Sequa Petroleum N.V.

Annual report and accounts for the year ending 31 December 2020

Contents

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 2020. The Company and its consolidated subsidiaries are considered to be 'the Group' in these financial statements.

Whilst the audit has been performed and the Company's annual report and accounts for the year ending on 31 December 2020 are deemed to give a true and fair view of the Company's financial position, the independent auditor's report relating to this annual report is not yet available as the auditor has temporarily been unable to issue certain audit reports. The auditor's inability to issue its audit report does not relate to the Company or its annual reports.

General information

Sequa Petroleum NV is an oil and gas company founded on 27 August 2013 and listed on Euronext Marché Libre (now Euronext Access Paris). 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 and with Section 2:362(9) of the Netherlands Civil Code.

The Company focuses on taking discovered oil and gas reserves and resources from appraisal and development through to production..

The Company has a highly experienced Management Board with a proven track record and with expertise in the exploration, appraisal, development and production of oil and gas assets, both onshore and offshore, in jurisdictions around the globe. The Management Board membership in 2020 is shown below:

Summary data	**Jacob Broekhuijsen**	**Jim Luke**	**Derk ter Avest**
Gender	Male	Male	Male
Age	59	63	57
Profession	Managing Director, CEO	Managing Director, COO	Managing Director, CDO
Principal position	Chairman	Member	Member
Nationality	Dutch	USA	Dutch
Other position relevant to this role (if any)	Sequa Employee	Sequa Employee	Sequa Employee
Date of appointment/re-appointment	18 June 2019	18 June 2019	18 June 2019
Current term of office	until 2022 AGM	until 2022 AGM	until 2022 AGM
Date of termination	N/A	N/A	N/A
Securities held in Company	Yes (1.0%)	Yes (0.5%)	No
Benefit received on resigning from Board	N/A	N/A	N/A

The Management Board does not currently include a Chief Financial Officer, the responsibility for financial matters therefore sits with the Chief Executive Officer.

The Company's Articles of Association specify a two tier Board structure with appropriate powers being reserved to the Supervisory Board. The only member of the Supervisory Board in 2020 was Tareq Shabib (an employee of Tennor Holding B.V.). The Supervisory board has a quorum of 3 and has only 1 Director. The Company makes use of the Articles which allow the other Directors to assume the relevant powers in these circumstances (Art. 22). The Board was therefore quorate at all times in the year ending December 2020. 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 highlights

- The Group made a post-tax loss for the year of USD 3.7 million (2019: USD 11.1 million loss).
- During 2020 the Company fully drew down a shareholder debtor of USD 2.2 million, funding the majority of its G&A for the year.
- Net finance costs in the year were USD 0.08 million (2019: USD 7.9 million)
- At the balance sheet date, the Group held cash reserves of USD 17.8 million (2019: USD 18.9 million) and had net assets of USD 17.3 million (2019: USD 20.6 million).

Cash flow and financing requirements are further discussed on page 6 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 11 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 suffering financial penalties and/or losing licences and the associated resource potential therein.

Costs, planning and permitting risk

Planning for oil and gas projects requires careful cost estimating, and long lead times for both sourcing equipment and obtaining necessary permits. Changes in business environment in the period between cost estimating and contracting, weather, subsurface drilling issues or interruptions to either of these activities can increase the costs and/or interruptions to either of these activities can delay the completion of such projects, and may have a significant impact on valuation. The Group mitigates this risk through careful planning of major operations by experienced teams.

Exploration, appraisal and development risk

The Group employs advanced geoscience techniques together with the support of experienced staff and consultants to evaluate its exploration , appraisal and development projects. 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, or, in the case of a development project, will be less than estimated.

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

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. 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.

Financial risk

The Group currently relies on its cash at bank to provide funding for the going concern period and beyond, as it is not at this point self-funding.

Financial reporting risk

The Group reports in different jurisdictions under different accounting policies. Major errors or delays in reporting could impact the Group's listing on Euronext Access Paris.

Legal compliance risk

The Group has operated in several countries with significantly different legal systems, and will likely do so again in the near future. The Group is therefore exposed to the risk of failing to comply with local laws and regulations. This could lead to financial penalties or prosecution of Group entities or employees, seriously impacting the Group's ability to carry out its business. The Group mitigates this risk through partnering with international law firms and the employment of experienced local teams with in-house capabilities.

Financial and non-financial performance indicators

Underlying G&A

Underlying G&A costs for the year totalled USD 3.1 million (2019: USD 3.6 million), being administration expenses for the continuing business not related to one-off events. This represents a year on year decrease of 14%.

HSE incidents

There were no HSE incidents recorded in 2020 (2019: none).

Drawdowns on loans

During 2020 Sequa did not draw down on shareholder loan facilities (2019: USD nil).

Deals completed

The Group analysed several opportunities and made a few offers but completed no deals in 2020 (2019: no deals).

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 two are shareholders in the Company. During 2019 the Company set up an Executive Participation Share scheme ("EPS"). These arrangements fully align the interests of shareholders and the Management Board, further details are provided in note 19.

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

Information regarding financial instruments

The Group has not to date entered 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 currently has no oil and gas properties and therefore has no committed R&D budget for 2020.

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.

Male/female representation on Management and Supervisory Boards

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.

Information concerning application of code of conduct

The Company has voluntarily adopted the Dutch Governance Code on a comply or explain basis.

Various other codes and policies are adopted on a voluntary / best practice basis, including to cover UK Bribery Act obligations.

Strategy, business review and outlook

Strategy

The Company continues to pursue its strategy to create value in a cyclical market environment by means of acquisition, optimisation and monetisation of assets with proven resources, current and near-term production, and value upsides, applying its technical and financial expertise to establish a balanced asset portfolio in select areas with low marginal cost, growth potential and synergies.

Business Review

After the completion in 2019 of its Bond restructuring and in 2020 pandemic context, the Company is continuing to progress high quality acquisition targets of production and development assets. Some opportunities are the same as in 2019 but have been further matured, some have come up new in 2020. Some offers have been made to sellers but thus far no offers have been accepted. If targeted investment opportunities are secured, then the realisation of these opportunities is expected to be significantly value-accretive to the Company’s Shareholders (including ex-Bondholders) when compared with other alternative outcomes.

Outlook

Investments
Sequa believes that especially in the current market, opportunities to acquire quality assets at an attractive acquisition cost are available. The Directors have been identifying, screening and preparing several potentially value accretive acquisition opportunities with production or near term production, mainly situated in Europe and Africa, and remain optimistic about Sequa’s chances of making progress in 2021.

Financing
For the going concern period and beyond the Company remains funded through its cash balances. In the longer term Sequa will need to acquire a cash producing asset, which the Company believes to be achievable in the near future.

Human resources
Sequa has no plans to hire further staff in any of its companies until it has completed a meaningful transaction.

R&D
With the Group not currently holding any oil & gas properties, no R&D is budgeted for 2021.

Going Concern

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

The Company believes it stands a good chance of securing a value accretive deal with its current cash at bank (supplemented by additional funding if required) that also allows it to continue in business, although it should be noted that the success of such a deal cannot be certain and involves market, counterparty and other risks. Accordingly, the financial statements have been prepared on the going concern basis.

As at 31 October 2021 the Group had cash balances of some USD 14.7 million, all currently held in the bank accounts of the Company.

Management are proactively working to deliver an appropriate capital structure to finance existing and future activities.

Management are satisfied that it is appropriate to continue to adopt the going concern basis in the preparation of the consolidated and Company financial statements.

Subsequent Events

Whilst the Company continues to progress potential deals, there have been no disclosable subsequent events.

Management statement

The Management Board hereby confirms that the financial statements are correct and complete, that the Report of the Management Board provides a true and fair view, and that the significant risks and uncertainties to which the Group is exposed have been adequately described.

London, 10 November 2021

Members of the Management Board:

Jacob Broekhuijsen

Jim Luke

Derk ter Avest

Report of the Supervisory Board

To the shareholders

The Supervisory Board did not formally meet during 2020 due to Covid, nevertheless the Management Board kept the supervisory Board member up to date through informal updates. The Supervisory Board membership in 2020 is shown below.

Summary data	**Tareq Shabib**
Gender	Male
Age	50
Profession	Supervisory board member
Principal position	Chairman
Nationality	Jordanian
Other relevant position (if any)	Employee of Tennor
Date of appointment/re-appointment	15 August 2019
Current term of office	Until 2021 AGM
Date of termination	N/A
Securities held in Company	None
Benefit received on resigning from Board	N/A

During the informal update calls held in 2020 the Management Board discussed with the Supervisory Board member the Company's work to identify transformative transactions to follow restructuring.

The Supervisory Board also discussed the annual investment plan related to head office and subsidiary companies.

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 ensures 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. 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 did not meet in 2020 as no major contracts were entered into.

Disclosure and insider trading

The Group Insider Trading Policy was amended on 5 July 2016 in light of the EU Market Abuse Regulation 596/2014, which became effective on 3 July 2016, and also the Company maintains insider lists in light of the new regulation and also 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 is required to follow the most stringent law applicable in its areas of operation on any particular issue.

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

Corporate Governance

The Company voluntarily applies the Dutch Corporate Governance Code going forward and intends to recruit 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 registered NVs.

Dutch Corporate Governance Code ("Code")

The Management Board members work closely together on a day to day basis and hold informal meetings as matters arise, formal meetings were not held during 2020.

Tareq Shabib, Chief Investment Officer of Tennor, remained the sole Supervisory Board member during 2020.

The Company will be recruiting additional independent directors subsequent to restructuring Company debt and in parallel with its future acquisitions. Audit, Remuneration and Nomination Committees have not yet been set up. The Company currently takes advantage of Article 22 of its Articles of Association which allows the remaining Directors to assume the relevant powers when the Supervisory Board is understaffed.

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

FSV Accountants + Adviseurs B.V. presented their two year audit plan to the Company in August 2018, and were re-appointed as auditors of the Company at the AGM held on 18 June 2019.

The Supervisory Board has reviewed the accounts for the year ending 31 December 2020.

The Company does not have a separate internal audit function, this role is performed by members of the finance department. 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 are expected to 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

Remuneration for the Management Board members now includes a competitive base salary, certain benefits and the Executive Participation Share scheme ("EPS").

