a second lien security over the Gina Krog interest and a first lien security over the Company's shareholding in Tellus Petroleum Invest A.S. The funding plan also includes equity subscription agreements from Sapinda Holding B.V. and Sapinda Asia Limited for a total of USD 55 million.

Sequa Petroleum N.V.

London, 16 March 2016

Members of the Management Board:

Jacob Broekhuijsen

Peter Haynes

Jim Luke

Jelte Bosma

Report of the Supervisory Board

To the shareholders

The Supervisory Board met frequently during 2015, with all meetings held at 23 Savile Row, London, W1S 2ET. Meetings were attended by the Supervisory Board members as set out in the table below. Each meeting included a discussion on the Company's strategy and the main risks to implementation, as summarised in the Management Board's report. The Supervisory Board membership in 2015 is shown below:

Summary data	**Lars Windhorst**	**Edwin Eichler**	**Remi Grosjean**	**Jos van Rijswijk**
Gender	Male	Male	Male	Male
Age	39	58	36	70
Profession	Active Investor	Executive	Investment professional	Supervisory board member
Principal position	Chairman	Member	Member	Member
Nationality	German	German	French	Dutch
Other position relevant to this role (if any)	Employee of Sapinda	Employee of Sapinda	Employee of Sapinda	Independent
Date of appointment/re-appointment	07 January 2016	31 March 2014	23 October 2013	07 January 2016
Current term of office	until General Meeting in 2017	until General Meeting in 2016	N/A	until General Meeting in 2017
Date of termination	N/A	N/A	4 June 2015	N/A
Securities held in Company	Yes (indirectly)	None	None	None
Benefit received on resigning from Board	N/A	N/A	None	N/A

Meeting attendance:

	No of meetings attended
Lars Windhorst	6 of 19
Edwin Eichler	19 of 19
Remi Grosjean	5 of 5
Jos van Rijswijk	18 of 19

During the meetings held in 2015, the Supervisory Board discussed the extension of the Aksai licence and the restructuring of the Company's holding in the project. The Supervisory Board also considered other upstream and downstream business development opportunities in Europe and elsewhere, including on the Norwegian Continental Shelf and equity and debt financing.

The Supervisory Board also discussed the annual investment plan related to these projects and Group cash flow analyses, as presented by the Management Board.

From a governance perspective, the Supervisory Board reviewed the Management Board's compliance review conducted in 2014/15 and further plans for improved governance, including a new / updated Code of Conduct and various compliance, tendering, disclosure and anti-corruption processes, which were adopted in January 2015.

Compliance

The Group complies with the UK Bribery Act and applicable legislation in its countries of operation.

The Group's Code of Conduct and Anti-Corruption Policy and other policies are compliant with the UK Bribery Act and include, inter alia, provisions regarding anti-corruption, facilitation payments, gifts and hospitality, intermediaries, joint venture partners and due diligence. Ongoing training and information is provided to the Company and its subsidiaries and a whistleblowing mechanism and policy has been established.

The Group's Procurement Policy was adopted by the Management Board on 15 January 2015 to ensure that commitments made on Group's behalf are only by authorised individuals, and that applicable commitments are properly recorded and reported to the group and are compliant with local procurement legislation.

The Company's Tender Committee reviews the operation of this policy and consists of the following members: Alistair Williams (CFO), Chairman, (replaced by Benjamin Lee from October 2015); Peter Haynes (Technical Director), Jim Luke (COO) and Robin Storey (General Counsel and Company Secretary). The Committee's reporting is an important part of reporting to the Supervisory Board on compliance issues, including the UK Bribery Act.

The Tender Committee met three times in 2015. During its meetings, the Tender Committee discussed recommendations for contract award submitted by its subsidiary, Sequa Petroleum (Kazakhstan) LLP following contracting for the Aksai 1 well, as part of a review of procurement during 2014, and also reviewed procurement in Sequa Petroleum N.V. and Sequa Petroleum (Kazakhstan) LLP during 2015. The Committee also considered procurement and compliance issues, which are likely to arise following the acquisition of Tellus Petroleum Invest AS and the commencement of non-operated activity on the Norwegian Continental Shelf.

Disclosure and insider trading

The Company approved a Group Insider Trading Policy in January 2015 and maintains an insider list and follows applicable disclosure legislation as follows:-

The Company's listing on Euronext Paris Marché Libre and the approach of the French authorities in light of this listing, require the Group to comply with French insider information disclosure law.

The Company's listing of its 5% USD 300 million five year senior convertible bonds on Nordic ABM on 21 January 2016 requires it to follow the Continuing Obligations of the Nordic ABM relating to the Bond and additionally the Rules of the Oslo Stock Exchange, on corporate matters, as the bond is convertible into shares.

The Company is required to follow the most stringent law on any particular issue, which may mean that additional French legal requirements relating to disclosure apply in certain circumstances, in addition to Norwegian law, and vice versa.

The Company discloses this information through official distribution channels in France and Norway, as well as elsewhere, through these channels, and also places all disclosures in the news section of its website.

Corporate Governance

In July 2015, the Company resolved to voluntarily apply the Dutch Corporate Governance Code going forward and is currently recruiting independent directors, in order to ensure that the Supervisory Board will contain a majority of independent directors. To further increase independence and bring the Company's corporate governance structure more in line with the principles of Dutch large company regime (*structuurregime*), in August 2015 the Articles of Association of the Company were amended to reduce the number of reserved matters previously requiring Supervisory Board approval. The adoption of the Dutch Corporate Governance Code and associated changes to the Company's Articles of Association will provide the Company with a solid foundation for autonomous growth and decision making more in accordance with standard practice for Dutch listed NVs.

Dutch Corporate Governance Code ("Code")

The Supervisory Board met 19 times and the Management Board met 22 times during the year, largely reflecting a number of major asset acquisition and financing decisions under consideration by the Management Board, which required review by the Supervisory Board.

As the Company is recruiting independent directors in parallel with its acquisitions, which are scheduled to close in 2016, Audit, Remuneration and Nomination Committees have not yet been set up, although Mr Van Rijswijk, a member of the Supervisory Board, would be considered independent under the Code and has relevant knowledge and experience in the oil and gas industry, being formerly employed by Royal Dutch Shell in senior technical roles over a long career.

Whilst Mr Windhorst would not be considered independent under the Code, due to his significant shareholding in the Company and employment within the Sapinda Group, he was re-appointed to the Supervisory Board by shareholders at the EGM held on 7 January 2016 and has extensive relevant knowledge and expertise in investment activities. Likewise, Mr Eichler would not be considered independent under the Code, due to his employment within the Sapinda Group, but has significant business and financial experience and was formerly an executive board member of ThyssenKrupp AG for 10 years and holds a number of other directorships. However, Code best practice provision III.2.1 is not formally met by this arrangement, as the Supervisory Board has two non-independent directors. See page 68 for further information on related parties.

As much as the Supervisory Board values diversity, there are currently no female Supervisory Board members. At the moment the Company has no policy determining a particular male/female split in the membership of the Supervisory Board. The Supervisory Board will continue to focus on the competences of new Supervisory Board members, while bearing in mind the value added by a diverse Supervisory Board. The Company's diversity policy will be reviewed and it is intended to provide a profile of the Supervisory Board and details of the Company's diversity policy on the website, once further appointments have been made.

The Supervisory Board does not have Terms of reference, but its role is set out in the Articles of the Company and the Company follows the principles set out in the Code. Terms of reference were approved by the Management Board for the Audit, Remuneration and Nomination Committees in April 2015. These will be placed on the Company's website, once members of these committees are appointed.

Review of key areas usually carried out by separate committees has been completed by the Supervisory Board, which the Company believes is appropriate at this stage of its development.

Involvement in external audit

The Supervisory Board specifically reviewed the accounts for the year ending December 2014 at 5 meetings and for the year ending December 2015 at its meeting on 14 March 2016. A meeting was held between members of the Supervisory Board and KPMG on 14 March 2016.

The Company does not have a separate internal audit function, although this role is performed by members of the finance and legal departments. At this stage in the Company's development, the Management and Supervisory Boards have not considered it appropriate to set up a separate function, although this remains under review in light of potential pending acquisitions, which will be transformative to the Company.

The external auditor is invited to attend Supervisory Board and General Meetings where the financial statements are recommended and adopted.

Remuneration review

The Remuneration policy of the Company has been stable during 2015 and was reviewed as part of the approval of the accounts for the year ending 2015 at its meeting on 14 March 2016. A formal report was not prepared as the Company believes it is appropriate to wait until the pending acquisition of assets is completed.

The agreed remuneration for the Management Board members includes a competitive base salary and a variable part consisting of a short-term incentive in the form of a cash payment to be determined at the sole discretion of the Supervisory Board at the end of each complete calendar year. Each member of the Management Board currently owns shares in the capital of the Company, which fully aligns the interest of the Management Board members, the shareholders and the Company. The Supervisory Board would like to thank the management team and staff for their commitment and support. The remuneration of the Management Board appears at page 69 of this Annual Report, which will be made available on the Company's website.

The Supervisory Board intends to conduct an effectiveness review in respect of the activities of both the Supervisory and Management Boards in 2016. No review was undertaken in 2015.

Nominations review

Members of the Supervisory Board and the Management Board have been involved in discussions regarding the proposed appointment of independent directors to the Supervisory Board, although this has been deferred to run in parallel with the Company's acquisitions.

The Supervisory Board has been involved in assessing the Company's risk management and compliance processes at its meeting on 9 December 2014. Further the Supervisory Board has received regular updates from the General Counsel and Company Secretary and Chairman of the Tender Committee on risk management, compliance and procurement issues.

The General Counsel and Company Secretary is available to the Chairman and the Supervisory Board for advice and ensures that sufficient information is provided to the Supervisory Board on a timely basis. External counsel are invited to attend meetings on an as needed basis and are also available to the directors.

Risk Management and compliance and website disclosure

Risk Management and Compliance processes are considered suitable for the Company at its current size and complexity and are set out in the Company's policies, which are available on its website and which have been disseminated through the organisation in Norway and Kazakhstan, as well as its UK Head office. These policies are maintained under annual review and compliance is reported to the Supervisory Board as part of the year end process by the General Counsel and Company Secretary. Conflicts of interest are discussed as a standing item at all Supervisory Board meetings.

The Company is developing its website disclosure on risk management and compliance. Currently, the website discloses the Company's Code of Conduct, Procurement, Anti-Corruption, Gifts and Hospitality, Whistleblowing, Third party due diligence, Insider trading, Competition and Anti-trust and Conflicts of Interest policies. These policies include systems for monitoring and reporting on risk and control issues. Other unpublished policies contribute to these processes concerning group internal approvals and auditor independence.

The Supervisory Board's remuneration policy is set out in these accounts, which are disclosed on the website. Shareholder meeting documentation is also placed on the website and includes details of election and re-election dates for directors.

Whilst the Company does not have a written policy on shareholder communication, it maintains regular informal dialogue and shareholders are invited to raise any questions they may have at General Meetings.

The Supervisory Board informally discussed the functioning of the Supervisory and Management Boards during 2015, although it did not produce a formal report, preferring to encourage improvements informally, at this stage of the Company's development. The Supervisory Board discussed strategy for 2015 as part of its budget review process.

Whilst the requisite number of independent directors is not yet present on the Supervisory Board, and only Mr van Rijswijk may be considered independent under the Code, it is intended to recruit independent directors during 2016, including those with requisite financial skills, as the Company's acquisitions occur. A more formal approach to training and education of directors will be adopted in 2016 following recruitment.

