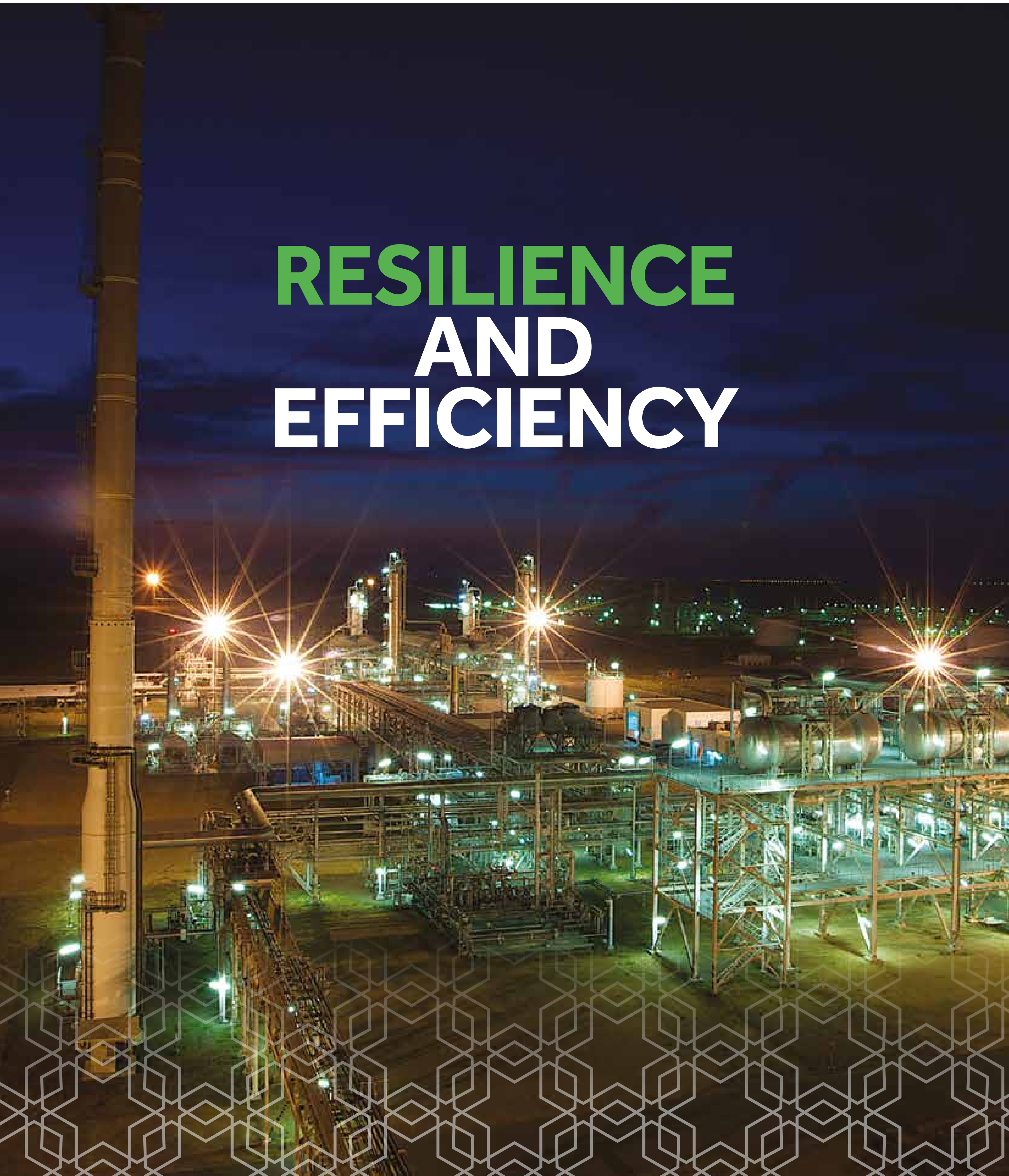
Dana Gas PJSC
Annual Report & Accounts 2016



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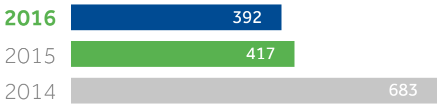
For more information please visit:
www.danagas.com

Dana Gas is the Middle East's first and largest regional private sector natural gas company. It was established in December 2005 with a public listing on the Abu Dhabi Securities Exchange (ADX).

Dana Gas has exploration and production assets in Egypt, Kurdistan Region of Iraq (KRI) and UAE, with an average production output of 67,050 boepd, in 2016. With sizeable assets and reserves in Egypt, KRI and the UAE and further plans for expansion, Dana Gas aims to play an important role in the rapidly growing natural gas sector of the Middle East, North Africa and South Asia region (MENASA).

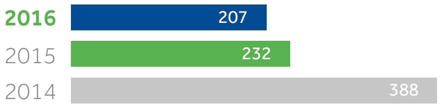
HIGHLIGHTS

Gross Revenue (million USD)



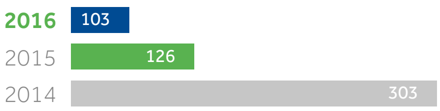
US$392m
2015: US$417m

EBITDA (million USD)



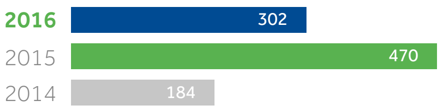
US$207m
2015: US$232m

Gross Profit (million USD)



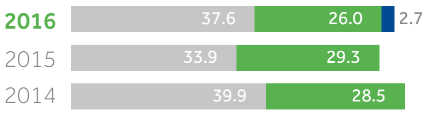
US$103m
2015: US$126m

Cash Balance (million USD)



US$302m
2015: US$470m

Production (mboed)



67.1* mboed
2015: 63.9* mboed

*includes Dana Gas share of EBGDCO production

Eygpt
KRI
UAE

2P Reserves (mmboe)

1,155 mmboe
2015: 1,151 mmboe

DANA GAS AT A GLANCE

Dana Gas is the Middle East's first and largest regional private sector natural gas company. It was established in December 2005 with a public listing on the Abu Dhabi Securities Exchange (ADX).

Our Vision

To be the leading private sector natural gas company in the Middle East, North Africa and South Asia (MENASA) region generating sustainable value for our stakeholders.

Our Strategy

- Focus on sustainable growth in the MENASA region across the natural gas value chain.
- Leverage strategic relationships to maintain competitive advantage.
- Continuously enhance technical and commercial skills to develop and operate assets safely and efficiently.

Our Values

- We set and apply the highest standards of conduct and accountability.
- We respect and value everyone and embrace diversity.
- We strive to devise and implement innovative ways to improve our business and fulfil our commitments.
- We aim to provide a safe and environmentally friendly workplace for our employees and business partners and to minimise the adverse effects of our operations on communities and the environment.

Where we operate

Dana Gas has exploration and production assets in Egypt, Kurdistan Region of Iraq (KRI) and UAE. With sizeable assets and reserves in Egypt and further plans for expansion, Dana Gas aims to play an important role in the rapidly growing natural gas sector of the Middle East, North Africa and South Asia region (MENASA).

KURDISTAN REGION OF IRAQ

26,000
boed

- 2 world class fields – largest gas reserves in KRI
- 8 years of historical production
- Supplies 2 major power-stations with gas

SEE PAGE 18

UAE

2,744
boed

- Zora – offshore gas field project
- Production commenced on 28 February 2016
- UAE GAS project

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EGYPT

37,600
boed

- Top 5 gas producer in-country
- 14 development leases and 3 exploration concessions
- Significant exploration upside

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CHAIRMAN'S STATEMENT

In 2016, the global oil and gas industry endured another challenging year. Oversupply in international markets pushed oil prices to a decade low of $27 per barrel in the first quarter of the year. By year-end, the oil price had regained an upwards trajectory finding relative stability around the $50 per barrel mark. The price today is clearly lower than in past years and will likely remain so for the foreseeable future.

Mr. Hamid Dhiya Jafar
Chairman

Overview

In spite of the low oil price, 2016 was a successful year for the Company with strong operational performance in Egypt, steady operations in Kurdistan, and very good progress in the ongoing arbitration cases.

Egypt, was our primary source of production growth as we focused on low-cost development projects close to existing infrastructure. We have increased production while reducing costs and increasing operational efficiencies which has resulted in better economic viability. Our G&A costs have been steadily reduced over the years, allowing us to maintain operational cash flows in today's lower oil price environment.

However, we still face significant challenges, especially with regard to collections in Egypt where we experienced our worst year since 2011. As a result, our management are more cost conscious today than ever before, taking a prudent approach to capital investments and balancing capital outlay with collections.

Collections from Kurdistan, on the other hand, have improved markedly with local liquid sales and staged payments (albeit at a slow rate) of overdue debt by the KRG. However, even with this improvement, $713 million of confirmed trade receivables remain outstanding from the KRG for Dana Gas.

At the end of 2016 we had $302 million in cash reserves, down from $470 million a year earlier. In the light of uncertain cash collections, the Board believes that cash conservation remains a priority for the Company going forward. Altogether Dana Gas is today owed about $1 billion in outstanding trade receivables, principally by the Kurdistan Regional Government and from the Egyptian Government. We clearly need time to realise collection of these receivables.

> "In spite of the low oil price, 2016 was a successful year for the Company with strong operational performance in Egypt, steady operations in Kurdistan, and very good progress in the ongoing arbitration cases."

US$3.8bn
Assets

1,155mmboe
2P Reserves

US$982m
Receivables

Dana Gas is also blessed with long-term rights to the world class fields of Kor Mor and Chemchemal in the KRI which we look forward to developing further, now that our contractual rights are no longer contested. The Company also has a portfolio of upstream growth opportunities in Egypt. Both assets need time to explore, appraise and develop to bring additional production on-stream. For the second year in a row, we have increased our reserve replacement ratio as a result of a successful exploration drilling program in the Nile Delta as well.

Very good progress has been made with regard to our arbitrations with the KRG and NIOC which have affirmed our contractual rights, paving the way for uncontested implementation and value realisation. Over the last six months, we have seen the KRG withdraw their claims in the English High Court to challenge the Second Partial Final Award which was handed down on 27 November 2015. Furthermore, the Tribunal at the London Court of International Arbitration (LCIA) issued their third judgment on 30 January 2017, in which they found in our favour with respect to the most important of the issues under dispute, including dismissal of the KRG's counterclaims in their entirety.

Similarly, in the arbitration case against NIOC, the gas supply contract of our associated company Crescent Petroleum, through which Dana Gas has significant gas supply rights into the UAE, have been affirmed beyond doubt, while the challenge mounted by NIOC in the English High Court has now been dismissed. This is paving the way for contract implementation and gas supply by NIOC, which has recently publicly expressed its willingness and ability to perform.

The remaining phases of both arbitrations to assess damages to the companies will take place later this year. Dana Gas is confident that it will achieve significant value resulting from these arbitrations, whether through settlement and/or enforcement of the awards.

The future outlook for the Company is clearly now far more positive than in recent years. Indeed the Company's potential is highlighted by the estimated $29 billion potential value recently ascribed to the Company's key assets by an independent consultant. These key assets include our resources and reserves in the KRI, Egypt and the UAE, as well as the arbitration awards and pending damages claims. However the Company must focus on near to medium term cash preservation to deliver this longer term potential, and we must consider these factors against the background of the pending Sukuk restructuring discussions in the coming few months.

Board & Management

At the beginning of the year we welcomed onboard our new Chief Financial Officer, Chris Hearne. With over 20 years of experience in the oil and gas industry, Chris has brought a wealth of experience in corporate finance and capital markets to the Company.

On behalf of the Board of Directors, I would like to express our gratitude for the continued support of our Honorary Chairman, His Highness Sheikh Ahmed bin Sultan Al-Qasimi, Deputy Ruler of Sharjah and Chairman of the Sharjah Petroleum Council. We would also like to extend our gratitude to our shareholders for their continued support for the Company and their confidence in the growth potential of Dana Gas.

I would also like to thank our employees, the backbone of the Company, as well as to our management team for their commitment, hard work and individual drive, which have been vital to the success of Dana Gas and in achieving another year of sustained performance despite the challenges.

Finally, I would like to thank my Board colleagues for their continued oversight and policy guidance to the management.

Conclusion

Dana Gas has managed successfully to deliver an improved operational performance against the backdrop of challenging political and economic factors. We are committed to developing our strong asset base and to manage our cash flows conservatively, while continuing to optimise costs and efficiency. We look forward to the year ahead in which the oil price environment appears finally to be stabilising, and as natural gas becomes ever more important as the world transitions to a lower carbon future.

The Board of Directors is devoted to looking after the interests of all of the Company's stakeholders, and will work tirelessly to deliver maximum value to our esteemed shareholders. We look forward to delivering an even stronger performance in 2017.

CHIEF EXECUTIVE'S REVIEW

We continue to make good progress with our operations by reducing costs and increasing production. Notable has been the increase in production from our Egyptian fields, which is now at the maximum capacity for the gas processing plant.

Dr Patrick Allman-Ward
CEO of Dana Gas

Introduction

I am pleased to report that Dana Gas delivered a strong operational performance in 2016, despite a difficult macro-economic backdrop and continued challenges relating to collections. We managed to achieve growth in overall group production and to maintain a healthy cash balance. This is a testament to our relentless focus on operating our existing assets as efficiently as possible, extracting maximum value at minimum cost.

Stable performance

We achieved revenues of US$392 million, largely driven by increased production. This was however 6% lower than the US$417 million we reached in 2015, primarily due to lower annual realised prices, which were US$33 per barrel of oil equivalent (boe) as compared to US$45 per boe in 2015. Against this background, we continued to be relentlessly focused on cost control and managed to reduce operational cost by 7% and G&A cost by 43%, a significant achievement.

The notable drop in net profit from US$144 million in 2015 to a net loss of US$88 million in 2016 was attributable to a one-time event related to the Third Partial Final Award handed down by the London Court of International Arbitration (LCIA) on the 30th January 2017. We had to adjust for a reduction in unrealised interest payments on overdue receivables. This swing from profit to loss was exaggerated by 2015's one-off gain from the sale of our 5% interest in Pearl Petroleum Company and the settlement from the RWE arbitration. Excluding the one-off adjustment related to interest payment our net profit for 2016 would have been US$33 million.

67.1mboed
Production

US$302m
Cash

43%
G&A Reduction

"During the period, we continued to maintain a steady collections rate and we have US$302 million of cash. However, the overall business environment remains challenging."

Our cash reserve position declined to US$302 million, down from US$470 million in 2015 mainly due to the repurchase of US$50 million of Ordinary Sukuk, quarterly sukuk profit payments and final capital payments on the Zora project. We have been investing money carefully in Egypt and in light of continuing uncertainty with regard to cash collections, we will continue to focus on preserving cash and managing costs.

Production

Our average group production rose to 69,500 boepd by the fourth quarter 2016 and our average across the year was 67,050 boepd, a 5% increase on the preceding year. In the fourth quarter, we regularly exceeded our stretch production target of 70,000 boepd which is a significant milestone for the Company.

In Egypt, we achieved a very high success rate of 92% on drilling our exploration and development wells and as a result fourth quarter production was up 31% to 40,500 boepd compared to last year and increased year-on-year by 11% to 37,600 boepd.

Our successful drilling campaign resulted in year-end 2P reserves increasing further to 132 MMboe, representing a 115% 2P reserve to production replacement ratio. Our Egyptian assets carry significant exploration upside with a plan for 11 exploration wells in the coming two years, with the majority of those taking place in the Nile Delta. We have developed a substantial and material prospect inventory in our first offshore block, North El Arish, and plans are underway to start drilling an exploration well in early 2018.

In the Kurdistan Region of Iraq ("KRI"), our share of gross production for the year (at 35%) was 26,000 boepd, a marginal decline from 29,300 boepd in 2015 principally related to a 5% reduction in our equity share. In April 2016, Gaffney Cline Associates provided an updated reserves estimate on Pearl Petroleum's two fields, Khor Mor and Chemchemal, confirming that they have the potential to be the largest gas fields in the KRI and indeed in the whole of Iraq. Together, our share of the 2P reserves in these two fields is the equivalent of approximately 1 billion barrels of oil.

In the UAE, despite full year average production of 2,744 boepd, total production from the Zora Gas Field has declined throughout the year from production start-up in February. We are undertaking further studies to review the subsurface modelling and to determine what additional work may be required including a possible well intervention program to try to increase production rates.

Liquidity & Collections

We have been very prudent throughout year with our use of capital, which has been necessary due to our ongoing challenges with collections. Whist we have worked tirelessly to bring our G&A and operational expenses down for the third consecutive year, our overall receivables position has gone up to US$982 million, principally due to disappointing collection levels in Egypt. Our collections for 2016 there was US$79 million in total representing 64% of net revenues. This is the lowest levels of collections that we have experienced since 2011.

In Egypt, we continue to take the prudent approach of matching further capital investments with the collection of payments. Working capital requirements will be maintained to provide the essential services needed to keep production at capacity but non-essential capital projects will necessarily have to be put on hold until we have collected sufficient funds to cover the investment costs.

In Kurdistan our collections have improved year-on-year. The Pearl Petroleum Consortium successfully began selling liquid

> "In 2016, we delivered a robust operational performance in the face of continued macro-economic challenges and disappointing levels of collections."

products into the local market and has also received staged collections relating to the peremptory order of US$100 million out of the US$1.96 billion sum awarded to the Claimants in the Second Partial Final Award of 27th November 2015. Total collections represented 129% of invoiced amounts and total trade receivables decreased marginally to US$713 million.

Of course, we face an important challenge at the end of October this year which is the upcoming Sukuk maturity date. We are evaluating all our options under current circumstances and will decide the best course of action with the interests of all of our stakeholders in mind. However, the situation around lack of payment in Egypt coupled with this Sukuk repayment means that we must remain focused on cash preservation in the short-term.

We were very pleased to learn about the LCIA Tribunal's judgement of the 30th January 2017 in favour of the Claimants (including Dana Gas) ruling that the Claimants could proceed with a damages claim for the wrongful interference by the KRG in the execution of the contract resulting in delays in the development of the underlying assets and also that all of the KRG's counter claims were set aside. In addition the KRG were ordered to pay a further US$121 million for condensate and liquefied petroleum gas lifted by or on behalf of the KRG between June 30, 2015 and March 31, 2016. We will work cooperatively with the KRG to ensure that all payments are made as quickly as possible but failing which we are now able to proceed with enforcement action. As for the NIOC arbitration, the final hearing to determine the damage claims against the NIOC for non-performance of the contract was held in November 2016 and we expect to hear the outcome in the second half of 2017.

Risk & Safety

We remain demonstrably committed to best practices in health, safety, security and environmental (HSSE) management for the benefit of all stakeholders. Over the past year, we have adopted a more rigorous and consistent approach in identifying and managing risks across the Group and rolled out an enhanced governance framework that integrates risk management, organisation structure, internal controls and internal auditing.

Several successful accomplishments in HSSE were achieved during 2016. These included international recognition for the Dana Gas Corporate Office in Sharjah, Dana Gas Egypt, WASCO (the operator of the El Wastani assets) and Exterran (the Operation and Maintenance contractor for the Zora Gas Plant) achieving internationally recognised OHSAS and ISO certifications. The Zora Gas plant was successfully and safely started-up in 2016 whilst Dana Gas Egypt continued with a major drilling and construction campaign to increase production as part of the GPEA Project during the year. In both cases there were no major incidents or injuries to personnel.

CSR

In keeping with our commitment to Corporate Social Responsibility initiatives we engaged in a number of programmes focused on understanding the needs of the communities in which we operate through a series of stakeholder engagements and public consultation events and in providing support in specific areas of need such as education and health. Some highlights of the year included successful public consultation meetings held in three Nile Delta Governorates in Egypt, internships hosted for a number of female students from the American University and the Women's Higher College of Technology Sharjah and in Khormor the continued provision of community support for electricity generation, provision of potable water supplies, education and health care services. We strongly believe that our efforts and continued social contributions make a difference to both communities and individuals.

Conclusion

In 2016, we delivered a robust operational performance in the face of continued macro-economic challenges and disappointing levels of collections. Our success in implementing measures to tackle the challenging business environment and our continued efforts to reduce costs is a reflection of our effective business strategy and solid team performance. I am very proud of the Company's efforts to get through this challenging period and have faith that our efforts will pay off in the medium term. I would like to take this opportunity to thank the Board, the employees, the service providers, and the broader Dana Gas network of stakeholders for their tireless efforts and support throughout 2016. We look forward to working closely with our partners to deliver a robust business performance in 2017.

BOARD OF DIRECTORS

HH Sheikh Ahmed Bin Sultan Al-Qasimi
Honorary Chairman

Honorary Chairman of Dana Gas PJSC, Deputy Ruler of Sharjah and Chairman of the Sharjah Petroleum Council.

Mr. Hamid Dhiya Jafar
Chairman

Mr. Jafar is the Chairman of the Board of the Crescent Group of companies. In addition to his primary business in oil and gas, Mr. Hamid has a variety of global commercial interests including container shipping, terminal operations, transport and logistics, real estate, power generation and private equity. Mr. Hamid has also promoted important projects in higher education at Cambridge University and the United Arab Emirates. He is also an active supporter of many charities.

Mr. Rashid Saif Al-Jarwan
Vice Chairman and Chair for the Board Steering Committee

Mr. Al-Jarwan is the Vice Chairman of Dana Gas where he held the post of the Executive Director of the Board previously. He was acting CEO of Dana Gas for one year and the General Manager for three years. Mr. Al Jarwan is also the Chair for the Board Steering Committee.

In addition, he has held various executive and technical positions in the ADNOC Group of companies for 28 years in Abu Dhabi, of which he was GM of ADGAS for the last eight years. He has gained extensive experience in over more than 35 years in the field of oil and gas exploration and production.

HH Sheikh Sultan Bin Ahmed Al-Qasimi
Director

HE Sheikh Al-Qasimi is the Deputy Chairman of the Sharjah Petroleum Council and Chairman of Sharjah Media Corporation. HE Sheikh Al-Qasimi has key achievements in the media sector, including establishing Al Majaz Amphitheatre, Al Sharqiya TV and Sharjah24.ae. Previously he held several positions including Deputy Chairman of Sharjah Equestrian and Racing Club and Chairman of Sharjah Commerce and Tourism Development Authority and contributed to the inauguration of the Sharjah Light Festival.

Mr. Majid Hamid Jafar
Director of the Board

Mr. Jafar is the CEO of Crescent Petroleum in Sharjah and Vice-Chairman of the Crescent Group of companies. In addition, he is the Board Managing Director of Dana Gas. His previous experience was with Shell International's Exploration & Production and Gas & Power Divisions. Mr. Majid Jafar is also an active member of the World Economic Forum Global Agenda Council for Youth Unemployment, the Young Presidents Organization and the Young Arab Leaders Organization, and is an accredited Director of the Institute of Directors (IoD Mudara) in Dubai.

Mr. Varouj Nerguizian
Director & Chair of Audit and Compliance Committee

Mr. Nerguizian has been the Executive Director and General Manager of Bank of Sharjah since 1992. He is the Chairman and General Manager of Emirates Lebanon Bank SAL, Lebanon (member of Bank of Sharjah Group) since 2008. He is also a Founding Member and Chairman of the Lebanese Educational Fund SA and of the Lycee' Libanais Francophone Prive, Dubai, a non-profit educational initiative that caters to the needs of the Lebanese and Francophone communities in the UAE since 2003.

Mr. Said Arrata
Director & Chair of Reserves Committee

Mr. Arrata is the CEO and Chairman of Delta Oil and Gas in the United Kingdom which is involved in exploration and production of oil and gas concessions and is a Board Member at Deep Well Oil and Gas Incorporation. He is a former Chairman and CEO of Sea Dragon Energy in Canada. He was also former CEO of Centurion Energy International Incorporation, and served in senior management positions in major global oil companies in Canada and around the world.

Mr. Abdullah Al-Majdouie
Director & Chair of CGR&N Committee

Mr. Al-Majdouie is the Group President and Vice Chairman of Almajdouie Group since 1986. He holds a Bachelor's and Master's Degree in Science from King Fahd University for Petroleum and Minerals in Saudi Arabia. Apart from being a director on the boards of different government bodies and private business councils in Saudi Arabia, Mr. Al-Majdouie also holds chairmanship of the board with several companies based in the GCC Region.

Mr. Ziad Galadari
Director

Mr. Galadari is the Founder and Chairman of Galadari Advocates & Legal Consultants and has been practicing as Advocate, Legal Advisor and Arbitrator since 1983. He is the Chairman of Galadari Investments Group and serves on the Board of Dubai World Trade Centre and Emirates Integrated Telecommunications Company PJSC (DU). In addition, he serves as a Chairman of the Higher Committee for Dubai's International Arabian Horse Championship and Chairman of Jebel Ali Racecourse Council.

Mr. Nasser Al-Nowais
Director

Mr. Al-Nowais is the Chairman of Rotana Hotel Management Corp. Ltd. and also the Chairman of Aswaq Management and Services. In addition, he was the Managing Director of Abu Dhabi Trade Center. He served as Former Under-Secretary of UAE Ministry of Finance and a Former General Manager of Abu Dhabi Fund for Development. He also served as Chairman of Abu Dhabi National Hotels Company and on the Board of Abu Dhabi Council for Economic Development and Arab Insurance Group.

Mr. Hani Hussain
Director

Mr. Hussain has been the Chief Executive Officer of Kuwait Petroleum Corporation from 2004-2007. He also served as Oil Minister in Kuwait before retiring in 2013. Currently he serves on the Board of Advanced Petrochemical Company in KSA and Warba Bank in Kuwait. Previously he held various executive positions in several oil and petrochemical companies in Kuwait. In addition, he has served on the board of several companies in Kuwait and overseas and currently serves on the Board of Dana Gas PJSC.

Dr. Patrick Allman-Ward
Director & CEO

Dr. Allman-Ward is CEO of Dana Gas. He is an accomplished international energy executive with over 30 years of experience in the oil and gas industry. He has held senior positions in locations all over the world, including the Middle East.

Dr. Allman-Ward joined Dana Gas in August 2012 as the General and Country Manager of Dana Gas Egypt. In 2013, Dr. Allman-Ward was subsequently selected by the Dana Gas Board of Directors to take over as CEO of Dana Gas Group.

Ms. Fatima Al-Jaber
Director

Mrs. Al-Jaber is currently a member of the Board of Directors of the Al-Jaber Group and former Group Chief Operating Officer. Prior to this Mrs. Al-Jaber worked with the Abu Dhabi Government in various technical and managerial positions, including as Assistant Undersecretary for Projects & Technical Services at Abu Dhabi Public Works Dept. and Abu Dhabi Municipality. Mrs. Al-Jaber founded Al Bashayer Investment Company as a wealth management service provider for female investors and acts as the Chairwoman.

Dr. Mohamed Nour El Din El Tahir
Board Secretary and Advisor to the Chairman

Dr. Tahir has been Board Secretary and Advisor to the Chairman since June 2016. Previously, he was General Counsel and Corporate Secretary of Dana Gas for ten years.

Prior to his time in the Gulf, Dr. Tahir was in the legal field in Sudan and Saudi Arabia, both academically and professionally, as an associate professor in the Faculty of Law at the University of Khartoum, Civil Court Judge in Sudan and as a private practice legal consultant.

INTERNATIONAL ADVISORY BOARD

Dana Gas has adopted the concept of the International Advisory Board (IAB). The purpose of this Board is to provide strategic advice to the Board of Directors and the management, as well as to identify specific business opportunities and build relationships worldwide.

(Left to right front row)

Dr. Nader Sultan
Former CEO of Kuwait Petroleum Corporation and Director of the Oxford Energy Seminar

Sir Graham Hearne
Chairman of the International Advisory Board, former Chairman of Enterprise Oil Plc of the UK

Mr. Hamid Dhiya Jafar
Chairman of Dana Gas

Dr. Burckhard Bergmann
Former member of the board of Russian gas company Gazprom

(Left to right back row)

Dr. Joseph Stanislaw
Former CEO of Cambridge Energy Research Associates (CERA)

Lord Simon of Highbury
Former Chairman of British Petroleum (BP)

Mr. Nordine Ait-Laoussine
Former Algerian Oil Minister and former Head of Sonatrach

Mr. Kai Hietarinta
Former Vice Chairman of Neste Oy of Finland

MANAGEMENT

Dr. Patrick Allman-Ward
Director & CEO

Dr. Patrick Allman-Ward is CEO of Dana Gas. He is an accomplished international energy executive with over 35 years of experience in the oil and gas industry. He has held senior positions in locations all over the world, including the Middle East.