Pension contributions are currently limited to minimum contributions under the statutory Workplace Pension legislation.

The Remuneration policy of the Company was reviewed informally by the Supervisory Board during the year. A formal report was not prepared as the Company believes it is appropriate to wait until the acquisition of assets is completed.

The Supervisory Board intends to conduct an effectiveness review in respect of the activities of both the Supervisory and Management Boards subsequent to successful business development activity.

The Supervisory Board would like to thank the management team and staff for their commitment and support. The remuneration of the Management Board appears on page 69 of this Annual Report, which will be made available on the Company's website.

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 anticipated acquisitions.

The Supervisory Board has been involved in assessing the Company's risk management and compliance processes. Further the Supervisory Board has received updates as required from the Company's external counsel and Chairman of the Tender Committee on risk management, compliance and procurement issues.

The Company's external counsel 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 and are invited to attend meetings on an 'as needed' basis.

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 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 Company's external counsel. 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 2020, 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 2021 as part of its budget review process. Whilst the requisite number of independent directors is not yet present on the Supervisory Board, it is intended to recruit independent directors during 2021, including those with requisite financial skills, following the Company's intended acquisitions. A more formal approach to training and education of Directors is intended to be adopted in 2021 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 and placed on the Company's website. There were two Notices for meetings of shareholders circulated during 2020 and shareholders were given the opportunity to raise questions in addition to formal agenda items on each occasion.

Supervisory Board Directors will be required to stand for re-election under the Company's articles during 2021.

Recommendation

The Company's supervisory director Mr Tareq Shabib has reviewed the Company's annual report and financial statements for the financial year ending on 31 December 2020 and has no objections on the information contained therein. The Company's financial statements for the year ending on 31 December 2020 have not been signed by Mr Tareq Shabib in accordance with Section 2:101(2) of the Dutch Civil Code due to the absence of an independent auditor's report on the annual report and financial statements which would support Mr Shabib with the exercise of his supervisory duties in relation to the preparation of the annual report and financial statements. Reference is made to the explanation on page 1 concerning the current unavailability of an independent auditor's report relating to the Company's annual report and financial statements.

London, [date]

Supervisory Board:

Tareq Shabib

Consolidated statement of financial position

(before appropriation of result)

		2020	2019
		USD '000	USD '000
Assets			
Non-current assets			
Property, plant and equipment	*13*	**236**	333
		236	333
Current assets			
Other receivables	*14*	**146**	2,253
Cash and cash equivalents	*16*	**17,768**	18,874
		17,914	21,127
		18,150	21,460
Equity and liabilities			
Equity			
Called-up equity share capital	*17*	**111,876**	111,876
Share premium	*17*	**207,627**	207,627
Other reserve		**(32)**	(32)
Share based payment reserve	*19*	**462**	149
Retained deficit		**(302,632)**	(298,975)
		17,301	20,645
Non-current liabilities			
Lease liabilities	*22*	**95**	86
		95	86
Current liabilities			
Trade and other payables	*15*	**561**	446
Lease liabilities	*22*	**193**	283
		754	729
		849	815
		18,150	21,460

The notes on pages 18 to 50 are an integral part of these financial statements.

Consolidated statement of comprehensive income

	Note	2020 USD '000	2020 USD '000	2019 USD '000	2019 USD '000
Continuing operations					
Other operating income		**12**		**2,135**	
			12		**2,135**
Operating costs					
Other costs	*7*	**(3,593)**		**(4,677)**	
			(3,581)		**(2,542)**
Finance income	*9*	**-**		**3,801**	
Finance expense	*10*	**(76)**		**(11,546)**	
Net finance costs			**(76)**		**(7,745)**
Loss before taxation			**(3,657)**		**(10,287)**
Taxation	*11*		-		-
Loss for the year from continuing operations			**(3,657)**		**(10,287)**
Profit/(loss) for the year from discontinued operation			-		**(788)**
Loss for the period attributable to equity shareholders			**(3,657)**		**(11,075)**

The notes on pages 18 to 50 are an integral part of these financial statements.

Consolidated statement of comprehensive income, continued.

	Note	**2020**	2019
		USD '000	USD '000
Other comprehensive income			
Total comprehensive income for the period attributable to equity shareholders		**(3,657)**	**(11,075)**
Loss per ordinary share (USD cents)	*18*		
From continuing and discontinued operations:			
Basic and diluted		**(0.4)**	**(2.1)**
From continuing operations:			
Basic and diluted		**(0.4)**	**(2.0)**

The notes on pages 18 to 50 are an integral part of these financial statements.

Consolidated statement of changes in equity

	Share capital USD '000	Share premium USD '000	Other reserve USD '000	Translation Reserve USD '000	Share based payment reserve USD '000	Retained deficit USD '000	Total USD '000
As at 31 December 2018	**28,537**	**25,065**	**30,615**	**–**	**–**	**(287,900)**	**(203,683)**
Loss for the period	–	–	–	**–**	**–**	**(11,075)**	**(11,075)**
Issuance of Executive Participation Shares	–	–	–	**–**	**149**	**–**	**149**
Issue of shares on restructuring of Convertible Bonds	**83,339**	**182,562**	**(30,615)**	**–**	**–**	**–**	**235,286**
Impact of change in accounting policy	–	–	**(32)**	–	–	–	**(32)**
As at 31 December 2019	**111,876**	**207,627**	**(32)**	**–**	**149**	**(298,975)**	**20,645**
Loss for the period	–	–	–	**–**	**–**	**(3,657)**	**(3,657)**
Charge for Executive Participation Shares	–	–	–	**–**	**313**	**–**	**313**
As at 31 December 2020	**111,876**	**207,627**	**(32)**	**–**	**462**	**(302,632)**	**17,301**

The notes on pages 18 to 50 are an integral part of these financial statements.

Consolidated statement of cash flows

	Note	2020 USD '000	2019 USD '000
Loss after taxation		**(3,657)**	(11,075)
Adjustments for:			
Depreciation and amortisation	*12/13*	**96**	98
Put-option fair value movement	*19*	**-**	(3,793)
Gain on sale of inventory		**-**	(226)
Finance expense	*10*	**43**	11,695
Unrealised exchange differences	*9*	**33**	(32)
Non-cash employee benefit cost – share-based payments	*19*	**313**	148
(Increase)/decrease in inventories		**-**	5
(Increase)/decrease in other receivables	*14*	**2,120**	(1,634)
(Decrease)/increase in trade payables	*15*	**115**	(141)
(Increase)/decrease in contract assets	*22*	**98**	(326)
(Decrease)/increase in contract liabilities	*22*	**(79)**	369
(Decrease)/increase in provisions for Abex obligations	*21*	**-**	(89)
		2,739	6,074
Cash used in operations		**(918)**	(5,001)
Part of lease payment that represents interest portion		**(37)**	(89)
Net cash flows used in operating activities		**(955)**	(5,090)
Cash flows from investing activities			
Purchase of property, plant and equipment	*13*	**(6)**	(6)
Sale of inventory		**-**	240
Net cash used in investing activities		**(6)**	234
Cash flows from financing activities			
Part of lease payment that represents principal portion		**(87)**	(117)
Bond restructuring conversion costs		**-**	(826)
Put option settlement		**-**	(700)
Receipt of payment for EPS		**-**	1
Net cash used in financing activities		**(87)**	(1,642)
Decrease in cash and cash equivalents in the period		**(1,048)**	(6,498)
Cash and cash equivalents at start of the period		**18,874**	25,450
Effect of movements in exchange rates on cash held		**(58)**	(78)
Cash and cash equivalents at 31 December	*16*	**17,768**	18,874

Notes to the consolidated financial statements

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 23 Savile Row, London W1S 2ET, United Kingdom. The financial statements of the Company as at and for the year ended 31 December 2020 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 (EU-IFRSs) and with Section 2:362(9) of the Netherlands Civil Code. Amendments to IFRS 9 (Financial Instruments) and IFRS 15 (Revenue from Contracts with Customers) which became effective for accounting periods beginning on or after 1 January 2018 and IFRS 16 (Leases) which became effective for accounting periods beginning on or after 1 January 2019 have been adopted by the Group. No changes to these financial statements have occurred in relation to the amendments.

The consolidated financial statements were authorised for issue by the Board of Directors on 10 November 2021.

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

(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 12 - 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 2020 are included in the following notes:

- Note 11 - recognition of deferred tax assets; availability of future taxable profit against which tax losses carried forward can be used;

- Note 12 - 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.

Measurements of fair value

A number of the Group's accounting policies and disclosures require the measurement of fair values, for both financial and non-financial assets and liabilities.

The Group has an established control framework with respect to the measurement of fair values. This includes overseeing all significant fair value measurements, including Level 3 fair values.

The Company regularly reviews significant unobservable inputs and valuation adjustments. If third party information, such as broker quotes or pricing services, is used to measure fair values, then the valuation team assesses the evidence obtained from the third parties to support the conclusion that these valuations meet the requirements of IFRS, including the level in the fair value hierarchy in which the valuations should be classified.

Significant valuation issues are reported to the Group's Management Board and Supervisory Board.

When measuring the fair value of an asset or a liability, the Group uses market observable data as far as possible. Fair values are categorised into different levels in a fair value hierarchy based on the inputs used in the valuation techniques as follows.

- 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).

If the inputs used to measure the fair value of an asset or a liability might be categorised in different levels of the fair value hierarchy, then the fair value measurement is categorised in its entirety in the same level of the fair value hierarchy as the lowest level input that is significant to the entire measurement.

The Group recognises transfers between levels of the fair value hierarchy at the end of the reporting period during which the change has occurred.

Further information about the assumptions made in measuring fair values is included in note 20.

(e) Going concern

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

The Company believes it stands a good chance of securing a value accretive deal with its current cash at bank (supplemented by additional funding if required) that also allows it to continue in business, although it should be noted that the success of such a deal cannot be certain and involves market, counterparty and other risks. Accordingly, the financial statements have been prepared on the going concern basis.

As at 31 October 2021 the Group has bank balances of some USD 14.7 million, all currently held in the bank accounts of the Company.

Management are proactively working to deliver an appropriate capital structure to finance existing and future activities.