The Notice for General Meetings of shareholders, including explanatory notes and Agenda are made available at the Company's offices in London and circulated through Euroclear and Clearstream by the Company's agent, BNP Paribas Securities Services S.C.A Luxembourg Branch, and placed on the Company's website. There were four Notices for meetings of shareholders circulated during 2015 (three meeting held in 2015 with one meeting occurring on 7 January 2016) and shareholders were given the opportunity to raise questions in addition to formal agenda items on each occasion.

Two of the three supervisory board directors were required to stand for re-election under the Company's articles and were subsequently re-elected on 7 January 2016. All four members of the management board were re-elected on 7 January 2016.

Recommendation

The financial statements for the period ending 31 December 2015 were audited by KPMG Accountants N.V. The Supervisory Board discussed the financial statements with the Management Board in the presence of the external auditor. We recommend the adoption of the financial statements as presented in this report.

In addition we request the General Meeting of Shareholders to discharge the members of the Management Board of Directors of their responsibility for the conduct of business in 2015 and the Supervisory Board for their supervision in 2015.

Sequa Petroleum N.V.

London, 16 March 2016

Supervisory Board:

Lars Windhorst

Jos van Rijswijk

Edwin Eichler

Consolidated statement of financial position as at 31 December 2015

	Note	2015 USD 1,000	2014 USD 1,000
Assets			
Non-current assets			
Goodwill	*10*	**17,737**	–
Other intangible assets	*11*	**81,018**	99,753
Property, plant and equipment	*12*	**161**	284
Deferred tax assets	*9*	**30,919**	–
Other receivables	*15*	**2,986**	4,552
		132,821	104,589
Current assets			
Inventories	*13*	**2,608**	4,890
Other receivables	*15*	**6,261**	416
Cash and cash equivalents	*19*	**10,767**	798
		19,636	6,104
		152,457	110,693
Equity and liabilities			
Equity			
Called-up equity share capital	*17*	**27,701**	27,534
Share premium	*17*	**4,541**	127
Other reserve		**6,874**	–
Translation reserve		**(26,048)**	38
Retained deficit		**(49,378)**	(48,918)
		(36,310)	(21,219)
Non-current liabilities			
Borrowings	*20*	**175,295**	–
Provisions for abandonment obligations	*21*	**296**	285
Derivative financial instruments	*20*	**2,956**	–
Retirement benefit obligation		**199**	–
		178,746	285
Current liabilities			
Trade and other payables	*16*	**6,075**	13,241
Borrowings	*20*	**3,946**	118,386
		10,021	131,627
		152,457	110,693

The notes on pages 21 to 54 form part of these financial statements.

Consolidated statement of comprehensive income for the year 2015

	Note	**2015 USD 1,000**	**2015 USD 1,000**	2014 USD 1,000	2014 USD 1,000
Operating costs					
Unsuccessful appraisal expenditure	*11*	–		(27,859)	
Loss on business development activities	*5*	**(30,149)**		–	
Other costs	*5*	**(16,966)**		(13,144)	
			(47,115)		(41,003)
Finance income	*7*	**3,051**		96	
Finance expense	*8*	**(12,931)**		(3,791)	
Net finance costs			**(9,880)**		(3,695)
Loss before taxation			**(56,995)**		(44,698)
Taxation	*9*		**25,935**		–
Loss for the period attributable to equity shareholders			**(31,060)**		(44,698)
Other comprehensive income					
Items that may be reclassified to profit or loss:					
Currency translation adjustments			**(26,086)**		38
Other items:					
Re-measurement of defined benefit pension obligation			**(70)**		–
Tax re-measurement of defined benefit obligation			**55**		–
Total comprehensive income for the period attributable to equity shareholders			**(57,161)**		(44,660)
Loss per ordinary share (cents)	*18*				
Basic			**(15.5)**		(22.0)
Diluted			**(15.5)**		(22.0)

The notes on pages 21 to 54 form part of these financial statements.

Consolidated statement of changes in equity for the year 2015

		Share capital USD 1,000	Share premium USD 1,000	Other reserve USD 1,000	Translation reserve USD 1,000	Retained deficit USD 1,000	Total USD 1,000
As at 31 December 2013		27,534	127	–	–	(4,220)	23,441
Loss for the period		–	–	–	–	(44,698)	(44,698)
Other comprehensive income		–	–	–	38	–	38
As at 31 December 2014		**27,534**	**127**	–	**38**	**(48,918)**	**(21,219)**
Loss for the period		–	–	–	–	**(31,060)**	**(31,060)**
Issue of new shares	17	**167**	**4,414**	–	–	–	**4,581**
Equity component of convertible debt instruments		–	–	–	–	**30,615**	**30,615**
Contingent share consideration for business combination	14	–	–	**6,874**	–	–	**6,874**
Other comprehensive income		–	–	–	**(26,086)**	**(15)**	**(26,101)**
Balance as at 31 December 2015		**27,701**	**4,541**	**6,874**	**(26,048)**	**(49,378)**	**(36,310)**

The notes on pages 21 to 54 form part of these financial statements.

Consolidated statement of cash flows for the year 2015

	Note	2015 USD 1,000	2014 USD 1,000
Loss after taxation		**(31,060)**	(44,698)
Adjustments for:			
Depreciation and amortisation	5	**115**	77
Unsuccessful appraisal expenditure	11	**–**	27,859
Finance income		**(2,134)**	(96)
Finance expense	8	**12,931**	2,279
Exchange differences		**(917)**	1,563
Taxation	9	**(25,935)**	–
Loss on business development activities	5	**30,149**	–
Re-measurement of contingent consideration		**(928)**	–
Increase in inventories		**(20)**	(4,890)
Increase in other receivables		**(497)**	(4,336)
(Decrease) / Increase in trade payables		**(7,998)**	9,366
Increase / (decrease) in other payables		**849**	(465)
		5,615	31,357
		(25,445)	(13,341)
Interest paid		**(5,115)**	(67)
Net cash flows used in operating activities		**(30,560)**	(13,408)
Cash flows from investing activities			
Purchase of property, plant and equipment		**(38)**	(328)
Purchase of intangible non-current assets		**(4,424)**	(122,450)
Business combination net of cash acquired		**1,274**	–
Other advances and deposits on business development activities		**(39,065)**	(285)
Interest received		**463**	96
Net cash used in investing activities		**(41,790)**	(122,967)
Cash flows from financing activities			
Proceeds from borrowings		**82,291**	116,174
Net cash inflow from financing activities		**82,291**	116,174
Increase/(decrease) in cash and cash equivalents in the period		**9,941**	(20,201)
Cash and cash equivalents at start of the period		**798**	21,036
Effect of movements in exchange rates on cash held		**28**	(37)
Cash and cash equivalents as at 31 December	19	**10,767**	798

Notes to the consolidated financial statements for the year 2015

1 Reporting entity

Sequa Petroleum N.V. (the ‘Company’) is a company domiciled in The Netherlands, having its statutory seat in Amsterdam. The address of the Company’s registered office is 42 Upper Berkeley St, London, W1H 5QL, United Kingdom. The financial statements of the Company as at and for the year ended 31 December 2015 comprise the Company and its subsidiaries (together referred to as the ‘Group’ and individually as ‘Group entities’). The Group is involved in the business of oil and gas exploration, appraisal, development and production.

2 Basis of preparation

(a) Statement of compliance

These financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) and IFRIC interpretations issued by the International Accounting Standards Board (IASB) adopted by the European Union. There were no new or revised Standards and Interpretations issued by the IASB and the IFRS Interpretations Committee (IFRIC) of the IASB that are relevant to the operations and effective for annual reporting periods beginning on or after 1 January 2015.

(b) Basis of measurement

The financial statements have been prepared on the historical cost basis except that, as disclosed in the accounting policies below, certain items, including derivatives, are measured at fair value.

(c) Functional and presentation currency

These financial statements are presented in US dollars (USD), which is the functional currency of the Company. All financial information presented in USD has been rounded to the nearest thousand, except where otherwise indicated.

(d) Use of estimates and judgements

In preparing these consolidated financial statements, management has made 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.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised prospectively.

Judgements

Information about judgements made in applying accounting policies that have the most significant effect on the amounts recognised in the consolidated financial statements is included in the following note:

- Note 11 - classification of exploration / appraisal and evaluation expenditure;

Assumptions and estimation uncertainties

Information about assumptions and estimation uncertainties that have a significant risk of resulting in a material adjustment in the year ending 31 December 2016 are included in the following notes:

- Note 9 - recognition of deferred tax assets; availability of future taxable profit against which tax losses carried forward can be used;
- Note 11 - recoverability of the exploration / appraisal and evaluation expenditure; exploration / appraisal and evaluation costs are capitalised as intangible assets pending completion of the exploration / appraisal phase or discovery of commercial reserves in sufficient quantities to recover the investment. This requires judgemental assessments as to (a) the likely future commerciality of the asset, and (b) future revenues and costs relating to the project in order to determine the recoverable value of the asset.
- Note 15 – recoverability of Kazakhstan VAT; accumulated input VAT incurred on exploration / appraisal and evaluation activities can only be recovered through offset against output VAT levied on domestic sales. This requires a judgemental assessment of the likely future commerciality of the assets and future revenues. Kazakhstan input VAT is recorded as a non-current asset on the consolidated balance sheet pending completion of the appraisal activities.

(e) Going concern

In assessing Group's ability to continue as a going concern, Management has reviewed the financial position of the Group, operating cost profile, capital expenditure plans and cash flow projections under a range of assumptions.

In November 2015, the Company entered into a loan agreement with Sapinda Invest S.a.r.l ('Sapinda Invest'), under which Sapinda Invest provides a convertible shareholder loan facility of USD 62.5 million through 2016 and 2017. The loan facility will be converted into ordinary equity shares of Sequa Petroleum N.V. upon the loan facility either having been drawn in full or after two years, whichever is earlier. The Group is reliant on the facility to fund the commitments of the business. The Management and Supervisory Boards retain confidence regarding Sapinda Invest's commitment to honouring the loan agreement and notes that the timing of the delivery of the funds may not be in line with the requested drawdown timing, and notes that the fulfilment of this commitment is an essential part of the going concern assumption.

Management are proactively working to deliver an appropriate capital structure to finance existing and future activities going forward. Management acknowledges their dependence on the committed shareholder loan facility but retains a reasonable expectation that sufficient funds will be made available to allow the Group to continue in operational existence for at least twelve months and are therefore satisfied that it is appropriate to continue to adopt the going concern basis in the preparation of the consolidated and Company financial statements. Ultimately the repayment of the existing obligations depends on the ability to generate cash flows from future business activities.

3 Significant accounting policies

The accounting policies set out below have been applied consistently to all periods presented in these consolidated financial statements, and have been applied consistently by Group entities.

(a) Basis of consolidation

Subsidiaries

Where the Company has the power, either directly or indirectly, to control the financial and operating policies of another entity or business so as to obtain benefits from its activities, it is classified as a subsidiary. In assessing control, potential voting rights that are presently exercisable are taken into account. The financial statements of subsidiaries are included in the Group's financial statements from the date that control commences until the date that control ceases.

Transactions eliminated on consolidation

Intra-group balances and transactions, and any unrealised income and expenses arising from intra-group transactions, are eliminated.

Joint arrangements

The Group's appraisal activities are primarily conducted through a joint operation. The Group recognises its own share of the assets, liabilities, revenues, expenses and cash flows associated with these operations.

(b) Intangible assets (Oil and gas exploration / appraisal assets)

The Group follows a successful efforts based accounting policy for oil and gas assets.

Costs incurred prior to obtaining the legal rights to explore an area are expensed immediately to the Statement of Comprehensive Income.