Dr. Allman-Ward started his career at Shell in 1982, where he gained extensive experience in a wide range of fields and held many senior positions. Dr. Allman-Ward joined Dana Gas in August 2012 as the General and Country Manager of Dana Gas Egypt. In 2013 Dr. Allman-Ward was selected by the Dana Gas Board to take over as CEO of the Dana Gas Group.

Dr. Allman-Ward studied geology at Durham University and earned his PhD from the Royal School of Mines, Imperial College London.

Chris Hearne
Chief Financial Officer

Chris Hearne is the Chief Financial Officer (CFO) of Dana Gas. He joined the Company in early 2016.

Previously, Mr. Hearne was with Serica Energy plc, an international oil exploration and production company listed on the AIM market in London, where he served as CFO and Director from 2005. Mr. Hearne has over 20 years' experience within the oil industry having been CFO and Senior Vice President of Erin Energy, a NYSE listed company with oil assets across Africa, and with Intrepid Energy North Sea Limited.

Mr. Hearne was originally an investment banker and has extensive experience of corporate finance transactions, including capital markets and M&A. He spent 10 years with Lehman Brothers International and Robert Fleming & Co.

Iman Hill
Technical Director & GM UAE

Iman Hill joined Dana Gas in 2015 as a Technical Director in. Ms. Hill additionally holds the positions of General Manager for the UAE and President Egypt.

Prior to joining Dana Gas, Ms. Hill held the position of Vice President of Development and Production Africa for Sasol E&P International. Ms. Hill has 30 years of experience in the oil and gas industry across numerous geographies, including the MENA region, Africa, Latin America and the Far East. She has been a Managing Director and Chairwoman of Shell Egypt, and Senior Vice President for Brazil with BG Group. She has also previously served as a Non-Executive Board Director of Outokumpu, Europe's largest steel company. Ms. Hill is a Petroleum Engineer.

Duncan Maclean
Legal and Commercial Director

Duncan Maclean is Legal and Commercial Director of Dana Gas. Mr. Maclean joined Dana Gas in 2014 as the Commercial and Business Development Director.

Previously, Mr. Maclean was a partner with the global law firm of Squire Patten Boggs based in Perth, Australia, and was the Co-Chair of the firm's global energy and resources group. Mr. Maclean is admitted to the Supreme Courts of Western Australia, South Australia, the Northern Territory and the High Court of Australia. He has over 20 years' extensive experience of practicing international energy law.

Bruce Basaraba
Head of HSSE

Bruce Basaraba is Head of HSSE for Dana Gas, where he is responsible for the direction, leadership and accountability of the group's performance for HSSE and asset integrity.

He has more than 40 years of environmental and safety management, human resources, employee development and training, operations, maintenance and project management experience worldwide.

He began his career in 1972 in heavy industry and energy as Maintenance Technician. Since then Mr. Basaraba has held senior management positions in the international petroleum industry, coal mining in Canada, international gold and uranium mining and in technical and vocational training and HSSE consulting.

Ramganesh Srinivasan
Head of Human Resources

Ramganesh Srinivasan joined Dana Gas in 2009 and is leading the HR function since 2015. He has over 15 years of human resources experience in multinational and multicultural organisations.

Prior to moving to the oil & gas industry, Ram worked in various capacities in HR in the IT sector. He is experienced in People Capability Maturity Model (PCMM), Six Sigma and Integrated Competency & Learning Management. Ram holds a MBA in HR and Systems from University of Madras, India. He also holds other professional certifications and credentials in the areas of Reward Management, Job Measurement, and Rational Emotive Behavioural Technique.

Michael Pyszka
General Manager Egypt

Michael is the General Manager of Dana Gas Egypt since December 2016. Mr. Pyszka also maintains his positions of Head of Production & Operations, a position he held since joining Dana Gas beginning 2015.

Mr. Pyszka has 30 years of experience in the oil and gas industry with almost 20 years in senior management positions. A Petroleum Engineer by background, he worked as Asset Manager UK/Netherlands responsible for Petro Canada's North Sea operated production; he also spent an extensive period of time in a Libyan JV, at different levels of the organisation including Member of the Management Committee.

Shakir Shakir
Country Manager Iraq

Shakir is the Kurdistan Country Manager for Dana Gas and has held this position since 2007.

Prior, Shakir was the Iraq-wide Cognizant Technical Officer (CTO) for the United States Agency for International Development (USAID) Iraq Mission, from 2003 to 2007. From 2001 through 2003, he managed the United Nations Food and Agriculture Organization (UNFAO) Iraqi Kurdistan Region's Rural Agricultural Rehabilitation Program.

Shakir is a member of the Iraqi Physics & Mathematics Society. He obtained a B.Sc. in Physics from the College of Science of the Al-Mustansiriyah University, Baghdad.

MARKET OVERVIEW

2016 was another challenging year for the global oil and gas industry. In January 2016, oil prices fell to c. US$27/bbl. Oil prices recovered from the January lows and the average oil price in 2016 was c. US$45/bbl (nearly US$8/bbl lower than the average Brent price in 2015).

Global energy macro

Like oil, gas markets endured a difficult 2016. 2016 average Henry Hub price was US$2.55/mmbtu (down 3% on 2015) rising from US$2.3/mmbtu to US$3.7/mmbtu and year end. The price rise through 2016 was primarily due to lower gas production and storage levels in 2016. The fall in US tight oil production also contributed to fall in gas production. NBP prices (European spot prices) in 2016 averaged US$4.5/mmbtu while in comparison the 2015 average price was US$6.5/mmbtu. The NBP in 2016 rose from US$4.6/mmbtu to US$5.8/mmbtu due to a tightening power market in the UK and increased gas demand driven by a shut-down of nuclear in France. The Asian LNG prices (Platt's JKM month ahead) in 2016 fell to a low of c. US$4.05/mmbtu but recovered to c. US$9/mmbtu level towards the end of 2016 on the back of stronger demand in China and India, colder weather in Asia and nuclear shutdowns in Korea.

Oil markets

The low oil prices continue to act as stimulant for global oil demand and demand grew by c. 1.4 MM b/d in 2016 to c. 96.3 MM b/d. The demand growth far outstripped the c. 0.47MM b/d growth in supply in 2016; although with supply at c. 97MM b/d the world remained in surplus. The IEA forecasts that the global oil demand is expected to increase by c. 1.4 MM b/d in 2017. However, the record crude inventories amplified the supply overhang to keep the oil prices low in 2016. In late 2016, OPEC along with key Non OPEC producers announced cumulative production cuts of c. 1.8 MM b/d in early 2017. The production cut was the first since 2008 and implied that OPEC along with securing market share also wanted to ensure some level of price stability. Russia along with other Non OPEC countries promised to contribute production cuts of c. 0.6 MM b/d in the first six months of 2017 indicating that key global producers were working together to ensure oil price stability after enduring two years of low oil prices. OPEC decision to cut was driven by the decision to reduce the storage overhang. If OPEC and Non OPEC coordinated production cuts are delivered in 2017, the IEA expects the global oil supply deficit of 0.6 MM b/d in the first half of 2017. The combination of production cuts along with the strong underlying demand the oil prices are expected to help the recovery of oil prices to higher levels than 2016.

The two years of low oil prices have financially stretched the balance sheets of IOCs, NOCs and independent E&P companies alike. E&P companies struggled to generate adequate cash flows to invest in new projects and provide dividends to investors. As a result, the industry saw a sharp decline in upstream investments for a second consecutive year. The upstream capex in 2016 was c. 15% lower than 2015 upstream capex. (The 2015 upstream capex was already lower by c. 25% from 2014 levels due to fall in oil prices). In addition, the financial squeeze also reduced the pace of maintenance capital investments that is likely to have accelerated the decline rates for legacy producing assets.

Despite an overall decline in spending, upstream oil investment remained robust in the Middle East, as well as in Russia. Middle Eastern exploration and development costs are among the world's lowest at around $10/boe-$15/boe. As a result, upstream spending has been less affected by lower oil prices, with NOCs for the most part maintaining their longer term investment plans. In contrast the US shale sector has seen an overall 52% fall in investment over the past two years, with the smaller independent companies at the heart of the sector seeing their upstream capex fall by over 70%. Given this spending collapse, the US crude oil output that was c. 8.8 MM b/d in October 2016 has been surprisingly resilient, down only about 0.8 MM b/d from the 9.6 MM b/d April 2015 peak.

The announced OPEC led production cuts in 2017 were also targeted to ensure the revival of investments into the upstream sector after two years of slowdown in order to avoid a potential supply shortage leading to a price spike. Oil prices in 2017 are expected to strengthen from 2016 levels and are likely to support the revival of the investment cycle and so ensure adequate future productive capacity is available to keep in line with growing global oil demand.

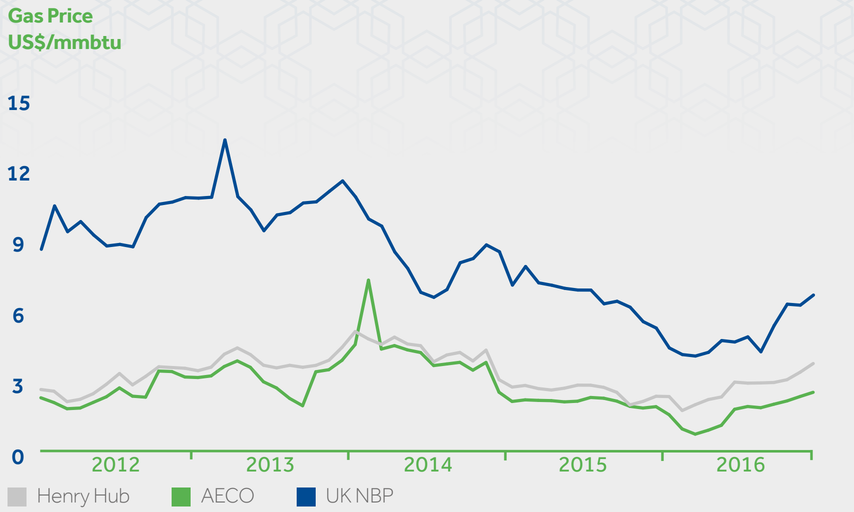
Gas markets

The global gas markets remain in flux with an estimated over supply, best outlined by Gazprom's shut-in of productive capacity of 150-200 Bcm. With more USA and Australian LNG expected to come on-stream over the next 2 to 3 years, the global gas oversupply is expected to persist in the next few years. The key challenge facing the gas industry is creation of long term gas demand to absorb the oversupply.

The global gas prices rose towards end of 2016 driven by demand surges in China and India, supply outages from some key LNG suppliers and the recovery in oil-linked contracts with improving oil prices.
2016 global gas demand is expected to be c. 3.6 Tcm (c. 62 MM boe/d) and the demand is expected to grow at c. 1.5% pa to 2020.
Main demand growth is expected from new gas importing countries like Egypt, Pakistan, Bangladesh and Kuwait along with sustained growth in markets like China and India.
In addition, the existing gas consuming countries could also see a potential increase in gas demand from coal to gas switches (e.g. US, UK) and nuclear outages such as France and Korea. As China strives to overcome its urban pollution problems, LNG imports are expected to increase in the years ahead (estimates suggest that between 2014 and 2020, China's contract plus equity LNG volumes are expected to rise by 4x i.e. from 15 MMt/a to c.60 MMt/a).
Similarly, India is planning a major drive for gas that may create an additional 55 Bcm p.a. of demand by 2020.

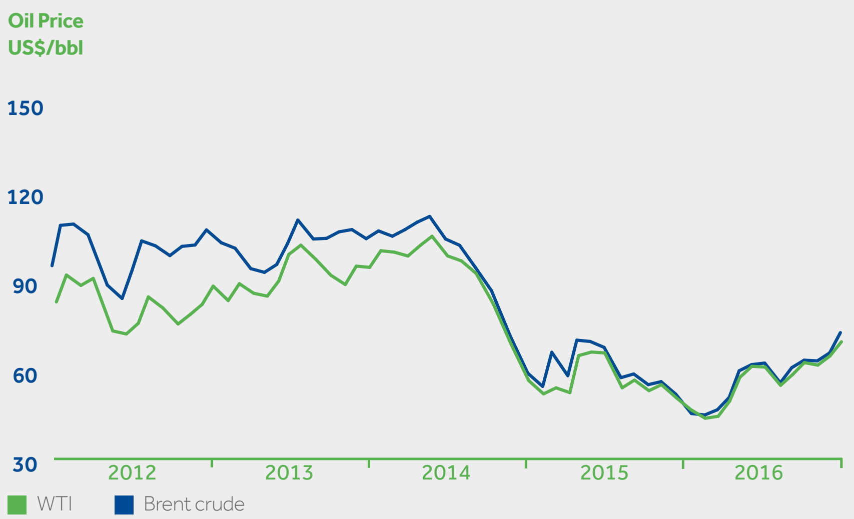
Global LNG capacity stands at 445 Bcm (c. 335 MMt/a) but in 2016 almost 50 Bcm (c. 11%) was offline due to lack of gas feedstock (e.g. Egypt, Trinidad & Tobago, Indonesia, Libya) and a further 10-15 Bcm due to security issues or technical problems (e.g. Yemen, Australia, Angola). US LNG exports commenced in 2016 and more volumes from US are expected to reach Europe and Asia. The online global capacity is operating at very high utilisation rates, however significant new LNG capacity is expected in the next 5 years and LNG utilisation is likely to fall, in turn putting downward pressure on the prices if sustainable long term demand for gas is not created.

GAS PRICE PERFORMANCE



Source: Bloomberg. Market data

OIL PRICE PERFORMANCE



Source: Bloomberg. Market data

Dana Gas Egypt
Identifying upside and maximising production

Highlights

- 5th largest gas producer in-country
- Nile Delta acreage – 14 development leases; 100% ownership; 2 processing plants
- Signed win-win Gas Processing Enhancement Agreement (GPEA) with Government to invest in further production growth and pay down historical receivables
- Reserve replacement ratio of 115% despite 11% increase in production in 2016

Dana Gas, through its subsidiary Dana Gas Egypt, is 100% operator of 14 Development Leases onshore the Nile Delta. The Company also operates two Concession Areas with 100% equity interest, namely Block 1 onshore (North El Salhiya) and Block 6 offshore and (North El Arish) and has a 50% non-operated interest in Block 3 onshore the Nile Delta (El Matariya).

2016 was a very successful year for our operations in Egypt. We recorded an exploration and development drilling success rate of 92%, and increased our average total output by 11% to 37,600 boepd, compared to 33,900 boepd in 2015. The Company has reached maximum plant capacity of 200 MMscfd, with 11 wells completed and turned over to production. As a result, additional reserves more than replaced production for the year representing a 115% Reserves Replacement Ratio and full year 2P reserves grew slightly from 130 to 132 MMboe.

The Mocha-1 exploration well on Block 3 was completed in February 2017. The well reached the top of the targeted Oligocene at a depth of 5,375 metres and reached total

#5
largest gas producer in Egypt

11%
production increase in 2016

Gas Production (bcf)

Liquids Production (mmbbls)

Total production (mboed)

depth at 5,940 metres, making it the deepest onshore Nile Delta well drilled to date. The well was drilled through the Messinian (conventional) to Oligocene (deep) targets and encountered hydrocarbons. Whilst the Messinian objective encountered wet gas, the primary Oligocene target did not encounter gas in commercial quantities and the well has been plugged and abandoned. This important exploration well has helped to de-risk other Oligocene prospects and has proven the presence of a working petroleum system in the onshore Oligocene for the first time. The data is being analysed and evaluated to determine further follow-up potential.

The Company remains excited about the potential opportunities remaining in its portfolio in Egypt, especially in the Block 6 offshore concession, North El Arish where analysis of the 2,000 sq. km. seismic data acquired in 2015 has resulted in the development of a substantial and material prospect inventory. There are plans underway to drill the first offshore well in the block early 2018.

EBGDCO

In the Gulf of Suez, the Company holds a 26.4% interest in an LPG recovery plant with capacity to extract up to 130,000 tons per annum of LPG from a gas stream of 150 mmscf/d. The plant has processed up to its full feedstock gas processing capacity during the year.

Gas Production Enhancement Agreement (GPEA):

During 2016, the Company produced over 1.9 mmbbls of condensate of which 0.8 mmbbls were incremental to the 'No Further Activity Case'.

EGPC elected to lift the full volume of incremental condensate during the period from 1st January 2016 till 1st November 2016. From that date the full volume of incremental condensate was designated for export. However, due to trucking loading and offloading limitations only 57,000 bbls were transported to Midor for export before year end. With the current trucking arrangements, the first export cargo of circa 130,000 bbls will be ready for shipment by mid April 2017.

Kurdistan Region of Iraq (KRI)
World class asset

Highlights

- 35% ownership of Pearl Petroleum
- 2 major fields with US$1.1 billion investment to date
- 990 mmboe of 2P reserves (DG share)
- US$3.4 billion of recurring annual savings in fuel costs for the KRG

In the Kurdistan Region of Iraq, Dana Gas holds a 35% interest in Pearl Petroleum Company Ltd. (PPCL) jointly with Crescent Petroleum (35%), OMV (10%), MOL (10%) and RWE (10%). PPCL holds the rights to appraise and develop the Khor Mor and Chemchemal Fields and market and sell the resultant petroleum products.

Currently, Dana Gas and Crescent Petroleum jointly operate the Khor Mor Field on behalf of PPCL. During 2016, the operations at Khor Mor produced gas at a daily average rate of 307 MMscf, condensate at an average daily rate of 13,269 bbls, and LPG at a daily average rate of 828 MT or a total of 74,148 boepd out of Dana Gas share was 25,964 boepd. The gas produced and processed at Khor Mor plant is being supplied to the two power stations at Bazian and Erbil through a 180 Km pipeline. The gas supplied represents recurring annual savings for the Kurdistan Regional Government of US$3.4 billion in diesel costs.

PPCL has put in place long-term plans to complete the appraisal and initiate a major development plan for the Khor Mor and Chemchemal Fields to increase production capacity to meet local hydrocarbon consumption requirements and for export into international markets.

Total investment in the project so far is over US$1.1 billion for the Khor Mor and Chemchemal Fields. This represents one of the largest private sector investments in Iraq's oil and gas sector enabling 1,750 mw of affordable electricity supply for millions of people in the Kurdistan Region. It is also achieving over US$3.4 billion of recurring annual savings in fuel costs for the Kurdistan Regional Government (KRG) for power generation, calculated to total close to US$16 billion in savings from the start of production. From an environmental perspective as well, the reduction of greenhouse gas emissions as a result of using cleaner natural gas at the power stations is valued at about US$300 million per year.

As reported previously, Dana Gas and Crescent Petroleum, joint operators of PPCL estimated that P50 total geologically risked resources of petroleum initially in-place (PIIP) of the Khor Mor and Chemchemal Fields at 75 Tscf (of wet gas) and 7 billion barrels of oil.

PPCL appointed Gaffney Cline Associates (GCA), to carry out a certification of the reserves for these fields as at 31 December 2015 based on a comprehensive data set comprising ca. 1,200 km 2D seismic, the 11 wells drilled in the two fields to date plus field production data over a period of seven years.

In their report dated April 2016, GCA provide the following reserves estimates for both fields: Proved plus Probable (2P) gas and condensate reserves for Khor Mor are 8.5 tscf and 191 mmbbl respectively of which Dana Gas' 35% share equates to three tscf of dry gas and 67 mmbbl of condensate. For Chemchemal, Proved plus Probable (2P) gas and condensate reserves are 6.6 tscf and 119 mmbbl respectively, with Dana Gas' 35% share being 2.3 tscf of dry gas and 42 mmbbl of condensate. The above figures are based on data from two of the 12 defined compartments in the Khor Mor Field and one of the three compartments in the Chemchemal Field. Total Dana Gas share of the Khor Mor and Chemchemal 2P reserves is therefore 5.3 tcf gas and 109 mmbbls condensate, equivalent to 990 mmboe.

The balance between these 2P reserves figures and the joint operator's estimated risked initially in place (gas and oil) resources (PIIP) are classified as Contingent Resources and Prospective Resources. GCA's report confirms Dana Gas' and Crescent Petroleum's belief that Khor Mor and Chemchemal have the potential to be the largest gas fields in the KRI and, indeed in the whole of Iraq, and thus makes them world class assets.

Production (mboed)*

* Dana Gas sold 5% of its stake in Pearl Petroleum at the end of 2015.

US$1.1bn
Total Investment

US$3.4bn
Recurring annual savings for the KRG

UAE
Delivering first gas

Highlights

- First offshore gas production for Dana Gas
- Production commenced in February 2016
- Plant Capacity of 40 mmcfd (6,650 boed)

UAE (Zora) Offshore Concession

Dana Gas is the 100% operator of the Sharjah Western Offshore Concession. The Zora Field is located in the concession, which straddles the offshore waters of the Emirates of Sharjah and Ajman. Developed to supply gas to the Sharjah Government power stations, the Zora Field is delineated by three wells drilled in 1999, and 2002.

The Sharjah-2 well was re-entered and a dual lateral horizontal sidetrack was drilled in 2015 with a combined horizontal length of 9000 feet. Production was brought on line through an unmanned platform installed in 24 metres of water. The well is connected by a 35-kilometre, 12-inch pipeline, to a purpose built onshore gas processing facility in the Hamriyah Free Zone capable of handling up to 40 MMscfd of gas along with associated condensate and water.

Production started on 14 January 2016, with early gas supplies being intermittent as the gas plant was completing its commissioning. Continuous sales gas production commenced on 28 February 2016. In 2016, Zora produced an average of 2,700 barrels of oil per day consisting of 15 MMscfd of sales gas and 190 bbld of condensates.

In the fourth quarter, the well's production declined to 2,100 boepd. Planned intervention is subject to further studies that are ongoing to review the subsurface modelling and to determine what additional other work may be required to have an impact on the gas flow rates. We will have a clearer perspective towards the middle of 2017 on next steps.

UAE Gas Project

The UAE Gas Project to process and transport 600 mmscfd of imported gas from Iran awaits commencement of gas deliveries. Dana Gas owns a 35% interest in Crescent Natural Gas Corporation Limited (CNGCL), the marketing organisation, and owns 100% of UGTC and SajGas, which respectively transport and process the gas. Dana Gas has maintained the facilities under preservation mode in readiness for receipt of gas.

UGTC owns 50% of a joint venture with Emarat which has developed the largest gas pipeline in the UAE (48-inch diameter), with a capacity of 1,000 mmscfd to transport gas in Sharjah.

2,744 boe
Average daily production

600 mmscfd
Capacity of the UAE Gas Project

FINANCIAL REVIEW 2016

The year 2016 continued to be challenging for the Oil and Gas industry with some respite coming in the form of increased hydrocarbon prices witnessed during Q4 of 2016. Our key markets suffered from tough economic conditions and we continue to face major issues with collections in our Egypt business. Despite all these challenges the Group managed to deliver strong operational performance which is reflected in production growth of 5% year on year. Our focus on reducing cost base continued in 2016 and the Company delivered a 43% reduction in G&A and a 7% reduction in Opex.

Gross Revenue

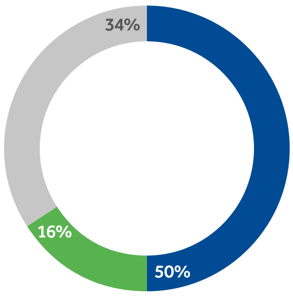
During the year, the Company earned gross revenue of US$392 million as compared to US$417 million in 2016, a decrease of 6% reflecting decline in realised hydrocarbon prices in 2016 as compared to 2015. Realised prices were down by 26% in 2016 and impacted the topline by US$72 million. Realised price averaged US$36/bbl for condensate and US$28/boe for LPG compared to US$50/bbl and US$37/boe, respectively in 2015.

This decline in revenue due to lower realised prices was partly offset by an increase in production from Egypt and new production coming on stream from Zora field which together added US$47 million to the topline. Production in Egypt increased by 11% from 33,900 boepd in 2015 to 37,600 boepd in 2016. The higher production is a result of increased drilling activities which led to additional reserves for the Nile Delta fields and reflects Dana Gas commitment made under the Gas Production Enhancement Agreement.

Egypt contributed US$289 million to Gross revenue as compared to US$271 million in 2015. Our share of revenue from the joint operations in Kurdistan Region of Iraq stood at US$78 million lower by 82% as compared to US$142 million in 2015. The decline in revenue in Kurdistan was due to change in Group's interest in PPCL from 40% to 35% in 2016 i.e. after disposal of 5% interest in PPCL on 27 November 2015 to RWEST Middle East Holding coupled with lower realised hydrocarbon prices during 2016. New production from Zora field contributed $21 million to Gross revenue.

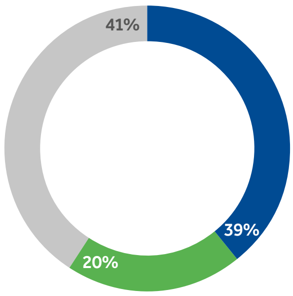
Gross Revenue

2016 — **by product**



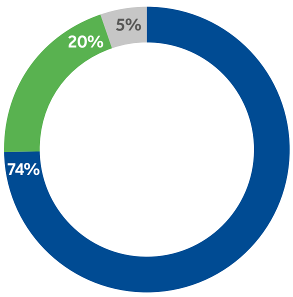
Gas	US$193 Million
LPG	US$63 Million
Condensate	US$132 Million

2015

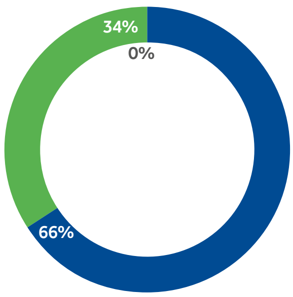


Gas	US$162 Million
LPG	US$83 Million
Condensate	US$168 Million

by country



Egypt	US$289 Million
KRI	US$78 Million
UAE	US$21 Million



Egypt	US$271 Million
KRI	US$142 Million
UAE	US$0 Million

	2016 (US$million)	2015 (US$million)	% Change
Gross Revenue	**392**	**417**	**(6)**
Gross Profit	**103**	**126**	**(18)**
Net (Loss)/Profit	**(88)**	**144**	**–**
EBITDA	**207**	**232**	**(11)**
Cash From Operations	**82**	**203**	**(60)**

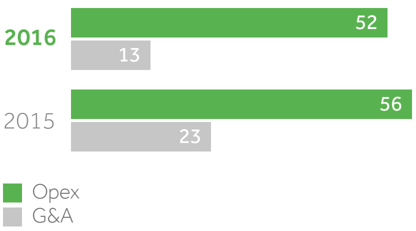
Gross Profit

Gross profit for year stood at US$103 million, a decrease of 18% over the previous year. This decrease was mainly due to lower hydrocarbon prices realised during 2016 which eroded US$72 million partly mitigated by positive contribution of $47 million from increased production in Egypt and Zora field. Depletion, depreciation and amortisation (DD&A), which is calculated on unit of production basis, increased during the year in line with production increase in Egypt and new production from Zora field which came on-line during early 2016. The Company continuous to monitor its cost and delivered an operating cost reduction of 7%, despite the fact that the operating cost now includes cost of Zora operations.

General & Administration Expenses

The Group has been progressing with its cost optimisation programme since 2015 and this has resulted in a further cost reduction of 43% over 2015 cost. The G&A cost was reduced from to $13 million from US$23 million in 2015.

Opex & G&A (million USD)



Net Profit

For 2016 the Group reported a net loss of US$88 million as compared to a net profit of US$144 million in 2015. Whilst increase in production in Egypt, optimisation of operating cost and G&A together with increase in entitlements in KRI has contributed positively towards operating profit, the following one off items contributed to the significant variance in net profitability when compared to 2015:

- a one off gain recognised in 2015 of US$208 million on settlement of RWE Supply & Trading GmbH (RWEST) arbitration including the sale of a 5% interest in Pearl Petroleum Company Limited (PPCL) to RWEST Middle East Holding BV; and
- a one-time interest reversal of US$121 million (US$86 million booked in 2015 and US$35 million recorded during the year) on overdue receivables due from KRG following the Third Partial Final Award in which the Tribunal determined that the Claimants are entitled to interest on all overdue liquids receivables for each day that such sums are overdue at the rate of LIBOR + 2% compounded monthly. The interest previously reflected in the financial results of 2015 was based on PPCL (in which Dana Gas is a 35% shareholder) financial statements which reflected Dana Gas actual cost incurred on its ordinary Sukuk of 9% profit share as per the interpretation of the terms of the HoA agreement between PPCL and the KRG by the Company and its adviser.