Management are satisfied that it is appropriate to continue to adopt the going concern basis in the preparation of the consolidated and Company financial statements.

(e) New standards and interpretations not yet adopted

The new and amended standards and interpretations that are issued, but not yet effective, up to the date of issuance of the Group's financial statements are disclosed below. The Group intends to adopt these new and amended standards and interpretations, if applicable, when they become effective.

IFRS 17: ***Insurance Contracts***

In May 2017, the IASB issued IFRS 17 Insurance Contracts (IFRS 17), a comprehensive new accounting standard for insurance contracts covering recognition and measurement, presentation and disclosure. Once effective, IFRS 17 will replace IFRS 4 Insurance Contracts (IFRS 4) that was issued in 2005. IFRS 17 applies to all types of insurance contracts (i.e., life, non-life, direct insurance and re-insurance), regardless of the type of entities that issue them, as well as to certain guarantees and financial instruments with discretionary participation features. A few scope exceptions will apply. The overall objective of IFRS 17 is to provide an accounting model for insurance contracts that is more useful and consistent for insurers. In contrast to the requirements in IFRS 4, which are largely based on grandfathering previous local accounting policies, IFRS 17 provides a comprehensive model for insurance contracts, covering all relevant accounting aspects. The core of IFRS 17 is the general model, supplemented by:

- A specific adaptation for contracts with direct participation features (the variable fee approach)
- A simplified approach (the premium allocation approach) mainly for short-duration contracts

IFRS 17 is effective for reporting periods beginning on or after 1 January 2023, with comparative figures required. Early application is permitted, provided the entity also applies IFRS 9 and IFRS 15 on or before the date it first applies IFRS 17. This standard is not applicable to the Group.

Amendments to IFRS 10 and IAS 28: ***Sale or Contribution of Assets between an Investor and its Associate or Joint Venture***

The amendments address the conflict between IFRS 10 and IAS 28 in dealing with the loss of control of a subsidiary that is sold or contributed to an associate or joint venture. The amendments clarify that the gain or loss resulting from the sale or contribution of assets that constitute a business, as defined in IFRS 3, between an investor and its associate or joint venture, is recognised in full. Any gain or loss resulting from the sale or contribution of assets that do not constitute a business, however, is recognised only to the extent of unrelated investors' interests in the associate or joint venture. The IASB has deferred the effective date of these amendments indefinitely, but an entity that early adopts the amendments must apply them prospectively. The Group will apply these amendments when they become effective.

Amendments to IAS 37: ***Onerous Contracts – Cost of Fulfilling a Contract***

The amendment to IAS 37 clarifies that the direct costs of fulfilling a contract include both the incremental costs of fulfilling the contract and an allocation of other costs directly related to fulfilling contracts. Before recognising a separate provision for an onerous contract, the entity recognises any impairment loss that has occurred on assets used in fulfilling the contract.

The amendments are effective for annual periods beginning on or after 1 January 2022.

Amendments to IFRS 3: ***Reference to the Conceptual Framework –***

Minor amendments were made to IFRS 3 Business Combinations to update the references to the Conceptual Framework for Financial Reporting and add an exception for the recognition of liabilities and contingent liabilities within the scope of IAS 37 Provisions, Contingent Liabilities and Contingent Assets and Interpretation 21 Levies. The amendments also confirm that contingent assets should not be recognised at the acquisition date.

The amendments are effective for annual periods beginning on or after 1 January 2022.

Amendments to IAS 16: ***Property, Plant and Equipment: Proceeds before intended use***

The amendment to IAS 16 Property, Plant and Equipment (PP&E) prohibits an entity from deducting from the cost of an item of PP&E any proceeds received from selling items produced while the entity is preparing the asset for its intended use. It also clarifies that an entity is 'testing whether the asset is functioning properly' when it assesses the technical and physical performance of the asset. The financial performance of the asset is not relevant to this assessment.

Entities must disclose separately the amounts of proceeds and costs relating to items produced that are not an output of the entity's ordinary activities.

The amendments are effective for annual periods beginning on or after 1 January 2022.

Amendments to IAS 1: ***Classification of Liabilities as Current or Non-current***

The narrow-scope amendments to IAS 1 Presentation of Financial Statements clarify that liabilities are classified as either current or non-current, depending on the rights that exist at the end of the reporting period. Classification is unaffected by the expectations of the entity or events after the reporting date (eg the receipt of a waver or a breach of covenant). The amendments also clarify what IAS 1 means when it refers to the 'settlement' of a liability.

The amendments could affect the classification of liabilities, particularly for entities that previously considered management's intentions to determine classification and for some liabilities that can be converted into equity.

They must be applied retrospectively in accordance with the normal requirements in IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors.

In May 2020, the IASB issued an Exposure Draft proposing to defer the effective date of the amendments to 1 January 2023.

The directors do not currently expect that the adoption of the Standards listed above will have a material impact on the financial statements of the Group in future periods.

3 Adoption of new and revised standards for the current year

Amendments to IAS 1 and IAS 8 - Definition of Material

The Group has adopted IAS 1 and IAS 8 for the first time in the current year. The IASB has made amendments to IAS 1 Presentation of Financial Statements and IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors which use a consistent definition of materiality throughout International Financial Reporting Standards and the Conceptual Framework for Financial Reporting, clarify when information is material and incorporate some of the guidance in IAS 1 about immaterial information.

In particular, the amendments clarify:

• that the reference to obscuring information addresses situations in which the effect is similar to omitting or misstating that information, and that an entity assesses materiality in the context of the financial statements as a whole, and

• the meaning of 'primary users of general purpose financial statements' to whom those financial statements are directed, by defining them as 'existing and potential investors, lenders and other creditors' that must rely on general purpose financial statements for much of the financial information they need.

These changes do not impact the current set of financial statements.

Amendments to IFRS 3 - Definition of a Business

The Group has adopted IFRS 3 for the first time in the current year. The amended definition of a business requires an acquisition to include an input and a substantive process that together significantly contribute to the ability to create outputs. The definition of the term 'outputs' is amended to focus on goods and services provided to customers, generating investment income and other income, and it excludes returns in the form of lower costs and other economic benefits.

The amendments will likely result in more acquisitions being accounted for as asset acquisitions.

This change does not impact the current set of financial statements.

Amendments to IFRS 7, IFRS 9 and IAS 39 - Interest Rate Benchmark Reform

The Group has adopted IFRS 7, IFRS 9 and IAS 39 for the first time in the current year. The amendments made to IFRS 7 Financial Instruments: Disclosures, IFRS 9 Financial Instruments and IAS 39 Financial Instruments: Recognition and Measurement provide certain reliefs in relation to interest rate benchmark reforms.

The reliefs relate to hedge accounting and have the effect that the reforms should not generally cause hedge accounting to terminate. However, any hedge ineffectiveness should continue to be recorded in the income statement. Given the pervasive nature of hedges involving IBOR-based contracts, the reliefs will affect companies in all industries.

This change does not impact the current set of financial statements.

Revised Conceptual Framework for Financial Reporting

The Group has adopted revised conceptual framework for financial reporting for the first time in the current year. The IASB has issued a revised Conceptual Framework which will be used in standard-setting decisions with immediate effect. Key changes include:

• increasing the prominence of stewardship in the objective of financial reporting

• reinstating prudence as a component of neutrality

• defining a reporting entity, which may be a legal entity, or a portion of an entity

• revising the definitions of an asset and a liability

• removing the probability threshold for recognition and adding guidance on derecognition

• adding guidance on different measurement basis, and

• stating that profit or loss is the primary performance indicator and that, in principle, income and expenses in other comprehensive income should be recycled where this enhances the relevance or faithful representation of the financial statements.

No changes will be made to any of the current accounting standards. However, entities that rely on the Framework in determining their accounting policies for transactions, events or conditions that are not otherwise dealt with under the accounting standards will need to apply the revised Framework from 1 January 2020. These entities will need to consider whether their accounting policies are still appropriate under the revised Framework.

This change does not impact the current set of financial statements.

Amendments to IFRS 16 - Covid-19-related Rent Concessions

The Group adopted IFRS 16 in 2019. As a result of the COVID-19 pandemic, rent concessions have been granted to lessees. Such concessions might take a variety of forms, including payment holidays and deferral of lease payments. On 28 May 2020, the IASB published an amendment to IFRS 16 that provides an optional practical expedient for lessees from assessing whether a rent concession related to COVID-19 is a lease modification. Lessees can elect to account for such rent concessions in the same way as they would if they were not lease modifications. In many cases, this will result in accounting for the concession as variable lease payments in the period(s) in which the event or condition that triggers the reduced payment occurs.

This change does not impact the current set of financial statements.

4 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.

Loss of control

When the Group loses control over a subsidiary, it derecognises the assets and liabilities of the subsidiary, and any non-controlling interests and other components of equity. Any resulting gain or loss is recognised in profit or loss. Any interest retained in the former subsidiary is measured at fair value when control is lost.

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, goodwill and staged combinations

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.

When the group obtains control of a business that is a joint operation, it applies the requirements for a business combination achieved in stages, including re-measuring previously held interests in the assets and liabilities of the joint operation at fair value. In doing so, the Group re-measures its entire previously held interest in the joint operation.

(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

Any gain or loss on disposal of an item of property, plant and equipment is recognised in profit or loss.

(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) and (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 and share capital

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

Ordinary shares

Incremental costs directly attributable to the issue of ordinary shares, net of any tax effects, are recognised as a deduction from equity. Income tax relating to transaction costs of an equity transaction is accounted for in accordance with IAS 12.

Repurchase and reissue of ordinary shares (treasury shares)

When shares recognised as equity are repurchased, the amount of the consideration paid, which includes directly attributable costs, net of any tax effects, is recognised as a deduction from equity. Repurchased shares are classified as treasury shares and are presented in the treasury share reserve. When treasury shares are sold or reissued subsequently, the amount received is recognised as an increase in equity, and the resulting surplus or deficit on the transaction is presented within share premium.

(i) Compound financial instruments

Compound financial instruments issued by the Group comprise convertible notes denominated in euro that can be converted to share capital at the option of the holder, when the number of shares to be issued is fixed and does not vary with changes in fair value.

