

Dana Gas PJSC

CONSOLIDATED FINANCIAL STATEMENTS

31 DECEMBER 2006

Dana Gas PJSC

Report of the Directors

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 and Planning. Therefore, the first financial period of the Company is 20 November 2005 to 31 December 2006.

The Directors submit their report together with the consolidated financial statements of the Company for the first financial period ended 31 December 2006.

Principal activities

The Company is engaged in the business of the ownership, transportation, processing, distribution, marketing and sale of natural gas and petroleum related products, including the development of gas related projects and services.

The Directors have taken a decision to become Shariah compliant and conduct all of the Company's treasury management, fund investment, depository and accounting activities in accordance with Islamic jurisprudence.

Results

The results of the Company for the first financial period ended 31 December 2006 are set out on page 4 of the consolidated financial statements.


Directors

The directors who served during the period were:

Mr. Hamid Dhiya Jafar, Executive Chairman
Dr. Adel Khalid Al-Sabeeh, Deputy Chairman
Sheikh Sultan bin Ahmed bin Sultan Al-Qasimi
Mr. Abdulaziz Hamad Aljomaih
Mr. Abdulla Nasser Huwaileel Al-Mansoori
Mr. Adib Abdullah Al-Zamil
Mr. Ahmed Rashid Al-Arbeed
Mr. Khalid Abdul Rahman Saleh Al-Rajhi
Mr. Khalid Bin Nasser Abdulla Al-Misnad
Mr. Majid Hamid Jafar
Mr. Rashad Mohammed Al-Zubair
Dr. Tawfeeq Abdulrahman Almoayed
Mr. Varoujan Nerguizian
Mr. Ziad Abdulla Ibrahim Galadari

Auditors

The financial statements have been audited by Ernst & Young who retire and, being eligible, offer themselves for reappointment.


On behalf of the Board of Directors
Director
6 February 2007



AUDITORS' REPORT TO THE SHAREHOLDERS OF DANA GAS PJSC

Report on the financial statements

We have audited the accompanying financial statements of Dana Gas PJSC and its subsidiaries ("the Group"), which comprise the consolidated balance sheet as at 31 December 2006, and the consolidated income statement, consolidated cash flow statement and consolidated statement of changes in equity for the period then ended, and a summary of significant accounting policies and other explanatory notes.

Directors' Responsibility for the Consolidated Financial Statements

The Directors are responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards and the applicable provisions of the articles of association of Dana Gas PJSC and the UAE Commercial Companies Law of 1984 (as amended). This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

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

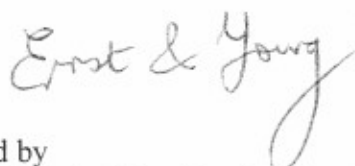
We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the Group as of 31 December 2006, and its financial performance and its cash flows for the period then ended in accordance with International Financial Reporting Standards.

Report on Other Legal and Regulatory Requirements

We also confirm that, in our opinion, the financial statements include in all material respects, the applicable requirements of the UAE Commercial Companies Law of 1984 (as amended) and the articles of association of Dana Gas PJSC; proper books of account have been kept by Dana Gas PJSC, an inventory was duly carried out and the contents of the report of the Board of Directors relating to these consolidated financial statements are consistent with the books of account. We have obtained all the information and explanations which we required for the purpose of our audit and, to the best of our knowledge and belief, no violations of the UAE Commercial Companies Law of 1984 (as amended) or of the articles of association of Dana Gas PJSC have occurred during the period which would have had a material effect on the business of Dana Gas PJSC or on its financial position.



Signed by
Edward B. Quinlan (Registration No. 93)
For Ernst & Young

Sharjah, United Arab Emirates
6 February 2007

CONSOLIDATED STATEMENT OF INCOME

For the period ended 31 December 2006

	<i>Note</i>	<i>20 November 2005 to 31 December 2006 AED mm</i>
Operating income		3
Other income		26
General and administration expenses		(35)
Investment and finance income		820
Net profit for the period		814
Basic and diluted earnings per share (AED per share)	3	0.14

The attached explanatory notes 1 to 15 form part of these consolidated financial statements.