Balance Sheet

Equity attributable to shareholder's stood at US$2.78 billion; a decrease of 3% from last year's equity of US$2.87 billion. Accordingly the book value per share at the end of 2016 was AED 1.46 (2015: AED 1.51 per share). Total assets at the year-end reduced to US$3.76 billion from last year's total assets of US$3.91 billion. This decrease was largely due to reduction in cash and bank balance at the year end.

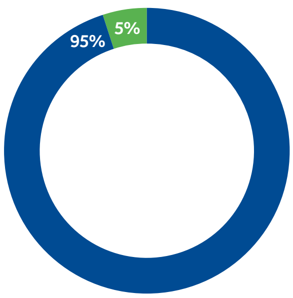
Capital Investment

Despite the low oil price environment and challenges surrounding collection in Egypt, the Group continued with its capital investment program and spent a total

Capital Investment

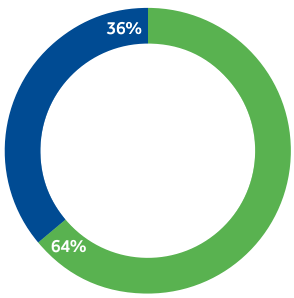
2016

by product (million USD)



Egypt **US$116 Million**
UAE **US$6 Million**

2015



Egypt **US$84 Million**
UAE **US$150 Million**

of US$122 million in 2016 as compared to US$234 million in 2015. The decline in capital expenditure during 2016 was mainly due to the fact the Zora field project, which was under development in 2015, was completed in early 2016. In Egypt, the Company expended US$116 million on drilling of 5 exploratory/appraisal and 11 development/recompletion wells together with various field development activities to grow production.

Trade receivables

The Group's trade receivables at the end of the year stood at US$982 million as compared to US$950 million in 2015. The increase in receivable was mainly due to lower rate of collections in Egypt, as compared to revenue billed. Receivables in Egypt constitute 27% of the total and the balance mainly relates to receivables in Kurdistan.

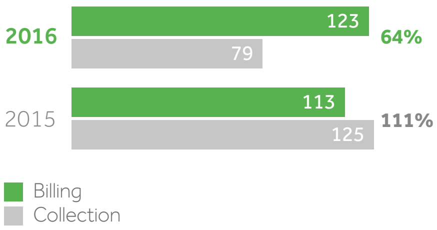
In 2016, the Company's total collections stood at US$200 million.

In Egypt the Company collected US$79 million or 64% of net revenue invoiced for the year. At the year-end trade receivable balance amounted to US$265 million of which US$224 Million was overdue.

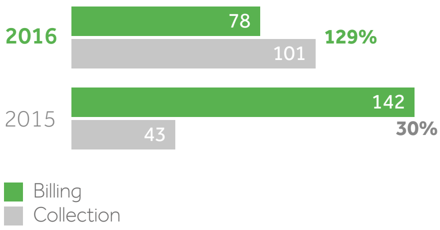
In Kurdistan, Dana Gas share of collections for the year 2016 stood at US$101 million compared to US$43 million in 2015, giving a net realisation of 129% of revenue invoiced for the year. At year end the trade receivable balance amounted to US$713 million as compared to US$727 million in 2015.

In Zora, collection during the year stood at US$20 million. At year end the trade receivable balance amounted to US$2 million.

Trade receivables Dana Gas Egypt (million USD)



Trade receivables KRI (million USD)



Note: % calculated as collections divided by net revenue.

Cash Flow

Cash flow from operations decreased from US$203 million in 2015 to US$82 million in 2016. The key reason for variance in operating cash flow was the one off amount received from RWEST in November 2016 in consideration of the agreed settlement of arbitration. Cash from investing activities also reduced from an inflow of US$41 million in 2015 to an outflow of US$(111) million in 2016. The outflow in 2016 is mainly due to the capital expenditure in Egypt and on Zora. In 2015 spend on capital cost was more than offset by one off proceeds from a 5% sale of interest in PPCL and disposal of MOL shares.

Under financing activities, cash flow decreased from an inflow of US$13 million to a cash outflow of US$(120) million in 2016. The cash outflow during 2016 was due to repurchase of Sukuk amounting to US$45 million, payment of profit on borrowings (US$64 million) and instalments paid against loans obtained for Zora and Egypt.

The group ended the year with a cash and bank balance of US$302 million, a decline of 36% compared to US$470 million at the end of 2015.

Cash Flow

	2016 (US$million)	2015 (US$million)
Net cash from operating activities	**82**	**203**
Net cash from/(used in) investing activities	**(111)**	**41**
Net cash from/(used in) financing activities	**(120)**	**13**
Net cash flow during the year	**(149)**	**257**

Continuous improvement

Throughout 2016, Dana Gas leadership remained committed and proactive in its drive to protect employees and contractors, the communities we interact with, the environment and our assets from potential risks.

Highlights

- 2016 saw continued improvements in HSSE performance and results, along with risk reductions related to conditions, operations and processes. With focus on risk reduction to people, environment, assets and reputation.
- There was a decrease in employee injuries and uncontrolled releases, and continued improvement in quality of incident reporting and safety observations.
- The construction of the Zora gas plant achieved one million man hours of injury-free work in February 2016.
- More efficient and timely close out of actions from incident investigations, and applying lessons learned to take a more proactive approach for incident prevention.
- The management leadership team made more site visits and safety inspections in the year to the operations and the constant message was of encouragement, improvement, management commitment and employee involvement.
- Progress was made on safety critical elements and major accident hazards, including completion of comprehensive QRA Studies in Egypt and UAE, ESIA Study in Egypt and HAZOPs and Risk Assessments at all operations.
- HSSE training and competency development programs for employees and contractors across the Group were conducted. Primary focus for training was on Behaviour Based Safety, Permit to Work, Risk Assessment and Safety Observations.
- Further progress was made in 2016 on the development of a structured Asset Integrity System for the Egypt and UAE operations. Along with steps taken to formalise asset integrity at the Khor Mor Operations in the areas of rotating equipment reliability and corrosion management.

Noteworthy HSSE Achievements in 2016

The Dana Gas Corporate Office Sharjah achieved in Q4 2016 the internationally recognised OHSAS 18001 certification for the Corporate Safety Management System. Dana Gas Egypt in 2016 passed the mandatory compliance audit of their HSE management systems to the OHSAS 18001 and ISO 14001 standards. WASCO, the operator of the El Wastani assets, successfully re-certified their HSE Management System to OHSAS 18001 and ISO 14001 standards. Exterran, the operation and maintenance contractor for the Zora Gas Plant, successfully achieved certification of their HSEQ Management system to OHSAS 18001, ISO 14001 and ISO 9001 standards.

2016 saw the successful safe startup of the Zora Gas plant, including the offshore and onshore facilities. Throughout the year, the focus was on safety performance for the new operation. There were no major incidents or injuries in the first year of this asset's operation and the credit goes to effective management and leadership of the operations with safety and environment being the overriding factor for everyone.

As part of the Dana Gas Egypt business development in 2016, there was a major drilling and construction campaign to increase condensate production as part of the GPEA Project. This included an extensive drilling program when, at different times in the year, three drilling rigs were employed. Along with the extensive drilling campaign there was well tie-in and pipeline expansion activities and upgrades to the gas production equipment. Throughout these activities, the project and operation's teams focused on HSE performance and results, with no significant major injuries to personnel. In 2016, for Dana Gas Egypt and its partner WASCO, their attention was placed on Contractor safety management for improved safety and environmental management performance.

MEASURING HSSE PERFORMANCE

We remain committed to open reporting of incidents (major and minor) across the Company enabling us to learn and improve.

Key Metric	2016	2015	2014
Fatalities	0	0	0
Man Hours Worked (Million Man Hours)	5.4	7.9	5.84
Recordable Injury Cases	10	7	11
Total Recordable Injury Frequency	0.36	0.18	0.36
High Potential Incidents	9	14	7
Loss of Primary Containment Incidents	18	13	18
Major Road Accidents*	10	1	0
Kilometres Driven	6.4m	8.0m	8.0m

*Definition of major road accidents was modified in 2016 and reporting in 2016 reflects a change of this comparison of stats for 2015 and 2014.

Challenges Faced

Key challenges for Dana Gas in 2016 in HSSE included:

- Personal safety
- Risk identification, assessment and controls
- Consistent application of safety and environment procedures and practices
- Actions to prevent near misses and high potential incidents
- Improved incident investigation and close out of actions
- Ongoing challenges with Contractor safety and environmental management
- Driving and road traffic incidents
- Continuous improvement of process safety and safety critical elements
- Concerns with community issues related to environmental and social impacts
- Ongoing security threats related to conflicts and acts of terrorism in regions of the operations

HSSE RISKS AND MEASURES FOR REDUCING RISKS

Throughout 2016 there continued to be emphasis on reduction of HSSE risks, achieving positive progress. These risks are built up from asset and Business Unit risk matrices which have become a key discussion item on the agenda of Senior Management and Board of Directors meetings held on a quarterly basis.

Risk Theme	Controls In Place in 2016 (highlights)
Developing a consistent safety culture across the Group	• Group Operating Risk Management System as the guideline for risk control • Corporate and Business Unit Safety and Environmental Management System • Visible Safety Leadership • Improved incident reporting and root cause analysis • Fit-for-purpose HSSE and Asset Integrity KPIs included on the Group Scorecard
Consistency in assessment of HSSE risks across the Group	• High priority on risk identification • Focus on Risk Assessments, Hazard Identification, ALARP and Permit to Work, Management of Change • Competency in technical authorities and assurance • Peer reviews, Readiness Reviews, Lessons Learned
Project HSSE risk and assistance	• Compliance with the ORMS and the required HSE management systems and controls • Contractor HSE Management • Risk Assessments and Peer Reviews • Technical Authority for project oversight • Alignment of projects with HSSE requirements
Ensuring identification and management of major accident hazards	• Process safety training, competency and technical assurance • Major accident hazard reviews conducted for operating facilities • Safety critical element lists developed for operating facilities • High level investigations of all high potential incidents • Emphasis on lessons learned and continuous improvements
Consistency in HSSE standards of contractors	• Issue of the operation's and project requirements for HSSE standards and requirements • Continued effort to reduce incidents related to driving performance and Journey Management procedures • HSSE standards and procedures for drilling and construction contractors • HSSE Competency requirements of Contractor staff

Improving performance and decision making

Over the past year, Dana Gas has developed a more rigorous and consistent approach in identifying and managing risks across the Group and rolled out an enhanced Governance Framework that integrates Risk Management, Organisation Structure, Internal Controls and Internal Auditing.

The objective of Risk Management within Dana Gas is to improve performance and decision making through timely identification, evaluation and management of key risks facing the organisation. The process operates on a mandatory basis across the Group and provides the Board with assurance that the major risks faced by the Group have been identified and are regularly assessed, and that wherever possible, there are controls in place to manage these risks. Risk assessment and evaluation are incorporated into key business processes, including strategy and business planning, investment appraisal, project management and HSSE processes.

Managing risk is an integral part of everyday business and fundamental to creating and maintaining shareholder value. An effective and integrated risk management framework enhances the ability of Dana Gas to achieve its strategic objectives and helps to protect our business, people and reputation.

Board and Executive Responsibility

The Dana Gas Board is ultimately responsible for risk management, as part of its role in providing strategic oversight and stewardship of the Group. This includes evaluating risks to the delivery of the business and strategic plan and oversight on mitigating strategies. Key strategic risks and opportunities are reviewed quarterly by the Board and the Audit & Compliance Committee. Accountability for identifying and managing business risks lies with country General Managers and functional heads, with oversight by the Executive Committee. In each area of risk, Executive Directors are supported by functional heads and business unit or in-country management. Responsibility for managing risk is assigned to individual managers and each employee is personally responsible for managing risk within the remit of their role.

During 2016, the Executive Committee actively reviewed risks to the business plan and also brought greater focus on action planning to the Group risk register. The quarterly risk and audit review sessions created a platform in which new risks and opportunities were discussed and risk-informed decisions about optimal courses of action were made. In addition to the short to medium term risks associated with the delivery of our business plan, the Executive Committee and Board also considered the medium and long-term risks and opportunities faced by Dana Gas.

Dana Gas Internal Controls Framework

Over 2016 the Internal Controls (policies, standards, processes etc.) operating in Dana Gas have been progressively reviewed and updated taking into consideration changes in the risk profile, business environment and regulatory requirements. These controls are reviewed with respect to the status of their development, communication, understanding, implementation and monitoring to ensure that they are effective in mitigating the risks.

During 2017 Dana Gas will continue to improve and make more robust its overall Governance, Risk Management, Internal Controls and Assurance framework and practices to protect shareholder value.

RISK FACTORS AND UNCERTAINTIES

Dana Gas businesses in the MENA region are exposed to a number of risks and uncertainties, which could, either on their own or in combination with others, potentially have a material effect on the Group's strategy, business performance or reputation. In turn, these may impact shareholders' returns, including dividends or Dana Gas share price. The Group continues to define and develop processes for identifying and managing these risks. Some of the risks listed below may be outside the control of Dana Gas and the Group may also be affected by other risks and uncertainties besides those listed here. These risks are not arranged in any order.

Receivables and Liquidity

Dana Gas exposure to receivables and liquidity risk takes the form of a loss that would be recognised if counterparties (including sovereign entities) failed or were unable to meet their payment or performance obligations. These risks may arise in certain agreements in relation to amounts owed for physical product sales. Dana Gas is exposed to liquidity risks, including risks associated with refinancing borrowings as they mature, and the risk that financial assets cannot readily be converted to cash without loss of value. The Group may be required to record asset impairment charges as a result of events beyond the Group's control.

Asset Integrity and HSSE

Exploration, Production, Transmission and Processing activities carry significant inherent risks relating to asset integrity failure leading to loss of containment of hydrocarbons, major accident hazards, marine incidents and wells out of control. Major accidents or incidents and the failure to manage these risks could result in injury or loss of life, delay in completion of projects, cancellation of exploration, damage to the environment, or loss of certain facilities with an associated loss or deferment of production and revenues.

Political

The success of the Group depends in part upon understanding and managing the political, economic and market conditions in the diverse economies in the MENA region. Specific country risks that could have an effect on the Group's business and reputation include: volatility of national currencies; unexpected changes in local laws, regulations and standards; cancellation, variation or breach of contractual rights; aggressive re-interpretation of existing tax laws; regional and governmental instability; government intervention in license awards; increased royalty payments or taxes mandated by governments; expropriation of assets; and political obstacles to key project delivery.

Asset Performance

The Company's levels of production (and therefore revenues) are dependent on the continued operational performance of its producing assets The Company's producing assets are subject to a number of operational issues including: reduced availability of those assets due to planned activities such as maintenance or shutdowns, unplanned outages, productivity and efficiency of wells, contamination of product, HSSE incidents and the performance of joint venture partners and contractors.

Project Funding

Dana Gas project funding requirements depend on a broad range of factors, including revenue and cash flow generated from our operations, variations in the planned level of capital expenditure, servicing the Sukuk, success with new development leases, proceeds realised from any asset disposals, hydrocarbon prices and new agreements with governments for production increase. Dana Gas ability to access project finance on attractive terms may be constrained by its business performance and liquidity/receivables position.

Access to new gas markets and the competitive environment

Inability to adequately analyse, understand, respond and access new gas markets and the competitive environment, could result in a loss of market share and have an impact on the Group's financial position. This could be due to inability to deliver new gas projects in time and understand the competitive environment from new gas supplies coming into the UAE, Egypt, Kurdistan Region of Iraq and nearby markets. Dana Gas faces strong competition from both the National Oil Companies (NOCs), which control a substantial percentage of the world's reserves, and the International Oil Companies (IOCs) that operate in the region. This competition could make securing access to acreage, reserves and gas markets more challenging.

Corporate Reputation and License to operate

The Group could be exposed to loss of corporate reputation due to failings in corporate governance, corporate social responsibility, HSSE, regulatory compliance, misreporting and/or restatement of results. This could impact future revenue, increased operating, capital or regulatory costs, or destruction of shareholder value. Over the years the Group has implemented robust corporate governance, corporate conduct, asset integrity and HSSE systems and processes and will continue to enhance this in line with any changes in the regulatory and compliance frameworks in the countries it operates.

People Resource and Succession Planning

The Group's performance, operating results and future growth depend on its ability to attract, retain, motivate and organise people with the appropriate level of expertise and knowledge, as Dana Gas pursues its objectives. Dana Gas takes a systematic approach to resourcing to ensure it can meet its long-term human resource needs, operating short and long-term resourcing demand models to predict and manage the people requirements that underpin the Group's business plans. The Group aims to identify the best people through succession planning and talent management, coupled with effective recruitment.

Insurance

The transfer of risks to the insurance market may be affected and influenced by constraints on the availability of cover, market appetite, capacity, pricing and the decisions of regulatory authorities. Some of the major risks associated with the Group's activities cannot or may not be reasonably or economically insured. Dana Gas may incur significant losses from different types of risks that are not covered by insurance.

Other Risks

Other risks that are regularly reviewed and assessed by the Dana Gas Executive Committee include: Asset Impairment, Gas Reserves, Commodity Prices, Stakeholder Management and Cyber Security.

CORPORATE GOVERNANCE

Since its formation in 2005, Dana Gas has always aspired to high standards of corporate governance with emphasis on accountability, transparency and integrity. It has recognised that the adoption of best corporate governance practices is fundamental to building a robust business and ensuring sound commercial reputation in the Middle East and internationally.

Enhancing Corporate Governance Processes

In June 2015, Dana Gas commissioned 'Hawkamah', the Institute of Corporate Governance in the MENA Region, to carry out an audit of the corporate governance practices with reference to the Ministerial Resolution No 518/2009. The findings of the report were presented to the Board in November 2015. The review confirmed that the Company's corporate governance practices remained top quartile but identified a number of minor improvements to ensure that the Company keeps to the highest possible standards of corporate governance. Over 2016 actions plans for the key recommendations were developed and progressively implemented under the review of the Corporate Governance, Remuneration and Nominations Committee, further strengthening the corporate governance processes. A few outstanding actions will be implemented during the course of 2017.

In May 2016 the new Corporate Governance Code SCA resolution number 7/R.M. was published and the Terms of Reference of the Dana Gas Board Committees were updated to comply with this Code. The Governance Framework was updated, integrating Organisational Structure, Internal Controls and Assurance, further ensuring a robust oversight process by the Board and senior management.

Additionally, actions plans for the key recommendations were developed and progressively implemented further strengthening the corporate governance processes. Other actions such as management sub-committees will be developed and implemented during the course of 2017.

Dana Gas Integrated Governance Framework

High standards of corporate governance are a key contributor to the long-term success of the Company, creating trust and engagement between the Company and its stakeholders. Dana Gas will continue to review and develop its Governance framework in view of changes in the external environment, business performance and best practice frameworks.

The Board of Directors and Responsibilities

The Board is elected by the General Assembly every 3 years. The Board continues to be comprised of leading businessmen from the GCC countries, and others with considerable experience in the oil and gas business. The Chairman of the Board is Mr. Hamid Jafar elected in 2015.

Dana Gas Governance Framework

Currently out of the 12 members of the Board, 8 are Independent Directors, 3 Non-Executive Directors and 1 Executive Director. Mrs. Fatima Obaid Al Jaber, Chief Operating Officer at Al Jaber Group and CEO of the Group in Abu Dhabi, is the only female member.

The responsibilities of the Board of Directors include: formulating and approving the Company's strategy and business plans; approval of the annual budget and the allocation of resources; setting investment priorities and approving business opportunities; overseeing the accuracy of the financial statements and financial reporting and the effectiveness of internal control; assessment of executive management performance; developing and adopting by-laws and regulations, policies and procedures in connection with the

Company's administration, financial matters and personnel affairs; appointment and succession of senior executives.

The Board is independent of the management and is formed of non-executive and independent directors. At all times, at least one-third of the directors are to be independent and a majority of directors are to be non-executives with the technical and financial skills and experience to be of benefit to Dana Gas.

Board Committees

The Board has three (3) permanent committees, each having a written charter setting out the respective scope and responsibilities. These committees are:

- Audit & Compliance Committee;
- Corporate Governance, Remuneration & Nominations Committee; and
- Board Steering Committee
  In addition, in the light of the importance of the quantification of the Company's hydrocarbon resources the Board has appointed a Reserves Sub-Committee to the Board Steering Committee to provide it with specialist knowledge in this area.

The Audit and Compliance Committee (A&CC)

The principal duties of the A&CC are monitoring the integrity of the Company's financial statements and its reports (annual reports, semi-annual reports, and quarterly reports) and reviewing the financial and accounting policies and procedures of the Company, as well as ensuring the independence of the Company's external auditor. It is also responsible for evaluating the integrity and quality of the Company's risk management and internal control policies and all the duties stated in the Ministerial Resolution 518/2009 and 7/R.M./2016.

- The A&CC members are:
- Mr. Varouj Nerguizian, Chairman, Independent Director
- Mr. Majid Jafar, Non-Executive Director
- Mr. Nasser Al-Nowais, Independent Director
- Mrs. Fatima Al-Jaber, Independent Director
- Mr. Said Arrata, Independent Director

The Committee convenes not less than once every three months and additionally whenever the need arises. The minutes of the A&CC meetings are signed by the Committee Chair and the Committee Secretary. The management provides the necessary information to the A&CC to enable it to discharge its functions. The Committee's charter was last updated in November 2016.

Corporate Governance, Remuneration & Nomination Committee (CGR&NC)

The CGR&NC oversees compliance by the governing bodies of the Company: the General Assembly, the Board of Directors and executive management with established corporate governance standards. The Committee assists the Board in relation to the appointment of senior executives, appraisal of management performance, succession planning and remuneration policies. The Committee is responsible for nominations and election to the Board of Directors membership.

The CGR&NC members are:

- Mr. Abdullah Al-Majdouie (Chair), Independent Director
- Mr. Hani Hussain, Independent Director
- Mrs. Fatima Al-Jaber, Independent Director

All of the members of the Committee are Independent Directors. They possess considerable knowledge and expertise in corporate governance, nominations, and remuneration, salaries and benefits policies. The Committee's charter was last updated in November 2016.

The Board Steering Committee (BSC)

The principal role of the Board Steering Committee (BSC) is to provide support to, and facilitate the deliberations and decision-making process of, the Board of Directors through prior consideration of matters submitted for Board's consideration relating to strategy, business planning, budgets, new investment opportunities and making appropriate recommendations. The BSC recommends to the Board the business performance targets and annual corporate scorecard for each year and reviews progress against the scorecard as may be required from time to time. It also considers reports from the Reserves Committee on Company Reserves, Independent Engineering and Audit findings. The Committee's charter was last updated in November 2016.

The BSC members are:

- Mr. Rashid Jarwan (Chair), Independent Director
- Mr. Varouj Nerguizian, Independent Director
- Mr. Abdullah Al-Majdouie, Independent Director
- Mr. Said Arrata, Independent Director
- Mr. Majid Jafar, Non-Executive Director
- Dr. Patrick Allman-Ward, Executive Director

The Reserves Sub-Committee (RSC)

The main purpose of the Reserves Committee (RSC) is to review and approve Company Reserves reports. The RSC will review the Company Reserves Reports, discuss these with management and the external reserves auditors and recommend their adoption where appropriate to the Board Steering Committee in accordance with the provisions of its Charter.

The RSC is comprised of:

- Mr. Said Arrata (Chair), Independent Director
- Mr. Hani Hussain, Independent Director
- Mr. Ziad Galadari, Independent Director
- Dr. Patrick Allman-Ward, Executive Director
- Ms. Iman Hill, Technical Director and UAE General Manager.

Delegation of Responsibilities to the Executive Management

The Board of Directors has delegated the Company's Executive Management Committee the following responsibilities:

- implement the strategies, plans and policies laid down by the Board of Directors for achieving Company's objectives;
- identify, pursue and submit studies and proposals relating to business development and new investment opportunities;
- submit to the Board of Directors periodic reports about the business of the Company, its financial position, internal control procedures and the measures taken to manage risks;
- provide the Board of Directors, on a timely basis, with the information and documents required for efficient conduct of Board meetings;
- provide regulatory bodies (Ministry of Economy, Securities and Commodities Authority, Abu Dhabi Securities Exchange) with information, disclosure statements and documents as required in accordance with applicable laws, rules and regulations and Company regulations.

The Executive Management Committee consists of the following:

- Mr. Patrick Allman-Ward, Chief Executive Officer
- Mr. Chris Hearne, Chief Financial Officer
- Mr. Duncan Maclean, Legal & Commercial Director
- Mrs. Iman Hill, Technical Director, GM UAE and President Egypt
- Mr. Bruce Basaraba, Head of HSSE
- Mr. Ramganesh Srinivasan, Head of Human Resources
- Mr. Michael Pyszka, GM Egypt and Head of Production

Company's External Auditors

The Company's external auditors, Ernst & Young, is one of the top tier international audit firms with a network of 230,000 employees in more than 150 countries. It is an independent professional firm, which has been in the region since 1923 and has evolved during that period to become one of the big four audit firms in the world. The firm's areas of work include oil and gas, banks, financial institutions, technology and commerce, health care, infrastructure, industrial, leisure in addition to consumer products and allied sectors.

Internal Control

Internal Controls & Risk Management

Dana Gas has in place a fully integrated internal control system that links corporate governance rules, risk management, internal controls and assurance processes.

The Internal Controls & Risk Management department is responsible for identifying and assessing the risks facing the Company and assisting management in developing and implementing an effective internal controls system which address the key risks. The Company's internal controls are policies, processes and standards designed to achieve the effectiveness and efficiency of operations, reliability of financial reporting and in compliance with laws and regulations. There is a continuous verification in place that the Company and its staff comply with applicable laws and regulations, and resolutions that govern the Company's operations as well as internal procedures and policies.

The Corporate Internal Controls & Risk Manager is responsible for overseeing the Internal Audit and the Internal Controls functions with a direct reporting line to the Audit Committee and is ultimately accountable to the Board. He is primarily and directly responsible for auditing the Company's internal controls to confirm that they are adequate for their intended purpose, for identifying and reviewing any perceived shortfalls or weaknesses in the internal controls, and for testing compliance with the internal control framework. He is authorised to take the necessary action to implement the directives of the Board of Directors, and to report violations of the Company's regulations, policies and Board's directives to the Board of Directors and the Audit Committee identified during the audit process.

The Internal Control Manager submits an annual risk-based audit plan to the Board of Directors for approval, which includes a comprehensive assessment of the risks facing the Company. The annual plan is designed to prioritise potential areas of risk with a view to allocating the Group's resources to those areas of most strategic importance to the Company, to ensure that all material functions and activities of the Company (and its subsidiaries) are periodically audited and reviewed and to support the Company's overall risk assessment procedures.

The internal audit reports are shared with the Company's external auditors when auditing the Company's annual financial statements.

Whistleblowing Mechanism:

The Company has established a whistleblowing mechanism whereby employees can anonymously make complaints pertaining to mal-administration, fraud or corruption. The Compliance Officer leads the Business Ethics Committee which is responsible for addressing complaints made through this procedure. Any financial related complaints will be addressed by the Internal Controls & Risk Manager and promptly communicated to the Audit & Compliance Committee.

The Corporate Internal Controls & Risk Manager:

Mr. Bob Sehmi was appointed Corporate Internal Controls & Risk Manager in July 2015. He has over 30 years of experience working with multinational organisations listed in the London, New York and Frankfurt Stock exchanges and the Abu Dhabi Securities Exchange. Mr. Sehmi is a Fellow of the Chartered Institute of Management Accountants (FCMA), Member of the Institute of Risk Management (MIRM), MBA, Member of the Institution of Civil Engineers (MICE) and Member of the Institution of Structural Engineers (MIStructE).

Compliance Officer:

Mr. Duncan Maclean was appointed as Compliance Officer by Board Resolution No. 27/2016 dated 22 June 2016, to carry on the duties and functions prescribed in article 51 of the SCA Resolution No 7/R.M/2016 concerning Corporate Discipline and Governance. Mr. Maclean is an Australian qualified lawyer, is admitted as a Barrister and Solicitor of the High Court of Australia, Federal Court of Australia, the Supreme Courts of the Northern Territory, South Australia and Western Australia. He holds of a Bachelor Degree in Law (LLB) and a Masters Degree in Commercial Law (MCommLaw) and has over twenty five (25) years of experience in corporate, commercial and oil & gas legal practice in international law firms. He is also the Legal and Commercial Director and Company Secretary.