Expenditure incurred on the acquisition of a licence interest is initially capitalised on a licence by licence basis. Costs are held unamortised within exploration / appraisal assets until such time as the exploration / appraisal phase on the licence area is complete or commercial reserves have been discovered.

Exploration / appraisal expenditure incurred in the process of determining exploration / appraisal targets is capitalised initially within intangible assets and subsequently allocated to drilling activities. Exploration / appraisal drilling costs are initially capitalised on a well by well basis until the success or otherwise of the well has been established. The success or failure of each exploration / appraisal effort is judged on a well by well basis. Drilling costs are written off on completion of a well unless the results indicate that hydrocarbon reserves exist and there is a reasonable prospect that these reserves are commercial.

All lease and licence acquisition costs including loans that are expected to be repaid out of hydrocarbon revenues, geological and geophysical costs and other direct costs of exploration, evaluation and development are capitalised as intangible assets or oil and gas development costs according to their nature.

Intangible assets comprise costs relating to the exploration / appraisal and evaluation of licences which the members of the Management Board consider to be unevaluated until reserves are appraised as commercial, at which time they are transferred to oil and gas development costs and depreciated accordingly.

Where results of exploration / appraisal drilling indicate the presence of hydrocarbons which are ultimately considered not commercially viable, all related costs are written off to the Statement of Comprehensive Income.

All costs incurred after the technical feasibility and commercial viability of producing hydrocarbons have been demonstrated are capitalised as oil and gas development costs on a field by field basis. Subsequent expenditure is capitalised only where it either enhances the economic benefits of the development/producing asset or replaces part of the existing development/producing asset. Any costs remaining associated with the replaced asset part are expensed.

Net proceeds from any disposal of an exploration / appraisal asset are initially credited against the existing capitalised costs. Any surplus proceeds are credited to the Statement of Comprehensive Income. Net proceeds from any disposal of development/producing assets are credited against the previously capitalised cost. A gain or loss on disposal of a development/ producing asset is recognised in the Statement of Comprehensive Income to the extent that the net proceeds exceed or are less than the appropriate portion of the net capitalised costs of the asset.

Impairment

Exploration / appraisal assets are reviewed regularly for indications of impairment and costs are written off where circumstances indicate that the carrying value might not be recoverable. In such circumstances the exploration / appraisal asset is allocated to development / producing assets within the same geographic segment and tested for impairment. Any such impairment arising is recognised in the Statement of Comprehensive Income for the period. Where there are no development or producing assets within a geographic segment, the exploration / appraisal costs are charged immediately to the Statement of Comprehensive Income.

Impairment reviews on development/producing oil and gas assets are carried out on each cash generating unit identified in accordance with IAS 36. The Group's cash generating units are those assets which generate largely independent cash flows and are normally, but not always, single development areas.

At each reporting date, where there are indications of impairment, the net book value of the cash generating unit is compared with the associated expected discounted future cash flows. If the net book value is higher, then the difference is written off to the Statement of Comprehensive Income as impairment.

Where there has been a charge for impairment in an earlier year that charge will be reversed in a later period where there has been a change in circumstances to the extent that the discounted cash flows are higher than the net book value at the time. In reversing impairment losses, the carrying amount of the asset will be increased to the lower of its original carrying value or the carrying value that would have been determined (net of depletion) had no impairment loss been recognised in prior periods.

Decommissioning costs

Where a legal or constructive obligation has been incurred during oil and gas activities, provision for abandonment obligations is made for the net present value of the estimated cost of decommissioning and a corresponding asset is recognised and classified as part of the associated oil and gas non-current asset. The unwinding of the discount on the provision is included in the income statement within finance costs. Any changes to estimated costs or discount rates are dealt with prospectively.

(c) Other intangible assets

Intangible assets, other than goodwill and exploration / appraisal costs, have finite useful lives and are measured at cost less accumulated depreciation and any impairment and depreciated over their expected useful economic lives as follows:

	Annual rate %	**Depreciation method**
Database and purchased software	**33**	Straight line

(d) Business combinations and goodwill

In the event of a business combination, fair values are attributed to the net assets acquired. Goodwill, which represents the difference between the purchase consideration and the fair value of the net assets acquired, is capitalised and subject to an impairment review at least annually, or more frequently if events or changes in circumstances indicate that the goodwill may be impaired. Goodwill is not tested for impairment in the year of acquisition.

(e) Property, plant and equipment

Tangible assets, other than development/producing assets, are measured at cost less accumulated depreciation and any impairment and depreciated over their expected useful economic lives as follows:

	Annual rate %	Depreciation method
Leasehold improvements	**20**	Straight line
Vehicles, fixtures and equipment	**20**	Straight line
Computer hardware	**33**	Straight line

(f) Inventory

Inventories are stated at the lower of cost and net realisable value. Cost comprises all costs of purchase and other costs incurred in bringing the inventories to their present location and condition

(g) Financial instruments

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

The Group classifies non-derivative financial assets into the following categories: financial assets at fair value through profit or loss, held-to-maturity financial assets, loans and receivables and available-for-sale financial assets.

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

Non-derivative financial assets and financial liabilities - recognition and derecognition

The Group initially recognises loans and receivables and debt securities issued on the date that they are originated. All other financial assets and financial liabilities are recognised initially on the trade date.

The Group derecognises a financial asset when the contractual rights to the cash flows from the asset expire, or it transfers the rights to receive the contractual cash flows in a transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred, or it neither transfers nor retains substantially all of the risks and rewards of ownership and does not retain control over the transferred asset. Any interest in such derecognised financial assets that is created or retained by the Group is recognised as a separate asset or liability.

The Group derecognises a financial liability when its contractual obligations are discharged or cancelled, or expire.

Financial assets and liabilities are offset and the net amount presented in the statement of financial position when, and only when, the Group has a legal right to offset the amounts and intends either to settle on a net basis or to realise the asset and settle the liability simultaneously.

Non-derivative financial assets – measurement

Financial assets at fair value through profit or loss

A financial asset is classified as at fair value through profit or loss if it is classified as held for trading or is designated as such on initial recognition. Directly attributable transaction costs are recognised in profit or loss as incurred. Financial assets at fair value through profit or loss are measured at fair value and changes therein, which takes into account any dividend income, are recognised in profit or loss.

Held-to-maturity financial assets

Held-to-maturity financial assets are recognised initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, held-to-maturity financial assets are measured at amortised cost using the effective interest method.

Loans and receivables

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.

Cash and cash equivalents

In the statement of cash flows, cash and cash equivalents includes bank overdrafts that are repayable on demand and form an integral part of the Group’s cash management. Cash and cash equivalents also include cash on deposit that is accessible within three months.

Available-for-sale financial assets

These assets are initially recognised at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, they are measured at fair value and changes therein, other than impairment losses and foreign currency differences on debt instruments (see (f)(i)), are recognised in other comprehensive income and accumulated in the fair value reserve. When these assets are derecognised, the gain or loss accumulated in equity is reclassified to profit or loss.

Non-derivative financial liabilities - measurement

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.

On issue of convertible bonds, the fair value of the liability component is determined using a market rate for an equivalent non-convertible bond and this amount is carried as a liability on the amortised cost basis until extinguished on conversion or redemption. The remainder of the proceeds is allocated to the equity component and is recognised in shareholders’ equity and not subsequently re-measured.

Derivative financial assets and liabilities

Derivative financial instruments are initially recognised and subsequently re-measured at fair value with movements in fair value recognised in profit or loss.

(h) 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.

(i) Impairment

Non-derivative financial assets

Financial assets not classified as at fair value through profit or loss, including an interest in an equity-accounted investee, 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 Group on terms that the Group 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;
- observable data indicating that there is measurable decrease in expected cash flows from a group of financial assets.

For an investment in an equity security, objective evidence of impairment includes a significant or prolonged decline in its fair value below its cost. The Group considers a decline of 20% to be significant and a period of nine months to be prolonged.

Financial assets measured at amortised cost

The Group considers evidence of impairment for these assets at both an individual asset and a collective level. All individually significant assets are individually assessed for impairment. Those found not to be impaired are then collectively assessed for any impairment that has been incurred but not yet individually identified. Assets that are not individually significant are collectively assessed for impairment. Collective assessment is carried out by grouping together assets with similar risk characteristics.

In assessing collective impairment, the Group uses historical information on the timing of recoveries and the amount of loss incurred, and makes an adjustment if current economic and credit conditions are such that the actual losses are likely to be greater or lesser than suggested by historical trends.

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 Group 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.

(j) Taxation

The current tax is based on taxable profit for the period. Taxable profit differs from net profit as reported in profit or loss 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.

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 base used in the computation of taxable profit and is accounted for using the liability method.

Provision is made in full 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 offset. Such assets and liabilities are recognised if the temporary differences arise 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 taxable profit nor the accounting profit.

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be recovered. Any such reduction will be reversed to the extent that it becomes probable that sufficient taxable profit will be available.

Deferred tax assets and liabilities are measured at the tax rates that have been enacted or substantively enacted by the reporting date and are expected to apply.

(k) Foreign currencies

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

Exchange differences on monetary assets and liabilities arising in Group entities are taken to the income statement, with the exception of exchange differences on monetary items that form part of a net investment in a foreign operation. These differences are taken to reserves until the related investment is disposed of. All other exchange movements are dealt with through the income statement.

On consolidation, assets and liabilities denominated in currencies other than the US dollar are translated into US dollars at closing rates of exchange. Non-US dollar trading results of Group entities are translated into US dollars at average rates of exchange. Differences resulting from the retranslation of the opening net assets and the results for the year are recognised in other comprehensive income.

Share capital, share premium and other reserves are translated into US Dollars at the historical rates prevailing at the date of the transaction.

(l) Employee benefits

Pensions

A small number of the Group's Norway based employees are members of a defined benefit scheme. The scheme is closed to new members. The amount recognised on the balance sheet in respect of liabilities for the defined benefit pension plan represents the present value of the obligations offset by the fair value of plan assets. The cost of providing retirement pensions and related benefits is charged to the income statement over the periods benefiting from the employees' services. Current service costs are reflected in operating profit and net interest costs, where significant, are reflected in finance costs in the period in which they arise. Actuarial gains and losses are recognised in full as they occur in other comprehensive income. None of the Group's key management are members of the defined benefit scheme and the amount recognised on the balance sheet is considered immaterial. Accordingly, the Group has not presented the IAS 19 disclosures associated with this defined benefit plan.

Contributions made to defined contribution pension plans are charged to the income statement when payable.

Short-term employee benefits

Short-term employee benefit obligations are expensed as the related service is provided. A liability is recognised for the amount expected to be paid under short-term cash bonus or profit-sharing plans if the Group has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee, and the obligation can be estimated reliably.

(m) New standards and interpretations not yet adopted

The following relevant new standards, amendments to standards and interpretations are effective for annual periods beginning on or after 1 January 2016, and have not been applied in preparing these consolidated financial statements.

	Effective date for periods beginning on or after
IFRS 9 'Financial Instruments'	1 January 2018
IFRS 14 'Regulatory Deferral Accounts'	1 January 2016
IFRS 15 'Revenue from Contracts with Customers'	1 January 2018
IFRS 16 'Leases'	1 January 2019
Amendments to IFRS 10 and IAS 28 'Sale or Contribution of Assets between an Investor and its Associate or Joint Venture'	1 January 2016
Amendments to IFRS 11 'Accounting for Acquisitions of Interests in Joint Operations'	1 January 2016
Amendments to IAS 16 and IAS 38 'Clarification of Acceptable Methods of Depreciation and Amortisation'	1 January 2016

The impact on the Group’s financial statements of the future standards, amendments and interpretations is still under review, but the Group does not currently expect any of these changes to have a material impact on the results or net assets of the Group.