Dana Gas PJSC

CONSOLIDATED BALANCE SHEET

As at 31 December 2006

	Notes	31 December 2006 AED mm
ASSETS		
Non-current assets		
Property, plant and equipment	4	862
Intangible assets	5	3,140
		<u>4,002</u>
Current assets		
Bank balances and cash	6	2,839
Accounts receivable and prepayments		2
		<u>2,841</u>
Total assets		<u><u>6,843</u></u>
EQUITY AND LIABILITIES		
Equity		
Share capital	7	6,000
Statutory reserve		81
Legal reserve		81
Retained earnings		652
		<u>6,814</u>
Current liabilities		
Accounts payable and accruals		25
Due to related parties		4
		<u>29</u>
TOTAL EQUITY AND LIABILITIES		<u><u>6,843</u></u>

Director



Director



The attached explanatory notes 1 to 15 form part of these consolidated financial statements.

CONSOLIDATED CASH FLOW STATEMENT

For the period ended 31 December 2006

	<i>Notes</i>	<i>20 November 2005 to 31 December 2006 AED mm</i>
OPERATING ACTIVITIES		
Profit for the period before appropriations		814
Adjustment for:		
Other income		(26)
Investment and finance income		(820)
		(32)
Changes in working capital:		
Accounts receivable and prepayments		(2)
Accounts payable and accruals		(43)
Due to related parties		4
Net cash used in operating activities		(73)
INVESTING ACTIVITIES		
Purchase of property, plant and equipment		(229)
Investment in deposits with more than three months' maturity		(103)
Investment and finance income		820
Net cash provided by investing activities		488
FINANCING ACTIVITIES		
Proceeds from issue of share capital		4,045
Redemption of convertible notes	8	(1,941)
Net cash provided by financing activities		2,104
INCREASE IN CASH AND CASH EQUIVALENTS		2,519
Cash inflow on acquisition of subsidiaries		217
Cash and cash equivalents, beginning of the period		-
CASH AND CASH EQUIVALENTS, END OF THE PERIOD	6	2,736

The attached explanatory notes 1 to 15 form part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the period ended 31 December 2006

	<i>Share capital AED mm</i>	<i>Statutory reserve AED mm</i>	<i>Legal reserve AED mm</i>	<i>Retained earnings AED mm</i>	<i>Total AED mm</i>
Proceeds from issue of share capital	6,000	-	-	-	6,000
Net profit for the period 20 November 2005 to 31 December 2006	-	-	-	814	814
	<u>6,000</u>	<u>-</u>	<u>-</u>	<u>814</u>	<u>6,814</u>
Transfer to reserves	-	81	81	(162)	-
At 31 December 2006	<u>6,000</u>	<u>81</u>	<u>81</u>	<u>652</u>	<u>6,814</u>

In accordance with the Articles of Association of the Company and Articles 192 & 193 of the UAE Commercial Companies Law, 10% of the net profit for the period is allocated to a legal reserve and a further 10% of the profit has been allocated to the statutory reserve.

The attached explanatory notes 1 to 15 form part of these consolidated financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

At 31 December 2006

1 ACTIVITIES

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 and Planning. These are the first statutory financial statements of the company.

The Company is engaged in the business of the ownership, transportation, processing, distribution, marketing and sale of natural gas and petroleum related products, including the development of gas related projects and services. Dana Gas shares are listed on the Abu Dhabi Stock Market.

The Company's registered head office is P O Box 2011, Sharjah, United Arab Emirates.

2 SIGNIFICANT ACCOUNTING POLICIES

Basis of preparation

The consolidated financial statements of the Company have been prepared in accordance with International Financial Reporting Standards and applicable requirements of the U.A.E. Commercial Companies Law of 1984 (as amended).

The consolidated financial statements have been prepared in United Arab Emirates Dirhams (AED) and all values are rounded to the nearest million except where otherwise indicated. The consolidated financial statements are prepared under the historical cost convention as modified for the measurement at fair value of certain financial assets and liabilities.

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the parent company ("Dana Gas") and each of its controlled subsidiaries ("the Group") listed below as of 31 December 2006:

Name of the Subsidiary	Place and Country of Incorporation	% of holding	Principal Activity
Sajaa Gas Private Limited Company ("SajGas")	Emirate of Sharjah, UAE	100%	Gas Sweetening
United Gas Transmissions Company Limited ("UGTC")	Emirate of Sharjah, UAE	100%	Gas Transmission

All significant inter-company balances and transactions have been eliminated at consolidation. Subsidiaries are fully consolidated from the date of acquisition, being the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases.