The liability component of a compound financial instrument is recognised initially at the fair value of a similar liability that does not have an equity conversion option. The equity component is recognised initially at the difference between the fair value of the compound financial instrument as a whole and the fair value of the liability component. Any directly attributable transaction costs are allocated to the liability and equity components in proportion to their initial carrying amounts.

Subsequent to initial recognition, the liability component of a compound financial instrument is measured at amortised cost using the effective interest method. The equity component of a compound financial instrument is not re-measured.

Interest related to the financial liability is recognised in profit or loss. On conversion, the financial liability is reclassified to equity and no gain or loss is recognised.

(j) 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.

(k) 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 not 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.

(l) 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.

Foreign operations

The assets and liabilities of foreign operations, including goodwill and fair value adjustments arising on acquisition, are translated into USD at exchange rates at the reporting date. The income and expenses of foreign operations are translated into USD at the exchange rates at the dates of the transactions.

Foreign currency differences are recognised in OCI and accumulated in the translation reserve.

When a foreign operation is disposed of in its entirety or partially such that control, significant influence or joint control is lost, the cumulative amount in the translation reserve related to that foreign operation is reclassified to profit or loss as part of the gain or loss on disposal. If the Group disposes of part of its interest in a subsidiary but retains control, then the relevant proportion of the cumulative amount is reattributed to NCI. When the Group disposes of only part of an associate or joint venture while retaining significant influence or joint control, the relevant proportion of the cumulative amount is reclassified to profit or loss.

(m) Employee benefits

Pensions

The Group does not run a defined benefit pension scheme.

Contributions made to defined contribution pension plans, including the new Workplace Pensions, 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.

Executive Participation Share (“EPS”) scheme

The cost of the EPS scheme is accounted for in line with IFRS 2. A valuation for the EPS issued has been calculated upon issue using the Black Scholes model, and is debited to the Income Statement and credited to the Share Based Payment Reserve as the awards are earnt by the scheme’s participants.

(n) Provisions

Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. The unwinding of the discount is recognised as finance cost.

In accordance with the Group’s published environmental policy and applicable legal requirements, a provision for site restoration in respect of well abandonment, and the related expense, is recognised when wells are drilled.

(o) Finance income and finance costs

The Group's finance income and finance costs include:

- interest income;
- interest expense;
- the foreign currency gain or loss on financial assets and financial liabilities;

Interest income or expense is recognised using the effective interest method.

(p) Leases

IFRS 16 Leases

IFRS 16 was issued in January 2016 and it replaced IAS 17 Leases, IFRIC 4 Determining whether an Arrangement contains a Lease, SIC-15 Operating Leases-Incentives and SIC-27 Evaluating the Substance of Transactions Involving the Legal Form of a Lease. IFRS 16 sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to account for all leases under a single on-balance sheet model similar to the accounting for finance leases under IAS 17. The standard includes two recognition exemptions for lessees - leases of 'low-value' assets (e.g., personal computers) and short-term leases (i.e., leases with a lease term of 12 months or less). At the commencement date of a lease, a lessee recognises a liability to make lease payments (i.e., the lease liability) and an asset representing the right to use the underlying asset during the lease term (i.e., the right-of-use asset). Lessees are required to separately recognise the interest expense on the lease liability and the depreciation expense on the right-of-use asset.

Lessees are also required to re-measure the lease liability upon the occurrence of certain events (e.g., a change in the lease term, a change in future lease payments resulting from a change in an index or rate used to determine those payments). The lessee will generally recognise the amount of the remeasurement of the lease liability as an adjustment to the right-of-use asset.

Lessor accounting under IFRS 16 is substantially unchanged from today's accounting under IAS 17. Lessors classify all leases using the same classification principle as in IAS 17 and distinguish between two types of leases: operating and finance leases.

IFRS 16, which is effective for annual periods beginning on or after 1 January 2019, requires lessees and lessors to make more extensive disclosures than under IAS 17.

Transition to IFRS 16

The Group adopted IFRS 16 on 1 January 2019. The Group elected to apply the standard to contracts that were previously identified as leases applying IAS 17 and IFRIC 4. The Group therefore does not apply the standard to contracts that were not previously identified as containing a lease applying IAS 17 and IFRIC 4.

The Group elected to use the exemptions proposed by the standard on lease contracts for which the lease terms ends within 12 months as of the date of initial application, and lease contracts for which the underlying asset is of low value.

As at present the Group only has leases over accommodation used by Directors and senior management and the impact of the re-presentation of these under IFRS 16 is expected to be less than material.

(q) 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.

5 Segment analysis and geographical information

As at 31 December 2020 the Group had no active projects, the Aksai licence in Kazakhstan having been relinquished in July 2018. During the relevant period in 2019 the Kazakh business operated in the oil and gas industry and all corporate activities are assigned to this segment, and form a single Exploration and Production reportable segment. Accordingly no additional segmental analysis is disclosed.

As at 31 December 2020, the Group non-current assets balance of USD 236 thousand (2019: 333 thousand) was all attributable to the UK head office.

As at 31 December 2020 and 31 December 2019, no non-current assets were attributable to the Netherlands.

6 List of subsidiaries

Set out below is a list of subsidiaries of the Group.

- Sequa Petroleum UK Limited (Directly 100% owned, registered and operating in the United Kingdom, with its registered office in London).
- Sequa Petroleum Europe Limited (Directly 100%, registered in Dublin, the Republic of Ireland and currently dormant)
- Sequa Petroleum (Kazakhstan) LLP (Directly 100% owned, registered in Kazakhstan) was sold to the local management in November 2019.

7 Other costs

Other costs encompass the following items:

	2020	2019
	USD '000	USD '000
Depreciation and amortisation	**96**	89
Legal and other professional fees	**375**	609
Consulting costs	**237**	694
Staff costs	**2,668**	2,783
Other administrative costs	**217**	502
	3,593	4,677

8 Personnel expenses and employees

	2020	2019
	USD '000	USD '000
Wages and salaries	**1,768**	1,906
Benefits	**352**	468
Share based payment	**313**	148
Social security costs	**228**	255
Pension charge	**7**	6
	2,668	2,783

Average number of employees	**2020**	2019
	Number	Number
Based in the Netherlands	**-**	-
Based outside the Netherlands	**6**	5
	6	5

9 Finance income

	2020	2019
	USD '000	USD '000
Foreign exchange result	**-**	8
Fair value movement on put option (see note 20)	**-**	3,793
	-	3,801

10 Finance expenses

	2020	2019
	USD '000	USD '000
Interest on senior convertible bonds	**-**	(11,497)
Interest on lease liability	**(39)**	(45)
Other finance expenses	**(4)**	(4)
Foreign exchange result	**(33)**	-
	(76)	(11,546)

11 Taxation

Current taxation

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

	2020	2019
Continuing operations	**USD '000**	USD '000
Current taxation	**-**	-
Total tax charge/(credit)	**-**	-

Discontinued operations	**2020** **USD '000**	2019 USD '000
Current taxation	**-**	-
Total current tax credit	**-**	-

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. Movements in recognised deferred tax assets for the years ended 31 December 2020 and 31 December 2019 are shown below:

	Unused tax losses **USD '000**	**Other temporary differences** **USD '000**	**Total** **USD '000**
As at 1 January 2019	**-**	**-**	**-**
As at 31 December 2019	-	-	-
As at 31 December 2020	**-**	**-**	**-**

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

	2020 **USD '000**	2019 USD '000
Tax losses carried forward	**19,498**	19,227
Adj. to o/b re. change in tax rate and Man. Exes.	**3,172**	-
Loss for the year	**579**	1,565
Other temporary timing differences, including capital allowances	**-**	(1,294)
Total deferred tax assets not recognised	**23,249**	19,498

The amount of tax losses carried forward generated in the UK is USD 122.4 million as at 31 December 2020 (2019: USD 114.7 million). A corresponding deferred tax asset, calculated using the rate of 19%, of USD 23.2 million (2019: USD 19.5 million) has not been recognised due to insufficient certainty regarding the availability of future profits against which the losses can be utilised.

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

	2020 USD '000	2019 USD '000
Loss before tax	**(3,657)**	(11,558)
Income tax benefit calculated at the average statutory rate of 19.00% (2019: 19.00%) of the loss before tax	**(695)**	(2,196)
Effect of tax rates in foreign jurisdictions	**-**	192
Non tax-deductible or non-taxable items	**115**	370
Losses and timing differences for which no deferred tax asset was recognised	**579**	1,634
Income tax credit	**-**	-

12 Other intangible assets

	2020 USD '000	2019 USD '000
Other		
Cost as at the beginning of the year	**129**	130
Disposals	**-**	(1)
Cost as at 31 December	**129**	129
Depreciation as at the beginning of the year	**(129)**	(129)
Charge in the year	**-**	-
Depreciation as at 31 December	**(129)**	(129)
Net book value as at 31 December	**-**	-

Other intangible assets primarily include expenditure on purchased software which has now been fully amortised.

13 Property, plant and equipment

	2020 USD '000	2019 USD '000
Cost as at the beginning of the year	**588**	179
Additions	**6**	415
Disposals	**-**	(6)
Adjustments	**(7)**	-
Cost as at 31 December	**587**	588

Depreciation as at the beginning of the year	**(255)**	(166)
Charge in the year	**(96)**	(89)
Depreciation as at 31 December	**(351)**	(255)
Net book value as at 31 December	**236**	**333**

Additions in 2019 related to the capitalisation of the value of operating leases over residential property used by Management Board members under IFRS 16, see notes 3 and 4 (p) and note 22 for more information.

14 Other receivables

	2020	2019
	USD '000	USD '000
Amounts falling due within one year		
Value added tax receivable	**44**	10
Prepayments	**77**	97
Other receivables	**11**	2,133
	132	2,240
Amounts falling due after more than one year		
Other receivables	**14**	13
	14	13

Other receivables due after more than one year as at 31 December 2020 and 2019 consisted of rental deposits.

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

15 Trade and other payables

	2020	2019
	USD '000	USD '000
Trade payables	**126**	56
Staff salaries payable	**87**	-
Social security and other payroll taxes payable	**287**	204
Accruals	**61**	186
	561	446

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

16 Cash and cash equivalents

	2020	2019
	USD '000	USD '000
Cash at bank	**258**	874
Investment deposits	**17,510**	18,000
	17,768	18,874

17 Equity

Share capital

Amounts subscribed for share capital are at nominal value. At 31 December 2020, the authorised share capital comprised 956,666,660 ordinary shares. All shares have a par value of 10 euro cents (EUR 0.10c).