Company's Social Responsibility

Dana Gas' corporate social responsibility activities cover the countries where it operates. The Company's objective has been to play a prominent role in supporting local communities situated within its areas of operation. Dana Gas has implemented a number of projects and programs covering education, health and social activities in accordance with its annual corporate social responsibility plan approved by the Board of Directors.

Further details are available in the Company's 2016 Corporate Governance Report.

Equality, Diversity and Development

Dana Gas PJSC continues to be the leading private sector natural gas company in the Middle East, North Africa, South Asia (MENASA) region creating value for the benefit of its shareholders and for the wellbeing and the economic growth of the region. Our success derives from the competence and dedication of one of our core assets, our Employees.

Talent Attraction and Retention

Dana Gas is able to continue its success in building capability at all levels, by identifying and attracting skilled people. It is part of our evolving culture to value expertise in a way that will generate the necessary proficiency that we require across the Group now and for the future. Our talent strategies are aligned with our business, strengthens and supports the successful delivery of our corporate objectives and is a key aspect in enhancing Shareholder value.

Diversity and Equality

Dana Gas strives to create a collaborative workplace from various backgrounds and experiences. At Dana Gas, Employees are constantly encouraged to take the initiative and define areas of work that will benefit from their expertise. We respect and value everyone and embrace diversity which brings understanding and connection to the communities in which we operate. It helps us better understand the needs of our partners, customers and shareholders.

Dana Gas is committed to equal opportunities and does not condone discrimination of any kind. Being an equal opportunity employer, our workplace policies and practices provides an inclusive environment where everyone can participate, contribute and develop freely and equitably. These values have helped us to build and maintain the diverse and robust community that is Dana Gas.

Development

Developing our people and helping them to reach their full potential are key elements in delivering our Group's business strategy. This continues to be one of our main priorities. We recognise that the success of our strategy depends on successful delivery by our Employees, and we therefore provide attention to team level learning and development opportunities for every individual. In 2016 we spent 155 person days in learning and development activities across all disciplines in the form of external, internal and on the job learning.

As a part of our commitment to society towards building a capable workforce for the future, Dana Gas has engaged with academic centres of learning to provide internship and learning opportunities to university students. In 2016 both in the UAE and in Egypt, Dana Gas has provided internship and learning opportunities across multiple disciplines to a total of 32 students out which 20 were female students.

Performance and Rewards

In order to accomplish the Group objectives, Dana Gas has a robust performance management program that firstly defines the criteria by which business success is measured. Goals are then set accordingly, performance reviewed periodically, results evaluated and employees assessed for their delivery against their goals and recognised for their contributions through a performance based reward system. Dana Gas understands that motivating employees is essential and that effective teamwork drives delivery and progress. Accordingly, we also recognise achievement in supporting each other to accomplish our shared goals.

The reward philosophy of Dana Gas is performance driven across all its levels and is designed to deliver both a solid employee value proposition as well as to support the corporate strategy effectively. This helps the Company in maintaining an able workforce that is motivated and is capable of delivering the Company's business objectives.

Commitment, Employee Engagement, Communication and Feedback

Sharpening individual as well as operational performance continues to be a top priority for our Management. We are focused on building a lean and efficient organisation with clear responsibilities and accountabilities enabling faster decision making while enhancing control and delivery.

Dana Gas has a strong shared focus on maintaining a healthy and safe working environment. In order to ensure compliance with the highest HSSE standards and levels, Dana Gas encourages all Employees to report any incidents that affect their health and safety, with the goal of causing no incidents nor harm to people and minimising any adverse effect on the environment.

Dana Gas believes in open dialogue and values employees' feedback and suggestions. Our regular staff Townhall sessions serve in communicating our operational as well as financial results and in keeping everyone informed about changes and progress that affect them as well as the Group.

HEADCOUNT, NET TO THE COMPANY'S INTEREST AS OF 31 DECEMBER 2016

	Dana Gas Employees	Dana Gas Contractors	JV Employees	JV Contractors	Subtotal
DG UAE (100%)	34	0	0	0	34
Saj Gas (UAE) (100%)	7	3	0	0	10
UGTC (UAE) (100%)	2	0	0	0	2
ZORA (UAE) (100%)	2	0	0	0	2
DG KRI (100%)	3	1	0	0	4
CREDAN (KRI) (35%)	0	0	171	0	171
DG Egypt (100%)	112	30	0	0	142
WASCO (Egypt) (100%)	5	0	408	326	739
EBGDCO (Egypt) (26%)	0	0	15	17	32
Subtotal	**165**	**34**	**594**	**343**	**1,136**

Note: WASCO JV Employees are, for the great majority, EGAS Employees.

"As of Dec 2016, nearly 16% of our overall full time workforce were female employees."

"As of Dec 2016, the full time employee workforce of DANA GAS consisted of people from 16 different nationalities from across the World."

Creating shared value

Dana Gas in 2016 contributed to the development of communities in the regions in which it operates.

Dana Gas recognises that Corporate Social Responsibility (CSR) is about managing the interactions between business and people, the environment and communities, by directly contributing to economic and social development while protecting natural resources and respecting the rights of each individual.

- The Company is focused on delivering sustainable long-term value to its stakeholders, while making a positive contribution to the communities with which it engages.
- Dana Gas fully understands its role in fostering an environment that embeds a CSR ethic into its activities and business practices.
- Dana Gas has undertaken this effort since its establishment, and it prides itself on continuing to pursue this path despite the difficult financial circumstances the petroleum sector as a whole and the Company has experienced.

Sustainability Objective

Focus on our commitment to managing the impacts of our business while creating shared prosperity for shareholders, governments, communities, employees and industry partners alike.

Corporate Social Responsibility for Dana Gas is:

- Value equality, tolerance, diversity and development.
- Talent attraction and employee retention strategies.
- Instil a collaborative workplace where there is cultural diversity.
- Promote talent development and competency assurance.
- Programs for performance management and evaluation.
- Continuous efforts for improved operational and behaviour changes.
- Invite employee engagement, open communication and feedback.
- Promote a work environment that invites everyone's 'right to question'.
- Sharing of ideas and opinions is expected.
- Finding the balance between work and family.
- Desire that everyone works safely and respects the environment.

CSR Focus

- Improve healthcare standards and education development for individuals, particularly in rural areas where the Company's concessions are located.
- The Company seeks to continue offering as much assistance as possible and thereby endeavouring to make a positive and lasting contribution to society.
- We believe that the ideal way to achieve our goal is by supporting communities with the best sustainable development tools we have at our disposal.

Corporate Social Responsibility Commitment

> "Dana Gas remains committed to its corporate social responsibility efforts."

Objectives of Stakeholder Engagement for Dana Gas in 2016

- **Identify** all those affected by or interested in our operations and projects to ensure they are included in the engagement process.
- **Understand** the views of the key stakeholders and ensure they adequately understand the positive and negative impacts of the activities.
- **Inform** the public and partners about our activities, being transparent, honest and open.
- **Relationships and trust** through supporting communications, dialogue and engagement with stakeholders, acting with transparency.
- **Engage with all stakeholders** including vulnerable and marginalised groups by having an inclusive approach to consultation and participation.
- **Manage expectations and concerns** by providing a method for stakeholders to engage with us about their concerns and expectations.
- **Compliance** with local and national government regulations and international best practices as defined by recognised standards and associations.

Stakeholder Engagement Activities for Dana Gas in 2016

1 Conduct EIA, ESIA and QRA studies for benefit of public and Company
2 Public consultation meetings with communities
3 Meet the neighbours initiatives
4 Open house and site visits
5 Presentations to local community schools and universities
6 Membership in joint business groups and associations
7 Holding emergency response drills and training with public authorities
8 Mutual aid programs
9 Sponsorships, donations and charity initiatives
10 Stakeholder meetings and forums
11 Formal and informal grievance procedure for raising issues and complaints
12 Mandatory reporting related to operations and project impacts and actions
13 Whistleblower policy and process

Corporate Social Responsibility Involvement in 2016

- Provide support for higher education in the UAE to develop the youth in the country.
- In Egypt and KRI we will continue to enhance the development of local primary healthcare and improved local education services.
- In Egypt we continued to support small business development and engaging local business with employment growth opportunities.
- In the KRI we continued to support orphaned children programs, enhancing local infrastructure for access to clean potable water supplies, provision of electricity and maintain local access roads for communities where we operate.

Social and Economic Impact[1]

Dana Gas makes long-term economic impact and generates significant direct benefits to the KRI region. It is estimated that through the Erbil and Chemchemal power plants that it supplies with cheap gas, Dana Gas and Crescent Petroleum have provided a boost to long-run GDP estimated to be $6.2-15.5bn. It has also increased the reliability of electricity supplies to an average of 22 hours per day of electricity compared to 8 hours in 2006, in an area that is fundamentally short of power. This has resulting in an estimated $9-21bn in avoided business costs. In addition, Dana Gas contributes to the provision of cheap natural gas and supports the generation of electricity at internationally and nationally competitive rates.

This directly impacts the local community by securing low cost energy supply to four million Iraqis and saving the regional government US$3.4 billion per annum in gas-for-diesel substitution. Dana Gas has also contributed to the creation of 40,000 jobs as a result of the direct, indirect or induced impacts of the Dana Gas and Crescent Petroleum operations thereby providing employment for 18% of the KRI population. Since project inception in 2008, the total avoided greenhouse gas emissions amounts to US$1.43 billion due to the switch from diesel to gas supplied power generation.

[1] PWC "Assessment of Societal Benefits", Dana Gas and Crescent Petroleum Gas Projects in Kurdistan, December 2014.

> "Dana Gas considers CSR to be part of the way we do our business."

Other Engagements

Dana Gas engages with the local communities on a daily basis in the areas in which it operates and this means that the Company often assists both individuals and communities on an ad-hoc basis outside of the formal programs. In 2016, Dana Gas helped the nearby villages and their inhabitants through some of the following projects:

- Supplying a number of NGOs with office material to conduct educational training for the community.
- Renovating a primary school in Khor Mor village.
- Buying a new water pump for Khor Mor primary school.
- Providing the Qadir Karam intermediate school with a new printer.
- Purchased a small generator for a village near KRI operations.
- Providing the firefighting trucks in Qadir Karam with new tires.

Dana Gas introduced a number of new projects and initiatives in 2016, which it will continue to develop in 2017. These include, the Amar IDP Program in Kurdistan. Due to the sometimes unstable nature of the regions in which the Company operates, we strongly believe that our efforts and continued social contributions make a difference to both communities as well as individuals. We remain deeply committed to our CSR efforts, whether it is by helping to improve healthcare, education or community engagement standards across the areas where the Company's concessions are located. We therefore seek to continue offering as much assistance as we can, conscious of our responsibility to contribute towards making the world a better place to live.

In Summary

- Dana Gas is committed to social investment and community development activities.
- Dana Gas recognises that Corporate Social Responsibility is about managing interactions between business and people, environment and communities.
- Our aim is to directly contribute to economic and social development while protecting natural resources and respecting the rights of individuals.
- We endeavour to make a positive and lasting contribution to society.
- We believe that the ideal way to achieve our sustainable goals is by empowering communities with resources that lead to successful results for all parties.
- One of the most essential factors for achieving our goals for sustainability and making the outcomes impactful is recognising the efforts of our valued employees.
- The success of the Dana Gas journey for community social responsibility and sustainability is ensuring that our employees are involved and engaged.
- The key to achieving the Dana Gas sustainability goals is through having a solid and reputable 'corporate governance' system in place.

"Dana Gas is focused on delivering sustainable long-term value to its stakeholders, while making a positive contribution to the communities with which it engages."

IN THIS SECTION

Financial Statements

INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS OF DANA GAS PJSC

REPORT ON THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

Opinion

We have audited the consolidated financial statements of Dana Gas PJSC (the "Company" or "Dana Gas") and its subsidiaries (the "Group"), which comprise the consolidated statement of financial position as at 31 December 2016, and the consolidated income statement, consolidated statement of other comprehensive income, consolidated statement of cash flows and consolidated statement of changes in equity for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of the Group as at 31 December 2016, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards ("IFRSs").

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing ("ISAs"). Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the consolidated financial statements* section of our report. We are independent of the Group in accordance with the International Ethics Standards Board for Accountants' *Code of Ethics for Professional Accountants* (the "IESBA Code") together with the ethical requirements that are relevant to our audit of the consolidated financial statements in the United Arab Emirates, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Emphasis of Matters

(i) We draw attention to notes 12 (b) and 14 to the consolidated financial statements which disclose that the continued delay in commencement of gas supplies has prompted a key supplier of the Group to initiate arbitration proceedings against the ultimate supplier; and
(ii) We also draw attention to notes 15 and 17 to the consolidated financial statements which discloses arbitration proceedings entered into with the Kurdistan Regional Government of Iraq.

Our opinion is not modified in respect of the above matters.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled the responsibilities described in the Auditor's responsibilities for the audit of the consolidated financial statements section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the consolidated financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying consolidated financial statements.

(i) Recoverability of Trade Receivables from the Kurdistan Regional Government of Iraq (KRG)

Total trade receivables as at 31 December 2016 include USD 713 million (note 17) (Group share of 35% of Pearl Petroleum Company Limited "PPCL", a joint operation) due from The Kurdistan Regional Government of Iraq ("KRG"). The recoverability of receivables from KRG is linked to the outcome of the ongoing arbitration and related legal proceedings. There have been rulings issued by the Arbitral Tribunal in favour of the Consortium (which includes Dana Gas) and the same has been disclosed in more detail in note 15 (a) to the consolidated financial statements.

On 3 July 2015, the Tribunal issued a Partial Final Award dated 30 June 2015 ("First PFA") confirming the Consortium's contractual rights including a number of important issues addressed at the 20 April 2015 hearing. Among other things, the First Partial Final Award confirmed the Consortium's exclusive long-term rights to develop and produce gas and petroleum from both the Khor Mor and Chemchemal fields for the duration of the Contract, being not less than 25 years. It also confirmed the KRG's contractual obligation to pay the Consortium for the produced condensate and LPG at international prices, including the pricing methodology for each and that Dana Gas and Crescent Petroleum were entitled to farm out part of their own interests in the Contract to MOL and OMV, and that the KRG was not entitled to a share of the farm-out proceeds.

On 27 November 2015, the Tribunal handed down its Second Partial Final Award (dated 27 November 2015 and updated by Memorandum of Correction dated 20 January 2016) ("Second PFA") in which it ordered the KRG to pay the Consortium within 28 days (i.e. by 26 December 2015) the sum of USD 1.963 billion for outstanding unpaid invoices for the produced condensate and LPG up to 30 June 2015, as per the pricing methodology already determined by the Tribunal in the First PFA.

(i) Recoverability of Trade Receivables from the Kurdistan Regional Government of Iraq (KRG) (continued)
The KRG has not yet paid the USD 1.963 billion, and on 22 December 2015, launched a challenge to the Second PFA in the English High Court on the limited procedural grounds allowed for in arbitration. The hearing for the KRG's challenge was set for 28-30 November 2016. However, on 20 October 2016 the KRG formally withdrew the challenge and offered to pay the Consortium's costs associated with it. The KRG also undertook not to argue the same grounds as it raised in the challenge in any other proceedings related to the Second PFA, including in relation to enforcement of the Second PFA. The Second PFA is final, binding and internationally enforceable in courts around the world, and does not depend upon any further hearings.

On 13 February 2017, the Company received the Third Partial Final Award ("Third PFA") dated 30 January 2017 as disclosed in note 15.

We have discussed the status of the ongoing legal proceedings with the Group's legal department. We reviewed the First, Second and Third PFAs and related arbitration documents and evaluated management's rationale and assessment of the recoverability of the receivables. We also obtained external legal confirmations. In addition, we obtained an understanding of the local environment in which the Consortium operates and its impact on the operations. We also considered cash, including collections subsequent to the year end.

Considering the uncertainty around recoverability of trade receivables from KRG, we have included an emphasis of this matter in this audit report.

(ii) Recoverability of Trade Receivables from the Government of Egypt
The receivables from state owned companies of Government of Egypt, EGPC and EGAS amounted to USD 265 million (note 17) as at 31 December 2016. Given the economic uncertainty in Egypt we continue to focus on the recoverability of this overdue amount. Although contractually, the Group is entitled to be paid in USD it does accept payments in Egyptian Pounds (EGP) to the extent of its local currency requirements. At every quarter end it remains exposed to the currency fluctuations though the balances are not material except for the EGP kept as a collateral against a USD facility. The management is hopeful that the recovery will not be further delayed as the economic situation in Egypt is stabilising. The management is confident of further progress in the collection of receivables in the near future due to its strong relationships with Egyptian Government. There is no dispute on the outstanding receivable balance and based on the progress made on the Gas Production Enhancement Agreement including the commencement of shipments to allow for direct condensate export and other positive economic developments in Egypt, the management does not foresee any recovery issue on these receivables.

We discussed the status of these receivables with the Group's management and reviewed the Gas production enhancement agreements. We also obtained an understanding of the local environment in which the entity operates and its impact on the operations. We also considered cash received, including collections subsequent to the year end.

(iii) UAE Gas Project Assets and Legal Arbitration
The UAE Gas Project to process and transport imported gas continues to await the commencement of gas supplies by the National Iranian Oil Company ("NIOC") to Crescent Petroleum. Dana Gas has a 35% interest in Crescent National Gas Corporation Limited (CNGCL) and owns 100% of SajGas and UGTC, all of whose rights to recover their losses have been preserved and whose claims are being pursued by Crescent Petroleum. Assets of SajGas and UGTC include intangible and tangible assets of USD 289 million and USD 242 million respectively (note 12b). Dana Gas' 35% interest in the marketing entity CNGCL is recorded in the balance sheet at USD 559 million (note 14). The carrying value of these assets is dependent upon the final Tribunal Award on the damages claim against NIOC and the resultant share of Dana Gas.

Crescent Petroleum, which has the gas supply contract with NIOC, commenced international arbitration against NIOC in June 2009 due to the continued delay in receipt of gas to supply the chain via CNGC. In August 2014, Dana Gas was notified by Crescent Petroleum that the Arbitral Tribunal issued a Final Award on the merits, determining that the 25-year contract between Crescent Petroleum and NIOC is valid and binding upon the parties, and that NIOC has been in breach of its contractual obligation to deliver gas under the contract since December 2005.

NIOC challenged the 2014 Award in the English High Court, which was finally dismissed in July 2016 and confirmed that the Award is final and binding. The final 3 week hearing of the remedies phase against NIOC for non-performance of the contract (including claims for damages and indemnities for third party claims) took place in November 2016. Due to a long post-hearing submissions timetable, the final damages Award is expected in the second half of 2017.

We have reviewed legal documents including the decision of the English High Court of July 2016 relating to dismissal of the NIOC challenge of the Award, and discussed the progress and status with the client's legal department. We also reviewed the adequacy of the related disclosures in the consolidated financial statements.

Considering the inherent uncertainty over the ultimate outcome of any arbitration or court process and the inherent uncertainty over the enforceability of the court orders, we have included an emphasis of this matter in this audit report.

Key Audit Matters (continued)

(iv) Goodwill and Oil and Gas interest

As at 31 December 2016, the Group has goodwill of USD 308 million (note 12) relating to Egyptian assets and tangible and intangible assets amounting to USD 442 million (notes 11 & 12) relating to the oil and gas interests of Dana Gas Egypt and USD 234 million (note 11) of development assets relating to the Zora Gas field in UAE. The current low price environment and uncertainty over timing of cash flows from these assets presents an increased risk of impairment.

The management undertook an impairment review of these assets as at 31 December 2016 using a discounted cash flow model supported by an independent expert's reserve report. This impairment test was significant because of the materiality of the balances and also as it requires significant management judgments and assumptions that are affected by future market conditions, particularly future oil/gas prices, expected reserves additions from the development activities currently in progress as part of Gas Production Enhancement Agreement, commercial recoverability of resources from prospects considered for goodwill valuation, macro-economic conditions in Egypt and the flow rates from the Zora Gas Field.

We evaluated the assumptions and methodologies used by the Group and the independent external expert, in particular those relating to discount rates, capital/operating expenditures, production profile and oil/gas prices. We agreed the forward looking data used in the impairment models to the business plan. We compared the forecasts and budgets to the assumptions used by management relating to short- and long-term oil/gas prices to third party forecasts, discount rates by comparing key inputs, where relevant to the externally derived data and market rates, production/reserves volumes during the period of the lease and capital/operating expenditures. We also performed audit procedures on the mathematical accuracy of the impairment models and performed sensitivity analysis over inputs to the cash flow models. We evaluated the objectivity, independence and expertise of the independent external expert. We also focused on the adequacy of the Group's disclosures about those assumptions to which the outcome of the impairment test is most sensitive, that is, those that have the most significant effect on the determination of the recoverable amount of oil and gas assets and goodwill which are disclosed in note 12 to the consolidated financial statements.

(v) Sukuk Refinancing

Cash and bank balances at 31 December 2016 stood at USD 302 million, a decrease of USD 168 million (36 %) as compared to balances as at 31 December 2015. The liquidity position of the Group may deteriorate in future given the low international oil/gas prices, any change in the receipts from the arrangement of direct local sales in KRG, and the payment commitments that the Group has with regards to Sukuk profits, repayment of borrowings obtained for Egypt and Zora operations and repayment of Sukuk due for maturity on 31 October 2017. As disclosed in note 25 to the consolidated financial statements, the Group has USD 350 million exchangeable Sukuk and USD 350 million ordinary Sukuk (at nominal value) as at 31 December 2016. The Sukuk will be maturing on 31 October 2017. The refinancing of Sukuk is a key audit matter as it is the main part of the Group's working capital structure and is also subject to several securities.

The Ordinary and Exchangeable Sukuk are secured against the shares of Dana LNG Ventures Limited (BVI), Sajaa Gas Company Limited (Sharjah) and United Gas Transmission Company Limited (Sharjah). In addition to the above, the security package available to holders of the New Sukuks was enhanced by USD 300 million of value comprising security over certain receivables of the Group's Egyptian assets, Group's interest in Danagaz W.L.L. and Sajaa Gas industrial land.

The management has assessed the going concern of the Group based on the internal cash flow forecast for the next 3 years and concluded that it is appropriate to prepare the consolidated financial statements on a going concern basis. The management has not identified a material uncertainty that may cast significant doubt on the Group's ability to continue as a going concern, and accordingly none is disclosed in the consolidated financial statements of the Group.

The Board of Directors has considered the future operating and capital cash flow requirements of the Group, and is fully confident of meeting the Group's license obligations despite the challenges and uncertainties in the markets in which the Group operates. Meanwhile, with regard to the Sukuk and its maturity in the fourth quarter of 2017, the Board considers that, after taking into account various uncertainties that are general and specific to the Group, a number of retirement options are available to it which are currently under evaluation.

We have discussed the various retirement options, which are currently under evaluation, with the Board and management of the Group. We have also reviewed the supporting documents relating to various retirement options.

We also assessed the adequacy of the Group's disclosure regarding the Sukuk refinancing and going concern, which are included in note 25 of the consolidated financial statements.

INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS OF DANA GAS PJSC (CONTINUED)

REPORT ON THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

Other information

Management is responsible for the other information. Other information consists of the information included in the Group's 2016 Annual Report, other than the consolidated financial statements and our auditors' report thereon. We obtained the Report of the Directors, prior to the date of our auditors' report, and we expect to obtain the remaining sections of the Group's 2016 Annual Report after the date of our auditors' report.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with IFRSs and in compliance with the applicable provisions of the UAE Federal Law No. (2) of 2015, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Group's financial reporting process.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

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

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS OF DANA GAS PJSC (CONTINUED)

REPORT ON THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements (continued)

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on Other Legal and Regulatory Requirements

Further, as required by the UAE Federal Law No. (2) of 2015, we report that:

i) we have obtained all the information we considered necessary for the purposes of our audit;
ii) the consolidated financial statements have been prepared and comply, in all material respects, with the applicable provisions of the UAE Federal Law No. (2) of 2015 and the Articles of Association of the Company;
iii) the Group has maintained proper books of account;
iv) the financial information included in the Report of the Directors is consistent with the books of account of the Group;
v) investments in shares and stocks during the year ended 31 December 2016, if any, are disclosed in note 19 to the consolidated financial statements;
vi) note 31 reflects material related party transactions and the terms under which they were conducted;
vii) based on the information that has been made available to us nothing has come to our attention which causes us to believe that the Company has contravened during the financial year ended 31 December 2016 any of the applicable provisions of the UAE Federal Law No. (2) of 2015 or of its Articles of Association which would materially affect its activities or its financial position as at 31 December 2016; and
viii) note 35 reflects the social contributions made during the year.