The Group's interests in joint ventures are accounted for by proportionate consolidation. Under this method the Group combines its share of each of the assets, liabilities, income and expenses of the joint venture with the similar items, line by line, in its consolidated financial statements.

The financial statements of subsidiaries are prepared for the same reporting period as the Company, using consistent accounting policies.

IASB Standards and Interpretations issued but not adopted

The Group has not adopted the new accounting standards or interpretations that have been issued but are not yet effective. The application of IFRS 7 *Financial Instruments: Disclosures*, which will be effective for the year ending 31 December 2007 will result in amended and additional disclosures relating to financial instruments and associated risks. Other standards and interpretations issued but not yet adopted are not likely to have any significant impact on the financial statements of the Group in the period of their initial application.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

At 31 December 2006

2 SIGNIFICANT ACCOUNTING POLICIES - continued

Business combinations

Business combinations are accounted for using the purchase method. The cost of acquisition is measured at the aggregate of the fair values, at the date of exchange, of assets given, liabilities incurred or assumed, and equity instruments issued by the Group in exchange for the assets acquired. The acquiree's identifiable assets, liabilities and contingent liabilities that meet the conditions for recognition under IFRS 3 are recognised at their fair values at the date of acquisition.

Property, plant and equipment

Property, plant and equipment is stated at cost less accumulated depreciation and any impairment in value. Land is not depreciated.

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

Gas sweetening plant	25 years
Gas transmission facilities	25 years
Building	25 years
Computers	3 years
Furniture and fixtures	3 years
Motor Vehicles	3 years

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 indication exists and where the carrying values exceed the estimated recoverable amount, the assets are written down to their recoverable amount.

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.

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

Intangible assets

Intangible assets acquired separately are measured on initial recognition at cost.

The cost of intangible assets acquired in a business combination is fair value as at the date of acquisition.

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 charged against profits in the year in which expenditure is incurred. 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 tested for impairment annually. Such intangibles are not amortised.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

At 31 December 2006

2 SIGNIFICANT ACCOUNTING POLICIES - continued

Impairment and uncollectibility of financial assets

An assessment is made at each balance sheet date to determine whether there is objective evidence that a specific financial asset may be impaired. If such evidence exists, any impairment loss is recognised in the income statement. Impairment is determined as follows:

- (a) For assets carried at fair value, impairment is the difference between cost and fair value;
- (b) For assets carried at cost, impairment is the difference between cost and the present value of future cash flows discounted at the current market rate of return for a similar financial asset.

Accounts receivable and prepayments

Accounts receivable and prepayments 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

For the purpose of the Statement of Cash Flows, cash and cash equivalents consist of cash in hand, bank balances, and short-term deposits with an original maturity of three months or less, net of outstanding bank overdrafts, if any.

Accounts 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

Provisions are recognised when the Company has an 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.

Employees' end of service benefits

The Company 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.

Foreign currencies

Transactions in foreign currencies are recorded at the rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the rate of exchange ruling at the balance sheet date. All differences are taken to the income statement.

Share based payment transactions

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 share appreciation rights, which can only be settled in cash ("cash-settled transactions").

Equity-settled transactions

The cost of equity-settled transactions with employees is measured by reference to the fair value at the date on which they are granted. The fair value is determined by an external valuer using an appropriate pricing model.

The cost of equity-settled transactions is recognised, together with a corresponding increase in equity, over the period in which the performance and/or service conditions are fulfilled, ending on the date on which the relevant employees become fully entitled to the award ('the vesting date'). The cumulative expense recognised for equity-settled transactions at each reporting date until the vesting date reflects the extent to which the vesting period has expired and the Group's best estimate of the number of equity instruments that will ultimately vest. The income statement charge or credit for a period represents the movement in cumulative expense recognised as at the beginning and end of that period.

Where the terms of an equity-settled award are modified, the minimum expense recognised is the expense if the terms had not been modified. An additional expense is recognised for any modification, which increases the total fair value of the share based payment arrangement, or is otherwise beneficial to the employee as measured at the date of modification.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

At 31 December 2006

2 SIGNIFICANT ACCOUNTING POLICIES - continued**Share based payment transactions - continued*****Cash-settled transactions***

The cost of cash settled transactions is measured initially at fair value at the grant date using an appropriate pricing model, further details of which are given in Note 10. This fair value is expensed over the period until vesting with recognition of a corresponding liability. The liability is remeasured at each balance sheet date up to and including the settlement date with changes in fair value recognised in profit or loss.