During 2019 Company concluded the restructuring of its convertible bond debt with the issue of 3.660045 ordinary shares for every US Dollar in principal bonds held by bondholders (748,113,198 shares).

As at 31 December 2020 956,666,548 (2019: 956,666,548) 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.

All rights attached to the Company's shares held by the Group are suspended until those shares are reissued.

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.

On restructuring of the Company's convertible bond debt in 2019, the Share Premium account was credited with USD 182.6 million consisting of USD 121.1 million of excess of the nominal value of the shares, USD 62.3 million of gain on conversion and a deduction of USD 0.8 million of restructuring related costs consisting of legal, corporate and tax consultants' fees.

Share based payment reserve

The share based payment reserve represents the accrued value of work done by Directors, senior management and selected contractors in earning their entitlements under the EPS scheme (see note 19).

Other reserve

In previous years the other reserve represented the amount allocated to the equity component for the convertible bonds issued by the Group in April 2015. On restructuring the balance of the reserve was moved to the Share Premium account. Upon transition to IFRS 16 the Group has recognised right-of-use assets and lease liabilities. The difference of USD 32 thousand created by the use of the 'cumulative catch-up' approach has been recognised in the Other reserve.

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.

The transfer of the Group's Kazakh business into Assets and Liabilities held for sale in the 2018 financials saw the remaining contents of the Translation reserve transferred to the Income Statement in that year.

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

Allotted, issued and fully paid in EUR

	Number	Share capital EUR '000	Share premium EUR '000
As at 31 December 2018	208,553,350	20,855	21,368
Additional issue of shares	748,113,198	74,811	108,658
Gain on restructuring of Bonds	-	-	55,964
Bonds restructuring conversion costs	-	-	(742)
As at 31 December 2019	**956,666,548**	**95,666**	**185,248**
Additional issue of shares	-	-	-
Gain on restructuring of Bonds	-	-	-
Bonds restructuring conversion costs	-	-	-
As at 31 December 2020	**956,666,548**	**95,666**	**185,248**

Allotted, issued and fully paid in USD

	Number	Share capital USD '000	Share premium USD '000
As at 31 December 2018	208,553,350	28,537	25,065
As at 31 December 2019	956,666,548	111,876	207,627
Additional issue of shares	-	-	-
Gain on restructuring of Bonds	-	-	-
Bonds restructuring conversion costs	-	-	-
As at 31 December 2020	**956,666,548**	**111,876**	**207,627**

18 Loss per share

Basic loss per share

The calculation of basic loss per share at 31 December 2020 was based on the loss attributable to ordinary shareholders of USD 3.8 million (2019: USD 11.1 million) and a weighted average number of ordinary shares outstanding of 956.7 million (2019: USD 520.3 million), calculated as follows:

Weighted-average number of ordinary shares (basic)

	2020	2019
	x 1000	x 1000
Issued ordinary shares as at 1 January	**956,667**	**208,553**
Effect of shares issued	**-**	**311,714**
Weighted average number of ordinary shares in year to 31 December	**956,667**	**520,267**

The loss per share based on the weighted average number of ordinary shares, amounts to 0.4 US dollar cents (USD 0.004) (2019: loss per share of 2.1 US dollar cents (USD 0.021)).

The loss per share for continuing operations (being all operations in 2020), based on the weighted average number of ordinary shares, amounts to 0.4 US dollar cents (USD 0.004) (2019: loss per share of 2.0 US dollar cents (USD 0.02)).

Diluted loss per share

The calculation for the weighted average number of potentially dilutive shares takes into account 113,430,262 (2019: 113,430,262) in relation to EPS shares issued in August 2019 (see note 19). The weighted average number of potentially dilutive shares in the year was 113,430,262. The effect of these potentially dilutive shares on diluted loss per share is anti-dilutive and has therefore been excluded.

19 Share based payments

During 2019 the Company put in place an Executive Participation Share scheme (“EPS”) in order to further align the interests of the senior management and shareholders.

Under the terms of the scheme members of the Management Board, certain members of senior management and contractors with close and long term links to the Company were issued executive participation, or ‘growth’ shares. These shares vest in three tranches, one, two and three years after award and once vested can be converted into ordinary shares in the Company. The conversion formula ensures that the number of ordinary shares issued reflects only a share of value added to the Company due to its performance during the period from issue to conversion, and not through injections of capital.

The total number of EPS shares issued was 10,600, and these represent rights over a maximum of 10.6% of future value growth. The EPS shares do not have a back-stop date, and recipients leaving the Company either keep only those that have vested up to the date of their exit less any already converted (in the case of bad leavers) or all of their entitlement less any already converted (in the case of good leavers). A third-party valuation of the EPS was performed before issue, and recipients paid this ‘real world’ tax value of EURO 0.10c per share in full before receiving their allocation.

As these EPS are categorised as ‘equity settled’ under IFRS 2, their accounting value has been calculated upon issue and is not subject to subsequent revision. The valuation was performed using the Black Scholes valuation model. The cost of these EPS is deemed to represent the value of the work performed by recipients in earning them over the three year vesting period, and will be charged to the Income Statement over this period with an asset being created within a Share Based Payment Reserve until the conversion or lapse of the EPS. Each tranche is expensed on a straight line basis, the first tranche over 1 year, the second over two and the third over three years.

IFRS 2 valuation of Executive Participation Shares

Issue price per share	EURO 0.10
Number of employees/contractors receiving awards	5
Expected term	5 years
Expected volatility	60%
Dividend yield	0%
Risk-free interest rate	1.4%
Calculated IFRS 2 fair value of award per share	USD 60.69

Movement in outstanding Executive Participation Shares

	2020	2019
Issued EPS as at 1 January	**10,600**	-
EPS issued during the year	-	**10,600**
EPS converted during the year	-	-
EPS lapsed during the year	-	-
EPS outstanding at 31 December	**10,600**	**10,600**

As one year has passed since the EPS were issued, one third have vested. None have been converted.

Movement in Share Based Payment Reserve

	USD '000
Reserve balance 31 December 2019	**149**
P&L charge for the year	**313**
Currency translation adjustments	**-**
Reserve balance 31 December 2020	**462**

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 designs and operates processes that ensure the effective implementation of these objectives and policies in conjunction with 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.

Until its settlement in April 2019 the Group had 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 2015. This put option was the only derivative held by the Group (it now has none) 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 July 2019 the restructuring of the Company's convertible bond debt was concluded, with the issue of 3.660045 ordinary shares for every US Dollar in principal bonds held by bondholders (748,113,198 shares).

The issuance of new ordinary shares was in full and final settlement of all of the bondholders' rights under, arising out of or in any way connected with the Bonds, the trust deed or any related transaction, and any existing event of default or potential event of default arising under the trust deed and the Bonds were irrevocably waived on the effective date.

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.

2020

	Carrying amount USD '000	**Contractual cash flows USD '000**	**6 months or less USD '000**	**Between 6 and 12 months USD '000**	**Between 1 and 2 years USD '000**	**Between 2 and 5 Years USD '000**
Trade and other payables	**561**	**561**	**561**	**-**	**-**	**-**
Lease liability	**344**	**344**	**62**	**62**	**130**	**90**
	906	**906**	**624**	**62**	**130**	**90**

2019

	Carrying amount USD '000	Contractual cash flows USD '000	6 months or less USD '000	Between 6 and 12 months USD '000	Between 1 and 2 years USD '000	Between 2 and 5 years USD '000
Trade and other payables	446	446	446	-	-	-
Lease liability	461	461	61	61	251	87
	907	907	507	61	251	87

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 now mainly balances to be recharged to affiliated companies.

The default risk on UK value added tax receivables is not considered significant.

Cash and cash equivalents

The Group held cash and cash equivalents of USD 17.8 million at 31 December 2020 (2019: USD 18.9 million).

Guarantees

At 31 December 2020 and 31 December 2019, 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 2020 and 2019, 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.

	2020	2019
	USD '000	USD '000
GBP	**153**	**392**
EUR	**33**	**30**
NOK	**-**	**28**
	186	**450**

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 2020 relates to GBP cash held in USD functional currency 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 2020 is as follows (excluding non-interest bearing short term assets).

	Floating interest deposit on demand USD '000	**Fixed interest deposit on demand USD '000**	**Total USD '000**
Cash and cash equivalents			
EUR	**48**	**-**	**48**
GBP	**193**	**-**	**193**
USD	**17,527**	**-**	**18,017**
	17,768	**-**	**18,258**

The interest rate profile of the financial assets of the Group as at 31 December 2019 was as follows (excluding non-interest bearing short term receivables).

	Floating interest deposit on demand USD '000	Fixed interest deposit on demand USD '000	Total USD '000
Cash and cash equivalents			
EUR	34	-	34
GBP	420	-	420
USD	18,391	-	18,391
Other	29	-	29
	18,874	-	18,874

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 2020, the Group had no floating rate liabilities (2019: nil). 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. Until it was extinguished in 2019 the Group held one derivative financial instrument that was 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:	**2020**	2019
	USD '000	USD '000
Put option granted over own shares	-	-
	-	-

During 2015 the Group issued a derivative financial instrument comprising a written put option over a number of the Company's ordinary shares as part consideration for the business combination completed in that year.

The put option was initially recorded at a fair value of USD 4.6 million 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, which did not occur. The contingent consideration had fallen away by the end of 2019.

In February 2019 the Company signed an agreement with the former shareholders of Tellus Petroleum Invest AS to accept a settlement of USD 0.7 million as part of the restructuring process. The execution by a decisive majority of bondholders of a Deed of Irrevocable Undertaking to restructure the Company's Bonds triggered the settlement which eliminates the disclosed USD 4.5 million liability.

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.

	2020	2019
	USD '000	USD '000
Fair value as at 1 January	-	(4,493)
Settlement in the year	-	700
Movement recognised in the income statement	-	3,793
Fair value as at 31 December	-	-

The fair value gain in 2019 was recognised within finance income.