(n) Segmental reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-makers, who are responsible for allocating resources and assessing performance of the operating segments, have been identified as the Management Board.

4 Segment analysis

As at 31 December 2015 and 31 December 2014, the Group had one appraisal project, being the Aksai licence in Kazakhstan. In the year, the Group acquired a Norwegian oil and gas company which simultaneously signed an SPA to acquire an asset portfolio on the Norwegian Continental Shelf. The Kazakhstan and Norwegian businesses have similar products and services and are considered to form part of a single Exploration and Production reportable segment. This is considered to be the only reportable segment of the Group. All corporate activities can be assigned therefore to this segment as well. Accordingly no additional segment analysis is disclosed.

As at 31 December 2015, the Group non-current assets balance of USD 132,821 thousand (2014 104,589 thousand) included an amount attributable to Kazakhstan of USD 83,651 thousand (2014 USD 104,422 thousand) and Norway of USD 49,875 thousand (2014 nil). As at 31 December 2015 and 31 December 2014, no non-current assets were attributable to the Netherlands.

5 Loss on business development activities and other costs

The other costs encompass the following items:

	2015 **USD 1,000**	2014 USD 1,000
Expensed exploration / appraisal costs	**1,982**	-
Depreciation and amortisation	**115**	77
Legal and other professional fees	**2,700**	3,756
Consulting costs	**2,018**	1,877
Staff costs	**8,382**	5,948
Adjustment to contingent consideration for business combination	**(928)**	-
Other administration costs	**2,697**	1,486
	16,966	13,144

In June 2015, concurrent with the acquisition of Tellus, the Group announced its intention to acquire, via Tellus, a portfolio of assets in the Norwegian Continental Shelf from Wintershall Norge AS (Wintershall). On entering into the agreement, the Group made an advance payment to Wintershall of USD 30.1 million which was recorded on the balance sheet as a financial asset. Following subsequent discussions, in December 2015 Wintershall and Tellus agreed not to proceed with the transaction in the current market environment. As part of this agreement, the Group forfeited the advance payment and the amount of USD 30.1 million was expensed to the income statement as loss on business development activities.

6 Personnel expenses and employees

	2015	2014
	USD 1,000	USD 1,000
Wages and salaries	**7,455**	6,574
Benefits	**473**	367
Social security costs	**972**	661
Pension charge	**193**	-
	9,093	7,602

During the year, personnel expenses of USD 8,382 thousand (2014 5,948 thousand) was reported as staff costs within other expenses and USD 711 thousand (2014 nil) was included within other exploration / appraisal costs. In 2014, USD 1,278 thousand was also charged to unsuccessful appraisal expenditure and USD 376 thousand was capitalised.

Average number of employees	2015	2014
	Number	Number
Based in the Netherlands	-	-
Based outside the Netherlands	**41**	33
	41	33

7 Finance income

	2015	2014
	USD 1,000	USD 1,000
Interest on short-term bank deposits	**463**	96
Fair value movement on derivative financial instruments (note 20)	**1,671**	-
Foreign exchange result	**917**	-
	3,051	96

8 Finance expenses

	2015	2014
	USD 1,000	USD 1,000
Interest on loans from shareholders	**(1,250)**	(2,212)
Interest on senior convertible bonds	**(10,398)**	-
Withholding tax	**(1,278)**	-
Other finance expenses	**(5)**	(67)
Foreign exchange result	-	(1,512)
	(12,931)	(3,791)

9 Taxation

Current taxation

The (credit)/charge for taxation in the period is as follows:

	2015	2014
	USD 1,000	USD 1,000
Current taxation	**–**	–
Deferred taxation on the origination and reversal of temporary differences	**(25,935)**	–

Deferred taxation

Due to the nature of the Group's appraisal activities there is a long lead time in either developing or otherwise realising exploration / appraisal assets. A deferred tax asset will only be created if there is reasonable certainty that profits will be earned in the foreseeable future. A deferred tax asset associated with unutilised tax losses is recognised in relation to the Group’s Norwegian business development activities since such tax losses will be eligible for a cash tax refund on cessation of trade.

There was no deferred tax movements or assets recognised in 2014, movement in recognised deferred tax assets for the year ended 31 December 2015 is shown below:

	Unused tax losses	**Other temporary differences**	**Total**
	USD 1,000	**USD 1,000**	**USD 1,000**
As at 1 January 2014 and 2015	–	–	–
Credit for the year	**25,780**	**155**	**25,935**
Acquired on business combination	**5,685**	**–**	**5,685**
Currency translation adjustment	**(701)**	**–**	**(701)**
As at 31 December 2015	**30,764**	**155**	**30,919**

Tax losses carried forward and temporary differences for which no deferred tax asset has been recognised are shown below:

	2015	2014
	USD 1,000	USD 1,000
Tax losses	**4,013**	2,070
Other temporary timing differences, including capital allowances	**7,924**	6,526
Total deferred tax assets not recognised	**11,937**	8,596

The amount of tax losses carried forward generated in the UK is USD 22,186 thousand as at 31 December 2015 (2014 USD 10,346 thousand). A corresponding deferred tax asset, calculated using the rate of 18%, of USD 3,394 thousand (2014 USD 2,070 thousand) has not been recognised due to insufficient certainty regarding the availability of future profits against which the losses can be utilised and based on the expectation of management that the losses will not start unwinding until 2020. In addition, there is a tax loss carried forward of USD 95 thousand generated in Kazakhstan. A corresponding deferred tax asset of USD 19 thousand has not been recognised due to insufficient certainty regarding the availability of future profits against which the loss can be utilised. A deferred tax asset has been recognised in respect of tax losses generated in Norway on the basis that such losses would generate a cash tax refund on cessation of the business.

In addition to the above, there is an amount of USD 39,735 thousand (2014 USD 32,629 thousand) of expenses generated in Kazakhstan which could be potentially deductible and offset against future taxable income. A corresponding deferred tax asset, calculated using the rate of 20%, of USD 7,947 thousand (2014 USD 6,526 thousand) has not been recognised due to insufficient certainty regarding the availability of future income against which the expenses can be offset.

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.

Reconciliation of effective tax rate

	2015 USD 1,000	2014 USD 1,000
Loss before tax	**56,995**	44,698
Income tax benefit calculated at the average statutory rate of 20.25% (2014 21.5%) of the loss before tax	**11,541**	9,607
Deferred tax recognised on business combination	**4,986**	–
Effect of tax rates in foreign jurisdictions	**12,064**	(608)
Non tax-deductible or non-taxable items	**(1,193)**	(768)
Losses and timing differences for which no deferred tax asset was recognised	**(3,093)**	(7,625)
Other adjustments, including foreign exchange	**1,630**	(606)
Income tax credit	**25,935**	–

10 Goodwill

	2015 USD 1,000	2014 USD 1,000
Cost and net book value at 1 January	–	–
Additions	**18,954**	–
Currency translation adjustment	**(1,217)**	
Cost and net book value at 31 December	**17,737**	–

As at 31 December 2015, the recognised goodwill related to Tellus Petroleum Invest AS, which was acquired in September 2015. The asset purchase opportunities associated with the business combination, including the Gina Krog transaction, does not indicate the goodwill is impaired at the balance sheet date. A full impairment assessment will be performed at least annually on a prospective basis.

11 Other intangible assets

	Oil and gas exploration / appraisal USD 1,000	Other USD 1,000	Total USD 1,000
Cost as at 31 December 2013	3,638	–	3,638
Additions	123,871	131	124,002
Unsuccessful appraisal expenditure	(27,859)	–	(27,859)
Cost as at 31 December 2014	**99,650**	**131**	**99,781**
Loan repayment	**(54,000)**	**–**	**(54,000)**
Additions	**55,182**	**5**	**55,187**
Currency translation adjustments	**(19,876)**	**(4)**	**(19,880)**
Cost as at 31 December 2015	**80,956**	**132**	**81,088**
Amortisation as at 31 December 2013	–	–	–
Charge in the year	–	(28)	(28)
Amortisation as at 31 December 2014	**–**	**(28)**	**(28)**
Charge in the year	**–**	**(42)**	**(42)**
Amortisation as at 31 December 2015	**–**	**(70)**	**(70)**
Net book value as at 31 December 2015	**80,956**	**62**	**81,018**
Net book value as at 31 December 2014	99,650	103	99,753

Oil and gas intangible assets comprise expenditure associated with the Aksai licence in Kazakhstan.

In August 2015, the Group completed an internal restructure of the Aksai licence interest. This restructure included a cash payment by Bolz LLP, the partner in the Askai licence, to the Group of USD 54 million, partially offsetting the loan facility of USD 90 million previously provided. The Group consequently made a USD 54 million cash payment to Kazkommertsbank JSC in order to release their encumbrance over the Aksai licence. This payment has been treated as an addition to capitalised oil and gas exploration / appraisal assets.

The Bolz LLP loan agreement includes a maturity date of January 2020 for repayment. In the event of the project's success, an option under the loan agreement allows the loan to be repaid out of initial hydrocarbon revenue. Management believes that without hydrocarbon revenue the repayment of the loan is unlikely and has therefore accordingly included the loan as part of the capitalised oil and gas exploration / appraisal assets.

For the year ended 31 December 2015, cash outflows on exploration / appraisal expenditure, excluding the internal licence restructure, was USD 4,424 thousand (2014 USD 122,450 thousand).

In September 2015, a three year extension of the Aksai appraisal licence to July 2018 was approved. The work programme associated with the extended appraisal period includes recompletion of the initial well alongside three more wells across the licence area. Management believe retaining the value of capitalised exploration / appraisal expenditure associated with the Aksai licence on the balance sheet is appropriate pending completion of the proposed work programme.

Other intangible assets primarily include expenditure on purchased software which is being amortised on a straight-line basis over three years.

12 Property, plant and equipment

	2015 **USD 1,000**	2014 USD 1,000
Cost as at the beginning of the year	**333**	5
Additions	**37**	328
Currency translation adjustments	**(116)**	–
Cost as at 31 December	**254**	333
Depreciation as at the beginning of the year	**(49)**	–
Charge in the year	**(73)**	(49)
Currency translation adjustments	**29**	–
Depreciation as at 31 December	**(93)**	(49)
Net book value as at 31 December	**161**	284

The additions relate to office equipment purchased in the period.

13 Inventories

	2015 USD 1,000	2014 USD 1,000
Raw materials and consumables	**2,608**	4,890
	2,608	4,890

14 Business combinations

On 24 September 2015, the Group acquired the entire share capital of Tellus Petroleum Invest AS and its subsidiary (collectively Tellus), an independent oil and gas company registered in Norway with an experienced management team. The acquisition brings an attractive business development portfolio and identified opportunities to acquire oil and gas assets on the Norwegian Continental Shelf.

The initial consideration comprised cash of NOK 10 million (USD 1,212 thousands) and 1.5 million shares in the Company. The total purchase price also included contingent consideration comprising up to NOK 20 million and an additional 4.5 million shares in the Company along with granting a put option associated with all initial and contingent shares issued as part of the transaction, which is exercisable from 31 December 2018. The contingent consideration was payable subject to the completion of certain asset acquisition transactions that were being pursued by Tellus. The initial and contingent shares issued as part of the transaction are restricted for sale or transfer; this encumbrance is released on 31 December 2018. As at the acquisition date, the probability of these transactions completing and the contingent consideration being paid was judged to be 50%; this percentage was applied to determine a value for the contingent consideration of USD 8,085 thousand, representing cash of USD 1,212 thousand and shares of USD 6,873 thousand. As at 31 December 2015, one of the asset acquisition transactions was no longer being pursued and the maximum amount of contingent consideration payable reduced accordingly to USD 4,568 thousand, being USD 567 thousand in cash and USD 4,001 in shares.