Revenue recognition

Revenue from surplus funds invested with financial institutions is recognised as the revenue accrues.

Fair values

The fair value of profit-bearing items is estimated based on discounted cash flows using profit rates for items with similar terms and risk characteristics.

3 BASIC AND DILUTED EARNINGS PER SHARE

Basic earnings per share are calculated by dividing net profit for the period attributable to equity holders of the parent by the weighted average number of ordinary shares outstanding during the period.

Diluted earnings per share are calculated by dividing the net profit by the weighted average number of ordinary shares outstanding during the year plus the weighted average number of ordinary shares that would be issued on the conversion of all the dilutive potential ordinary shares into ordinary shares.

The information necessary to calculate earnings per share is as follows:

	<i>20 November 2005 to 31 December 2006 AED mm</i>
<i>Earnings:</i>	
Net profit for the period	<u>814</u>
<i>Shares:</i>	
Weighted average number of shares outstanding for calculating basic and diluted EPS (millions of shares)	<u>6,000</u>

There are no dilutive potential ordinary shares as at 31 December 2006. There have been no other transactions involving ordinary shares or potential ordinary shares between the reporting date and the date of completion of these financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

At 31 December 2006

4 PROPERTY PLANT AND EQUIPMENT

	<i>Land AED mm</i>	<i>Building AED mm</i>	<i>Other Assets AED mm</i>	<i>Capital work-in progress AED mm</i>	<i>Total AED mm</i>
Cost					
Acquired in business combination	124	2	-	507	633
Additions	-	2	5	222	229
At 31 December 2006	<u>124</u>	<u>4</u>	<u>5</u>	<u>729</u>	<u>862</u>
Net book value					
At 31 December 2006	<u>124</u>	<u>4</u>	<u>5</u>	<u>729</u>	<u>862</u>

5 BUSINESS COMBINATIONS**Acquisition of SajGas, UGTC and interest in CNGCL**

During 2005 the Company acquired a 100% interest in SajGas and UGTC and a 35% interest in Crescent National Gas Corporation Limited ("CNGCL"). The Company's share of the fair value of the identifiable assets and liabilities of these entities as at the date of the acquisition was:

	<i>Fair value recognised on acquisition AED mm</i>	<i>Carrying value AED mm</i>
Property, plant and equipment	633	556
Intangible assets	3,140	64
Current assets	217	217
Total assets	<u>3,990</u>	<u>837</u>
Current liabilities	<u>(68)</u>	<u>(68)</u>
Value of net assets	<u>3,922</u>	<u>769</u>
Consideration paid	<u>3,922</u>	

The total consideration of AED 3,922 million was settled by issuing AED 1,961 million ordinary shares and the balance in the form of Convertible Notes (note 8).

The intangible assets represent the fair value of the rights for the purchase, transmission, sweetening and sale of gas and related products acquired by the Company through its shareholdings in SajGas, UGTC and CNGCL. The fair value of the rights acquired was determined by reference to valuation exercises undertaken by professionally qualified third parties based on the expected future cash flows arising from the underlying contractual relationships. The intangible assets are being 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. The ultimate supplier of gas is currently in the process of completing the construction of the required facilities. This is expected to be accomplished by second quarter 2007.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

At 31 December 2006

5 BUSINESS COMBINATIONS - continued**Acquisition of Dana Gaz (Bahrain)**

The Company entered into an agreement on 30 September 2006 to acquire a controlling interest in a Bahrain registered company, named Dana Gaz (Bahrain), subject to the fulfillment of certain conditions. Dana Gaz plans to develop a project to build, own, and operate the Gulf of Suez Gas Liquids Plant in Egypt. The project involves the engineering, fabrication, installation and operation of a high-efficiency gas liquids extraction and manufacturing plant on the western shore of the Gulf of Suez. Both parties are currently working towards fulfillment of conditions precedent to the completion of acquisition.

6 CASH AND CASH EQUIVALENTS

Cash and cash equivalents in the statement of cash flows consist of the following balance sheet amounts:

	<i>31 December 2006 AED mm</i>
Total cash and bank balances	2,839
Less: Deposits and balances with an original maturity of greater than three months	(103)
Cash and cash equivalents	<u>2,736</u>

The Board of Directors of the Company have taken a decision to become Shariah compliant and conduct all of the Company's treasury management, fund investment, depository and accounting activities in accordance with Islamic jurisprudence.