Other fair value measurements

During 2015 the Group issued USD 204,400 thousand 5% five year senior convertible bonds. In January 2016, the senior convertible bonds were listed on the Nordic ABM, an unregulated bond marketplace. The liability component of the bonds was measured at amortised cost and as at 31 December 2018 had a book value of USD 197.4 million. The fair value of the senior convertible bonds as at 31 December 2018 was estimated to be USD 139.0 million and fell within level 2 of the fair value hierarchy.

In July 2019 the restructuring of the Company's convertible bond debt was concluded with the issue of 3.660045 ordinary shares for every US Dollar in principal bonds held by bondholders (748,113,198 shares).

The issuance of new ordinary shares was in full and final settlement of all of the bondholders' rights under, arising out of or in any way connected with the Bonds, the trust deed or any related transaction, and any existing event of default or potential event of default arising under the trust deed and the Bonds was be irrevocably waived on the effective date.

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 through 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

	2020 USD '000	2019 USD '000
Expiring within one year		
5% USD five year senior convertible bonds	-	-
Convertible bond interest	-	-
	-	-

In April 2015, the Group launched a 5% USD 300 million five year senior convertible bond programme. At 31 December 2018 the total amount of senior convertible bonds in issue was USD 204.4 million. The bonds were due to mature in April 2020 and were convertible into ordinary equity shares of the Company at the option of the holders.

The liability component of these convertible bonds was measured at amortised cost and as at 31 December 2018 had a book value of USD 197.4 million.

The Company did not pay the bond coupon of USD 5.1 million due in October 2016. Since then the Company did not pay the USD 5.1 million coupon payments for April and October 2017, April and October 2018 and April 2019. This failure to pay coupons left the Company in a position of potential default, although no default was called by bondholders in relation to the missed payments.

Due to the position of potential default the bonds were at 31 December 2018 categorised as liabilities expiring within one year.

In April 2019 the Company announced it had received Deeds of Irrevocable Undertakings from a voting majority (greater than 75%) of bondholders to implement a cancellation of the bonds, receiving in return the rights to subscribe for new shares in the capital of the Company.

In July 2019 the restructuring of the Company's convertible bond debt was concluded, with the issue of 3.660045 ordinary shares for every US Dollar in principal bonds held by bondholders (748,113,198 shares).

Accordingly, as per the consent solicitation memorandum, the effective date on which the Bonds were cancelled was 24 July 2019 and during August 2019 each Bondholder received 3.660045 ordinary shares for each U.S. Dollar in principal amount of Bonds they held (as approved at the Company's 18 June 2019 AGM). The issuance of new ordinary shares was in full and final settlement of all of the bondholders' rights under, arising out of or in any way connected with the Bonds, the trust deed or any related transaction, and any existing event of default or potential event of default arising under the trust deed and the Bonds were irrevocably waived on the effective date.

The cancellation of the Bonds completed the restructuring of the Company's debt and liabilities.

21 Provisions for abandonment obligation

	2020	2019
	USD '000	USD '000
As at the beginning of the period	-	89
Additions	-	-
Released	-	(89)
As at 31 December	-	-

The provision related to the estimated abandonment obligation associated with appraisal activities in Kazakhstan. The Group has contributed to an independently administered fund which was recovered to refund the costs of abandonment incurred in 2018 and early 2019.

The remainder of the fund was transferred to the Income Statement in 2019, and the sale of the Company's Kazakh business to the local management team concluded in November 2019.

22 Commitments and leases

Future capital expenditure

The Group has no contracted or authorised future capital expenses.

IFRS 16 Leases

IFRS 16 was issued in January 2016 and it replaced IAS 17 Leases, IFRIC 4 Determining whether an Arrangement contains a Lease, SIC-15 Operating Leases-Incentives and SIC-27 Evaluating the Substance of Transactions Involving the Legal Form of a Lease. IFRS 16 sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to account for all leases under a single on-balance sheet model similar to the accounting for finance leases under IAS 17.

Currently, the Company holds operating leases over two properties provided for Directors' use.

The Group recognises a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset was initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred, less any lease incentives received.

The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term. The estimated useful lives of right-of-use assets are determined on the same basis as those of property and equipment. In addition, the right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain re-measurements of the lease liability.

The lease liability was initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Group's incremental borrowing rate. Generally, the Group uses its incremental borrowing rate as the discount rate.

Lease payments included in the measurement of the lease liability comprise the following:

- fixed payments;

- lease payments in an optional renewal period if the Group is reasonably certain to exercise an extension option, and penalties for early termination of a lease unless the Group is reasonably certain not to terminate early.

The lease liability is measured at amortised cost using the effective interest method. It is re-measured when there is a change in future lease payments arising from a change in an index or rate, if there is a change in the Group's estimate of the amount expected to be payable under a residual value guarantee, or if the Group changes its assessment of whether it will exercise a purchase, extension or termination option.

When the lease liability is re-measured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

The Group presents right-of-use assets that do not meet the definition of investment property in 'property, plant and equipment' and lease liabilities in 'loans and borrowings' in the statement of financial position.

Under IFRS 16

On transition to IFRS 16, the Group elected to apply the practical expedient to grandfather the assessment of which transactions are leases. It applied IFRS 16 only to contracts that were previously identified as leases. Contracts that were not identified as leases under IAS 17 and IFRIC 4 were not reassessed for whether there is a lease.

At the balance sheet date the Group had two leases over accommodation used by Directors and senior management. The Group has applied IFRS 16 in relation to these leases using the modified retrospective approach under which the cumulative effect of initial application is recognised in retained earnings at 1 January 2019.

At transition, lease liabilities were measured at the present value of the remaining lease payments, discounted at the Group's incremental borrowing rate as at 1 January 2019. Right-of-use assets are measured at an amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments.

The Group used the following practical expedients when applying IFRS 16 to leases previously classified as operating leases under IAS 17.

- Applied a single discount rate to a portfolio of leases with similar characteristics.

- Applied the exemption not to recognise right-of-use assets and liabilities for leases with less than 12 months of lease term.
- Excluded initial direct costs from measuring the right-of-use asset at the date of initial application.
- Used hindsight when determining the lease term if the contract contains options to extend or terminate the lease.

Assessment of lessee extension and termination options

The lease terms of the two leases at the date of initial application vary. The leases include renewal options and can be terminated early by giving a two calendar months prior notice. The rent for the renewed term shall be increased by the percentage increase in the published Retail Prices Index over the period of 12 months, subject to a minimum increase of 3% and a maximum increase of 8%. In accordance with IFRS 16:18, the lease term will be considered to extend beyond the non-cancellation period if the lessee has an extension option that is considered to be reasonably certain to exercise, or a termination option that is considered to be reasonably certain not to exercise.

At the commencement date, the Group assessed with reasonable certainty that it will exercise the option to extend the leases, therefore the leases are assumed to run till 2023 for calculation purposes.

Right-of-use assets

	2020	2019
	USD '000	USD '000
Property, plant and equipment owned	**8**	7
Right-of-use assets, except for investment property	**228**	326
Balance 31 December 2020	**236**	333

Property

	2020	2019
	USD '000	USD '000
Balance at 1 January	**326**	415
Adjustment	**(5)**	-
Depreciation charge for the year	**(93)**	(89)
Balance 31 December 2020	**228**	326

Lease liabilities

	2020	2019
	USD '000	USD '000
Maturity analysis - contractual undiscounted cash flows		
Less than one year	**124**	123
One to five years	**220**	338
More than five years	**-**	-
Total undiscounted lease liabilities at 31 December	**344**	461

Amounts recognised in profit or loss

	2020	2019
	USD ‘000	USD ‘000
Interest on lease liabilities	**85**	45
Variable lease payments not included in the measurement of lease liabilities	-	-
Income from sub-leasing right-of-use assets	-	-
Expenses relating to short-term leases	-	-
Expenses relating to leases of low-value assets, excluding short-term leases of low-value assets	-	-
	85	45

Amounts recognised in the statement of cash flows

	2020	2019
	USD ‘000	USD ‘000
Total cash outflow for leases	**124**	122

23 Related party transactions

See note 12 of the Company financial statements.

24 Subsequent events

Whilst the Company continues to progress potential deals, there have been no disclosable subsequent events.

Company balance sheet

(before appropriation of result)

	Note	2020 USD '000	2019 USD '000
Non-current assets			
Intangible assets	*3*	**-**	-
Property, plant and equipment	*4*	**236**	333
		236	333
Current assets			
Receivables	*6*	**146**	2,253
Cash and cash equivalents		**17,768**	18,874
		17,914	21,127
		18,150	21,460
Shareholders' equity			
Called-up equity share capital	*8*	**111,876**	111,876
Share premium		**207,627**	207,627
Other reserve		**(32)**	(32)
Share based payment reserve		**462**	149
Retained deficit		**(302,632)**	(298,975)
		17,301	20,645
Non-current liabilities			
Lease liabilities		**95**	86
		95	86
Current liabilities			
Trade and other payables	*7*	**561**	446
Lease liabilities	*10*	**193**	283
		754	729
Total equity and liabilities		**18,150**	21,460

The notes on pages 53 to 70 form an integral part of these financial statements.

Company income statement

	2020	2019
	USD '000	USD '000
Share in results from participating interests, after taxation	**-**	(542)
Other result after taxation	**(3,657)**	(10,287)
Net result	**(3,657)**	(10,829)

The notes on pages 53 to 70 form an integral part of these financial statements.