For Ernst & Young

Thodla Hari Gopal
Partner
Registration No. 689

08 March 2017

Sharjah, United Arab Emirates

CONSOLIDATED INCOME STATEMENT
FOR THE YEAR ENDED 31 DECEMBER 2016

	Notes	2016 USD mm	2016 AED mm	2015 USD mm	2015 AED mm
Revenue	5	**392**	**1,437**	417	1,529
Royalties	5	**(137)**	**(502)**	(146)	(535)
Net revenue	5	**255**	**935**	271	994
Operating costs		**(52)**	**(191)**	(56)	(205)
Depreciation and depletion	11	**(100)**	**(366)**	(89)	(326)
Gross profit		**103**	**378**	126	463
General and administration expenses		**(13)**	**(48)**	(23)	(84)
Other income	6	**–**	**–**	208	762
Investment and finance (cost)/income	7	**(55)**	**(202)**	130	476
Reversal of/(provision for) surplus over entitlement	28	**39**	**143**	(153)	(561)
Provision for impairments		**(7)**	**(26)**	(24)	(88)
Other expenses		**(19)**	**(69)**	(8)	(29)
Change in fair value of investment property	13	**(1)**	**(4)**	(1)	(4)
Share of loss of a joint venture	14	**(3)**	**(11)**	(7)	(26)
Exploration expenses		**(4)**	**(15)**	(14)	(51)
Finance cost	8	**(97)**	**(355)**	(77)	(282)
(LOSS)/PROFIT BEFORE INCOME TAX		**(57)**	**(209)**	157	576
Income tax expense	9	**(31)**	**(114)**	(13)	(48)
(LOSS)/PROFIT FOR THE YEAR		**(88)**	**(323)**	144	528
(LOSS)/PROFIT ATTRIBUTABLE TO:					
– Equity holders of the parent		**(88)**	**(323)**	146	535
– Non-controlling interest		**–**	**–**	(2)	(7)
		(88)	**(323)**	144	528
EARNINGS PER SHARE:					
– Basic (loss)/earnings per share (USD/AED per share)	10	**(0.013)**	**(0.046)**	0.021	0.077
– Diluted (loss)/earnings per share (USD/AED per share)	10	**(0.013)**	**(0.046)**	0.019	0.072

The attached notes 1 to 35 form part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF OTHER COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2016

	2016		2015	
	USD mm	AED mm	USD mm	AED mm
(Loss)/profit for the year	**(88)**	**(323)**	144	528
Other comprehensive income:				
Other comprehensive income to be reclassified to income statement in subsequent periods:				
Gain/(loss) on available-for-sale financial asset (note 18)	–	–	3	11
Net amount transferred from other reserve (available-for-sale financial asset)	–	–	12	44
Other comprehensive income for the year	–	–	15	55
Total comprehensive (loss)/income for the year	**(88)**	**(323)**	159	583
ATTRIBUTABLE TO:				
– Equity holders of the parent	**(88)**	**(323)**	161	590
– Non-controlling interest	–	–	(2)	(7)
	(88)	**(323)**	159	583

The attached notes 1 to 35 form part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AT 31 DECEMBER 2016

	Notes	2016 USD mm	2016 AED mm	2015 USD mm	2015 AED mm
ASSETS					
Non-current assets					
Property, plant and equipment	11	**1,105**	**4,050**	1,032	3,784
Intangible assets	12	**690**	**2,529**	748	2,741
Investment property	13	**24**	**87**	25	91
Interest in joint ventures	14	**560**	**2,053**	559	2,048
		2,379	**8,719**	2,364	8,664
Current assets					
Inventories	16	**49**	**180**	53	194
Trade and other receivables	17	**1,026**	**3,761**	1,017	3,728
Available for sale financial asset	18	**–**	**–**	–	–
Financial assets at fair value through profit or loss	19	**9**	**33**	8	29
Cash and bank balance	20	**302**	**1,107**	470	1,723
		1,386	**5,081**	1,548	5,674
TOTAL ASSETS		**3,765**	**13,800**	3,912	14,338
EQUITY AND LIABILITIES					
Capital and reserves attributable to equity holders of the Parent					
Share capital	21	**1,901**	**6,969**	1,901	6,969
Statutory reserve	22	**108**	**395**	108	395
Legal reserve	22	**108**	**395**	108	395
Retained earnings		**603**	**2,210**	693	2,540
Other reserves	23	**3**	**11**	2	7
Convertible bonds – equity component	25	**58**	**212**	58	212
Attributable to equity holders of the Parent		**2,781**	**10,192**	2,870	10,518
Non-controlling interest		**1**	**4**	1	4
Total equity		**2,782**	**10,196**	2,871	10,522
Non-current liabilities					
Borrowings	25	**62**	**227**	810	2,969
Provisions	26	**11**	**40**	16	59
		73	**267**	826	3,028
Current liabilities					
Borrowings	25	**731**	**2,680**	51	187
Trade payables and accruals	27	**138**	**506**	150	550
Provision for surplus over entitlements (net)	28	**41**	**151**	14	51
		910	**3,337**	215	788
Total liabilities		**983**	**3,604**	1,041	3,816
TOTAL EQUITY AND LIABILITIES		**3,765**	**13,800**	3,912	14,338

Dr. Patrick Allman-Ward
Director
8 March 2017

Mr. Said Arrata
Director
8 March 2017

The attached notes 1 to 35 form part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2016

		2016		2015	
	Notes	USD mm	AED mm	USD mm	AED mm
OPERATING ACTIVITIES					
(Loss)/Profit before income tax		**(57)**	**(209)**	157	576
Adjustments for:					
Depreciation and depletion	11	**100**	**366**	89	326
Other income		**–**	**–**	(33)	(121)
Investment and finance (cost)/income	7	**55**	**202**	(130)	(476)
(Reversal of)/provision for surplus over entitlement		**(39)**	**(143)**	153	561
Provision for impairments		**7**	**26**	24	88
Change in fair value of investment property	13	**1**	**4**	1	4
Share of loss of a joint venture	14	**3**	**11**	7	26
Finance cost		**77**	**282**	77	282
Directors' compensation		**(2)**	**(7)**	–	–
		145	**532**	345	1,266
Changes in working capital:					
Trade and other receivables		**(12)**	**(44)**	(107)	(393)
Inventories		**4**	**14**	(9)	(33)
Trade payables and accruals		**(24)**	**(88)**	(13)	(48)
Net cash generated from operating activities		**113**	**414**	216	792
Income tax paid		**(31)**	**(114)**	(13)	(48)
Net cash flows generated from operating activities		**82**	**300**	203	744
INVESTING ACTIVITIES					
Purchase of property, plant and equipment		**(86)**	**(315)**	(156)	(571)
Expenditure on intangible assets		**(26)**	**(95)**	(25)	(92)
Proceeds from disposal of interest in joint operation		**–**	**–**	162	593
Proceeds from disposal of available-for-sale financial asset		**–**	**–**	54	198
Investment and finance income received		**4**	**14**	5	18
Investment in joint venture		**(3)**	**(11)**	–	–
Investment redeemed		**–**	**–**	1	4
Net cash flows (used in)/from investing activities		**(111)**	**(407)**	41	150
FINANCING ACTIVITIES					
Proceeds from borrowings		**9**	**33**	143	524
Repayment of loans		**(39)**	**(143)**	(8)	(29)
Repurchase of Sukuk		**(45)**	**(164)**	(24)	(88)
Finance costs paid		**(64)**	**(234)**	(69)	(254)
Deposit – Murabaha facility	20	**19**	**70**	(29)	(106)
Net cash flow (used in)/from financing activities		**(120)**	**(438)**	13	47
NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS		**(149)**	**(545)**	257	941
Cash and cash equivalents at the beginning of the year	20	**441**	**1,615**	184	674
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	20	**292**	**1,070**	441	1,615

The attached notes 1 to 35 form part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2016

	Attributable to the equity holders of the parent															
	Share capital		Statutory reserve		Legal reserve		Retained earnings		Other reserves		Convertible bonds-equity component		Non-controlling interest		Total	
	USD mm	AED mm	USD mm	AED mm	USD mm	AED mm	USD mm	AED mm	USD mm	AED mm	USD mm	AED mm	USD mm	AED mm	USD mm	AED mm
As at 1 January 2015	1,899	6,961	93	340	93	340	578	2,119	(14)	(51)	58	212	3	11	2,710	9,932
Profit for the year	–	–	–	–	–	–	146	535	–	–	–	–	(2)	(7)	144	528
Other comprehensive income	–	–	–	–	–	–	–	–	15	55	–	–	–	–	15	55
Total comprehensive income for the year	–	–	–	–	–	–	146	535	15	55	–	–	(2)	(7)	159	583
Transfer to reserves (note 22)	–	–	15	55	15	55	(30)	(110)	–	–	–	–	–	–	–	–
Transfer	–	–	–	–	–	–	(1)	(4)	1	4	–	–	–	–	–	–
Share based payment	–	–	–	–	–	–	–	–	2	7	–	–	–	–	2	7
Issuance of shares to employees	2	8	–	–	–	–	–	–	(2)	(8)	–	–	–	–	–	–
As at 31 December 2015	1,901	6,969	108	395	108	395	693	2,540	2	7	58	212	1	4	2,871	10,522
Loss for the year	–	–	–	–	–	–	(88)	(323)	–	–	–	–	–	–	(88)	(323)
Total comprehensive income for the year	–	–	–	–	–	–	(88)	(323)	–	–	–	–	–	–	(88)	(323)
Share based payment	–	–	–	–	–	–	–	–	1	4	–	–	–	–	1	4
Board compensation	–	–	–	–	–	–	(2)	(7)	–	–	–	–	–	–	(2)	(7)
As at 31 December 2016	**1,901**	**6,969**	**108**	**395**	**108**	**395**	**603**	**2,210**	**3**	**11**	**58**	**212**	**1**	**4**	**2,782**	**10,196**

1 Corporate Information

Dana Gas PJSC ("Dana Gas" or the "Company") was incorporated in the Emirate of Sharjah, United Arab Emirates as a Public Joint Stock Company on 20 November 2005 pursuant to incorporation decree number 429/2005 issued by the Ministry of Economy. Dana Gas shares are listed on the Abu Dhabi Securities Exchange (ADX).

The Company, its subsidiaries, joint operations and joint ventures constitute the Group (the "Group"). The Group is engaged in the business of exploration, production, ownership, transportation, processing, distribution, marketing and sale of natural gas and petroleum related products, including the development of gas related projects and services.

The Company's registered head office is at P. O. Box 2011, Sharjah, United Arab Emirates with presence in Bahrain, Cairo, Kurdistan Region of Iraq and London.

The UAE Federal Law No. 2 of 2015 ("Companies Law") has come into effect from 28 June 2015 replacing the Federal Law No. 8 of 1984.

Principal subsidiaries and joint arrangements of the Group at 31 December 2016 and the Company percentage of ordinary share capital or interest are set out below:

Subsidiaries	%	Country of incorporation	Principal activities
Dana Gas LNG Ventures Limited	100	British Virgin Islands	Oil and Gas exploration & production
Dana Gas Egypt	100	Barbados	Oil and Gas exploration & production
Dana Gas Exploration FZE	100	UAE	Oil and Gas exploration & production
Sajaa Gas Private Limited Company ("SajGas")	100	UAE	Gas Sweetening
United Gas Transmissions Company Limited ("UGTC")	100	UAE	Gas Transmission
Danagaz (Bahrain) WLL	66	Bahrain	Gas Processing

Joint Operations	%	Area of operation	Principal activities
Pearl Petroleum Company Limited ("Pearl Petroleum")	35	Kurdistan Region of Iraq	Oil and Gas exploration & production
UGTC/Emarat JV	50	Emirate of Sharjah	Gas Transmission

Joint Ventures	%	Country/Area of operation	Principal activities
Egyptian Bahraini Gas Derivative Company ("EBGDCO")	26.4	Egypt	Gas Processing
Crescent National Gas Corporation Limited ("CNGCL")	35	Emirate of Sharjah	Gas Marketing
GASCITIES Ltd	50	MENASA	Gas Cities

2 Summary of Significant Accounting Policies

Basis of Preparation

The consolidated financial statements have been prepared on a historical cost basis, except for investment property, available-for-sale financial asset and financial assets at fair value through profit or loss account that have been measured at fair value. The consolidated financial statements are presented in United States Dollars (USD), which is the Company's functional currency, and all the values are rounded to the nearest million (USD mm) except where otherwise indicated. The United Arab Emirates Dirhams (AED) amounts have been presented solely for the convenience to readers of the consolidated financial statements. AED amounts have been translated at the rate of AED 3.6655 to USD 1.

Statement of Compliance

The consolidated financial statements of the Group have been prepared in accordance with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB).

The preparation of consolidated financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Group's accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in note 3.

New and Amended Standards Adopted by the Group

The following standards and amendments have been adopted by the Group for the first time effective for the financial year beginning on or after 1 January 2016. The Group has not early adopted any standard, interpretation or amendment that has been issued but is not yet effect. The nature and the impact of these changes are disclosed below. Although these new standards and amendments applied for the first time in 2016, they did not have a material impact on the consolidated financial statements of the Group.

2 Summary of Significant Accounting Policies (continued)

New and Amended Standards Adopted by the Group (continued)

The nature and the impact of each new standard or amendment is described below:

Amendments to IFRS 11 Joint Arrangements: Accounting for Acquisitions of Interests

The amendments to IFRS 11 require that a joint operator accounting for the acquisition of an interest in a joint operation, in which the activity of the joint operation constitutes a business, must apply the relevant IFRS 3 Business Combinations principles for business combination accounting. The amendments also clarify that a previously held interest in a joint operation is not remeasured on the acquisition of an additional interest in the same joint operation if joint control is retained. In addition, a scope exclusion has been added to IFRS 11 to specify that the amendments do not apply when the parties sharing joint control, including the reporting entity, are under common control of the same ultimate controlling party. The amendments apply to both the acquisition of the initial interest in a joint operation and the acquisition of any additional interests in the same joint operation and are applied prospectively. These amendments do not have any impact on the Group as there has been no interest acquired in a joint operation during the year.

Amendments to IAS 16 and IAS 38: Clarification of Acceptable Methods of Depreciation and Amortisation

The amendments clarify the principle in IAS 16 *Property, Plant and Equipment* and IAS 38 *Intangible Assets* that revenue reflects a pattern of economic benefits that are generated from operating a business (of which the asset is a part) rather than the economic benefits that are consumed through use of the asset. As a result, a revenue-based method cannot be used to depreciate property, plant and equipment and may only be used in very limited circumstances to amortise intangible assets. The amendments are applied prospectively and do not have any impact on the Group, given that it has not used a revenue-based method to depreciate its non-current assets.

Amendments to IAS 27: Equity Method in Separate Financial Statements

The amendments allow entities to use the equity method to account for investments in subsidiaries, joint ventures and associates in their separate financial statements. Entities already applying IFRS and electing to change to the equity method in their separate financial statements have to apply that change retrospectively. These amendments do not have any impact on the Group's consolidated financial statements.

Annual improvements 2012-2014 Cycle

These improvements includes:

IFRS 5 Non-Current Assets Held for Sale and Discontinued Operations

Assets (or disposal groups) are generally disposed of either through sale or distribution to the owners. The amendment clarifies that changing from one of these disposal methods to the other would not be considered a new plan of disposal, rather it is a continuation of the original plan. There is, therefore, no interruption of the application of the requirements in IFRS 5. This amendment is applied prospectively.

IAS 34 Interim Financial Reporting

The amendment clarifies that the required interim disclosures must either be in the interim financial statements or incorporated by cross-reference between the interim financial statements and wherever they are included within the interim financial report (e.g. in the management commentary or risk report). The other information within the interim financial report must be available to users on the same terms as the interim financial statements and at the same time. This amendment is applied retrospectively.

Amendments to IAS 1 Disclosure Initiative

The amendments to IAS 1 clarify, rather than significantly change, existing IAS 1 requirements. The amendments clarify:

- The materiality requirements in IAS 1
- That specific line items in the statement of profit or loss and OCI and the statement of financial position may be disaggregated
- That entities have flexibility as to the order in which they present the notes to financial statements
- That the share of OCI of associates and joint ventures accounted for using the equity method must be presented in aggregate as a single line item, and classified between those items that will or will not be subsequently reclassified to profit or loss

Furthermore, the amendments clarify the requirements that apply when additional subtotals are presented in the statement of financial position and the statement of profit or loss and OCI. These amendments do not have any impact on the Group.

Standards Issued But Not Yet Effective

The standards and interpretations that are issued, but not yet effective, up to the date of issuance of the Group's consolidated financial statements are disclosed below. The Group intends to adopt these standards, if applicable, when they become effective. The standards are not expected to have any material impact on the consolidated financial statements of the Group.

IFRS 9 Financial Instruments

During July 2014, the IASB issued IFRS 9 "Financial Instruments" with all the three phases. IFRS 9 sets out the requirements for recognising and measuring financial assets, financial liabilities and some contracts to buy or sell non-financial items. IFRS 9 replaces IAS 39 "Financial Instruments: Recognition and Measurement". IFRS 9 as issued in July 2014 will be implemented at the mandatory date on 1 January 2018. The standard is not expected to have any impact on the Group.

2 Summary of Significant Accounting Policies (continued)

Standards Issued But Not Yet Effective (continued)

IFRS 16 Leases

During January 2016, the IASB issued IFRS 16 "Leases" which sets out the principle for the recognition, measurement, presentation and disclosure of leases.

IFRS 16 substantially carries forward the lessor accounting requirements in IAS 17. Accordingly, a lessor continues to classify its leases as operating leases or financial leases, and to account for those two types of leases differently.

IFRS 16 introduced a single lessee accounting model and requires a lessee to recognise assets and liabilities for all leases with a term of more than 12 months, unless the underlying asset is of low value. A lessee is required to recognise a right-of-use asset representing its right to use the underlying leased asset and a lease liability representing its obligation to make lease payments.

The new standard will be effective for annual periods beginning on or after 1 January 2019. Early application is permitted.

IFRS 15 Revenue from Contracts with Customers

IFRS 15 specifies the accounting treatment for all revenue arising from contracts with customers. It applies to all entities that enter into contracts to provide goods or services to their customers, unless the contracts are in the scope of other IFRSs, such as IAS 17 Leases. IFRS 15 supersedes IAS 11 Construction Contracts, IAS 18 Revenue, IFRIC 13 Customer Loyalty Programmes, IFRIC 15 Agreements for the Construction of Real Estate, IFRIC 18 Transfers of Assets from Customers; and SIC-31 Revenue-Barter Transactions Involving Advertising Services. The standard is effective for annual period beginning on or after 1 January 2018, and early adoption is permitted.

IAS 7 Disclosure Initiative – Amendments to IAS 7

The amendments to IAS 7 Statement of Cash Flows are part of the IASB's Disclosure Initiative and require an entity to provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both changes arising from cash flows and non-cash changes. On initial application of the amendment, entities are not required to provide comparative information for preceding periods. The amendments will be effective for annual periods beginning on or after 1 January 2017, with early application permitted. The application of amendments will result in adding limited amount of disclosure information.

IFRS 2 Classification and Measurement of Share-Based Payment Transactions – Amendments to IFRS 2

The IASB issued amendments to IFRS 2 Share-based Payment that address three main areas: the effects of vesting conditions on the measurement of a cash-settled share-based payment transaction; the classification of a share-based payment transaction with net settlement features for withholding tax obligation; and accounting where a modification to the terms and conditions of a share-based payment transaction changes its classification from cash settled to equity settled.

Entities may apply the amendments prospectively and are effective for annual periods beginning on or after 1 January 2018, with early application permitted.

Transfers of Investment Property (Amendments to IAS 40)

The amendments clarify when an entity should transfer property, including property under construction or development into, or out of investment property. The amendments state that a change in use occurs when the property meets, or ceases to meet, the definition of investment property and there is evidence of the change in use. A mere change in management's intentions for the use of a property does not provide evidence of a change in use. Entities should apply the amendments prospectively and effective for annual periods beginning on or after 1 January 2018. Early adoption of the amendments is permitted and must be disclosed.

IFRIC Interpretation 22 Foreign Currency Transactions and Advance Consideration

The interpretation clarifies that in determining the spot exchange rate to use on initial recognition of the related asset, expense or income (or part of it) on the derecognition of a non-monetary asset or non-monetary liability relating to advance consideration, the date of the transaction is the date on which an entity initially recognises the nonmonetary asset or non-monetary liability arising from the advance consideration. Entities may apply the amendments on a fully retrospective or prospective basis. The new interpretation will be effective for annual periods beginning on or after 1 January 2018. Early application of interpretation is permitted and must be disclosed.

IAS 12 Recognition of Deferred Tax Assets for Unrealised Losses – Amendments to IAS 12

The amendments clarify that an entity needs to consider whether tax law restricts the sources of taxable profits against which it may make deductions on the reversal of that deductible temporary difference. Furthermore, the amendments provide guidance on how an entity should determine future taxable profits and explain the circumstances in which taxable profit may include the recovery of some assets for more than their carrying amount. These amendments are effective for annual periods beginning on or after 1 January 2017 with early application permitted.

2 Summary of Significant Accounting Policies (continued)

Basis of Consolidation

The consolidated financial statements comprise the financial statements of the Group and its subsidiaries as at 31 December 2016.

(a) Subsidiaries

Subsidiaries are all entities (including structured entities) over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date the control ceases.

Where the Group has less than a majority of the voting, or similar, rights of an investee, it considers all relevant facts and circumstances in assessing whether it has power over an investee, including the contractual arrangement(s) with the other vote holders of the investee, rights arising from other contractual arrangements and the Group's voting rights and potential voting rights. The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the elements of control. Specifically, the Group controls an investee if and only if the Group has:

- Power over the investee (i.e. existing rights that give it the current ability to direct the relevant activities of the investee)
- Exposure, or rights, to variable returns from its involvement with the investee, and
- The ability to use its power over the investee to affect its returns

When the Group has less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

- The contractual arrangement with the other vote holders of the investee
- Rights arising from other contractual arrangements
- The Group's voting rights and potential voting rights

The Group applies the acquisition method to account for business combinations. The consideration transferred for the acquisition of a subsidiary is the fair values of the assets transferred, the liabilities incurred to the former owner of the acquiree and the equity interests issued by the Group. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date.

The Group recognises any non-controlling interest in the acquiree on an acquisition-by-acquisition basis, either at fair value or at the non-controlling interest's proportionate share of the recognised amounts of acquiree's identifiable net assets. Acquisition related costs are expensed as incurred.

If the business combination is achieved in stages, the acquisition date carrying value of the acquirer's previously held equity interest in the acquiree is re-measured to fair value at the acquisition date; any gain or losses arising from such re-measurement are recognised in profit or loss.

Any contingent consideration to be transferred by the Group is recognised at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration that is deemed to be an asset or liability is recognised in accordance with IAS 39 either in profit or loss or as a change to other comprehensive income. Contingent consideration that is classified as equity is not re-measured, and its subsequent settlement is accounted for within equity.

The excess of the consideration transferred, the amount of any non-controlling interest in the acquire and the acquisition-date fair value of any previous equity interest in the acquire over the fair value of the identifiable net assets acquired is recorded as goodwill. If the total of consideration transferred, non-controlling interest recognised and previously held interest measured is less than the fair value of the net assets of the subsidiary acquired in the case of a bargain purchase, the difference is recognised directly in the income statement.

The Group re-assesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control. Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Assets, liabilities, income and expenses of a subsidiary acquired or disposed of during the year are included in the statement of comprehensive income from the date the Group gains control until the date the Group ceases to control the subsidiary.

Profit or loss and each component of other comprehensive income are attributed to the equity holders of the parent of the Group and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance. When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with the Group's accounting policies. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation. A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction.

Inter-company transactions, balances and unrealised gains on transaction between Group companies are eliminated. Unrealised losses are also eliminated. When necessary amounts reported by subsidiaries have been adjusted to conform to the Group's accounting policies.

2 Summary of Significant Accounting Policies (continued)

Basis of Consolidation (continued)

(b) Changes in Ownership interests in Subsidiaries Without Change of Control

Transactions with non-controlling interests that do not result in loss of control are accounted for as equity transactions – that is, as transactions with the owners in their capacity as owners. The difference between fair value of any consideration paid and the relevant share acquired of the carrying value of net assets of the subsidiary is recorded in equity. Gains or losses on disposals to non-controlling interests are also recorded in equity.

(c) Disposal of Subsidiaries

When the Group ceases to have control, any retained interest in the entity is remeasured to its fair value at the date when control is lost, with the change in carrying amount recognised in profit or loss. The fair value is the initial carrying amount for the purposes of subsequently accounting for the retained interest as an associate, joint venture or financial asset. In addition, any amounts previously recognised in other comprehensive income in respect of that entity are accounted for as if the Group had directly disposed of the related assets or liabilities. This may mean that amounts previously recognised in other comprehensive income are reclassified to profit or loss. If the Group loses control over a subsidiary, it derecognises the related assets (including goodwill), liabilities, non-controlling interest and other components of equity while any resultant gain or loss is recognised in profit or loss.

(d) Associates

Associates are all entities over which the Group has significant influence but not control, generally accompanying a shareholding of between 20% and 50% of the voting rights. Significant influence is the power to participate in the financial and operating policy decisions of the investee, but is not control or joint control over those policies. Investments in associates are accounted for using the equity method of accounting. Under the equity method, the investment is initially recognised at cost, and the carrying amount is increased or decreased to recognise the investor's share of the profit or loss of the investee after the date of acquisition. The Group's investment in associates includes goodwill identified on acquisition.

If the ownership interest in an associate is reduced but significant influence is retained, only a proportionate share of the amounts previously recognised in other comprehensive income is reclassified to profit or loss where appropriate.

The Group's share of post-acquisition profit or loss is recognised in the income statement, and its share of post-acquisition movements in other comprehensive income is recognised in other comprehensive income with a corresponding adjustment to the carrying amount of the investment. When the Group's share of losses in an associate equals or exceeds its interest in the associate, including any other unsecured receivables, the Group does not recognise further losses, unless it has incurred legal or constructive obligations or made payments on behalf of the associate.

The Group determines at each reporting date whether there is any objective evidence that the investment in the associate is impaired. If this is the case, the Group calculates the amount of impairment as the difference between the recoverable amount of the associate and its carrying value and recognises the amount adjacent to share of profit/(loss) of associates in the income statement.

Profits and losses resulting from upstream and downstream transactions between the Group and its associate are recognised in the Group's financial statements only to the extent of unrelated investor's interests in the associates. Unrealised losses are eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of associates have been changed where necessary to ensure consistency with the policies adopted by the Group.

Dilution gains and losses arising in investments in associates are recognised in the income statement.

(e) Joint Arrangements

The Group has applied IFRS 11 to all joint arrangements as of 1 January 2013. Under IFRS 11, investments in joint arrangements are classified as either joint operations or joint ventures depending on the contractual rights and obligations of each investor.

A joint venture is a type of joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the joint venture. Joint ventures are accounted for using the equity method. Under the equity method of accounting, interests in joint ventures are initially recognised at cost and adjusted thereafter to recognise the Group's share of the post-acquisition profits or losses and movements in other comprehensive income. When the Group's share of losses in a joint venture equals or exceeds its interest in the joint ventures (which includes any long-term interests that, in substance, form part of the Group's net investment in the joint ventures), the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of joint ventures.

Unrealised gains on transactions between the Group and its joint ventures are eliminated to the extent of the Group's interest in the joint ventures. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred.

The aggregate of the Group's share of profit or loss of an associate and a joint venture is shown on the face of the statement of profit or loss outside operating profit and represents profit or loss after tax.

2 Summary of Significant Accounting Policies (continued)

Basis of Consolidation (continued)

(e) Joint Arrangements (continued)

The financial statements of the associate or joint venture are prepared for the same reporting period as the Group. When necessary, adjustments are made to bring the accounting policies in line with those of the Group.

After application of the equity method, the Group determines whether it is necessary to recognise an impairment loss on its investment in its associate or joint venture. At each reporting date, the Group determines whether there is objective evidence that the investment in the associate or joint venture is impaired. If there is such evidence, the Group calculates the amount of impairment as the difference between the recoverable amount of the associate or joint venture and its carrying value, then recognises the loss as 'Share of profit of an associate and a joint venture' in the statement of profit or loss.

Upon loss of significant influence over the associate or joint control over the joint venture, the Group measures and recognises any retained investment at its fair value. Any difference between the carrying amount of the associate or joint venture upon loss of significant influence or joint control and the fair value of the retained investment and proceeds from disposal is recognised in profit or loss.

A joint operation is a type of joint arrangement whereby the parties that have joint control of the arrangement have rights to the assets and obligations for the liabilities, relating to the arrangement.

In relation to its interest in joint operations, the Group recognises its:

- Assets, including its share of any assets held jointly
- Liabilities, including its share of any liabilities incurred jointly
- Revenue from sale of its share of the output arising from the joint operations
- Share of the revenue from the sale of the output by the joint operations
- Expenses, including its share of any expenses incurred jointly.

Segment Reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the Chief Operating decision-maker. The Chief Operating decision-maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the Chief Executive Officer who makes strategic decisions.

Foreign Currency Translation

(a) Functional and Presentation Currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates ("the functional currency"). The consolidated financial statements are presented in USD which is the Company's functional currency and AED is presented as the Group's presentation currency for the convenience of the users of the consolidated financial statements.

(b) Transactions and Balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or valuation where items are re-measured. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the income statement, except when deferred in equity as qualifying cash flow hedges and qualifying net investment hedges.

Changes in the fair value of monetary securities denominated in foreign currency classified as available-for-sale are analysed between translation differences resulting from changes in the amortised cost of the security and other changes in the carrying amount of the security. Translation differences related to changes in amortised cost are recognised in profit or loss, and other changes in carrying amount are recognised in other comprehensive income.

Translation differences on non-monetary financial assets and liabilities such as equities held at fair value through profit or loss are recognised in income statement as part of the fair value gain or loss. Translation differences on non-monetary financial assets such as equities classified as available-for-sale are included in the available-for-sale reserve in other comprehensive income.

(c) Group Companies

The results and financial position of all the Group entities that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

a) assets and liabilities for each items of financial position presented are translated at the closing rate at the date of statement of financial position;
b) income and expenses for each income statement are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the rate on the dates of the transactions); and
c) all resulting exchange differences are recognised in other comprehensive income.

2 Summary of Significant Accounting Policies (continued)

Property, Plant and Equipment

Property, plant and equipment is stated at cost net of accumulated depreciation and/or accumulated impairment losses, if any. Land is not depreciated.

Depreciation is computed on a straight line basis over the estimated useful lives of the assets as follows:

Oil and gas properties	unit-of-production
Buildings	25 years
Gas plant	15 – 25 years/unit-of-production
Pipelines & related facilities	25 years/unit-of-production

Other Assets:

Computers	2-3 years
Furniture and fixtures	3 years – 5 years
Vehicles	3 years – 5 years
Leasehold improvements	over the expected period of lease

The carrying values of property, plant and equipment are reviewed for impairment when events or changes in circumstances indicate the carrying value may not be recoverable. If any such indications exist and where the carrying values exceed the estimated recoverable amount, the assets are written down to their recoverable amount being the higher of their fair value less costs to sell and their value in use.

The residual values and useful lives of property, plant and equipment are reviewed at each financial year end and adjusted prospectively if appropriate.

Expenditure incurred to replace a component of an item of property, plant and equipment that is accounted for separately is capitalised and the carrying amount of the component that is replaced is written off. Other subsequent expenditure is capitalised only when it increases future economic benefits of the related item of property, plant and equipment. All other expenditure is recognised in the income statement as the expense is incurred.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised in the income statement.

Capital work-in-progress is stated at cost. On commissioning, capital work-in-progress is transferred to property, plant and equipment and depreciated or depleted in accordance with Group policies.