Goodwill of USD 18,954 thousands was recognised on the acquisition representing business development potential. None of the goodwill is expected to be deductible for tax purposes. Acquisition related costs of USD 453 thousand was incurred and recognised as an expense within operating costs.

The consolidated results of the Group include a post-tax loss of USD 7,641 thousand attributable to the operations of Tellus following the acquisition. If the acquisition had occurred at the beginning of the accounting period it is estimated the consolidated post-tax loss of the Group would have increased by around USD 610 thousand. No revenues were recognised by Tellus during 2015.

Details of the acquisition balance sheet and the fair value of the consideration are shown below.

	USD 1,000
Non-current assets	
Deferred tax asset	**5,685**
	5,685
Current assets	
Cash	**2,486**
Trade and other receivables	**30,148**
	32,634
Current liabilities	
Trade and other liabilities	**(4,001)**
Borrowings	**(34,317)**
	(38,318)
Non-current liabilities	
Retirement benefit obligations	**(449)**
	(449)
Identifiable net liabilities acquired	**(448)**
Cash consideration	**1,212**
Equity shares of the Company	**4,582**
Contingent consideration (cash and shares)	**8,085**
Put option	**4,627**
Total consideration	**18,506**
Add identifiable net liabilities acquired	**448**
Goodwill	**18,954**

15 Trade and other receivables

	2015	2014
	USD 1,000	USD 1,000
Amounts falling due within one year		
Value added tax receivable	**377**	254
Prepayments	**139**	18
Other receivables	**5,745**	144
	6,261	416
Amounts falling due after more than one year		
Value added tax receivable	**2,105**	3,516
Other receivables	**881**	1,036
	2,986	4,552

The other receivable due within one year primarily relates to an advance payment associated with the agreement to purchase interests in the Gina Krog unit in the Norwegian Continental Shelf

The value added tax amount due after more than one year relates to Kazakhstan. The amount was incurred on appraisal activities and is held on the balance sheet pending the commencement of hydrocarbon revenues, at which point the value added tax is expected to be recovered.

The other receivable due after more than one year includes a USD 296 thousand contribution to an independently administered fund which will be used to discharge some or all of the Group's abandonment obligations associated with appraisal activities in Kazakhstan. The remaining other receivable due after more than one year consists of an amount incurred on behalf of Bolz LLP, the partner in the Askai licence, which is expected to be recovered pending commencement of hydrocarbon revenues.

Information about the Group's exposure to credit and currency risks is included in note 20.

16 Trade and other payables

	2015	2014
	USD 1,000	USD 1,000
Trade payables	**1,649**	9,688
Withholding taxes payable	**1,278**	–
Interest on senior convertible bond	**1,703**	–
Social security and other payroll taxes payable	**523**	179
Accruals	**922**	3,374
	6,075	13,241

Information about the Group's exposure to currency and liquidity risk is included in note 20.

17 Equity

Share capital

Amounts subscribed for share capital are at nominal value.

Share premium account

The share premium account represents the amounts received by the Company on the issue of its shares in excess of the nominal value of the shares, net of issue costs incurred.

Other reserve

The other reserve represents the fair value of deferred contingent share arrangements issued by the Company as part of the consideration for the acquisition of Tellus Petroleum Invest AS in 2015.

Translation reserve

The translation reserve amount represents foreign exchange differences arising on the consolidation of the Group's foreign subsidiaries along with foreign exchange differences arising on intercompany monetary items that in substance forms part of the Group's net investment in its foreign operations.

Retained deficit

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

Authorised shares

	Number	EUR 1,000
Ordinary shares of EUR 0.10 each	**956,666,660**	**95,667**

Allotted, issued and fully paid in EUR

	Number	Share capital EUR 1,000	Share premium EUR 1,000
As at 31 December 2013 and 31 December 2014	200,000,000	20,000	89
Issued in business combination	**1,500,000**	**150**	**3,960**
As at 31 December 2015	**201,500,000**	**20,150**	**4,049**

Allotted, issued and fully paid in USD

	Number	Share capital USD 1,000	Share premium USD 1,000
As at 31 December 2013 and 31 December 2014	200,000,000	27,534	127
Additional issue of shares	**1,500,000**	**167**	**4,414**
As at 31 December 2015	**201,500,000**	**27,701**	**4,541**

In September 2015, the Company issued 1,500,000 new shares as part consideration for the acquisition of Tellus Petroleum Invest AS. The shares were valued at the listed price on the date of acquisition of EUR 2.74 per share (USD 3.054 per share).

18 Loss per share

Basic loss per share

The calculation of basic loss per share at 31 December 2015 was based on the loss attributable to ordinary shareholders of USD 31,030 thousand (2014 USD 44,698 thousand) and a weighted average number of ordinary shares outstanding of 200,500 thousand (2014 200,000 thousand), calculated as follows:

Weighted-average number of ordinary shares (basic)

	2015 x 1,000	2014 x 1,000
Issued ordinary shares as at 1 January	**200,000**	200,000
Effect of shares issued	**500**	–
Weighted average number of ordinary shares as at 31 December	**200,500**	200,000

The loss per share, based on the weighted average number of ordinary shares amounts to 15.5 dollar cents (USD 0.16) (2014 loss per share of 22.0 dollar cents (USD 0.22)).

Diluted loss per share

The calculation for diluted weighted average number of shares includes 58,400,000 (2014 nil) associated with the senior convertible bonds issued in April 2015. In addition, the total consideration for Tellus Petroleum Invest AS, acquired in the year, includes up to 1,500,000 shares that are contingently issuable as at 31 December 2015 The effect of the convertible bond and contingently issuable shares on diluted loss per share is anti-dilutive and has therefore been excluded. There are no other potentially dilutive shares and accordingly the basic and diluted loss per share are the same.

19 Cash and cash equivalents

	2015	2014
	USD 1,000	USD 1,000
Cash at bank	**4,455**	798
Investment deposits	**6,312**	–
	10,767	798

Investment deposits represent funds held in an investment account.

20 Financial instruments

Financial risk management

The Management Board seeks to minimise its exposure to financial risk by reviewing and agreeing policies for managing each financial risk and monitoring them on a regular basis.

No formal policies have been put in place in order to hedge the Group's activities to the exposure to currency risk or interest risk, however as the Group acquires significant debt finance, or as the Group enters commercial production this may be considered. No derivatives or hedges were entered into during the current or previous period.

General objectives, policies and processes

The Management Board has overall responsibility for the determination of the Group's risk management objectives and policies and, whilst retaining ultimate responsibility for them, it has delegated the authority for designing and operating processes that ensure the effective implementation of the objectives and policies to the Group's finance function. The Management Board receives regular reports through which it reviews the effectiveness of the processes put in place and the appropriateness of the objectives and policies it sets.

The Group is exposed through its operations to the following financial risks:

- liquidity risk;
- credit risk;
- market risk.

The overall objective of the Management Board is to set polices that seek to reduce risk as far as possible without unduly affecting the Group's competitiveness and flexibility. There have been no substantive changes in the Group's objectives, policies and processes for managing financial risks or the methods used to measure them during the period unless otherwise stated in this note. Further details regarding these policies are set out below.

Principal financial instruments

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

- Trade and other receivables.
- Cash and cash equivalents.
- Trade and other payables.
- Loans and borrowings.

The Group also has a derivative financial instrument comprising a written put option over a number of the Company's ordinary shares issued as part consideration for the business combination completed in the year. This put option is the only derivative currently held and derivatives are not considered a principal financial instrument used by the Group.

Liquidity risk

The Group's policy is to ensure that it will always have sufficient cash to allow it to meet its liabilities when they become due. To achieve this aim, it seeks to maintain readily available cash balances to meet expected requirements for a period of at least 60 days. A priority of management is to determine and implement a stable capital structure to fund the longer term development of the Group.

In 2013 a short term shareholder loan facility was agreed with Centrics Oil & Gas B.V. During 2015, the shareholder loan was subsequently replaced with senior convertible bonds due to mature in 2020. Further details on the loan facility and its subsequent conversion can be found in the section on borrowings below.

Rolling cash forecasts identifying the liquidity requirements of the Company are produced frequently. These are reviewed regularly by the Management and Supervisory Boards with the objective that sufficient financial headroom exists for at least a twelve month period.

Contractual cash flows

The below tables represent the undiscounted contractual cash flows payable under financial liabilities as at the balance sheet date.

2015

	Carrying amount USD 1,000	**Contractual cash flows USD 1,000**	**6 months or less USD 1,000**	**Between 6 and 12 months USD 1,000**	**Between 1 and 2 years USD 1,000**	**Between 2 and 5 years USD 1,000**
Trade and other payables	**(6,075)**	**(6.075)**	**(6,075)**	–	–	–
Short term borrowings	**(3,946)**	**(3,946)**	**(3,946)**		–	–
Convertible bond	**(175,295)**	**(249,900)**	**(5,100)**	**(5,100)**	**(20,400)**	**(219,300)**
Derivative liability	**(2,956)**	**(6,761)**	–	–	–	**(6,761)**
	(188,272)	**(266,682)**	**(15,121)**	**(5,100)**	**(20,400)**	**(226,061)**

2014

	Carrying amount USD 1,000	Contractual cash flows USD 1,000	6 months or less USD 1,000	Between 6 and 12 months USD 1,000
Trade and other payables	(13,241)	(13,241)	(13,241)	–
Short term borrowings	(118,386)	(122,016)	–	(122,016)
	(131,627)	(135,257)	(13,241)	(122,016)

Credit risk

Credit risk is the risk of financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Group's receivables and cash balances.

The carrying amount of financial assets represents the maximum credit exposure.

Other receivables

The Group's other receivables exposed to credit risk are mainly value added tax balances due from governments, including an amount of USD 2,105 thousand (2014 4,267) of input tax incurred in Kazakhstan associated with appraisal expenditure. The recoverability of this amount is dependent on the success of the Aksai project and the generation of future revenue. The default risk on all other value added tax receivables is not considered significant.

At 31 December 2015 and 31 December 2014, no receivables were past due or impaired.

Cash and cash equivalents

The Group held cash and cash equivalents of USD 10,767 thousand at 31 December 2015 (2014 USD 798 thousand).

Guarantees

At 31 December 2015 and 31 December 2014, the Group had issued no financial guarantees.

Market risk

Market risk is the risk that changes in market prices – such as foreign exchange rates and interest rates – will affect the Group's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return.

During 2015 and 2014, the Group did not use derivatives to manage market risks.

Foreign exchange risk

The table below shows the extent to which the Group has net monetary assets and (liabilities) in currencies other than the functional currency of the respective entity. These exposures give rise to net currency gains and losses recognised in the consolidated profit and loss account.

	2015	2014
	USD 1,000	USD 1,000
GPB	**(1,417)**	(792)
EUR	**(41)**	(76)
USD	**37**	(6,528)
NOK	**(237)**	–
Other	**2**	–
	(1,656)	(7,396)

Foreign exchange risk is inherent in the Group's activities and is accepted as such. No formal policies have been put in place in order to hedge the Group's activities to the exposure to currency risk. The Group holds currency in the proportions appropriate to meet forthcoming commitments. The Group considers this substantially mitigates foreign exchange exposure.

The Group's cash balances are maintained in a number of currencies and this spread reduces further exposure to foreign exchange risk. Management regularly monitors the currency profile and obtains informal advice to ensure that the cash balances are held in currencies which minimise the impact on the results and position of the Group from foreign exchange movements.