Notes to the Company financial statements

1 General

The Company financial statements form part of the 2020 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 18 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

	2020 USD '000	2019 USD '000
Cost as at the beginning of the period	**126**	**126**
Additions	**-**	**-**
Cost as at 31 December	**126**	**126**
Depreciation as at the beginning of the period	**(126)**	**(125)**
Charge in the year	**-**	**(1)**
Depreciation as at 31 December	**(126)**	**(126)**
Net book value as at 31 December	**-**	**-**

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

4 Property, plant and equipment

	2020 USD '000	2019 USD '000
Cost as at the beginning of the period	**515**	**94**
Adjustment	**(7)**	**-**
Additions	**6**	**421**
Cost as at 31 December	**514**	**515**
Depreciation as at the beginning of the period	**(182)**	**(93)**
Charge in the year	**(96)**	**(89)**
Depreciation as at 31 December	**(278)**	**(182)**
Net book value as at 31 December	**236**	**333**

5 Investments

	Participating interests in Group companies USD '000	Amounts receivable from Group companies USD '000	Total USD '000
Balance as at 31 December 2018	-	-	-
Result of participating interest	-	**(1,623)**	**(1,623)**
Loans provided	-	**1,270**	**1,270**
Loans repaid	-	-	-
Provision for impairment	-	**(353)**	**(353)**
Currency translation adjustments	-	-	-
Balance as at 31 December 2019	-	-	-
Result of participating interest	-	-	-
Loans provided	-	-	-
Loans repaid	-	-	-
Provision for impairment	-	-	-
Currency translation adjustments	-	-	-
Balance as at 31 December 2020	-	-	-

The results of participating interests in 2019 were not recognised as they are negative. The Company has long term receivables due from Sequa Petroleum UK LTD. The loan receivables have been impaired by USD nil million (2019: USD 0.4 million) as they are not expected to be repaid.

The Company is the holding company of the group and has financial interests in the entities listed in note 6 to the Group financial statements on page 32.

6 Receivables

	2020	2019
	USD '000	USD '000
Value added tax receivable	**44**	10
Other receivables	**25**	2,146
Prepayments	**77**	97
	146	2,253

7 Trade and other payables

	2020	2019
	USD '000	USD '000
Trade payables	**126**	56
Social security and other payroll taxes payable	**374**	204
Accruals	**61**	186
	561	446

8 Shareholders' equity

	Share capital USD '000	**Share premium USD '000**	**Other reserve USD '000**	**Translation reserve USD '000**	**Share based payment reserve USD '000**	**Retained deficit USD '000**	**Total USD '000**
As at 31 December 2018	28,537	25,065	30,615	–	–	(288,146)	(203,929)
Loss for the period	–	–	–	–	–	(10,829)	(10,829)
Impact of change in accounting policy	–	–	(32)	–	–	–	(32)
Issuance of Executive Participation Shares	–	–	–	–	149	–	149
Conversion of convertible debt instruments (net of costs)	83,339	182,562	(30,615)	–	–	–	235,320
Balance as at 31 Dec. 2019	**111,876**	**207,627**	**(32)**	**–**	**149**	**(298,975)**	**20,645**
Loss for the period	**–**	**–**	**–**	**–**	**–**	**(3,657)**	**(3,657)**
Impact of change in accounting policy	**–**	**–**	**-**	**–**	**–**	**–**	
Issuance of Executive Participation Shares	**–**	**–**	**–**	**–**	**313**	**–**	**313**
Conversion of convertible debt instruments (net of costs)	**-**	**-**	**-**	**–**	**–**	**–**	
Balance as at 31 Dec. 2020	**111,876**	**207,627**	**(32)**	**–**	**462**	**(302,632)**	**17,301**

Share capital

Amounts subscribed for share capital at nominal value. At 31 December 2020, the authorised share capital comprised 956,666,660 ordinary shares. All shares have a par value of 10 euro cents (EUR 0.10c).

In July 2019 the restructuring of the Company's convertible bond debt was concluded, with the issue of 3.660045 ordinary shares for every US Dollar in principal bonds held by bondholders (748,113,198 shares).

The Bonds were cancelled on 24 July 2019 and on the settlement date of 14 August 2019 each Bondholder received 3.660045 ordinary shares for each U.S. Dollar in principal amount of Bonds they held.

As at 31 December 2020 956,666,548 (2019: 956,666,548) 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.

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.

On restructuring of the Company's convertible bond debt in 2019, the Share Premium account was credited with USD 182.6 million consisting of USD 121.1 million of excess of the nominal value of the shares, USD 62.3 million of gain on conversion and a deduction of USD 0.8 million of restructuring related costs consisting of legal, corporate and tax consultants' fees.

Share based payment reserve

The share based payment reserve represents the accrued value of work done by Directors, senior management and selected contractors in earning their entitlements under the EPS scheme (see note 19 of the Consolidated financial statements).

Other reserve

The other reserve represents the amount allocated to the equity component for the convertible bonds issued by the Group in April 2015. On restructuring the balance of the reserve was moved to the Share Premium account. Upon transition to IFRS 16 the Group has recognised right-of-use assets and lease liabilities. The difference of USD 32 thousand, created by the use of the 'cumulative catch-up' method of applying the new standard, has been recognised in the Other reserve.

Translation reserve

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

The transfer of the Company's Kazakh business into Assets and Liabilities held for sale in the 2018 financials saw the remaining contents of the Translation reserve transferred to the Income Statement in that year.

Retained deficit

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

Loss for the year

Proposal for profit appropriation:

The General Meeting of Shareholders will be asked to approve the appropriation of the 2020 loss after tax of USD 3.7 million 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.

9 Financial instruments

Financial instruments - initial recognition and subsequent measurement

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

Financial assets

Initial recognition and measurement

Financial assets are classified, at initial recognition, as subsequently measured at amortised cost, fair value through other comprehensive income (OCI), and fair value through profit or loss.

The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Group's business model for managing them. With the exception of trade receivables that do not contain a significant financing component or for which the Group has applied the practical expedient, the Group initially measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs.

In order for a financial asset to be classified and measured at amortised cost or fair value through OCI, it needs to give rise to cash flows that are 'solely payments of principal and interest (SPPI)' on the principal amount outstanding. This assessment is referred to as the SPPI test and is performed at an instrument level.

Subsequent measurement

For purposes of subsequent measurement, financial assets are classified in four categories:

- Financial assets at amortised cost (debt instruments)
- Financial assets at fair value through OCI with recycling of cumulative gains and losses (debt instruments)
- Financial assets designated at fair value through OCI with no recycling of cumulative gains and losses upon derecognition (equity instruments)
- Financial assets at fair value through profit or loss

Financial assets at amortised cost (debt instruments)

The Group measures financial assets at amortised cost if both of the following conditions are met:

- The financial asset is held within a business model with the objective to hold financial assets in order to collect contractual cash flows

and

- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding

Financial assets at amortised cost are subsequently measured using the effective interest rate (EIR) method and are subject to impairment. Gains and losses are recognised in profit or loss when the asset is derecognised, modified or impaired.

Financial liabilities

Initial recognition and measurement

Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit or loss, loans and borrowings, payables, or as derivatives designated as hedging instruments in an effective hedge, as appropriate.

All financial liabilities are recognised initially at fair value and, in the case of loans and borrowings and payables, net of directly attributable transaction costs.

The Group's financial liabilities include trade and other payables, loans and borrowings including bank overdrafts, and derivative financial instruments.

Subsequent measurement

The measurement of financial liabilities depends on their classification, as described below:

Financial liabilities at fair value through profit or loss

Financial liabilities at fair value through profit or loss include financial liabilities held for trading and financial liabilities designated upon initial recognition as at fair value through profit or loss.

Financial liabilities are classified as held for trading if they are incurred for the purpose of repurchasing in the near term. This category also includes derivative financial instruments entered into by the Group that are not designated as hedging instruments in hedge relationships as defined by IFRS 9. Separated embedded derivatives are also classified as held for trading unless they are designated as effective hedging instruments.

Gains or losses on liabilities held for trading are recognised in the statement of profit or loss. Financial liabilities designated upon initial recognition at fair value through profit or loss are designated at the initial date of recognition, and only if the criteria in IFRS 9 are satisfied. The Group has not designated any financial liability as at fair value through profit or loss.

Loans and borrowings

This is the category most relevant to the Group. After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost using the EIR method. Gains and losses are recognised in profit or loss when the liabilities are derecognised as well as through the EIR amortisation process.

Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortisation is included as finance costs in the statement of profit or loss.

Derecognition

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as the derecognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognised in the statement of profit or loss.

Liquidity risk

Contractual cash flows

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

2020

	Carrying amount USD '000	**Contractual cash flows USD '000**	**6 months or less USD '000**	**Between 6 and 12 months USD '000**	**Between 1 and 2 years USD '000**	**Between 2 and 5 Years USD '000**
Trade and other payables	**561**	**561**	**561**	**-**	**-**	**-**
Lease liability	**344**	**344**	**62**	**62**	**130**	**90**
	905	**905**	**623**	**62**	**130**	**90**

2019

	Carrying amount USD '000	Contractual cash flows USD '000	6 months or less USD '000	Between 6 and 12 months USD '000	Between 1 and 2 Years USD '000	Between 2 and 5 Years USD '000
Trade and other payables	446	446	446	-	-	-
Lease liability	369	461	61	61	251	87
	815	907	507	61	251	87

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 2020 and 31 December 2019, no receivables were past due or impaired.

Cash and cash equivalents

The Company held cash and cash equivalents of USD 17.8 million at 31 December 2020 (2019: USD 18.9 million).

Guarantees

At 31 December 2020 and 31 December 2019, 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 2020 and 2019, 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.

	2020 **USD '000**	**2019** **USD '000**
GBP	**153**	**392**
NOK	**-**	**28**
EUR	**33**	**30**
	186	**450**

Foreseeable movements in exchange rates on balances held at the reporting date would not be expected to have a significant impact on comprehensive income or equity.

Interest rate risk

The interest rate profile of the financial assets of the Company as at 31 December 2020 is as follows (excluding non-interest bearing short term assets).

	Floating interest deposit on demand USD '000	Fixed interest deposit on demand USD '000	Total USD '000
Cash and cash equivalents			
USD	**17,527**	**-**	**17,527**
GBP	**193**	**-**	**193**
EUR	**48**	**-**	**48**
	17,768	**-**	**17,768**

The interest rate profile of the financial assets of the Company as at 31 December 2019 was as follows (excluding non-interest bearing short term receivables).

	Floating interest deposit on demand USD '000	Fixed interest deposit on demand USD '000	Total USD '000
Cash and cash equivalents			
USD	18,391	-	18,391
GBP	420	-	420
EUR	34	-	34
NOK	29		29
	18,874	-	18,874

Borrowings and facilities

	2020 USD '000	2019 USD '000
Expiring within one year		
5% USD five year senior convertible bonds	-	-
Interest on convertible bond	-	-
	-	-

In April 2015, the Group launched a 5% USD 300 million five year senior convertible bond programme. At 31 December 2018 the total amount of senior convertible bonds in issue was USD 204.4 million. The bonds were due to mature in April 2020 and were convertible into ordinary equity shares of the Company at the option of the holders.