Oil and Gas Assets

Oil and natural gas exploration and evaluation expenditures are accounted for using the 'successful efforts' method of accounting. Pre-license costs are expensed in the period in which they are incurred. License costs paid in connection with a right to explore in an existing exploration area are capitalised and amortised over the term of the permit. Exploration license and leasehold property acquisition costs are capitalised in intangible assets. Geological and geophysical costs are recognised in the income statement, as incurred.

Costs directly associated with an exploration well are capitalised as an intangible asset until the drilling of the well is complete and the results have been evaluated. If hydrocarbons are not found, the exploration expenditure is written off as a dry hole. If hydrocarbons are found and, subject to further appraisal activity which may include the drilling of further wells (exploration or exploratory-type stratigraphic test wells), are likely to be capable of commercial development, the costs continue to be carried as an asset. All such carried costs are subject to a technical, commercial and management review at least once a year to confirm the continued intent to develop or otherwise extract value from the discovery. When this is no longer the case, the costs are written off. When proven reserves of oil and natural gas are determined and development is sanctioned, capitalisation is made within property, plant and equipment or intangible assets according to the nature of the expenditure. Expenditure on the construction, installation or completion of infrastructure facilities such as platforms, pipelines and the drilling of development wells, including unsuccessful development or delineation wells, is capitalised within oil and gas properties.

(a) Depletion

Oil and gas properties are depleted using the unit-of-production method. Unit-of-production rates are based on proved reserves, which are oil, gas and other mineral reserves estimated to be recovered from existing facilities using current operating methods.

2 Summary of Significant Accounting Policies (continued)

Oil and Gas Assets (continued)

(b) Impairment – Exploration and Evaluation Assets

Exploration and evaluation assets are tested for impairment when reclassified to development tangible or intangible assets, or whenever facts and circumstances indicate impairment. An impairment loss is recognised for the amount by which the exploration and evaluation assets' carrying amount exceeds their recoverable amount. The recoverable amount is the higher of the exploration and evaluation assets' fair value less cost to sell and their value in use. For the purpose of assessing impairment, the exploration and evaluation assets subject to testing are grouped with existing cash-generating units of production fields that are located in the same geographical region.

Intangible Assets

Intangible assets acquired as part of a business combination relating to oil and gas properties are recognised separately from goodwill if the asset is separable or arises from contractual or legal rights and its fair value can be measured reliably.

Following initial recognition, intangible assets are carried at cost less any accumulated amortisation and any accumulated impairment losses. Internally generated intangible assets, excluding capitalised development costs, are not capitalised and expenditure is reflected in the income statement.

The useful lives of intangible assets are assessed to be either finite or indefinite. Intangible assets with finite lives are amortised over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at least at each financial year-end. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset are accounted for by changing the amortisation period or method, as appropriate, and treated as a change in accounting estimate.

Intangible assets with indefinite useful lives are not amortised but tested for impairment annually either individually or at the cash-generating unit level. When development in respect of the oil and gas properties is internally approved, the related amount is transferred from intangible assets to property, plant and equipment and depleted in accordance with the Group's policy. If no future activity is planned, the remaining balance is written off.

Goodwill

Goodwill arises on the acquisition of subsidiaries and represents the excess of the consideration transferred over Group's interest in net fair value of the net identifiable assets, liabilities and contingent liabilities of the acquire and the fair value of the non-controlling interest in the acquire.

Goodwill is tested for impairment annually as at 31 December and when circumstances indicate that the carrying value may be impaired. Impairment is determined for goodwill by assessing the recoverable amount of each CGU (or group of CGUs) to which the goodwill relates. When the recoverable amount of the CGU is less than its carrying amount, an impairment loss is recognised. Impairment losses relating to goodwill cannot be reversed in future periods. After initial recognition, goodwill is measured at cost less any accumulated impairment losses.

Impairment of Non-Financial Assets

The Group assesses at each reporting date whether there is an indication that an asset or a cash generating unit (CGU) may be impaired. If any such indication exists, or when annual impairment testing for an asset is required, the Group makes an estimate of the asset's or CGU's recoverable amount. An asset's or CGU's recoverable amount is the higher of an asset's or CGU's fair value less costs to sell and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets in which case, the asset is tested as part of a large CGU to which it belongs. When the carrying amount of an asset or CGU exceeds its recoverable amount, the asset or CGU is considered impaired and is written down to its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assumptions of the time value of money and the risks specific to the asset or CGU. In determining fair value less costs of disposal, recent market transactions are taken into account. If no such transactions can be identified, an appropriate valuation model is used. These calculations are corroborated by valuation multiples, quoted share prices for publicly traded companies or other available fair value indicators.

The Group bases its impairment calculation on detailed budgets and forecast calculations, which are prepared separately for each of the Group's CGUs to which the individual assets are allocated. These budgets and forecast calculations generally cover a period of five years. For longer periods, a long-term growth rate is calculated and applied to project future cash flows after the fifth year.

For assets excluding goodwill, an assessment is made at each reporting date as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. If such indication exists, the Group makes an estimate of recoverable amount. A previously recognised impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. If that is the case the carrying amount of the asset or CGU is increased to its recoverable amount. That increased amount cannot exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised for the asset in prior years. Impairment losses recognised in relation to goodwill are not reversed for subsequent increases in its recoverable amount.

2 Summary of Significant Accounting Policies (continued)

Financial Assets

The Group classifies its financial assets in the following categories: at fair value through profit or loss, loans and receivables and available-for-sale. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition.

Financial Assets at Fair value Through Profit or Loss

Financial assets at fair value through profit or loss are financial assets held for trading. A financial asset is classified in this category if acquired principally for the purpose of selling in the short-term. Derivatives are also categorised as held for trading unless they are designated as hedges. Assets in this category are classified as current assets if expected to be settled within 12 months, otherwise they are classified as non-current.

Loans and Receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for maturities greater than 12 months after the end of the reporting period. These are classified as non-current assets. The Group's loans and receivables comprise 'trade and other receivables'.

Available-For-Sale Financial Assets

Available-for-sale (AFS) financial assets are non-derivatives that are either designated in this category or not classified in any of the other categories. They are included in non-current assets unless management intends to dispose of the investment within 12 months of the reporting period. After initial measurement, AFS investments are subsequently measured at fair value with unrealised gains or losses recognised as "other comprehensive income" in the AFS reserve (fair value reserve) until the investment is derecognised. At that time cumulative gain is recognised in other income and cumulative loss is recognised as finance costs and removed from AFS reserve.

Regular purchases and sales of financial assets are recognised on the trade-date – the date on which the Group commits to purchase or sell the asset. Investments are initially recognised at fair value plus transaction costs for all financial assets not carried at fair value through profit or loss. Financial assets carried at fair value through profit or loss is initially recognised at fair value and transaction costs are expensed in the income statement.

Financial assets are derecognised when the rights to receive cash flows from the investments have expired or have been transferred and the Group has transferred substantially all risks and rewards of ownership. Financial assets at fair value through profit or loss are subsequently carried at fair value.

Gain or losses arising from changes in the fair value of the 'financial assets at fair value through profit or loss' category are presented in the income statement within 'investment and finance income' in the period in which they arise. Dividend income from financial assets at fair value through profit or loss is recognised in the income statement as part of other income when the Group's right to receive payment is established.

The fair value of quoted investments is based on current bid prices. If the market for a financial asset is not active (and for unlisted securities), the Group establishes fair value by using valuation techniques. These includes the use of recent arm's length transactions, reference to other instruments that are substantially the same, discounted cash flow analysis, and option pricing models making maximum use of market inputs and relying as little as possible on entity-specific inputs.

Impairment of Financial Assets

The Group assesses, at each reporting date whether there is any objective evidence that a financial asset or a group of financial assets is impaired. A financial asset or a group of financial assets is deemed to be impaired if, and only if, there is objective evidence of impairment as a result of one or more events that has occurred after the initial recognition of the asset (an incurred "loss event") and that loss event has an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated. Evidence of impairment may include indications that the debtor or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganisation and where observable data indicate that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

Investment Properties

Investment properties are initially measured at cost, including transaction costs. Subsequent expenditure is added to the carrying value of investment properties when it is probable that future economic benefits, in excess of the originally assessed standard of performance, will flow to the Group. Any expenditure that results in the maintenance of property to an acceptable standard or specification is treated as repairs and maintenance expenses and is charged to the consolidated income statement in the period in which it is accrued.

2 Summary of Significant Accounting Policies (continued)

Investment Properties (continued)

Subsequently investment properties are stated at fair value, which reflects market conditions at the reporting date. Any gains or loss arising from changes in fair values of investment properties are included in the income statement. Fair values are determined based on an annual evaluation performed by an accredited external, independent valuer, applying a valuation model recommended by the International Valuation Standards Committee.

Investment properties are derecognised either when they have been disposed of or when they are permanently withdrawn from use and no future economic benefit is expected from their disposal. The difference between the net disposal proceeds and the carrying amount of the asset is recognised in the income statement in the period of derecognition.

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost comprises purchase price, cost of production, transportation and other directly allocable expenses. Costs of spares and consumables are determined on a weighted average basis. Net realisable value is the estimated selling price in the ordinary course of business, less estimated costs of completion and the estimated costs necessary to make the sale.

Trade and Other Receivables

Accounts receivable are stated at original invoice amount less a provision for any uncollectible amounts. An estimate for doubtful accounts is made when collection of the full amount is no longer probable. Bad debts are written off when there is no possibility of recovery.

Cash and Cash Equivalents

In the consolidated statement of cash flows, cash and cash equivalents include cash in hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less, net of outstanding bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities on the statement of financial position.

Trade Payable and Accruals

Liabilities are recognised for amounts to be paid in the future for goods or services received, whether billed by the supplier or not.

Provisions

General

Provisions are recognised when the Group has a present obligation (legal or constructive) arising from a past event, and the costs to settle the obligation are both probable and able to be reliably measured.

Decommissioning Liability

Decommissioning costs are provided at the present value of expected costs to settle the obligation using estimated cash flows and are recognised as part of that particular asset. The cash flows are discounted at a current pre tax rate that reflects the risks specific to the decommissioning liability. The unwinding of the discount is expensed as incurred and recognised in the income statement as a finance cost. The estimated future costs of decommissioning are reviewed annually and adjusted as appropriate. Changes in the estimated future costs or in the discount rate applied are added to or deducted from the cost of the asset. The abandonment and site restoration costs initially recorded are depleted using the unit-of-production method based on proven oil and gas reserves. Subsequent revisions to abandonment and site restoration costs are considered as a change in estimates and are accounted for on a prospective basis.

Employees' End of Service Benefits

The Group provides end of service benefits to its employees. The entitlement to these benefits is based upon the employees' final salary and length of service, subject to the completion of a minimum service period. The expected costs of these benefits are accrued over the period of employment. With respect to its UAE national employees, the Group makes contributions to a pension fund established by the General Pension and Social Security Authority calculated as a percentage of the employees' salaries. The Group's obligations are limited to these contributions, which are expensed when due.

Income Taxes

In Egypt, the government receives production in lieu of income tax. The Group records this production as a current income tax expense.

Borrowing Costs

Borrowing costs directly attributable to the acquisition, construction or production of an asset that necessarily takes substantial period of time to get ready for its intended use or sale are capitalised as part of the cost of respective assets until such time as the assets are substantially ready for their intended use. All other borrowing costs are recognised as finance cost in the income statement in the period in which they are incurred.

Leases

Leases where the lessor retains substantially all the risks and benefits of ownership of the asset are classified as operating leases. Operating lease payments are recognised as an expense in the consolidated income statement on a straight-line basis over the lease term.

2 Summary of Significant Accounting Policies (continued)

Profit-Bearing Loans and Borrowings

All profit-bearing loans and borrowings are initially recognised at the fair value of the consideration received net of issue costs directly attributable to the borrowing. The effective profit rate is the rate that exactly discounts estimated future cash payments through the expected life of the financial instrument.

After initial recognition, profit-bearing loans and borrowings are subsequently measured at amortised cost using the effective profit rate method. Amortised cost is calculated by taking into account any issue costs, and any discount or premium on settlement.

Convertible Bonds

Convertible bonds that can be converted into share capital at the option of the holder and are accounted for as compound financial instruments. The equity component of the convertible bonds is calculated as the excess of issue proceeds over the present value of the future interest and principal payments, discounted at the market rate of interest applicable to similar liabilities that do not have a conversion option.

Share Based Payment Transactions

Certain employees (including senior executives) of the Group receive remuneration in the form of share-based payment transactions, whereby employees render services as consideration for either equity instruments ("equity settled transactions") or restricted shares.

Restricted Shares

Service-based restricted shares are granted at no cost to key employees and generally vest one third each year over a three year period from the date of grant. Restricted shares vest in accordance with the terms and conditions established by the Board of Directors and are based on continued service.

The fair value of service-based restricted shares is determined based on the numbers of shares granted and the closing price of the Company's common stock on the date of grant. The cost is being amortised on a straight line method, based on the vesting period.

Current versus Non-Current Classification

The Group presents assets and liabilities in statement of financial position based on current/non-current classification. An asset as current when it is:

- Expected to be realised or intended to sold or consumed in normal operating cycle
- Held primarily for the purpose of trading
- Expected to be realised within twelve months after the reporting period
  Or
- Cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period

All other assets are classified as non-current.

A liability is current when:

- It is expected to be settled in normal operating cycle
- It is held primarily for the purpose of trading
- It is due to be settled within twelve months after the reporting period
  Or
- There is no unconditional right to defer the settlement of the liability for at least twelve months after the reporting period

The Group classifies all other liabilities as non-current.

Cash Flow Hedges

The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges are recognised in the consolidated statement of comprehensive income. The gain or loss relating to the ineffective portion is recognised immediately in the consolidated income statement. Amounts previously recognised in the consolidated statement of comprehensive income and accumulated in equity are reclassified to the consolidated income statement in the periods when the hedged item is recognised in the consolidated income statement, in the same line of the consolidated statement of comprehensive income as the recognised hedged item. However, when the forecast transaction that is hedged results in the recognition of a non-financial asset or a non-financial liability, the gains and losses previously accumulated in equity are transferred from equity and included in the initial measurement of the cost of the non-financial asset or non-financial liability. Hedge accounting is discontinued when the Group revokes the hedging relationship, when the hedging instrument expires or is sold, terminated, or exercised, or it no longer qualifies for hedge accounting. Any gain or loss accumulated in equity at that time remains in equity and is recognised when the forecast transaction is ultimately recognised in the consolidated income statement. When a forecast transaction is no longer expected to occur, the gain or loss accumulated in equity is recognised immediately in the consolidated income statement.

2 Summary of Significant Accounting Policies (continued)

Revenue Recognition

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured. Net revenue is measured at the fair value of the consideration received or receivable taking into account contractually defined terms of payment, excluding royalties, discounts, rebates, and other sales taxes or duties. The following specific recognition criteria must also be met before revenue is recognised:

Revenue from Sale of Hydrocarbons

Revenue from sale of hydrocarbons is recognised when the significant risks and rewards of ownership are transferred to the buyer and the amount of revenue and the costs of the transaction can be measured reliably, which is considered to occur when title passes to the customer.

Finance Income

Income from surplus funds invested with financial institutions and interest charged to debtors for overdue receivables is recognised as the profit/interest accrues.

3 Significant Accounting Judgements, Estimates and Assumptions

The preparation of the Group's consolidated financial statements in conformity with IFRS requires management to make judgements, estimates and assumptions that affect the reported amounts of assets and liabilities and accompanying disclosures, and the disclosure of contingent asset and liabilities at the date of the consolidated financial statements, and the reported amounts of revenues and expenses during the reporting period. Estimates and assumptions are continuously evaluated and are based on management's experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. However, actual outcomes can differ from these estimates if different assumptions were used and different conditions existed. Uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of assets or liabilities affected in future periods.

Judgements

In the process of applying the Group's accounting policies, management has made the following judgements, which have the most significant effect on the amounts recognised in the consolidated financial statements.

Estimates and Assumptions

The Group has identified the following areas where significant estimates and assumptions are required, and where if actual results were to differ, may materially affect the financial position or financial results reported in future periods. Changes in estimates are accounted for prospectively. Further information on each of these and how they impact the various accounting policies are described in the relevant notes to the consolidated financial statements. The Group based its assumptions and estimates on parameter available when the consolidated financial statements were prepared. Existing circumstances and assumptions about future developments, however, may change due to market change or circumstances arising beyond the control of the Group. Such changes are reflected in the assumptions when they occur.

- Impairment of goodwill: The Group determines whether goodwill is impaired on an annual basis. This requires an estimation of the value in use of the cash-generating units to which the goodwill is allocated. Estimating the value in use requires the Group to make an estimate of the expected future cash flows from each cash-generating unit and also to determine a suitable discount rate in order to calculate the present value of those cash flows. The carrying amount of goodwill at 31 December 2016 was USD 308 million (2015: USD 308 million).
- Recoverability of intangible oil and gas assets: The Group assesses at each statement of financial position date whether there is any evidence of impairment in the carrying value of its intangible oil and gas assets. This requires management to estimate the recoverable value of its intangible oil and gas assets using estimates and assumptions such as long term oil prices, discount rates, operating costs, future capital requirements, decommissioning costs, explorations potentials, reserves and operating performance uncertainty. These estimates and assumptions are subject to risk and uncertainty. The carrying amount of such intangibles at 31 December 2016 was USD 93 million (2015: USD 151 million).
- The Group is entitled to further compensation and payments, however as of the reporting date these cannot be reasonably ascertained.
- The Group carries its investment property at fair value, with changes in fair values being recognised in the consolidated income statement. The Group engaged a firm of qualified independent property consultant to determine fair value reflecting market conditions at 31 December 2016.
- Decommissioning costs: Decommissioning costs will be incurred by the Group at the end of the operating life of some of the Group's facilities and properties. The Group assesses its decommissioning provision at each reporting date. The ultimate decommissioning costs are uncertain and cost estimates can vary in response to many factors, including changes to relevant legal requirements, the emergence of new restoration techniques or experience at other production sites. The expected timing, extent and amount of expenditure can also change, for example in response to changes in reserves or changes in laws and regulations or their interpretation. Therefore, significant estimates and assumptions are made in determining the provision for decommissioning. As a result, there could be significant adjustments to the provisions established which would affect future financial results. The provision at reporting date represents management's best estimate of the present value of the future decommissioning costs required.

3 Significant Accounting Judgements, Estimates and Assumptions (continued)

Estimates and Assumptions continued

- Units of production depreciation of oil and gas properties: Oil and gas properties are depreciated using the units of production (UOP) method over total proved reserves. This results in a depreciation/amortisation charge proportional to the depletion of the anticipated remaining production from the field. Each items' life, which is assessed annually, has regard to both its physical life limitations and to present assessments of economically recoverable reserves of the field at which the asset is located. These calculations require the use of estimates and assumptions, including the amount of recoverable reserves and estimates of future capital expenditure. The calculation of the UOP rate of depreciation could be impacted to the extent that actual production in the future is different from current forecast production based on total proved reserves, or future capital expenditure estimates changes. Changes to prove reserves could arise due to changes in the factors or assumptions used in estimating reserves and are accounted for prospectively.
- Exploration and evaluation expenditures: The application of the Group's accounting policy for exploration and evaluation expenditure requires judgment to determine whether it is likely that future economic benefits are likely, from future either exploitation or sale, or whether activities have not reached a stage which permits a reasonable assessment of the existence of reserves. The determination of reserves and resources is itself an estimation process that requires varying degrees of uncertainty depending on how the resources are classified. These estimates directly impact when the Group defers exploration and evaluation expenditure. The deferral policy requires management to make certain estimates and assumptions as to future events and circumstances, in particular, whether an economically viable extraction operation can be established. Any such estimates and assumptions may change as new information becomes available. If, after expenditure is capitalised, information becomes available suggesting that the recovery of the expenditure is unlikely, the relevant capitalised amount is written off in profit or loss in the period when the new information becomes available.
- Hydrocarbon reserve and resource estimates: Oil and gas properties are depreciated on a units UOP basis at a rate calculated by reference to total proved reserves determined in accordance with the Society of Petroleum Engineers' rules and incorporating the estimated future cost of developing those reserves. The Group estimates its commercial reserves based on information compiled by appropriately qualified persons relating to the geological and technical data on the size, depth, shape and grade of the hydrocarbon body and suitable production techniques and recovery rates. Commercial reserves are determined using estimates of oil and gas in place, recovery factors and future commodity prices, the latter having an impact on the total amount of recoverable reserves and the proportion of the gross reserves which are attributable to the host government under the terms of the relevant commercial arrangements. Future development costs are estimated using assumptions as to the number of wells required to produce the commercial reserves, the cost of such wells and associated production facilities, and other capital costs. The carrying amount of oil and gas properties at 31 December 2016 is shown in Note 12.

  As the economic assumptions used may change and as additional geological information is obtained during the operation of a field, estimates of recoverable reserves may change. Such changes may impact the Group's reported financial position and results, which include:
  - The carrying value of oil and gas properties, property, plant and equipment, and goodwill may be affected due to changes in estimated future cash flows.
  - Depreciation and amortisation charges in profit or loss may change where such charges are determined using the UOP method, or where the useful life of the related assets change.
  - Provisions for decommissioning may change as the changes to the reserve estimates affect expectations about when such activities will occur and the associated cost of these activities.

4 Segmental Information

Management has determined the operating segments based on the reports reviewed by the Chief Executive Officer (CEO) that are used to make strategic decisions. The CEO considers the business from a geographic perspective which is divided into three geographical units. The Group's financing and investments are managed on a Group basis and not allocated to segment.

Year Ended 31 December 2016

	United Arab Emirates USD mm	Egypt USD mm	Kurdistan Region of Iraq USD mm	Total USD mm
Revenue net of royalties	23	154	78	255
Gross profit				103
General and administration expenses				(13)
Investment and finance loss				(55)
Reversal of surplus over entitlement				39
Provision for impairments				(7)
Other expenses				(19)
Change in fair value of investment property				(1)
Share of loss of a joint venture				(3)
Exploration expenses				(4)
Finance cost				(97)
Loss before income tax				(57)
Income tax expense				(31)
LOSS FOR THE YEAR				(88)
Segment assets as at 31 December 2016	1,659	1,111	995	3,765
Segment liabilities as at 31 December 2016	784	131	68	983
Other segment information				
Capital expenditure:				
Intangible assets	–	29	–	29
Property, plant and equipment	6	87	–	93
Total	6	116	–	122
Operating cost	11	23	18	52
Depreciation and depletion	15	68	17	100
Change in fair value of investment property	1	–	–	1
Provision for impairments	6	1	–	7
Exploration expenses	–	4	–	4

4 Segmental Information (continued)

Year ended 31 December 2015

	United Arab Emirates USD mm	Egypt USD mm	Kurdistan Region of Iraq USD mm	Total USD mm
Revenue net of royalties	4	125	142	271
Gross profit				126
General and administration expenses				(23)
Other income				208
Investment and finance income				130
Provision for surplus over entitlement				(153)
Provision for impairments				(24)
Other expenses				(8)
Change in fair value of investment property				(1)
Share of loss of a joint venture				(7)
Exploration expenses				(14)
Finance cost				(77)
Profit before income tax				157
Income tax expense				(13)
PROFIT FOR THE YEAR				144
Segment assets as at 31 December 2015	1,792	1,105	1,015	3,912
Segment liabilities as at 31 December 2015	877	133	31	1,041
Other segment information				
Capital expenditure:				
Intangible assets	–	38	–	38
Property, plant and equipment	150	46	–	196
Total	150	84	–	234
Operating costs	–	34	22	56
Depreciation and depletion	2	75	12	89
Change in fair value of investment property	1	–	–	1
Provision for Impairments	14	10	–	24
Exploration expenses	–	14	–	14

5 Revenue

	2016 USD mm	2015 USD mm
Gross revenue	**388**	413
Tariff fee	**4**	4
	392	417
Less: royalties	**(137)**	(146)
Net revenue	**255**	271

Royalties relate to Government share of production in Egypt and U.A.E.

Tariff fees relates to fixed pipeline capacity fees earned by UGTC.

6 Other Income

On 27 November 2015, in relation to the arbitration dispute between Dana Gas, Crescent Petroleum (CPCIL) and RWE SUPPLY & TRADING GmbH (RWE), in the London Court of International Arbitration, the parties reached an amicable and mutually beneficial settlement agreement with RWE to address all claims and bring the arbitration to a close. The settlement of arbitration including the sale of a 5% interest in Pearl by Dana Gas (refer Note 30) resulted in other income of USD 208 million. The Company is entitled to further confined payments from RWE only in case and in the amount dividends are distributed to RWE by Pearl (based on RWE's 10% equity share in Pearl). However, as of the reporting date a contingent payment (if any) cannot be reasonably ascertained.

7 Investment and Finance (Cost)/Income

	2016 USD mm	2015 USD mm
Interest on overdue receivable (reversed)/accrued (note 28)	**(66)**	133
Gain on buyback of Sukuk (note 25a)	**6**	3
Profit from bank deposits	**4**	4
Fair value gain on financial assets at fair value through profit or loss (note 19)	**1**	–
Loss on disposal of available for sale financial asset	**–**	(12)
Dividend income	**–**	2
	(55)	130

8 Finance Cost

	2016 USD mm	2015 USD mm
Profit on Sukuk (note 25a)	**69**	70
Zora gas field project finance (note 25b)	**5**	4
Egypt equipment and building loan (note 25c & d)	**2**	1
Murabaha facility (note 25e)	**1**	1
Exchange loss	**20**	10
Less: Finance cost capitalised	**–**	(9)
	97	77

9 Income Tax Expense

(a) UAE

The Company is not liable to corporate income tax in its primary jurisdiction (UAE). Dana Gas Exploration FZE is however liable to income tax at a rate of 50%.

(b) Egypt

The income tax expense in the statement of income relates to Dana Gas Egypt operations which is taxed at an average tax rate of 40.55% (2015: 40.55%). This tax is paid by Egyptian General Petroleum Corporation (EGPC)/Egyptian Natural Gas Holding Company (EGAS) on behalf of the Company from their share of production. Dana Gas Egypt does not have any deferred tax asset/liability at year end.

(c) Kurdistan Region of Iraq

The Authorisation provides that corporate income tax in the Kurdistan Region of Iraq will be paid directly by the KRG to the relevant tax authorities on behalf of the company.

10 Earnings Per Share

(a) Basic earnings per share (EPS) is calculated by dividing net profit for the year attributable to ordinary equity holders of the parent by the weighted average number of ordinary shares outstanding during the year.

	2016	2015
Earnings:		
Net (loss)/profit for the year – USD mm	**(88)**	146
Shares:		
Weighted average number of shares outstanding for calculating basic EPS – million	**6,969**	6,964
EPS (Basic) – USD per share:	**(0.013)**	0.021

(b) Diluted earnings per share is calculated by adjusting the weighted average number of ordinary shares outstanding assuming conversion of all dilutive potential ordinary shares. The Company has two categories of dilutive potential ordinary shares: convertible sukuk and restricted shares. The convertible sukuk is assumed to have been converted into ordinary shares and the net profit is adjusted to eliminate the finance cost effect. For the restricted shares the total numbers of shares which will vest over the period are considered to calculate dilution.

	2016 USD mm	2015 USD mm
Earnings:		
Net (loss)/profit for the year	**(88)**	146
Finance cost on exchangeable Sukuk	**24**	24
	(64)	170
Shares:		
Weighted average number of shares outstanding for calculating basic EPS – million	**6,969**	6,964
Adjustments for:		
Restricted shares (million)	**30**	19
Assumed conversion of exchangeable Sukuk (million)*	**1,713**	1,713
Weighted average number of ordinary shares for diluted earnings per share (million)	**8,712**	8,696
EPS (Diluted) – USD per share:	**(0.013)**	0.019

* As per the agreement, the conversion rate for the Convertible sukuk was set at a 50% premium to the 75 calendar day volume-weighted average price, measured over a period commencing on 1 December 2012 (with a floor of AED 0.75 and cap of AED 1.00). The initial effective exchange price for the convertible sukuk was determined on 13 February 2013 and has been fixed at AED 0.75 per share (floor price).