The most significant foreign exchange exposure as at 31 December 2015 relates to GBP liabilities held in USD functional entities. A reasonably foreseeable movement in the GBP against the USD would not have a significant impact on the Group profit or loss.

Interest rate risk

The interest rate profile of the financial assets of the Group as at 31 December 2015 is as follows (excluding non-interest bearing short term assets).

	Floating interest deposit on demand USD 1,000	**Fixed interest deposit on demand USD 1,000**	**Total USD 1,000**
Cash and cash equivalents			
EUR	**89**	**–**	**89**
GBP	**587**	**–**	**587**
NOK	**1,428**	**–**	**1,428**
USD	**8,661**	**–**	**8,661**
Other	**2**	**–**	**2**
	10,767	**–**	**10,767**

The interest rate profile of the financial assets of the Group as at 31 December 2014 is as follows (excluding non-interest bearing short term receivables).

	Floating interest deposit on demand USD 1,000	Fixed interest deposit on demand USD 1,000	Total USD 1,000
Cash and cash equivalents			
EUR	70	–	70
GBP	329	–	329
USD	392	–	392
KZT	7	–	7
	798	–	798

Information of the interest rate risk associated with the Group’s borrowings can be found in the section on Capital below.

As at 31 December 2015, the Group had no floating rate liabilities. It is estimated that a full year change in interest payable and receivable based on the composition of floating rate assets and liabilities as at the balance sheet date and a possible increase of interest rates of 100 basis points would not be significant.

Fair values of financial assets and liabilities

All non-derivative financial instruments used by the Group during the current and previous period are initially recorded at fair value and subsequently measured at historic or amortised cost. The Group holds one derivative financial instrument that is subsequently re-measured at fair value and discussed further below.

Financial instruments are classified in accordance with the following fair value hierarchy described in IFRS 13 ‘Fair Value Measurement’, based on the inputs used in the valuation.

- *Level 1*: quoted prices (unadjusted) in active markets for identical assets or liabilities.
- *Level 2:* inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).
- *Level 3:* inputs for the asset or liability that are not based on observable market data (unobservable inputs).

Hedges

The Group did not hold any hedging instruments at the reporting date.

Financial instruments measured at fair value

Expiring greater than one year:	**2015**	2014
	USD 1,000	USD 1,000
Put option granted over own shares	**(2,956)**	-
	(2,956)	-

The Group has a derivative financial instrument comprising a written put option over a number of the Company’s ordinary shares granted as part consideration for the business combination completed in the year. The fair value of the put option is derived from a valuation technique that includes relevant market prices and inputs derived directly and indirectly from the Company’s own share price. A significant assumption underlying the fair value of the put option is the annualised volatility of the Company’s share price, which has been determined to be 38%. The annualised share price volatility is considered to be an unobservable input, accordingly the put option is classified as level 3 in the fair value hierarchy.

The put option was initially recorded at a fair value of USD (4,627) thousand and was granted over 1,500,000 ordinary shares of the Company issued as part consideration for a business combination completed in the year together with up to 4,500,000 contingent ordinary shares to be issued in the event of completion certain asset transactions before a specific date. As at 31 December 2015, the likelihood of contingent share issues was re-considered and reflected in the fair valuation of the put option.

As at the 31 December 2015, the fair value of the put option was determined to be a liability of USD 2,956 thousand (2014 nil) with a notional principal amount of USD 6,761 thousand (2014 nil) based on the Company share price and market data at the valuation date. A fair value gain of USD 1,671 thousand (2014 nil) was recognised in the Statement of Comprehensive income and classified within finance income.

Level 3 fair value measurements

The movements in the year associated with the put option derivative measured at fair value in accordance with level 3 of the hierarchy are shown below.

	2015	2014
	USD 1,000	USD 1,000
Fair value as at 1 January	-	-
Additions in the year	**(4,627)**	-
Recognised in the income statement	**1,671**	-
Fair value as at 31 December	**(2,956)**	-

The fair value gains in the year are recognised within finance income.

As at 31 December 2015, the potential pre-tax increase in the fair value of the put option, assuming a 5% increase in the annualised volatility, was USD 341 thousand.

Other fair value measurements

During the year the Group issued USD 204,400 thousand 5% five year senior convertible bonds. The liability component of the bonds are measured at amortised cost and as at 31 December 2015 had a book value of USD 175,295 thousand. In January 2016, the senior convertible bonds were listed on the Nordic ABM, an unregulated bond marketplace, and as at the date of the financial statements there had been no observable transactions associated with the senior convertible bonds. The fair value of the senior convertible bonds as at 31 December 2015 are estimated to be USD 172,463 thousand and fall within level 2 of the fair value hierarchy.

All other financial instruments held by the Group are considered to have a fair value approximate to their book value and fall within level 2 of the fair value hierarchy.

Capital

The objective of the Management Board is to maximise shareholder returns and minimise risks by keeping a reasonable balance between debt and equity.

In managing its capital, Management's primary objective is to ensure the Group's ability to provide a sufficient return for its equity shareholders, principally though capital growth. In order to achieve and seek to maximise this return objective the Group will in the future seek to maintain a gearing ratio that balances risks and returns at an acceptable level while also maintaining a sufficient funding base to enable the Group to meet its working capital and strategic investment needs. In making decisions to adjust its capital structure to achieve these aims, either through new share issues, increases or reductions in debt, or altering a dividend or share buyback policies, the Group considers not only its short term position but also its medium and longer term operational and strategic objectives.

Borrowings and facilities

	2015	2014
	USD 1,000	USD 1,000
Expiring within one year		
Shareholder loan from Centrics Oil & Gas B.V	**-**	118,386
Loan notes	**3,946**	-
	3,946	118,386
Expiring after more than one year		
5% USD five year senior convertible bonds	**175,295**	-
	175,295	-

On 7 November 2013, the Company entered into a shareholder loan agreement with Centrics Oil & Gas B.V. to fund the financial commitments in regard to the acquisition of the Aksai licence and the associated geological work programme. The contractual termination date of the facility was 31 December 2015, with an option for the loan to be converted to an instrument with equity features at the agreement of both parties.

In April 2015, the Group launched a 5% USD 300 million five year senior convertible bond programme. As at this date, the total amount of principal and accrued interest payable to Centrics Oil & Gas B.V under the shareholder loan facility was USD 129.4 million. It was agreed to issue USD 129.4 million of the senior convertible bonds to Centrics Oil & Gas B.V. in consideration for cancellation in full of the loan facility. A further USD 75 million under the bond programme was issued to third parties for cash consideration bringing the total amount of senior convertible bonds in issue as at 31 December 2015 to USD 204.4 million. The bonds mature in April 2020 and are convertible into ordinary equity shares of the Company at the option of the holders

Transaction costs associated with the issue of the senior convertible bond amounted to USD 2,075 thousand, of which USD 314 thousand was allocated to the equity component of the instrument and recorded in reserves.

As at 31 December 2015, the borrowings expiring within one year represent interest free loan notes acquired in the business combination with Tellus Petroleum Invest AS. The loan notes provided for no interest but gave the lenders rights to participate in the equity of the Tellus business under certain events. These participation rights ceased on the acquisition of Tellus by the Company at which point the lenders are only entitled to receive the face value of their loan. The loans are expected to be repaid by the end of 2016.

In November 2015, the Company entered into a loan agreement with Sapinda Invest S.a.r.l (‘Sapinda Invest), under which Sapinda Invest provides a convertible shareholder loan facility of USD 62.5 million through 2016 and 2017. The loan facility will be converted into ordinary equity shares of Sequa Petroleum N.V. upon the loan facility having been drawn in full or after two years, whichever is earlier. The Group is reliant on the facility to fund the commitments of the business.

A possible change of 100 basis points in interest rates at the reporting date is not expected to have a significant impact on comprehensive income or equity.

21 Provisions for abandonment obligation

	2015	2014
	USD 1,000	USD 1,000
As at the beginning of the period	**285**	–
Additions	**11**	285
As at 31 December	**296**	285

The provision relates to the estimated abandonment obligation associated with appraisal activities in Kazakhstan. The Group contributes to a separately administered fund which will ultimately be used to fund some or all of the eventual costs of abandonment. The Group’s interest in this fund is separately recognised as a non-current asset (see note 15).

22 Commitments

Future capital expenditure

	2015 USD 1,000	2014 USD 1,000
Authorised but not contracted	**54,506**	–
Contracted	**–**	–
	54,506	–

During the year, a three year extension of the Aksai appraisal licence to July 2018 was approved. The commitment is denominated in KZT. As at 31 December 2015, the total outstanding investment under the three-year work programme expressed in USD and using year end exchange rates is around USD 54.5 million. Management believe that expenditure commitments associated with the work programme could be renegotiated depending on seismic interpretation and initial work programme results.

Future minimum lease payments

At 31 December, the future minimum lease payments under non-cancellable leases were as follows.

	2015 USD 1,000	2014 USD 1,000
Less than 1 year	**668**	93
Between 1 and 5 years	**199**	–
More than 5 years	–	–
	867	93

The lease payments relate to the minimum contractual monthly payments on the lease of office premises and residential properties. Amounts charged to the income statement in 2015 in respect of operating leases was USD 305 thousand (2014 USD 117 thousand).

23 Related party transactions

See note 11 of the Company financial statements.

24 Subsequent events

In January 2016, the Group's senior convertible bonds in issue of USD 204.4 million were listed on the Nordic ABM, an unregulated bond marketplace.

On 16 March 2016, the Group announced its funding plans in relation to the acquisition of a 15% interest in Gina Krog. The Company, through its subsidiary Tellus Petroleum A.S., is planning the issuance of up to USD 275 million of senior secured bonds due 2019 secured by a first lien security over the Gina Krog interest. In addition, the Company is planning the issuance of up to USD 200 million second lien secured high yield bonds due 2021. These bonds will be secured by a second lien security over the Gina Krog interest and a first lien security over the Company's shareholding in Tellus Petroleum Invest A.S. The funding plan also includes equity subscription agreements from Sapinda Holding B.V. and Sapinda Asia Limited for a total of USD 55 million.

Company statement of financial position as at 31 December 2015

(before appropriation of result)

		2015 USD 1,000	2014 USD 1,000
Non-current assets			
Intangible assets	*3*	**446**	90,482
Property, plant and equipment	*4*	**69**	72
Investments	*5*	**136,824**	7,429
		137,339	97,983
Current assets			
Receivables	*6*	**296**	392
Cash and cash equivalents		**9,229**	679
		9,525	1,071
		146,864	99,054
Shareholders' equity	*8*		
Called-up equity share capital		**27,701**	27,534
Share premium		**4,541**	127
Other reserve		**6,874**	
Currency translation reserve		**(2,085)**	–
Retained deficit		**(73,341)**	(48,880)
		(36,310)	(21,219)
Non-current liabilities			
Borrowings	*9*	**175,295**	–
Derivative financial instruments	*9*	**2,956**	–
		178,251	–
Current liabilities			
Trade and other payables	*7*	**4,923**	1,887
Loans and borrowings	*9*	–	118,386
		4,923	120,273
Total equity and liabilities		**146,864**	99,054

The notes on pages 57 to 71 form part of these financial statements.

Company profit and loss account for the year 2015

	2015	2014
	USD 1,000	USD 1,000
Share in results from participating interests, after taxation	**(39,380)**	(32,973)
Other result after taxation	**(17,781)**	(11,687)
Net result	**(57,161)**	(44,660)

The notes on pages 57 to 71 form part of these financial statements.

Notes to the company financial statements for the year 2015

1 General

The company financial statements form part of the 2015 financial statements of Sequa Petroleum N.V. (the 'Company').

With reference to the income statement of the company, use has been made of the exemption pursuant to Section 402 of Book 2 of the Netherlands Civil Code.