The liability component of these convertible bonds was measured at amortised cost and as at 31 December 2018 had a book value of USD 197.4 million.

The Company did not pay the bond coupon of USD 5.1 million due in October 2016. Since then the Company has not paid the USD 5.1 million coupon payments for April and October 2017, April and October 2018 and April 2019. This failure to pay coupons left the Company in a position of potential default, although no default was called by bondholders in relation to the missed payments.

Due to the position of potential default the bonds were at 31 December 2018 categorised as liabilities expiring within one year.

In April 2019 the Company announced it had received Deeds of Irrevocable Undertakings from a voting majority (greater than 75%) of bondholders to implement a cancellation of the bonds, receiving in return the rights to subscribe for new shares in the capital of the Company.

In July 2019 the restructuring of the Company's convertible bond debt was concluded, with the issue of 3.660045 ordinary shares for every US Dollar in principal bonds held by bondholders (748,113,198 shares).

Accordingly, as per the consent solicitation memorandum, the effective date on which the Bonds were cancelled was 24 July 2019 and on the settlement date of 14 August 2019 each Bondholder received 3.660045 ordinary shares for each U.S. Dollar in principal amount of Bonds they hold (approved at the Company's 18 June 2019 AGM). The issuance of new ordinary shares was in full and final settlement of all of the bondholders' rights under, arising out of or in any way connected with the Bonds, the trust deed or any related transaction, and any existing event of default or potential event of default arising under the trust deed and the Bonds is irrevocably waived on and from the effective date.

More information regarding shares issued is included in note 17 to the Consolidated financial statements.

The cancellation of the Bonds completed the restructuring of the Company's debt and liabilities. The Company's cash balances (USD 17.8 million on 31 December 2020), possibly together with new equity and/or debt funding, will enable the Company to progress current high quality acquisition targets of production and development assets. If the targeted investment opportunities are secured, then the realisation of these opportunities is expected to be value-accretive to the Company's shareholders.

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. Until it was extinguished in 2019 the Group held one derivative financial instrument that was subsequently re-measured at fair value, this 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).

The Company has issued USD 5% five year senior convertible bonds. The fair value of this instrument is discussed in note 20 to the consolidated financial statements.

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 Commitments and operating leases

IFRS 16 Leases

IFRS 16 was issued in January 2016 and it replaced IAS 17 Leases, IFRIC 4 Determining whether an Arrangement contains a Lease, SIC-15 Operating Leases-Incentives and SIC-27 Evaluating the Substance of Transactions Involving the Legal Form of a Lease. IFRS 16 sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to account for all leases under a single on-balance sheet model similar to the accounting for finance leases under IAS 17.

Currently, the Company holds operating leases over two properties provided for Directors' use.

The Group recognises a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred, less any lease incentives received.

The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term. The estimated useful lives of right-of-use assets are determined on the same basis as those of property and equipment. In addition, the right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain re-measurements of the lease liability.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Group's incremental borrowing rate. Generally, the Group uses its incremental borrowing rate as the discount rate.

Lease payments included in the measurement of the lease liability comprise the following:

- fixed payments;

- lease payments in an optional renewal period if the Group is reasonably certain to exercise an extension option, and penalties for early termination of a lease unless the Group is reasonably certain not to terminate early.

The lease liability is measured at amortised cost using the effective interest method. It is re-measured when there is a change in future lease payments arising from a change in an index or rate, if there is a change in the Group's estimate of the amount expected to be payable under a residual value guarantee, or if the Group changes its assessment of whether it will exercise a purchase, extension or termination option.

When the lease liability is re-measured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

The Group presents right-of-use assets that do not meet the definition of investment property in 'property, plant and equipment' and lease liabilities in 'loans and borrowings' in the statement of financial position.

Under IAS 17

In the comparative period, as a lessee the Group classified leases that transfer substantially all of the risks and rewards of ownership as finance leases. When this was the case, the leased assets were measured initially at an amount equal to the lower of their fair value and the present value of the minimum lease payments. Minimum lease payments were the payments over the lease term that the lessee was required to make, excluding any contingent rent.

Subsequently, the assets were accounted for in accordance with the accounting policy applicable to that asset.

Assets held under other leases were classified as operating leases and were not recognised in the Group's statement of financial position. Payments made under operating leases were recognised in profit or loss on a straight-line basis over the term of the lease. Lease incentives received were recognised as an integral part of the total lease expense, over the term of the lease.

Under IFRS 16

On transition to IFRS 16, the Group elected to apply the practical expedient to grandfather the assessment of which transactions are leases. It applied IFRS 16 only to contracts that were previously identified as leases. Contracts that were not identified as leases under IAS 17 and IFRIC 4 were not reassessed for whether there is a lease.

At present the Group has two leases over accommodation used by Directors and senior management. The Group has applied IFRS 16 in relation to these leases using the modified retrospective approach under which the cumulative effect of initial application is recognised in retained earnings at 1 January 2019.

At transition, lease liabilities were measured at the present value of the remaining lease payments, discounted at the Group's incremental borrowing rate as at 1 January 2019. Right-of-use assets are measured at an amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments.

The Group used the following practical expedients when applying IFRS 16 to leases previously classified as operating leases under IAS 17.

- Applied a single discount rate to a portfolio of leases with similar characteristics.
- Applied the exemption not to recognise right-of-use assets and liabilities for leases with less than 12 months of lease term.
- Excluded initial direct costs from measuring the right-of-use asset at the date of initial application.
- Used hindsight when determining the lease term if the contract contains options to extend or terminate the lease.

Assessment of lessee extension and termination options

The lease terms of the two leases at the date of initial application vary. The leases include renewal options and can be terminated early by giving a two calendar months prior notice. The rent for the renewed term shall be increased by the percentage increase in the published Retail Prices Index over the period of 12 months, subject to a minimum increase of 3% and a maximum increase of 8%. In accordance with IFRS 16:18, the lease term will be considered to extend beyond the non-cancellation period if the lessee has an extension option that is considered to be reasonably certain to exercise, or a termination option that is considered to be reasonably certain not to exercise.

At the commencement date, the Group assessed with reasonable certainty that it will exercise the option to extend the leases, therefore the leases are assumed to run till 2023 for calculation purposes.

Right-of-use assets

	USD '000
Property, plant and equipment owned	**8**
Right-of-use assets, except for investment property	**228**
Balance 31 December 2020	**236**

Property

	USD '000
Balance at 1 January	**326**
Adjustment	**(5)**
Depreciation charge for the year	**(93)**
Balance 31 December 2020	**228**

Lease liabilities

	USD '000
Maturity analysis - contractual undiscounted cash flows	
Less than one year	**124**
One to five years	**220**
More than five years	**-**
Total undiscounted lease liabilities at 31 December	**344**

Amounts recognised in profit or loss

	USD '000
Interest on lease liabilities	**85**
Variable lease payments not included in the measurement of lease liabilities	**-**
Income from sub-leasing right-of-use assets	**-**
Expenses relating to short-term leases	**-**
Expenses relating to leases of low-value assets, excluding short-term leases of low-value assets	**-**
	85

Amounts recognised in the statement of cash flows

	USD '000
Total cash outflow for leases	**124**

11 Fees of the auditor

The following fees were charged by FSV Accountants & Adviseurs NV to the Company, its subsidiaries and other consolidated companies, as referred to in Section 2:382a(1) and (2) of the Netherlands Civil Code. The fees for audit of the financial statements are allocated to the financial year to which the financial statements relate, irrespective of when the work has been performed.

2020

	USD '000
Statutory audit of annual accounts	**61**
	61

2019

	USD '000
Statutory audit of annual accounts	**84**
	84

12 Related parties

The Management Board and Tareq Shabib are related parties.

For disclosures on executive 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 are deemed to be the Directors of the Company.

Compensation for key management personnel comprised:

	2020	**2019**
	USD '000	**USD '000**
Short-term employees benefits	**2,016**	**1,746**
Post-employment benefits	**-**	**-**
	2,016	**1,746**

Key management personnel and director transactions

Members of the Management Board control 1.5% (2019: 1.5%) of the voting shares of the Company.

13 Emoluments of Directors and Supervisory Directors

The emoluments as referred to in Section 2:383(1) of the Netherlands Civil Code, amounted to USD 2,016,090 (2019: USD 1,745,573) for Managing Directors, and USD nil (2019: USD 40,172) for Supervisory Directors and former Supervisory Directors. The table below provides the remuneration and its individual components at the individual director level:

Managing Directors – 2020 USD '000	**Salary**	**Benefits**	**Share based payments**	**Total**
J. Broekhuijsen	**480**	**168**	**118**	**766**
J. Luke	**471**	**121**	**88**	**680**
D. Ter Avest	**389**	**93**	**88**	**570**
	1,339	**382**	**294**	**2,016**

Supervisory Directors – 2020 USD '000	**Salary**	**Benefits**	**Share based payments**	**Total**
	-	-	-	-
	-	-	-	-

Managing Directors – 2019 USD '000	**Salary**	**Benefits**	**Share based payments**	**Total**
J. Broekhuijsen	**484**	**223**	**56**	**763**
J. Luke	**536**	**125**	**42**	**703**
D. Ter Avest	**182**	**56**	**42**	**280**
	1,202	**404**	**140**	**1,746**

Sequa Petroleum N.V.

Supervisory Directors – 2019 USD ‘000	Salary	Benefits	Share based payments	Total
J. van Rijswijk	**40**	**-**	**-**	**40**
	40	**-**	**-**	**40**

No other Supervisory Directors received remuneration from the Company in either 2020 or 2019.

London, 10 November 2021

Members of the Management Board:

Jacob Broekhuijsen

Jim Luke

Derk Ter Avest

Members of the Supervisory Board:

Tareq Shabib

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.

Subsidiaries

The Company has the following subsidiaries.

Subsidiary name	Registered	Ownership
Sequa Petroleum UK Limited	United Kingdom	100% (Direct)
Sequa Petroleum Europe Limited	Republic of Ireland	100% (Direct)

Independent auditor's report

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

Report on the financial statements

TBC