Cash at bank is primarily placed on deposits and commodity investments which earn profit at rates declared by the banks. Short-term deposits are made for varying periods of between one day and three months, depending on the immediate cash requirements of the Group and earn profits at the respective short-term deposit rates.

At 31 December there was only one deposit with an original maturity of more than three months and it earns a profit rate of approximately 5.8% per annum.

7 SHARE CAPITAL

	<i>31 December 2006 AED mm</i>
<i>Authorised, issued and fully paid up :</i>	
6,000,000,000 common shares of AED 1 each	<u>6,000</u>

8 CONVERTIBLE NOTES

During the period from incorporation to 31 December 2006, the convertible notes with a carrying value of AED 1,941 million were repaid in cash.

9 EXPENDITURE COMMITMENTS

	<i>31 December 2006 AED mm</i>
Capital expenditure commitments:	
Estimated capital expenditure contracted for at the balance sheet date but not provided for:	
Plant and equipment	<u>-</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

At 31 December 2006

10 SHARE BASED PAYMENTS

The expense recognised for employee services received during the period is as follows

*20 November
2005
to 31 December
2006
AED mm*

Expense arising from cash settled share based payment transactions

2

The share based payment plans are described below. Both plans are cash settled. Grants of options through these schemes are approved by the Board of Directors.

Key Employee Long Term Incentive Plan ("LTIP")

The LTIP seeks to align employee and shareholder interests and reward company and employee performance over an extended period through the payment of cash bonuses calculated by reference to the market price of one share as compared to its exercise price determined at the time of grant. Options in the plan vest upon completion of a defined service period.

As of 31 December 2006 options have been granted over 1,247,008 shares with an average exercise price of AED 2.15 and an average remaining vesting period of 30 months. The weighted average fair value of each option is calculated as AED 0.80.

Pioneer Grant

The Pioneer Grant is an one-time grant aimed to recognise the pioneering spirit of the founding members of the management team of Dana Gas PJSC. The plan results in the payment of a cash bonus calculated by reference to market price of one share as compared to its exercise price determined at time of grant. Options in the plan vest upon completion of a defined service period.

As of 31 December 2006 options have been granted over 4,275,000 shares with an average exercise price of AED 1.00 and an average remaining vesting period of 13.7 months. The weighted average fair value of each option is calculated as AED 0.90.

Fair values of options granted

The fair value of options granted under both plans is measured using the Black Scholes model. The following are the inputs to the model for the period ended 31 December 2006:

Expected volatility	45.4%
Risk free profit rate	5.5%
Average expected life of option	17.4 months
Share price at balance sheet date	AED 1.57

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

At 31 December 2006

11 RELATED PARTY TRANSACTIONS

Related parties represent associated companies, major shareholders, directors and key management personnel of the Company, and entities controlled, jointly controlled or significantly influenced by such parties. Pricing policies and terms of these transactions are approved by the Company's management.

Transactions with affiliate companies are as follows:

- Fees for management services: AED 6 million
- Expenses paid on behalf of Group, which are recharged at cost with no mark-up for profit: AED 7 million.

Compensation of key management personnel

The remuneration of key management personnel employed by the Group is as follows:

	<i>2006 AED mm</i>
Stock options	2
Short-term benefits	4
	<hr/>
	6
	<hr/>

12 RISK MANAGEMENT

Interest rate risk

The Company is exposed to profit rate risk on certain financial assets (bank deposits).

Credit risk

The Company limits its credit risk with regard to bank deposits by only dealing with reputable banks.

Credit risk is limited to the carrying values of financial assets in the balance sheet.

Liquidity risk

The Company limits its liquidity risk by ensuring bank facilities are available.

Currency risk

The Company is not exposed to significant currency risk. As the UAE Dirham is pegged to the US Dollar, balances in US Dollars are not considered to represent significant currency risk.

13 FAIR VALUES OF FINANCIAL INSTRUMENTS

Financial instruments comprise of financial assets and financial liabilities.

Financial assets consist of cash and bank balances. Financial liabilities consist of payables.