Note: The conversion of exchangeable Sukuk is anti-dilutive and has no impact on the EPS for the year ended 31 December 2016.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
AT 31 DECEMBER 2016

11 Property, Plant and Equipment

	Freehold land USD mm	Building USD mm	Oil and gas interests USD mm	Plant and equipment USD mm	Other assets USD mm	Pipeline & related facilities USD mm	Capital work-in-progress USD mm	Total USD mm
Cost:								
At 1 January 2016	**14**	**12**	**889**	**340**	**36**	**107**	**450**	**1,848**
Additions/adjustment	**–**	**–**	**89**	**(4)**	**2**	**–**	**6**	**93**
Transfer from capital work-in-progress	**–**	**–**	**70**	**115**	**–**	**63**	**(248)**	**–**
Transfer from intangible assets (note 12)	**–**	**–**	**84**	**–**	**–**	**–**	**–**	**84**
Impairment	**–**	**–**	**(4)**	**–**	**–**	**–**	**–**	**(4)**
At 31 December 2016	**14**	**12**	**1,128**	**451**	**38**	**170**	**208**	**2,021**
Depreciation/depletion:								
At 1 January 2016	**–**	**3**	**675**	**92**	**17**	**29**	**–**	**816**
Depreciation/depletion charge for the year	**–**	**1**	**67**	**23**	**1**	**8**	**–**	**100**
At 31 December 2016	**–**	**4**	**742**	**115**	**18**	**37**	**–**	**916**
Net carrying amount:								
At 31 December 2016	**14**	**8**	**386**	**336**	**20**	**133**	**208**	**1,105**

Capital Work in Progress comprises:	**USD mm**
SajGas plant and facilities	**99**
UGTC pipeline &related facilities	**89**
Kurdistan Region of Iraq project	**11**
Sharjah Western Offshore (including Zora field)	**9**
	208

	Freehold land USD mm	Building USD mm	Oil and gas interests USD mm	Plant and equipment USD mm	Other assets USD mm	Pipeline & related facilities USD mm	Capital work-in-progress USD mm	Total USD mm
Cost:								
At 1 January 2015	14	12	847	366	34	119	292	1,684
Additions (net)	–	–	46	–	2	–	148	196
Transfer from intangible assets (note 12)	–	–	8	–	–	–	–	8
Disposal of interest in joint operations (note 30)	–	–	(8)	(26)	–	(12)	(2)	(48)
Impairment	–	–	(4)	–	–	–	–	(4)
Reclassification from inventory (note 16)	–	–	–	–	–	–	12	12
At 31 December 2015	14	12	889	340	36	107	450	1,848
Depreciation/Depletion:								
At 1 January 2015	–	2	603	89	16	26	–	736
Depreciation/depletion charge for the year	–	1	73	9	1	5	–	89
Disposal of Interest in joint operations (note 30)	–	–	(1)	(6)	–	(2)	–	(9)
At 31 December 2015	–	3	675	92	17	29	–	816
Net carrying amount:								
At 31 December 2015	14	9	214	248	19	78	450	1,032

Capital Work in Progress comprises:	USD mm
SajGas plant and facilities	99
UGTC pipeline &related facilities	89
Kurdistan Region of Iraq project	11
Sharjah Western Offshore (including Zora field)	251
	450

12 Intangible Assets

	Oil and gas interests USD mm	Transmission & sweetening rights USD mm	Gas processing rights USD mm	Development cost USD mm	Goodwill USD mm	Total USD mm
Cost at 1 January 2016	**253**	**289**	**7**	**2**	**308**	**859**
Less: impairment	**(102)**	**–**	**(7)**	**(2)**	**–**	**(111)**
At 1 January 2016	**151**	**289**	**–**	**–**	**308**	**748**
Additions (net)	**26**	**–**	**–**	**–**	**–**	**26**
Transfer to property, plant and equipment (note 11)	**(84)**	**–**	**–**	**–**	**–**	**(84)**
At 31 December 2016	**93**	**289**	**–**	**–**	**308**	**690**

	Oil and gas interests USD mm	Transmission & sweetening rights USD mm	Gas processing rights USD mm	Development cost USD mm	Goodwill USD mm	Total USD mm
Cost at 1 January 2015	223	289	7	2	308	829
Less: impairment	(99)	–	–	(2)	–	(101)
At 1 January 2015	124	289	7	–	308	728
Additions	38	–	–	–	–	38
Transfer to property, plant and equipment (note 11)	(8)	–	–	–	–	(8)
Provision for impairment	(3)	–	(7)	–	–	(10)
At 31 December 2015	151	289	–	–	308	748

(a) Oil and Gas Interests

Oil and gas interests of USD 93 million relates to Dana Gas Egypt which has a number of concessions and development leases in Egypt as described below in more detail:

- El Wastani Development Lease – This development lease is held with a 100% working interest and represents approximately 7% of current production in Dana Gas Egypt. El Wastani production includes both gas and associated gas liquids. This lease has 13,017 acres of land included within its boundary and is located in the Nile Delta of Egypt.
- South El Manzala Development Leases – These development leases are held with a 100% working interest and are not currently producing. These development leases have 16,055 acres of land included within their boundaries and are located in the Nile Delta of Egypt.
- West El Manzala Development Leases (West El Manzala Concession) – These development leases are held with a 100% working interest. These development leases have 146,039 acres of land included within their boundaries and are located in the Nile Delta of Egypt. To date, eleven development leases are producing both natural gas and associated liquids representing approximately 82% of Dana Gas Egypt current production.
- West El Qantara Development Leases (West El Qantara Concession) – These development leases are held with a 100% working interest. These development leases have 4,324 acres of land included within their boundaries and are located in the Nile Delta of Egypt. To date, two development leases are producing both natural gas and associated liquids representing approximately 11% of Dana Gas Egypt current production.
- North Al Arish Offshore (Block-6) – In April 2013, Dana Gas Egypt was awarded a 100% working interest in the North El Arish Offshore (Block 6) concession area. The area is located offshore Nile Delta, in the eastern part of the Mediterranean Sea. A 3D seismic acquisition was recently carried out in the Block, covering 1,830 full fold sq. km.
- North Al Salhiya Onshore (Block-1) – In September 2014, Dana Gas Egypt was awarded a 100% working interest in the North El Salhiya Onshore (Block 1) concession area. The area is located onshore Nile Delta.
- El Matariya Onshore (Block-3) – In September 2014, Dana Gas Egypt was awarded a 50% working interest in the Block 3 concession area. The area is located onshore Nile Delta. As per the concession agreement, Dana Gas Egypt will with BP as partner and operator will participate on a 50:50 basis. The first deep target exploration well in the concession was spud in May 2016. Subsequent to the year end, the BP operated Mocha-1 exploration well in Block 3 has been completed. It reached total depth at 5,940 metres, making it the deepest onshore Nile Delta well drilled to date. Whilst the Messinian objective encountered wet gas, the primary Oligocene target did not encounter gas in commercial quantities and the well has been P&A'ed. Under the terms of the agreement signed in June 2015, BP agreed to carry Dana Gas for its 50% share of the cost of the well. Consequently, Dana Gas has achieved its objective of drilling this important calibration well at no cost to itself.

12 Intangible Assets (continued)

(b) Transmission and Sweetening Rights

Intangible assets include USD 289 million which represent the fair value of the rights for the transmission and sweetening gas and related products acquired by the Company through its shareholdings in SajGas and UGTC. The fair value of the rights acquired in 2005 was determined by reference to valuation exercises undertaken by professionally qualified independent third parties based on the expected future cash flows arising from the underlying contractual relationships. The intangible assets will be amortised over 25 years from the date of commencement of commercial activity in accordance with the terms of the contracts to which they relate. Commercial activity has not yet commenced. In July 2010, National Iranian Oil Company (NIOC) introduced gas into its completed transmission network and Dana Gas' UGTC pipeline and SajGas processing facilities in Sharjah for commissioning purposes. However, subsequently as it pressured up, NIOC discovered significant leaks in its offshore gas transmission system which needs rectification. Notwithstanding this, Crescent Petroleum is continuing with international arbitration to seek a ruling on its binding 25 years gas supply contract with NIOC.

The Company was notified by Crescent Petroleum on 10 August 2014 that the Arbitral Tribunal has issued a Final Award on the merits, determining that the 25 year contract between it and NIOC is valid and binding upon the parties, and that NIOC has been in breach of its contractual obligation to deliver gas under the Contract since December 2005.

On 18 July 2016, the English High Court finally dismissed the National Iranian Oil Company ("NIOCs") remaining grounds of appeal against the 2014 arbitration award. The 2014 arbitration award found in favour of Dana Gas' partner Crescent Petroleum Company International Limited and Crescent Gas Corporation Limited on all issues. NIOC appealed the 2014 arbitration award to the English High Court. Most of the grounds of appeal were previously heard and dismissed by the Court in March 2016. The finalisation of the appeal in July 2016 confirms that the 2014 award is final and binding and that NIOC has been in breach of its gas supply obligations since 2005.

Crescent Petroleum has informed Dana Gas that the final hearing of the remedies phase against NIOC for non-performance of the contract (including claims for damages and indemnities for third party claims) took place in November 2016. Due to a long post-hearing submissions timetable, the final damages Award is expected in the second half of 2017.

In accordance with IAS 36 requirement relating to intangible assets not yet available for use, management had undertaken an impairment review of the intangible assets as at 31 December 2016. Management has reviewed the various inputs into the original valuation model and believes that the inputs into the original valuation model have not materially changed.

(c) Goodwill

Goodwill of USD 308 million relates to the acquisition of Dana Gas Egypt (previously known as Centurion) in January 2007 which enabled Dana Gas to acquire the upstream business qualification and therefore the rights to development. The recoverable amount of the above cash generating unit has been determined based on value in use calculation using cash flow projections approved by senior management up to a 20 year period or the economic limit of the producing field. The pre-tax discount rate applied to cash flow projections is 10% (2015: 10%). Cash flows are generated using forecasted production, capital and operating cost data over the expected life of each accumulation. Management believes that currently there is no reasonable change in assumptions used which would impact Goodwill.

Key Assumptions Used in Value in Use Calculations

The calculation of value in use for the oil and gas interest is most sensitive to the following assumptions:

- Financial returns;
- Discount rates;
- Oil prices; and
- Production profiles.

Financial returns: estimates are based on the unit achieving returns on existing investments (comprising both those that are currently cash flowing and those which are in exploration and development stage and which may therefore be consuming cash) at least in line with current forecast income and cost budgets during the planning period.

Discount rates: discount rates reflect management's estimate of the risks specific to the above unit. This is the benchmark used by management to assess operating performance and to evaluate future investment proposals.

Oil prices: management has used an oil price assumption based internal estimates and available market data for the impairment testing of its individual oil & gas investments.

Production profiles: management has used its internally developed economic models of reserves and production as a basis of calculating value in use.

12 Intangible Assets (continued)

Sensitivity to Changes in Assumptions

The calculation for value in use for the oil and gas interest is most sensitive to the following assumptions:

- Discount rate

The Group generally estimates values in use for CGU using a discounted cash flow model. The future cash flows are discounted to their present value using a pre-tax discount rate of 10% (2015: 10%) that reflects current market assessments of the time value of money and the risks specific to the asset.

- Crude oil price

The future cash flows are sensitive to oil price. If the oil price forecast were to decrease by 20%, the impairment charge would have been higher by USD 11 million.

Further any change in financial returns and productions profiles will also have an impact on the impairment charge.

13 Investment Property

The movement in investment property during the year is as follows:

	2016 USD mm	2015 USD mm
Balance at 1 January	**25**	26
Change in fair value	**(1)**	(1)
Balance at 31 December	**24**	25

Investment property consists of industrial land owned by SajGas, a subsidiary, in the Sajaa area of the Emirate of Sharjah, United Arab Emirates. The Group considers a portion of land to be surplus to their operational requirements and will be used for earning rentals or held for capital appreciation.

Investment property is stated at fair value which has been determined based on a valuation performed by an independent firm of qualified property consultants, with reference to comparable market transactions. This valuation has resulted in a decrease in the fair value by USD 1 million (31 December 2015: decrease of USD 1 million) which was charged to the consolidated income statement.

14 Interest in Joint Ventures

The following table summarises the statement of financial position of the joint ventures as at 31 December 2016:

	EBGDCO USD mm	Gas Cities USD mm	CNGCL USD mm	Total USD mm
Current assets	**23**	**–**	**–**	**23**
Non-current assets	**86**	**–**	**1**	**87**
Current liabilities	**(38)**	**(8)**	**(38)**	**(84)**
Non-current liabilities	**(58)**	**–**	**–**	**(58)**
Equity	**13**	**(8)**	**(37)**	**(32)**
Group's share of net assets	**5**	**(4)**	**(13)**	**(12)**

The following table summarises the income statement of the joint ventures for the year ended 31 December 2016:

Revenue	**16**	**–**	**–**	**16**
Loss before income tax	**(3)**	**(1)**	**(3)**	**(7)**
Loss for the year	**(3)**	**(1)**	**(3)**	**(7)**
Other comprehensive income	**–**	**–**	**–**	**–**
Total comprehensive loss for the year	**(3)**	**(1)**	**(3)**	**(7)**
Group's share of loss for the year	**(1)**	**(1)**	**(1)**	**(3)**

The Joint ventures had no other contingent liabilities or capital commitments as at 31 December 2016 and 2015 except as disclosed in note 29.

14 Interest in Joint Ventures (continued)

The following table summarises the statement of financial position of the joint ventures as at 31 December 2015:

	EBGDCO USD mm	Gas Cities USD mm	CNGCL USD mm	Total USD mm
Current assets	11	–	–	11
Non-current assets	96	–	1	97
Current liabilities	(36)	(8)	(34)	(78)
Non-current liabilities	(64)	–	–	(64)
Equity	7	(8)	(33)	(34)
Group's share of net assets	2	(4)	(11)	(13)

The following table summarises the income statement of the joint ventures for the year ended 31 December 2015:

	EBGDCO USD mm	Gas Cities USD mm	CNGCL USD mm	Total USD mm
Revenue	16	–	–	16
Loss before income tax	(9)	–	(3)	(12)
Loss for the year	(14)	–	(3)	(17)
Other comprehensive income	–	–	–	–
Total comprehensive loss for the year	(14)	–	(3)	(17)
Group's share of loss for the year	(6)	–	(1)	(7)
Reconciliation of summarised financial information				
Opening net investment as of 1 January 2015	8	(3)	561	566
Loss for the year	(6)	–	(1)	(7)
Net investment as of 31 December 2015	2	(3)	560	559
Investment during the year	4	–	–	4
Loss for the year	(1)	(1)	(1)	(3)
Net investment as of 31 December 2016	**5**	**(4)**	**559**	**560**

Out of the total investment of USD 560 million, investment of USD 559 million relates to interest in CNGCL which represents the fair value of the rights for the purchase and sale of gas and related products acquired by the Company through its 35% interest in CNGCL. The fair value of the rights acquired in 2005 was determined by reference to valuation exercises undertaken by professionally qualified independent third parties based on the expected future cash flows arising from the underlying contractual relationships.

Commercial activity in CNGCL has not yet commenced. In July 2010, National Iranian Oil Company (NIOC) introduced gas into its completed transmission network and Dana Gas' UGTC pipeline and SajGas processing facilities in Sharjah for commissioning purposes. However, subsequently as it pressured up, NIOC discovered significant leaks in its offshore gas transmission system which needs rectification. Notwithstanding this, Crescent Petroleum is continuing with international arbitration to seek a ruling on its binding 25 years gas supply contract with NIOC.

The Company was notified by Crescent Petroleum on 10 August 2014 that the Arbitral Tribunal has issued a Final Award on the merits, determining that the 25 year contract between it and NIOC is valid and binding upon the parties, and that NIOC has been in breach of its contractual obligation to deliver gas under the Contract since December 2005.

On 18 July 2016, the English High Court finally dismissed the National Iranian Oil Company ("NIOCs") remaining grounds of appeal against the 2014 arbitration award. The 2014 arbitration award found in favour of Dana Gas' partner Crescent Petroleum Company International Limited and Crescent Gas Corporation Limited on all issues. NIOC appealed the 2014 arbitration award to the English High Court. Most of the grounds of appeal were previously heard and dismissed by the Court in March 2016. The finalisation of the appeal in July 2016 confirms that the 2014 award is final and binding and that NIOC has been in breach of its gas supply obligations since 2005.

Crescent Petroleum has informed Dana Gas that the final hearing of the remedies phase against NIOC for non-performance of the contract (including claims for damages and indemnities for third party claims) took place in November 2016. Due to a long post-hearing submissions timetable, the final damages Award is expected in the second half of 2017.

15 Interest in Joint Operations

(a) Kurdistan Region of Iraq Project

On 15 May 2009, Dana Gas and Crescent signed a Share Sale Agreement with OMV and MOL wherein an equity interest of 5% each was sold by Dana Gas and Crescent to OMV and MOL respectively. On 27 November 2015, Dana Gas and Crescent further transferred an equity interest of 5% each in Pearl Petroleum to RWE Middle East Holdings BV ("RWE"). Consequently, the shareholding interest in Pearl Petroleum is now as follows: 35% to Dana Gas, 35% to Crescent, 10% to OMV, 10% to MOL and 10% to RWE. In accordance with the terms of the Joint Venture Agreement dated May 15, 2009, the shareholders of Pearl Petroleum appointed Crescent and Dana Gas as Subcontract Operator to conduct the business of the Company on a no-profit, no-loss basis.

Pearl Petroleum and its shareholders since 18 May 2009 are engaged in an ongoing dialogue with the Ministry of Natural Resources ("MNR") of the Kurdistan Regional Government ("KRG") as to the interpretation of the agreement with the KRG ("the Authorisation").

Failing satisfactory progress with that dialogue, Dana Gas, along with Crescent Petroleum and Pearl Petroleum (the Consortium that holds petroleum rights in the Kurdistan Region of Iraq), together "the Claimants", commenced international arbitration proceedings on 21 October 2013 at the London Court of International Arbitration (LCIA), in accordance with the dispute resolution mechanism of the agreement signed with the KRG on 04 April 2007 and governed by English Law. The objective of the arbitration is to obtain confirmation of the long-term contractual rights for the development and marketing in respect of the Khor Mor and Chemchemal fields including the outstanding receivables owed by the MNR of KRG.

Following a hearing in London between 20-24 April 2015, on 3 July 2015, the Tribunal issued a Partial Final Award (dated 30 June 2015) confirming Pearl's long-term exclusive rights for the development and marketing in respect of the Khor Mor and Chemchemal fields, and its entitlement to be paid by KRG for condensate and LPG invoices at the contractually specified international prices.

On 21 September 2015, a one-day hearing was held during which the Consortium made an application to the Tribunal for monetary award of USD 1.963 billion against KRG, being the outstanding unpaid invoices (as of 30 June 2015) for the produced condensate and LPG calculated as per the pricing methodology determined by the Tribunal in the Partial Final Award. The Tribunal considered the parties' claims and their submissions made on 21 September 2015.

On 27 November 2015, the Tribunal handed down its Second Partial Final Award (dated 27 November 2015 and updated by Memorandum of Correction dated 20 January 2016) ("Second PFA") in which it ordered the KRG to pay the Consortium within 28 days (i.e. by 26 December 2015) the sum of USD 1.963 billion for outstanding unpaid invoices for the produced condensate and LPG up to 30 June 2015, as per the pricing methodology already determined by the Tribunal in the First PFA.

Following a 2-week hearing from 5-16 September 2016, on 13 February 2017, the Tribunal handed down its Third Partial Final Award dated 30 January 2017 ("Third PFA"). The Third PFA relates to the hearing that took place between 5-16 September 2016, which addressed the balance of the Claimants claims against the KRG (save for the quantification of the Claimants' delayed development claim), along with the counterclaims alleged by the KRG against the Claimants.

Importantly, the Tribunal held in the Third PFA the following:

a. Delayed Development Claim: The Tribunal found in the Claimants' favour that the KRG wrongfully prevented the Claimants from carrying out appraisals and such other activities as are necessary to enable the Consortium to put forward a proposal for field development in respect of Khor Mor and Chemchemal and thereby delayed the Claimants opportunity to develop those areas. The Tribunal further declared that the KRG is not entitled to reject a proposal from the Consortium for a field development plan otherwise than on reasonable grounds in accordance with good petroleum industry practice.
b. Update on Liquid Receivables: The Tribunal ordered the KRG to pay to the Claimants USD 121,095,282 in respect of condensate and LPG lifted by or on behalf of the KRG between 30 June 2015 and 31 March 2016.
c. Entitlement to Interest: The Tribunal determined that the Claimants are entitled to interest on all overdue liquids receivables for each day that such sums are overdue at the rate of LIBOR + 2% compounded monthly.
d. Dismissal of KRG Counter Claims: The Tribunal dismissed in totality all of the KRG's counterclaims against the Claimants and found that the project was delivered within a reasonable time.

The quantification of the Claimants' damages for the delayed development claim will be determined by the Tribunal at a further hearing scheduled for 12-20 September 2017.

In the meantime, KRG remains in default of the Tribunal's peremptory order of 17 October 2014 to pay the Claimants USD 100 million on an interim basis ("Peremptory Order"). Accordingly, the Claimants applied to the English High Court for enforcement of this interim order. The Court heard the Claimants' application for the enforcement of the Peremptory Order during a hearing on 28 and 29 October 2015.

15 Interest in Joint Operations (continued)

(a) Kurdistan Region of Iraq Project (continued)

On 20 November 2015, the High Court handed down its decision, in which it enforced the Peremptory Order and ordered the KRG to pay the Peremptory Order within 14 days. Following receipt of the judgment, the KRG applied to challenge the Court's order, by way of seeking (1) a discharge of the Peremptory Order; (2) an appeal; and (3) alternatively, an extension of time to pay the Peremptory Order. At the same time as the KRG made its application it also applied to the Tribunal to discharge the Peremptory Order. At the hearing before the Court on 17 December 2015, the Court decided to (1) adjourn the discharge application to allow the Tribunal to decide whether or not the Peremptory Order should be discharged; (2) refused permission for the KRG to appeal; and (3) extended the time for the KRG to pay the Peremptory Order to 26 February 2016. However, as a condition of this extension, the Court ordered the KRG to pay in the meantime 3 instalments of USD 8 million each by 31 December 2015, 15 January 2016 and 19 February 2016 to the Consortium. All three instalments were paid.

The KRG also applied to the Tribunal to discharge the Peremptory Order, which was the subject of a short hearing before the Tribunal on 8 January 2016. The parties then went back before the High Court on 5 February 2016, in which the Court dismissed the KRG's discharge application and upheld the Peremptory Order. The KRG then applied to the English Court of Appeal for permission to appeal the High Court's judgment. The hearing for permission took place on 12 May 2016, with the Court of Appeal refusing the KRG's application and upholding the Peremptory Order.

Separately, in March 2016 the Claimants and the KRG independently reached an agreement whereby the Peremptory Order will be paid down by the KRG in monthly instalments. As at 31 December 2016, the KRG has paid the Claimants an amount of USD 53.84 million. As the Peremptory Order is included in the USD 1.96 billion awarded pursuant to the Second PFA, the amount of the Second PFA now outstanding has been reduced by USD 53.84 million.

The KRG has not yet paid the USD 1.963 billion, and on 22 December 2015, launched a challenge to the Second PFA in the English High Court on the limited procedural grounds allowed for in arbitration. The hearing for the KRG's challenge was set for 28-30 November 2016. However, on 20 October 2016 the KRG filed a notice of discontinuance in the High Court, formally withdrawing the challenge. The Claimants are now able to actively consider its options to pursue enforcement of the Second PFA.

The following amounts represent the Group's 35% share (2015: 40% up to 27 November 2015) of the assets and liabilities of the joint operation:

	2016 USD mm	2015 USD mm
Assets:		
Non-current assets	**254**	272
Current assets	**741**	743
Total Assets	**995**	1,015
Liabilities:		
Current liabilities	**68**	31
Net Assets	**927**	984
Income	**78**	142
Operating cost	**(18)**	(22)
Depreciation	**(17)**	(12)
Gross profit	**43**	108

(b) UGTC/Emarat Joint Venture

The Group has a 50% interest in the UGTC/Emarat jointly controlled operations which own one of the largest gas pipelines in the UAE (48 inch diameter) with an installed capacity of 1,000 MMscfd, to transport gas in the Emirates of Sharjah from Sajaa to Hamriyah. The following amounts represent the Group's 50% share of the assets and liabilities of the Joint Operations:

	2016 USD mm	2015 USD mm
Assets:		
Non-current assets	**18**	19
Current assets	**29**	26
Total Assets	**47**	45
Liabilities:		
Current liabilities	**–**	–
Net Assets	**47**	45
Income	**4**	4
Operating cost	**(1)**	(1)
Depreciation	**(1)**	(1)
Gross profit	**2**	2

16 Inventories

	2016 USD mm	2015 USD mm
Spares and consumables	**57**	73
Less: provision for impairment of inventory	**(8)**	(8)
	49	65
Less: reclassification to property, plant and equipment (note 11)	**–**	(12)
	49	53

17 Trade and Other Receivables

	2016 USD mm	2015 USD mm
Trade receivables (net)	**982**	950
Prepaid expenses	**3**	2
Due from joint ventures	**22**	29
Other receivables	**26**	42
Less: provision for impairment of other receivables	**(7)**	(6)
	1,026	1,017

a) Trade receivables are interest bearing and are generally on 30-60 days credit period.
b) The Group's share of trade receivables in Pearl Petroleum is in respect of condensate and LPG deliveries amounting to USD 713 million (31 December 2015: USD 727 million) – refer note 15.
c) The ageing analysis of trade receivables is as follows:

			Past due but not impaired				
	Total USD mm	Neither past due nor impaired USD mm	<30 days USD mm	30-60 days USD mm	61-90 days USD mm	91-120 days USD mm	>120 days USD mm
2016	**982**	**46**	**36**	**3**	**26**	**74**	**797**
2015	950	75	12	24	15	21	803

18 Available-For-Sale Financial Asset

	2016 USD mm	2015 USD mm
At 1 January	**–**	51
Disposal	**–**	(54)
Change in fair value for the year (note 23)	**–**	3
	–	–

During 2015, the Group sold its entire shareholding of 1,136,116 shares in MOL, at an average price of USD 47.7 per share (USD 54 million – net).

19 Financial Assets at Fair Value Through Profit or Loss

	2016 USD mm	2015 USD mm
Balance at 1 January	**8**	9
Investment redeemed during the year	**–**	(1)
Change in fair value	**1**	–
Balance at 31 December	**9**	8

This represents an investment in the Abraaj Infrastructure fund. The valuation is based on the latest indicative fair value of the fund as of 31 December 2016.

The Group has not made any investments in shares and stock during the year ended 31 December 2016 and 31 December 2015.

20 Cash and Bank Balance

	2016 USD mm	2015 USD mm
Cash at bank and on hand		
– Local Banks within UAE	**37**	66
– Foreign Banks outside UAE	**7**	32
Short term deposits		
– Local Banks within UAE	**248**	343
– Foreign Banks outside UAE	**–**	–
Cash and cash equivalent	**292**	441
Deposit (Murabaha facility)	**10**	29
Cash and Bank Balance	**302**	470

Cash at bank earns profit at floating rates based on daily bank deposit rates. Short-term deposits are made for varying periods of between one week and three months, depending on the immediate cash requirements of the Group, and earn profit at the respective short-term deposit rates. The fair value of cash and bank balance including short-term deposits is USD 302 million (2015: USD 470 million). The effective profit rate earned on short term deposits ranged 0.3% to 9.0% (2015: 0.3% to 9.0%) per annum. As at 31 December 2016, 94 % (31 December 2015: 87%) of cash and bank balance were held with UAE banks and the balance held outside UAE. Out of the total cash and bank balance of USD 302 million, 5% of the amount was held in Egyptian pounds (31 December 2015: 11%).

Deposit (Murabaha facility) is EGP pledged with Mashreq Bank PSC, Egypt branch against fully secured facility of USD 25 million (note 25 e). As per the arrangement, Dana Gas Egypt will maintain EGP deposit equal in value to 115% of the outstanding principal amount of loan in USD. The tenor of the facility is one year from the date of drawdown which was completed on 9 April 2015. During the year, the facility term has been extended for a further period of one year with a revised facility amount of USD 21.5 million and requires Dana Gas Egypt to maintain EGP deposit equal in value to 120% of the outstanding principal amount of USD. The pledged EGP deposit as of 31 December 2016 stood at USD 10 million in equivalent EGP (31 December 2015: USD 29 million).