2 Principles for the measurement of assets and liabilities and the determination of the result

For setting the principles for the recognition and measurement of assets and liabilities and determination of the result for its company financial statements, the Company makes use of the option provided in section 2:362 (8) of the Netherlands Civil Code. This means that the principles for the recognition and measurement of assets and liabilities and determination of the result (hereinafter referred to as principles for recognition and measurement) of the company financial statements are the same as those applied for the consolidated EU-IFRS financial statements. Participating interests, over which significant influence is exercised, are stated on the basis of the equity method. These consolidated EU-IFRS financial statements are prepared according to the standards laid down by the International Accounting Standards Board and endorsed by the European Union (hereinafter referred to as EU-IFRS). Please see pages 21 to 31 for a description of these principles.

Participating interests in group companies

Participating interests in group companies are accounted for in the company financial statements according to the equity method. Refer to the basis of consolidation accounting policy in the consolidated financial statements.

Result of participating interests

The share in the result of participating interests consists of the share of the Company in the result of these participating interests. In so far as gains or losses on transactions involving the transfer of assets and liabilities between the Company and its participating interests or between participating interests themselves can be considered unrealised, they have not been recognised.

3 Intangible assets

	Oil and gas exploration / appraisal USD 1,000	Other USD 1,000	Total USD 1,000
Cost as at 31 December 2013	3,225	–	3,225
Additions	87,224	121	87,345
Unsuccessful appraisal expenditure	(62)	–	(62)
Cost as at 31 December 2014	**90,387**	**121**	**90,508**
Additions	–	**5**	**5**
Disposals	**(90,000)**	**–**	**(90,000)**
Cost as at 31 December 2015	**387**	**126**	**513**
Amortisation as at 31 December 2013	–	–	–
Charge in the year	–	(26)	(26)
Amortisation as at 31 December 2014	**–**	**(26)**	**(26)**
Charge in the year		**(41)**	**(41)**
Amortisation as at 31 December 2015	–	**(67)**	**(67)**
Net book value as at 31 December 2015	**387**	**59**	**446**
Net book value as at 31 December 2014	**90,387**	**95**	**90,482**

Oil and gas intangible assets comprise expenditure associated with the Aksai licence in Kazakhstan.

In August 2015, the Company completed an internal restructure of the Aksai licence interest. This restructure included a pass down of the USD 90 million loan facility previously provided to Bolz LLP, the partner in the Askai licence, to Sequa Petroleum UK LTD, a wholly owned subsidiary of the Company. The pass down was in exchange for an intercompany loan at book value; the transaction had no impact on tax.

Other intangible assets primarily include expenditure on purchased software which is being amortised on a straight-line basis over three years.

4 Property, plant and equipment

	2015 **USD 1,000**	2014 USD 1,000
Cost as at the beginning of the period	**90**	5
Additions	**30**	85
Cost as at 31 December	**120**	90
Depreciation as at the beginning of the period	**(18)**	–
Charge in the year	**(33)**	(18)
Depreciation as at 31 December	**(51)**	(18)
Net book value as at 31 December	**69**	72

The costs incurred relate to office equipment acquired in the period.

5 Investments

	Participating interests in Group companies USD 1,000	Amounts receivable from Group companies USD 1,000	Total USD 1,000
Balance as at 31 December 2013	–	–	–
Additions	79	–	79
Loans provided	–	40,323	40,323
Provision for impairment	–	(32,973)	(32,973)
Balance as at 31 December 2014	**79**	**7,350**	**7,429**
Additions	**33,606**	**–**	**33,606**
Result of participating interest	**(7,657)**	**–**	**(7,657)**
Loans provided	**–**	**135,169**	**135,169**
Provision for impairment	**–**	**(29,638)**	**(29,638)**
Currency translation adjustments	**(2,085)**	**–**	**(2,085)**
Balance as at 31 December 2015	**23,943**	**112,881**	**136,824**

The Company share of the results of its subsidiary, Sequa Petroleum (Kazakhstan) LLP, has not been equity accounted for in these financial statements since it would result in a negative net equity value. The Company has long term receivables due from Sequa Petroleum UK LTD and its direct subsidiary, Sequa Petroleum (Kazakhstan) LLP. These balances are considered part of the overall net investment in the Kazakhstan business. These loan receivables have been impaired by USD 29,638 thousand, being the Company share of the participating result not recognised using the equity method.

The Company is the holding company of the group and has the following financial interests:

- Sequa Petroleum UK Limited (Directly 100% owned, registered and operating in the United Kingdom, with registered office in London).
- Sequa Petroleum (Kazakhstan) LLP (Indirectly 100% owned, registered in Almaty, Kazakhstan and operating in Kazakhstan).
- Tellus Petroleum Invest AS (Directly 100% owned, registered and operating in Norway, with registered office in Oslo).
- Tellus Petroleum AS (Indirectly 100% owned, registered and operating in Norway, with registered office in Oslo).
- CHC Energy plc (Directly 99.8% and indirectly 0.20% owned, registered and operating in the United Kingdom, with registered office in London).
- CHC Energy (Kazakhstan) LLP (Indirectly 100% owned, registered in Almaty, Kazakhstan and operating in Kazakhstan).
- Sequa Petroleum Europe Limited (Directly 100%, registered in Dublin, the Republic of Ireland and operating in the Republic of Ireland).

6 Receivables

	2015	2014
	USD 1,000	USD 1,000
Value added tax receivable	**185**	254
Other receivables	**61**	120
Prepayments	**50**	–
	296	374

7 Trade and other payables

	2015	2014
	USD 1,000	USD 1,000
Trade payables	**1,222**	1,280
Withholding taxes	**1,278**	–
Interest on senior convertible bond	**1,703**	–
Social security and other payroll taxes payable	**231**	219
Accruals	**489**	388
	4,923	1,887

8 Shareholders' equity

	Share capital USD 1,000	**Share premium USD 1,000**	**Other reserve USD 1,000**	**Translation reserve USD 1,000**	**Retained deficit USD 1,000**	**Total USD 1,000**
As at 31 December 2013	27,534	127	–	–	(4,220)	23,441
Loss for the period	–	–	–	–	(44,660)	(44,660)
As at 31 December 2014	**27,534**	**127**	–	–	**(48,880)**	**(21,219)**
Shares issued in the year	**167**	**4,414**	–	–	–	**4,581**
Loss for the period			–	**(2,085)**	**(55,076)**	**(57,161)**
Equity component of convertible debt instruments	–	–	–	–	**30,615**	**30,615**
Contingent shares on business combination	–	–	**6,874**	–	–	**6,874**
Balance as at 31 December 2015	**27,701**	**4,541**	**6,874**	**(2,085)**	**(73,341)**	**(36,310)**

Share capital

Amounts subscribed for share capital at nominal value. At 31 December 2015, the authorised share capital comprised 956,666,660 ordinary shares. All shares have a par value of 10 euro cents (EUR 0.10c). As at 31 December 2015, 201,500,000 shares were issued and all issued shares are fully paid.

The holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at meetings of the Company.

In September 2015, the Company issued 1,500,000 new shares as part consideration for the acquisition of Tellus Petroleum Invest AS. The shares were valued at the listed price on the date of acquisition of EUR 2.74 per share (USD 3.054 per share).

Share premium account

The Share premium account represents the amounts received by the Company on the issue of its shares in excess of the nominal value of the shares, net of issue costs incurred.

Other reserve

The other reserve represents the fair value of deferred contingent share arrangements issued by the Company as part of the consideration for the acquisition of Tellus Petroleum Invest AS in 2015.

Translation reserve

The translation reserve amount represents foreign exchange differences arising on the translation of the Company's investments.

Retained deficit

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

9 Financial instruments

The Company has exposure to the following risks from its use of financial instruments:

- Credit risk.
- Liquidity risk.
- Market risk.

The Company's objectives, policies and processes for measuring and managing risk, and the Company's management of capital are the same as those set out for the Group in note 20 to the consolidated financial statements.

Quantitative information on risks arising from the use of financial instruments applicable to the Company are set out below.

Liquidity risk

Contractual cash flows

The below tables represent the undiscounted contractual cash flows payable under financial liabilities as at the balance sheet date.

2015

	Carrying amount USD 1,000	Contractual cash flows USD 1,000	6 months or less USD 1,000	Between 6 and 12 months USD 1,000	Between 1 and 2 years USD 1,000	Between 2 and 5 years USD 1,000
Trade and other payables	**4,923**	**4,923**	**4,923**	–	–	–
Convertible bond	**175,295**	**249,900**	**5,100**	**5,100**	**20,400**	**219,300**
Derivative liability	**2,956**	**6,761**	–	–	–	**6,761**
	183,174	**261,584**	**10,023**	**5,100**	**20,400**	**226,061**

2014

	Carrying amount USD 1,000	Contractual cash flows USD 1,000	6 months or less USD 1,000	Between 6 and 12 months USD 1,000
Trade and other payables	(1,887)	(1,887)	(1,887)	–
Borrowings	(118,386)	(122,016)	–	(122,016)
	(120,273)	(123,903)	(1,887)	(122,016)

Credit risk

Credit risk is the risk of financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Group’s receivables and cash balances.

The carrying amount of financial assets represents the maximum credit exposure.

Receivables

The Company's receivables are mainly composed of value added tax amounts due from governments and sundry other debtors. At 31 December 2015 and 31 December 2014, no receivables were past due or impaired.

Cash and cash equivalents

The Company held cash and cash equivalents of USD 9,229 thousand at 31 December 2015 (2014 USD 679 thousand).

Guarantees

At 31 December 2014 and 31 December 2013, the Company had issued no financial guarantees.

Market risk

Market risk is the risk that changes in market prices – such as foreign exchange rates and interest rates – will affect the Company's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return.

During 2015 and 2014, the Company did not use derivatives to manage market risks.

Foreign exchange risk

The functional currency of the Company is USD.

The table below shows the extent to which the Company has net monetary assets and (liabilities) in currencies other than the functional currency of the respective entity. These exposures give rise to net currency gains and losses recognised in the profit and loss account.

	2015	2014
	USD 1,000	USD 1,000
GBP	**(1,379)**	(794)
NOK	**(237)**	–
EUR	**(41)**	(76)
	(1,657)	(870)

A reasonably foreseeable movement in exchange rates at the reporting date is not expected to have a significant impact on comprehensive income or equity.

Interest rate risk

The interest rate profile of the financial assets of the Group as at 31 December 2015 is as follows (excluding non-interest bearing short term assets).

	Floating interest deposit on demand USD 1,000	**Fixed interest deposit on demand USD 1,000**	**Total USD 1,000**
Cash and cash equivalents			
USD	**8,515**	–	**8,515**
GBP	**587**	–	**587**
NOK	**38**	–	**38**
EUR	**89**	–	**89**
	9,229	–	**9,229**

The interest rate profile of the financial assets of the Group as at 31 December 2014 is as follows (excluding non-interest bearing short term receivables).

	Floating interest deposit on demand USD 1,000	Fixed interest deposit on demand USD 1,000	Total USD 1,000
Cash and cash equivalents			
EUR	70	–	70
GBP	327	–	327
USD	282	–	282
	679	–	679

Borrowings and facilities

	2015	2014
	USD 1,000	USD 1,000
Expiring within one year		
Shareholder loan from Centrics Oil & Gas B.V	-	118,386
	-	118,386
Expiring after more than one year		
5% USD five year senior convertible bonds	**175,295**	-
	175,295	-

On 7 November 2013, the Company entered into a shareholder loan agreement with Centrics Oil & Gas B.V. to fund the financial commitments in regard to the acquisition of the Aksai licence and the associated geological work programme. The contractual termination date of the facility was 31 December 2015, with an option for the loan to be converted to an instrument with equity features at the agreement of both parties.