The fair values of financial instruments are not materially different from their carrying values.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

At 31 December 2006

14 SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

Judgements

In the process of applying the Group's accounting policies, management has made the following judgements, apart from those involving estimations, which have the most significant effect on the amounts recognised in the financial statements:

Impairment review of intangible assets

In accordance with the IAS 36 requirement in respect of intangible assets not yet available for use, management has undertaken an impairment review of the intangible assets referred to in note 5. Management has reviewed the progress on the construction of the required facilities by the ultimate gas supplier and the various inputs into the original valuation model. Management believes that construction is now fairly well advanced and should be completed by the second quarter of 2007 with gas supplies commencing immediately thereafter. Management further believes that the inputs into the original valuation model have not significantly changed so as to require a formal calculation of the recoverable amount of the intangible assets.

Accounting estimates

The key assumptions concerning the future and other key sources of estimation uncertainty at the balance sheet date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

Fair value of intangible assets

In allocating the purchase price paid to the identifiable assets and liabilities acquired in the acquisitions detailed in note 5 management has used estimation in determining the fair value of the intangible assets acquired.

Fair value of share based payments

In determining the fair value of options granted to employees under the Group Employee Share Option Scheme the Group uses the Black Scholes Model which requires estimates to be made for certain inputs into the model as described in note 10.

15 POST BALANCE SHEET EVENT

On January 10, 2007, Dana Gas PSJC completed a Plan of Arrangement ("Plan") with Centurion Energy International Inc. ("Centurion"). Under the terms of this Plan, Dana Gas has acquired all of the issued and outstanding common shares of Centurion for CAD 12.00 in cash per common share for an aggregate acquisition cost of CAD 1 billion (approximately AED 3.3 billion) and retired debt of USD 140 million (AED 514 million). The Plan was approved by the Centurion common share holders during a special meeting on January 8, 2007 and subsequently by the Queen's bench of Alberta Court. The Centurion acquisition has been funded from internal cash accruals and Islamic Shariah compliant facility provided by Citibank of USD 470 million (AED 1.7 billion)

Centurion is an independent oil and gas exploration and production company operating principally in the Egyptian Nile Delta whose common shares had previously been listed on the Toronto Stock Exchange and the London AIM.

Centurion has a number of concessions and development leases in Egypt:

- El Wastani Development Lease – These development leases are held with a 100% working interest and represent approximately 90% of current production. El Wastani production includes both gas and associated gas liquids. These leases have 13,017 acres of land included within their boundaries and are located in the Nile Delta of Egypt.
- South El Manzala Development Leases – These development leases are held with a 100% working interest and represent approximately 8% of current production. South El Manzala has only gas production. These development leases have 16,055 acres of land included within their boundaries and are located in the Nile Delta of Egypt.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

At 31 December 2006

15 POST BALANCE SHEET EVENT - continued

- West Gharib Concession – This concession contains several development leases and exploration lands. Centurion has a 30% working interest in this concession as a non-operating partner. Total acreage from this area represents 10,764 acres (net share). The West Gharib Concession produces approximately 2% of current volumes and produces only oil. This Concession is located in the North West portion of Egypt near to Gulf of Suez.
- West El Manzala Exploration Concession – Centurion holds a 100% working interest in this Concession, which includes 476,216 acres of exploration land. Current drilling programs and seismic interpretation are being carried out to explore the acreage. This concession is located in the Nile Delta of Egypt.
- West El Qantara Exploration Concession – Centurion holds a 100% working interest in this Concession, which includes 319,618 acres of exploration land. Current drilling programs and seismic interpretation are being carried out to explore the acreage. This concession is located in the Nile Delta of Egypt.
- Kom Ombo Exploration Concession – Centurion holds a 100% working interest in this Concession, which includes 5,654,727 acres of exploration land. Current drilling programs and seismic interpretation are being carried out to explore the acreage. This Concession is located in the southern desert of Egypt.
- Block 4 Sao Tome/Nigeria – Centurion holds a 9.5% working interest in the exploration block. The block is located off shore in the Nigeria/Sao Tome Joint Development Zone. The block has 15,876 acres (net share) of land in its boundaries.

Reserve volumes of Centurion at December 31, 2005 were 97 mmboe of proved plus probable reserves. Centurion had revenue from continuing operations of CAD 145 million (approximately AED 475 million) and profit of CAD 45 million (approximately AED 147 million) for the nine month period ended 30 September 2006, based on the unaudited financial statements under Canadian GAAP,

The Company is currently undertaking a provisional purchase price allocation exercise which is expected to be reported in the first quarter 2007 interim financial statements of Dana Gas.