21 Share Capital

	2016 USD mm	2015 USD mm
Authorised:		
9,000,000,000 common shares of AED 1 each (USD 0.2728 each) – Note 21b		
Issued and fully paid up:		
6,968,616,114 (2015: 6,968,616,114) common shares of AED 1 each (USD 0.2728 each)	**1,901**	1,901

a. The conversion period for Exchangeable sukuk issued on 8 May 2013 commenced on 31 October 2013 and will expire 25 trading days prior to the scheduled redemption date of 31 October 2017. During this period sukuk holders have the right to convert all or part of the Exchangeable sukuk into ordinary shares of the Company.
b. The Annual General Assembly of Shareholders on 28 April 2016, approved the amendments to the Memorandum and Article of Association of the Company in accordance with the New Companies Commercial Law No.2 for the year 2015. This included approval of Authorised share capital of the Company to be AED 9 billion i.e. 9 billion shares of AED 1 each.

22 Statutory and Legal Reserve

	Statutory reserve USD mm	Legal reserve USD mm
At 1 January 2015	93	93
Transfer from net profit for the year	15	15
At 31 December 2015	108	108
Transfer from net profit for the year	–	–
At 31 December 2016	**108**	**108**

(a) Statutory Reserve
In accordance with the U.A.E. Federal Law No. (2) of 2015, the Group has established a statutory reserve by appropriation of 10% of the Group's net profit for each year. The allocation will cease by the decision of the Ordinary General Assembly as recommended by the Board of Directors or when the reserve equals 50% of the Company's paid up capital. This reserve is not available for distribution, except as stipulated by the law.

(b) Legal Reserve
As per the Article of Association of the Company, 10% of the Group's net profit for each year will be allocated to Legal reserve. Such allocation will cease when the total reserve equals 50% of the Company's paid up capital.

23 Other Reserves

	Share based reserve USD mm	Fair value reserve USD mm	Total USD mm
At 1 January 2015	1	(15)	(14)
Disposal of available-for-sale financial asset	–	12	12
Change in fair value of available-for-sale financial asset (note 18)	–	3	3
Transfer from Retained earnings	1	–	1
Share based reserve (note 24)	2	–	2
Shares issued to employees	(2)	–	(2)
At 31 December 2015	2	–	2
Share based reserve (note 24)	1	–	1
At 31 December 2016	**3**	**–**	**3**

24 Share Based Payment

The Company operates a restricted shares plan details of which are as follows:

Restricted Shares

Awards under this plan are generally subject to vesting over time, contingent upon continued employment and to restriction on sale, transfer or assignment until the end of a specified period, generally over one to three years from date of grant. All awards may be cancelled if employment is terminated before the end of the relevant restriction period. The Group determines fair value of restricted shares unit based on the numbers of unit granted and the grant date fair value.

The charge recognised in the consolidated income statement under share based payment plans is shown in the following table:

	2016 USD mm	2015 USD mm
Expense arising from equity settled share-based payment transactions	**1**	2

25 Borrowings

	2016 USD mm	2015 USD mm
Non-current		
Ordinary Sukuk (a)	**–**	400
Convertible Sukuk (a)	**–**	329
Bank Borrowings – Zora Gas Field Project Finance (b)	**39**	64
Equipment loan (c)	**12**	12
Egypt Building loan (d)	**11**	5
	62	810
Current		
Ordinary Sukuk (a)	**350**	–
Convertible Sukuk (a)	**340**	–
Bank Borrowings – Zora Gas Field Project Finance (b)	**27**	27
Bank Borrowings – Murabaha facility (e)	**12**	24
Equipment loan (c)	**1**	–
Egypt Building loan (d)	**1**	–
	731	51
Total Borrowings	**793**	861

(a) Exchangeable Sukuk

In October 2007, the Group arranged to issue convertible Sukuk-al-Mudarabah (the "Sukuk") for a total value of USD 1 billion in the form of Trust Certificates through a special purpose company (the "Issuer"). The Sukuk, which were drawn up to conform to the principles of Islamic Sharia, were approved by the Company's shareholders at an Extraordinary General Meeting held in July 2007. Pursuant to the conditions of the Sukuk, the proceeds were used for the acquisition and development of assets (the "Mudarabah Assets") owned by Dana LNG Ventures Limited. The Sukuk matured on 31 October 2012 and had a profit rate of 7.5% payable quarterly from profits of the Mudarabah Assets. In 2008, Dana Gas purchased some of the Sukuk from the market with a nominal value of USD 80 million.

The Company announced on 10 December 2012 that a standstill and lockup agreement has been reached with an "Ad-Hoc committee" of Sukuk certificate holders for a refinancing transaction (the "Transaction") in relation to the Sukuk. The standstill and lockup agreement also includes a detailed set of terms, conditions and implementation schedule.

25 Borrowings (continued)

(a) Exchangeable Sukuk (continued)

The Company launched the consent solicitation on 26 March 2013 to seek Sukuk holders consent in a meeting of Sukuk Certificate holders ("Sukuk holders EGM") to be held on 23 April 2013. Also, the Company issued an invitation to its Shareholders to attend the Extra Ordinary General Assembly ("Shareholders EGM") to consider and approve the Sukuk deal.

On 23 April 2013, both Sukuk holders EGM and Shareholders EGM approved the Sukuk refinancing deal. On 8 May 2013 successful completion was achieved and the Company made the cash pay-down of USD 69.9 million and paid the accrued profit from 31 October 2012 to 7 May 2013 amounting to USD 38.4 million. Following this, the Company also perfected the required securities and issued a compliance certificate dated 10 July 2013.

The salient features of the agreement were a reduction in the Company's outstanding Sukuk amount from USD 1 billion to USD 850 million via USD 70 million of cash pay-down and cancellation of another USD 80 million of the existing Sukuk already owned by the Company. The remaining USD 850 million will be split into two tranches being a USD 425 million Ordinary sukuk and USD 425 million Exchangeable Sukuk (together the "New Sukuks"), each with 5-year maturity to ensure long term financing. The Ordinary Sukuk and Exchangeable Sukuk have a profit rate of 9% and 7% per annum, respectively.

As per the agreement, the conversion rate for the Exchangeable sukuk was set at a 50% premium to the 75 calendar day volume-weighted average price, measured over a period commencing on 1 December 2012 (with a floor of AED 0.75 and cap of AED 1.00). The initial effective exchange price for the exchangeable sukuk was determined on 13 February 2013 and has been fixed at AED 0.75 per share (floor price). The Company has the option to pay down the outstanding principal amount of the New Sukuks prior to the new maturity date of 31 October 2017, subject to the applicable call premium on the Ordinary Sukuk and the soft call provisions on the Exchangeable Sukuk. The Exchangeable sukuk at the option of the certificate holders can be exchanged into ordinary shares of the Company on or after 31 October 2013 until 25 trading days prior to the Scheduled Redemption Date.

The Ordinary and Exchangeable sukuk are secured against the shares of Dana LNG Ventures Limited (BVI), Sajaa Gas Company Limited (Sharjah) and United Gas Transmission Company Limited (Sharjah). In addition to the above, the security package available to holders of the New Sukuks was enhanced by USD 300 million of value comprising security over certain receivables of the Company's Egyptian assets, Company's interest in Danagaz W.L.L. and Sajaa Gas industrial land.

As noted above, the Sukuk is due to mature in October 2017. The Board of Directors has considered the future operating and capital cash flow requirements of the Group, and is fully confident of meeting the Group's license obligation despite the challenges and uncertainties in the markets in which the Group operates. Meanwhile, with regard to the Sukuk and its maturity in the fourth quarter of 2017, the Board considers that, after taking into account various uncertainties that are general and specific to Company, a number of retirement options are available to it which are currently under evaluation.

During the year, the Company has bought back Ordinary Sukuk amounting to USD 50.3 million (par value). During 2015, the Company had bought back Ordinary and Exchangeable Sukuk amounting to USD 24.9 million (par value) and USD 2.2 million (par value), respectively. All the bought back Sukuk were cancelled in accordance with the terms and conditions of the respective Sukuk.

As of 31 December 2016 par value of outstanding Ordinary and Exchangeable sukuk amounted to USD 350 million (2015: USD 400 million) and USD 350 million (2015: USD 350 million), respectively.

The Exchangeable sukuk recognised in the statement of financial position is calculated as follows:

	2016 USD mm	2015 USD mm
Liability component at 1 January	**329**	323
Finance expense for convertible sukuk	**35**	32
Sukuk cancelled through buyback	**–**	(2)
Profit paid	**(20)**	(20)
	344	333
Current portion of profit classified under trade payables and accruals	**(4)**	(4)
Liability component at 31 December	**340**	329

The conversion option embedded in the convertible instrument is valued at the issuance of the Exchangeable sukuk and disclosed separately under Equity – USD 58 million (2015: USD 58 million).

25 Borrowings (continued)

(b) Bank Borrowings – Zora Gas Field Project Finance

On 25 June 2014, Dana Gas Explorations FZE (100% subsidiary of Dana Gas PJSC) entered into a Common Terms Agreement with Emirates NBD Bank, Commercial Bank International, Commercial Bank of Dubai and Barwa Bank (Lenders) for USD 100 million Term Facility for the Zora Field Development Project. Emirates NBD Bank will also act as the Global Facility Agent, Term Facility Agent, Security Agent and Account Bank while Barwa Bank will act as the Murabaha Investment Agent for the Shariah tranche of this loan.

The repayment for the Term Facility is over a period of 15 quarterly instalments and has already commenced from Q4 2015, subject to a cash sweep mechanism and carries variable rate of LIBOR + Margin during the repayment period. As of the balance sheet date, the loan amount outstanding is at USD 67 million.

Project Security covers, commercial mortgage over mortgage-able Zora gas field project assets (onshore & offshore), assignment of rights under Gas Sales Purchase Agreements, assignment of all Dana Gas Exploration FZE bank accounts, assignment of Zora Project Insurance proceeds, Project performance Guarantees from Contractors & Irrevocable Letter of Credits from Sharjah Petroleum Council. Dana Gas PJSC has pledged the shares of Dana Gas Explorations FZE in favour of security agent. Dana Gas PJSC is also a Guarantor for the entire tenure of the term facility.

	2016 USD mm	2015 USD mm
Loan facility	**91**	100
Less: Unamortised portion of loan arrangement fees	**–**	(2)
Less: Repayment during the year	**(26)**	(7)
Add: Amortisation of loan arrangement fees	**1**	–
Net Loan facility	**66**	91
Loan facility is payable as follows:		
Within one year	**27**	27
After one year	**39**	64
Loan facility	**66**	91

(c) Equipment Loan

Dana Gas Egypt ("DGE") has entered into a "Sale and Lease back" finance lease arrangement with Corporate Leasing Company Egypt SAE on 29 January 2015, for certain inventory equipment (casings, wellheads, piping etc.) that belong to DGE that have not been used till date. The total facility consisting of three contracts amounts to USD 12.6 million and have been fully drawn down up to 30 June 2015. After the full draw down an additional contract of USD 1.1 million (note 25d) was added to the facility thereby increasing the facility to USD 13.7 million. The payments are over a period of 29 quarters commencing from Quarter 3 2015 including grace period of 2 quarters for interest and principal. As of the balance sheet date, the amount outstanding toward principal is at USD 13 million.

(d) Egypt Building Loan

Pearl Properties Egypt ("PPE") has entered into a "Sale and Lease back" finance lease arrangement for Egypt Building with Corporate Leasing Company Egypt SAE on 9 June 2015. The total facility originally consisted of three contracts amounting to USD 13.8 million which was reduced by USD 1.1 million to USD 12.7 million. The facility was fully drawn down up to 30 April 2016. The payments are over a period of 29 quarters including grace period of 2 quarters for lease payments. As of the balance sheet date, the amount outstanding toward principal is at USD 12 million.

(e) Murabaha Facility

Dana Gas Egypt Ltd (Barbados) entered into Commodity Murabaha agreement with facility limit of USD 25 million with Mashreq bank PSC (UAE) on 30 March 2015. This was a fully secured facility wherein Dana Gas Egypt Ltd was required to maintain EGP deposit (pledged) equal in value to 115% of the outstanding principal amount of loan in USD held with Mashreq bank PSC, Egypt branch acting as Security Agent. The profit rate on the facility is LIBOR + Margin & the EGP deposit attracts a deposit rate that closely reflects the profit rate on the loan. The drawdown of the said facility was completed on 9 April 2015. Subsequent to period end, the facility term has been extended for a period of one year with a revised facility amount of USD 21.5 million with a slightly different profit rate (LIBOR + Margin) and a different deposit rate on EGP deposit. This fully secured facility requires Dana Gas Egypt Ltd to maintain EGP deposit (pledged) equal in value to 120% of the outstanding principal amount of USD until December 2016. As of the balance sheet date, the amount outstanding toward principal is USD 12.5 million. The remainder of this facility is repayable in first four months of 2017 or in accordance with any other terms and conditions that may be agreed with the lender.

26 Provisions

	2016 USD mm	2015 USD mm
Asset decommissioning obligation	**9**	14
Employee's end of service benefits	**2**	2
	11	16

The movement in asset decommissioning obligation during the year relates to unwinding of discount, change in discount and exchange rate and payment related to decommissioning liability.

27 Trade Payables and Accruals

	2016 USD mm	2015 USD mm
Trade payables	**43**	67
Accrued expenses and other payables	**77**	73
Profit accrued on Sukuk	**9**	10
Advance against local sales in KRI	**9**	–
	138	150

28 Provision for Surplus Over Entitlement (Net)

	2016 USD mm	2015 USD mm
Surplus over Entitlements (note 28a)	**114**	153
Less: Interest receivable on overdue invoices (note 28b)	**(67)**	(133)
Less: Other receivables	**(6)**	(6)
	41	14

(a) Surplus Over Entitlements

As per the terms of the Authorisation, Pearl takes title to all petroleum produced and accordingly recognises 100% revenue from the sale of condensate and LPG. From such revenue received in cash, Pearl is entitled to retain the petroleum costs and remuneration fee as per the Authorisation ("Entitlements") and any residual amount is to be paid to the KRG ("Surplus"). The right under the Authorisation to receive such revenue in full was upheld by the Arbitration Tribunal in its second Partial Final Award dated 27 November 2015 (note 15).

On an accruals basis, the cumulative revenue recognised by Pearl to date exceeds its net Entitlements under the Authorisation, if all invoices and outstanding receivables were to be paid by the KRG. Such estimated Surplus amounts to USD 326 million (DG Share 35%: USD 114 million) as at 31 December 2016 (31 December 2015: USD 437.72 million – DG Share 35%: USD 153 million). Reduction in Surplus has been recognised in the Income Statement. This notional Surplus is only due on the assumption that all the outstanding liquid petroleum invoices as at 31 December 2016 had been paid in full by the KRG as of that date, which they have not. Accordingly, Pearl's net Entitlements will need to be recalculated from time to time until Pearl has recovered its full entitlement under the Authorisation.

Such Surplus crystallises and becomes payable to KRG only when Pearl has actually recovered its Entitlements as per the terms of the Authorisation which is very much dependent upon the timing of actual receipt of funds from the KRG in respect of accrued revenue in addition to any future Petroleum Costs incurred by Pearl. It should be noted that as at 31 December 2016, Pearl has not recovered its Petroleum Costs in full.

Furthermore, Pearl has a right under the terms of the Authorisation to offset this Surplus, when payable, against any other outstanding payments due from the KRG. Accordingly, as at 31 December 2016, the aforementioned Surplus has been reduced by other outstanding amounts due from KRG, the net result being that a net amount of USD 117 million (DG Share 35%: USD 41 million) would be repayable to the KRG, even if the entire amount of USD 2.04 billion (DG Share 35%: USD 713 million) in outstanding receivables to Pearl by 31 December 2016 were to be settled in full. Furthermore due to the terms of the Authorisation, further delay in payment by the KRG will further increase Pearl's Entitlements and reduce the net amount re-payable to the KRG.

(b) Interest and Other Receivable from KRG (Net)

Pearl Petroleum ("Pearl") is contractually entitled to charge interest cost on overdue receivables due from KRG. Previously, without giving up its contractual entitlement to actual interest costs, Pearl invoiced interest on overdue KRG invoices at the rate of LIBOR plus 2%. In the absence of settlement of overdue invoices, Pearl decided to invoice by applying 9% interest (quarterly compounded) on 50% of the total overdue receivables, while the remaining 50% overdue receivables were subject to an interest rate of LIBOR plus 2% which is the minimum specified under the Authorisation.

28 Provision for Surplus Over Entitlement (Net) (continued)

(b) Interest and Other Receivable from KRG (Net)(continued)

As part of the Third Award received on 13 February 2017 the Tribunal ruled that Pearl is entitled to interest on overdue receivable at Libor plus 2% compounded monthly.

Based on the above, Dana Gas share (35%) of the total interest on overdue receivables (for condensate and LPG sales and transportation costs paid on behalf of KRG) from KRG as at 31 December 2016 stands at USD 67 million (31 December 2015: USD 133 million).

29 Contingencies and Commitments

(a) Dana Gas Egypt

In March 2006, Dana Gas Egypt entered into an agreement with CTIP Oil and Gas Limited ("CTIP") to acquire a 25% percent working interest in the West El Manzala and West El Qantara Concessions. Following the closing of this acquisition, the Company held a 100% participating interest in each of these Concessions. As agreed under the terms of the said acquisition agreement Dana Gas Egypt has paid USD 13 million as a result of the first Government approved plan of Development in the West El Manzala Concession. In addition, Dana Gas Egypt has agreed to pay additional payments that could total up to a further USD 12.5 million as and when discovery volumes equal or in excess of 1Tcf of Proved Reserves. Dana Gas Egypt has also granted a three percent net profits interest to CTIP on future profit from the Concessions.

In April 2013, Dana Gas Egypt was awarded a 100% working interest in the North El Arish Offshore (Block 6) concession area. The area is located offshore Nile Delta, in the eastern part of the Mediterranean Sea. As per the concession agreement, Dana Gas Egypt has committed to spend USD 25.5 million on the block during the first phase of exploration which is 4 years.

In October 2014, Dana Gas Egypt was awarded a 100% working interest North El Salhiya (Block 1) concession area. The area is located in Nile delta next to DGE existing development leases. As per the concession agreement, Dana Gas Egypt has committed to spend USD 20 million on the block during the first phase of exploration which is 3 years.

In October 2014, Dana Gas Egypt was also awarded El Matariya (Block 3) onshore concession area in the Nile Delta. Dana Gas Egypt with BP Exploration (Delta) Limited "BP" as partner and operator will participate in the concession on a 50:50 basis. As per the terms of the agreement with BP, BP will fund all of the cost (including Dana Gas's share) of the first exploration well up to an agreed maximum limit. BP also has the option to acquire 50% in the deep potential of some of Dana Gas' adjacent Development leases. Dana Gas Egypt and BP have committed to spend USD 60 million on the block during the first phase of exploration which is 3 years.

Capital expenditure contracted for at 31 December 2016 but not yet accrued amounted to Nil (31 December 2015: USD 6 million).

30 Disposal of Interest in Joint Operations

Disposal of Interest in Pearl Petroleum Company Limited

On 27 November 2015, Dana Gas and Crescent signed a Share Sale Agreement with RWEST Middle East Holdings BV (RWEST Middle East) wherein an equity interest of 5% each was sold by Dana Gas and Crescent each to RWEST Middle East. The new shareholding interest in PPCL is as follows: 35% to Dana Gas, 35% to Crescent, 10% to OMV, 10% to MOL and 10% to RWEST Middle East.

The net assets transferred by Dana Gas as a result of this disposal amounted to USD 131 million.

31 Related Party Disclosures

Transactions with related parties which are conducted at arm's length included in the consolidated income statement are as follows:

	2016		2015	
	Revenues USD mm	**Fees for management services USD mm**	Revenues USD mm	Fees for management services USD mm
Joint arrangement	**1**	**2**	1	2
Major shareholder	**–**	**–**	–	1
	1	**2**	1	3

Compensation of Key Management Personnel

The remuneration of members of key management during the year was as follows:

	2016 USD mm	2015 USD mm
Short-term benefits	**5**	6
Restricted Shares	**1**	1
	6	7

32 Financial Risk Management Objectives and Policies

Financial Risk Factors

The Group's principal financial liabilities comprise borrowings, decommissioning obligations (provisions), trade payables, other payables and due to related parties. The main purpose of these financial liabilities is to raise finance for the Group's operations. The Group has various financial assets such as trade receivables and cash and short-term deposits, which arise directly from its operations.

The main risks arising from the Group's financial instruments are foreign currency risk, interest rate risk, price risk, credit risk and liquidity risk. The Board of Directors reviews and agrees policies for managing each of these risks which are summarised below.

(a) Foreign Currency Risk

The Group is exposed to material foreign currency risks in relation to its cash balance in Egyptian pounds held in Egypt with local banks.

At 31 December 2016, if the Egyptian pounds had strengthened/weakened by 10% against the USD with all other variables held constant, total comprehensive loss for the year would have been USD 2 million higher/lower (2015: USD 5 million), as a result of foreign exchange gains/losses on translation of Egyptian pounds denominated cash and bank balance.

(b) Profit Rate Risk

The Group has minimal exposure to Profit rate risk on bank deposits. The Group's bonds carry fixed profit rate and hence are not exposed to profit rate risk.

(c) Commodity Price Risk

The Group is also exposed to commodity price risk (crude oil price), however this has been partially mitigated due to fixed pricing agreement in Egypt & U.A.E. for sale of natural gas which constitute approximately 49% (2015: 39%) of the Groups gross revenue. At 31 December 2016, if the average price of crude oil for the year had increased/decreased by 10% with all other variable held constant the Group's total comprehensive loss for the year would have been USD 19 million higher/lower (2015: USD 19 million).

(d) Credit Risk

Credit risk is the risk that the counterparty will not meet its obligations under a financial instrument or customer contract, leading to a financial loss. The Group is exposed to credit risk from trade receivables and bank balances.

(i)Trade Receivables

The trade receivables arise from its operations in UAE, Egypt and Kurdistan Region of Iraq. The requirement for impairment is analysed at each reporting date on an individual basis for major customers. As majority of the Group's trade receivable are from Government related entities no impairment was necessitated at this point. The maximum exposure to credit risk at the reporting date is the carrying amount as illustrated in note 17.

(ii) Bank Balances

Credit risk from balances with banks and financial institutions is managed by Group's Treasury in accordance with the Group policy. Investment of surplus funds is made only with counterparties approved by the Group's Board of Directors. The Group's maximum exposure to credit risk in respect of bank balances as at 31 December 2016 is the carrying amount as illustrated in note 20.

(e) Liquidity Risk

The Group's objective is to maintain a balance between continuity of funding and flexibility through the use of borrowings, trade payables and other payables. The table below summarises the maturity profile of the Group's financial liabilities at 31 December based on contractual undiscounted payments:

Year ended 31 December 2016

	On demand USD mm	Less than 3 months USD mm	3 to 12 months USD mm	1 to 5 years USD mm	>5 years USD mm	Total USD mm
Borrowings (including profit)	–	28	774	68	1	871
Trade payables and accruals	–	138	–	–	–	138
Provisions	3	–	–	6	8	17
	3	166	774	74	9	1,026

32 Financial Risk Management Objectives and Policies (continued)

Financial Risk Factors (continued)

(e) Liquidity Risk (continued)

Year ended 31 December 2015

	On demand USD mm	Less than 3 months USD mm	3 to 12 months USD mm	1 to 5 years USD mm	>5 years USD mm	Total USD mm
Borrowings (including profit)	–	23	95	898	3	1,019
Trade payables and accruals	–	150	–	–	–	150
Provisions	3	–	–	4	17	24
	3	173	95	902	20	1,193

Capital Risk Management

The primary objective of the Group's capital management is to ensure that it maintains healthy capital ratios in order to support its business and maximise shareholder value.

The Group manages its capital structure and makes adjustments to it in light of changes in business conditions. No changes were made in the objectives, policies or processes during the years ended 31 December 2016 and 31 December 2015. Capital comprises share capital, retained earnings, other reserves and equity component of convertible bonds, and is measured at USD 2,565 million as at 31 December 2016 (2015: USD 2,654 million).

33 Fair Value Estimation

Set out below is a comparison by category of carrying amounts and fair values of all of the Group's financial instruments that are carried in the financial statements:

	Carrying amount 2016 USD mm	**Fair value 2016 USD mm**	Carrying amount 2015 USD mm	Fair value 2015 USD mm
Financial assets				
Trade and other receivables	**1,026**	**1,026**	1,017	1,017
Cash and short term deposits	**302**	**302**	470	470
Financial liabilities				
Borrowings	**793**	**793**	861	861
Trade payables and accruals	**138**	**138**	150	150

The fair value of borrowings is the amortised cost determined as the present value of discounted future cash flows using the effective interest rate.

The table below analyses financial instruments carried at fair value, by valuation method. The different levels have been defined as follows:

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

The following table presents the Group' assets that are measured at fair value on 31 December 2016:

	Level 1 USD mm	**Level 2 USD mm**	**Level 3 USD mm**	**Total USD mm**
Assets				
Financial assets at fair value through profit or loss	**–**	**9**	**–**	**9**
Investment property	**–**	**–**	**24**	**24**
Total	**–**	**9**	**24**	**33**

The following table presents the Group' assets that are measured at fair value on 31 December 2015:

	Level 1 USD mm	Level 2 USD mm	Level 3 USD mm	Total USD mm
Assets				
Financial assets at fair value through profit or loss	–	8	–	8
Investment property	–	–	25	25
Total	–	8	25	33

33 Fair Value Estimation (continued)

There have been no transfers between Level 1 and Level 2 during the years 2016 and 2015.

The fair value of financial instruments that are not traded in an active market is determined using valuation techniques. These valuation techniques maximise the use of observable market data where it is available and rely as little as possible on entity specific estimates. If all significant inputs required to fair value an instrument are observable, the instrument is included in level 2.

34 Financial Instruments by Category

	Loans & receivables USD mm	Assets at fair value through the profit and loss USD mm	Available-for-sale financial asset USD mm	Total USD mm
31 December 2016				
Assets as per Statement of Financial Position				
Trade and other receivables excluding pre-payments	**1,023**	**–**	**–**	**1,023**
Financial assets at fair value through profit or loss	**–**	**9**	**–**	**9**
Cash and bank balance	**302**	**–**	**–**	**302**
Total	**1,325**	**9**	**–**	**1,334**

	Liabilities at fair value through the profit and loss USD mm	Derivatives used for hedging USD mm	Other financial liabilities at amortised cost USD mm	Total USD mm
31 December 2016				
Liabilities as per Statement of Financial Position				
Borrowings	**–**	**–**	**793**	**793**
Provisions	**–**	**–**	**11**	**11**
Trade payable and accruals excluding statutory liabilities	**–**	**–**	**138**	**138**
Total	**–**	**–**	**942**	**942**

	Loans & receivables USD mm	Assets at fair value through the profit and loss USD mm	Available-for-sale financial asset USD mm	Total USD mm
31 December 2015				
Assets as per Statement of Financial Position				
Trade and other receivables excluding pre-payments	1,015	–	–	1,015
Financial assets at fair value through profit or loss	–	8	–	8
Cash and bank balance	470	–	–	470
Total	1,485	8	–	1,493

	Liabilities at fair value through the profit and loss USD mm	Derivatives used for hedging USD mm	Other financial liabilities at amortised cost USD mm	Total USD mm
31 December 2015				
Liabilities as per Statement of Financial Position				
Borrowings	–	–	861	861
Provisions	–	–	16	16
Trade payable and accruals excluding statutory liabilities	–	–	150	150
Total	–	–	1,027	1,027

35 Social Contributions

As part of the Corporate Social Responsibility Initiatives, the Company spent USD 68,250 (2015: USD 570,000) during the year.

NOTES

GLOSSARY

US$	United States of America Dollars
AED	United Arab Emirates Dirham
Bcf	Billion Standard Cubic Feet
MMboe	Millions of Barrels of Oil Equivalent
bpd	Barrels per Day
boepd	Barrels of Oil Equivalent per Day
MMBbl	Millions of Barrels
kboepd	Thousand Barrels of Oil Equivalent per Day
Tcf	Trillion Cubic Feet
MMscfd	Millions of Standard Cubic Feet per Day
Tpd	Tonnes Per Day
KRG	Kurdistan Regional Government
KRI	Kurdistan Region of Iraq
DGE	Dana Gas Egypt

Gas is converted to barrels of oil equivalent using a conversion factor of 6,000 standard cubic feet per barrel.

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