In April 2015, the Company created 5% USD 300 million five year senior convertible bonds. As at this date, the total amount of principal and accrued interest payable to Centrics Oil & Gas B.V under the shareholder loan facility was USD 129.4 million. It was agreed to issue USD 129.4 million of the senior convertible bonds to Centrics Oil & Gas B.V. in consideration for cancellation in full of the loan facility. A further USD 75 million under the bond programme was issued to third parties for cash consideration bringing the total amount of senior convertible bonds in issue as at 31 December 2015 to USD 204.4 million. The bonds mature in April 2020 and are convertible into ordinary equity shares of the Company at the option of the holders.

In November 2015, the Company entered into a loan agreement with Sapinda Invest S.a.r.l (‘Sapinda Invest), under which Sapinda Invest provides a convertible shareholder loan facility of USD 62.5 million through 2016 and 2017. The loan facility will be converted into ordinary equity shares of Sequa Petroleum N.V. upon the loan facility having been drawn in full or after two years, whichever is earlier. The Group is reliant on the facility to fund the commitments of the business.

A possible change of 100 basis points in interest rates at the reporting date is not expected to have a significant impact on comprehensive income or equity.

Fair values of financial assets and liabilities

All non-derivative financial instruments used by the Company during the current and previous period are initially recorded at fair value and subsequently measured at historic or amortised cost. The Company and Group holds one derivative financial instrument that is subsequently re-measured at fair value. As at 31 December 2015, this derivative had a fair value of USD (2,956) thousand and is discussed in note 20 to the consolidated financial statements.

Financial instruments are classified in accordance with the following fair value hierarchy described in IFRS 13 ‘Fair Value Measurement’, based on the inputs used in the valuation.

- *Level 1*: quoted prices (unadjusted) in active markets for identical assets or liabilities.
- *Level 2:* inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).
- *Level 3:* inputs for the asset or liability that are not based on observable market data (unobservable inputs).

During the year the Group issued USD 5% five year senior convertible bonds, the fair values of which are discussed in note 20 to the consolidated financial statement.

All other financial instruments held by the Company are considered to have a fair value approximate to their book value and fall within level 2 of the fair value hierarchy.

Hedges

The Group did not hold any hedging instruments at the reporting date.

10 Fees of the auditor

With reference to Section 2:382a(1) and (2) of the Netherlands Civil Code, the following fees for the financial year have been charged by KPMG Accountants N.V. to the Company, its subsidiaries and other consolidated entities:

	KPMG Accountants N.V.	Other KPMG network	Total KPMG
		2015	
	USD 1,000	USD 1,000	USD 1,000
Statutory audit of annual accounts	98	99	197
Other assurance services	8	–	8
Tax advisory services	–	–	–
Other non-audit services	–	–	–
	106	99	205

	KPMG Accountants N.V.	Other KPMG network	Total KPMG
		2014	
	USD 1,000	USD 1,000	USD 1,000
Statutory audit of annual accounts	164	56	220
Other assurance services	9	–	9
Tax advisory services	–	15	15
Other non-audit services	–	–	–
	173	71	244

11 Related parties

Parent and ultimate controlling party

The ultimate controlling party of the Company is Sapinda Holding B.V.

Lars Windhorst is the ultimate beneficiary of approximately 40% of the shares in the Company via Sapinda and affiliates, Centrics and affiliates, and Sapinda Asia Limited.

Related parties

The shareholders of the Company, being members of the Management Board, Sapinda Holding B.V., Centrics Oil & Gas B.V. and their affiliates are related parties.

Transactions with the shareholders concern equity related transactions. Furthermore, an amount of USD 108 thousand (2014 USD 110 thousand) was recharged by Sapinda Holding B.V. to the Company regarding advisory related services. As at 31 December 2015, USD 33 thousand (2014 nil) was payable to Sapinda Holdings B.V. under this arrangement.

During the year, Anoa Capital S.A., an affiliate of Sapinda Holding B.V., charged the company USD 183 thousand (2014 USD 345 thousand) for advisory services and USD 1,787 thousand (2014 nil) associated with the placing of the Group's senior convertible bond. As at 31 December 2015, USD 89 thousand (2014 USD 50 thousand) was payable to Anoa Capital S.A.

Centrics Oil & Gas B.V. made a loan facility available to the Company, during the year the loan facility was settled by the issue of senior convertible bonds. Details of this transaction are discussed in note 20 to the consolidated financial statements. Subsequent to issue, Centrics Oil & Gas B.V. sold the senior convertible bonds to related parties of the Company. As at 31 December 2015, Sapinda Asia Ltd and Sapinda Invest S.a.r.l. held USD 92,000 thousand and USD 23,800 thousand of the Company's senior convertible bonds respectively.

For the disclosure on remuneration, see below.

The terms and conditions of the transactions with key management personnel and other related parties were no more favourable than those available, or which might reasonably be expected to be available, on similar transactions to non-key management personnel related entities on an arm's length basis.

Transaction with key management personnel

Key management personnel compensation

Key management personnel compensation comprised:

	2015	2014
	USD 1,000	USD 1,000
Short-term employees benefits	**2,930**	3,374
Post-employment benefits	**–**	–
	2,932	3,375

Key management personnel and director transactions

Members of the Management Board control 12.5% (2014 15.9%) of the voting shares of the Company.

12 Emoluments of Directors and Supervisory Directors

The emoluments as referred to in Section 2:383(1) of the Netherlands Civil Code, amounted to USD 2,842,844 for Managing Directors and former Managing Directors, and USD 87,226 for Supervisory Directors and former Supervisory Directors. The table below provides the remuneration and its individual components at the individual director level:

Managing Directors – 2015 **USD 1,000**	**Salary**	**Benefits**	**Total**
J. Broekhuijsen	**527**	**14**	**541**
P. Haynes	**525**	–	**525**
J. Luke	**532**	**141**	**673**
J. Bosma	**532**	**136**	**668**
A. Williams (Managing Director until 15 June 2015)	**436**	–	**436**
	2,552	**291**	**2,843**

Supervisory Directors – 2015 **USD 1,000**	**Salary**	**Benefits**	**Total**
J. van Rijswijk	**87**	–	**87**
	87	–	**87**

Managing Directors – 2014 USD 1,000	Salary	Benefits	Total
J. Broekhuijsen	568	17	585
P. Haynes	568	11	579
J. Luke	581	175	756
J. Bosma	601	184	785
A. Williams (Managing Director until 15 June 2015)	568	8	576
	2,886	395	3,281

Supervisory Directors – 2014 USD 1,000	Salary	Benefits	Total
J. van Rijswijk	93	–	93
	93	–	93

No other Supervisory Directors received remuneration from the Company in either 2015 or 2014.

Sequa Petroleum N.V.

London, 16 March 2016

Members of the Management Board:

Jacob Broekhuijsen

Peter Haynes

Jim Luke

Jelte Bosma

Members of the Supervisory Board:

Lars Windhorst

Jos van Rijswijk

Edwin Eichler

Other information

Provisions in the Articles of Association governing the appropriation of profit

Under article 25 of the Company's Articles of Association, the profit is at the disposal of the General Meeting of Shareholders, which can allocate said profit either wholly or partly to the formation of – or addition to – one or more general or special reserve funds.

The Company can only make payments to the shareholders and other parties entitled to the distributable profit insofar as the shareholders' equity exceeds the paid-up and called-up part of the capital plus the statutory reserves and exceeds the amounts resulting from the distribution test, performed by management at the date of each dividend payment.

Proposal for profit appropriation

The General Meeting of Shareholders will be asked to approve the appropriation of the 2015 loss after tax of USD 57,161 thousand to be added to the retained deficit in the shareholders' equity.

The Company can only make payments to the shareholders and other parties entitled to the distributable profit in so far as the shareholders' equity exceeds the paid-up and called-up part of the capital plus the legal reserves and statutory reserves under the articles of association to be maintained.

Subsequent events

In January 2016, the Company's senior convertible bonds in issue of USD 204.4 million were listed on the Nordic ABM, an unregulated bond marketplace.

On 16 March 2016, the Group announced its funding plans in relation to the acquisition of a 15% interest in Gina Krog. The Company, through its subsidiary Tellus Petroleum A.S., is planning the issuance of up to USD 275 million of senior secured bonds due 2019 secured by a first lien security over the Gina Krog interest. In addition, the Company is planning the issuance of up to USD 200 million second lien secured high yield bonds due 2021. These bonds will be secured by a second lien security over the Gina Krog interest and a first lien security over the Company's shareholding in Tellus Petroleum Invest A.S. The funding plan also includes equity subscription agreements from Sapinda Holding B.V. and Sapinda Asia Limited for a total of USD 55 million.

Subsidiaries

The Company has the following subsidiaries.

Subsidiary name	Registered	Ownership
Sequa Petroleum UK Limited	United Kingdom	100% (Direct)
Sequa Petroleum (Kazakhstan) LLP	Kazakhstan	100% (Indirect)
Tellus Petroleum Invest AS	Norway	100% (Direct)
Tellus Petroleum AS	Norway	100% (Indirect)
CHC Energy plc	United Kingdom	99.8% (Direct) and 0.2% (Indirect)
CHC Energy (Kazakhstan) LLP	Kazakhstan	100% (Indirect)
Sequa Petroleum Europe Limited	Republic of Ireland	100% (Directly)

Independent auditor's report

To: the General Meeting of Shareholders of Sequa Petroleum N.V.

Report on the financial statements

We have audited the accompanying financial statements 2015 of Sequa Petroleum N.V., Amsterdam. The financial statements include the consolidated financial statements and the company financial statements. The consolidated financial statements comprise the consolidated statement of financial position as at 31 December 2015, the consolidated statements of comprehensive income, changes in equity and cash flows for the year then ended, and notes, comprising a summary of the significant accounting policies and other explanatory information. The company financial statements comprise the company statement of financial position as at 31 December 2015, the company profit and loss account for the year then ended and the notes, comprising a summary of the accounting policies and other explanatory information.

Management Board's responsibility

The Management Board is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards as adopted by the European Union and with Part 9 of Book 2 of the Netherlands Civil Code, and for the preparation of the management board report in accordance with Part 9 of Book 2 of the Netherlands Civil Code. Furthermore, the Management Board is responsible for such internal control as it determines is necessary to enable the preparation of the financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Dutch law, including the Dutch Standards on Auditing. This requires that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Company's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Management Board, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion with respect to the consolidated financial statements

In our opinion, the consolidated financial statements give a true and fair view of the financial position of Sequa Petroleum N.V. as at 31 December 2015 and of its result and its cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union and with Part 9 of Book 2 of the Netherlands Civil Code.

Opinion with respect to the company financial statements

In our opinion, the company financial statements give a true and fair view of the financial position of Sequa Petroleum N.V. as at 31 December 2015 and of its result for the year then ended in accordance with Part 9 of Book 2 of the Netherlands Civil Code.

Report on other legal and regulatory requirements

Pursuant to the legal requirements under Section 2:393 sub 5 at e and f of the Netherlands Civil Code, we have no deficiencies to report as a result of our examination whether the management board report, to the extent we can assess, has been prepared in accordance with Part 9 of Book 2 of this Code, and whether the information as required under Section 2:392 sub 1 at b – h has been annexed. Further, we report that the management board report, to the extent we can assess, is consistent with the financial statements as required by Section 2:391 sub 4 of the Netherlands Civil Code.

Amstelveen, 16 March 2016

KPMG Accountants N.V.

R. Rog RA