

Dana Gas PJSC and Subsidiaries

CONSOLIDATED FINANCIAL STATEMENTS

31 DECEMBER 2013

DANA GAS PJSC

Report of the Directors

The Board of Directors of Dana Gas (“Dana Gas” or the “Company”) are pleased to announce the consolidated financial results of the Company, its subsidiaries and joint arrangements (together referred to as the “Group”) for the year ended 31 December 2013.

Principal Activities

Dana Gas was incorporated in the Emirate of Sharjah (“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 is the Middle East’s first and largest private sector natural gas company. The Group currently operates in the MENASA (Middle East, North Africa & South Asia) Region across the natural gas value chain; from exploration and production, through gas processing and transportation, to the distribution, marketing and utilisation of gas as feedstock and fuel to the petrochemical, industrial and the power sectors. Since its establishment, the Company has grown from a small core team at its head office in Sharjah to a regional as well as international natural gas Company with offices in Sharjah, Egypt, Saudi Arabia, Bahrain, the Kurdistan Region of Iraq and in the United Kingdom.

Results for the year ended 31 December 2013

During the year, the Company earned gross revenues of AED 2,390 million as compared to AED 2,320 million in 2012. The increase in revenue was mainly due to higher production in Egypt which increased by 14%.

The Group achieved a net profit after tax of AED 571 million as compared to AED 605 million in 2012, a decrease of 6%. This decline in net profit was due to an increase in royalty in Egypt (Government’s entitlement of production), a higher depreciation, depletion and amortisation (“DD&A”) in Egypt as well as lower sales of higher margin LPG in the Kurdistan Region of Iraq (KRI). The lower sales of LPG were due to the repair of the LPG loading facilities at the Khor Mor facility in the first half of the year and to under lifting by the Ministry of Natural Resource (“MNR”) of Kurdistan Region Government of Iraq (“KRG”) since the facility came back on stream in July 2013.

The Group ended the year with an average production of 64,700 barrels of oil equivalent per day (boepd), an increase of 8% compared to last year’s production of 59,800 boepd.

Earnings before interest, tax, depreciation, amortisation and exploration write offs (“EBITDAX”) decreased to AED 1.31 billion compared to AED 1.46 billion in 2012.

Liquidity and Financial Resources

Net cash generated from operations was AED 459 million. In 2013, the Company collected AED 744 million from its share of receivables in Egypt and Kurdistan Region of Iraq. The Group’s cash balance improved by 24% to AED 748 million by end of 2013 compared to AED 601 million in 2012, aided by AED 194 million payment of outstanding receivables from Egypt in December 2013.

Business Update

In line with its outlined strategy, the Dana Gas Group continues to maximise the value of its existing oil and gas assets and projects, while pursuing growth through a strategy of targeted acquisitions and new business development across the gas value chain. We continue to balance our capital expenditure with the available sources of finance to ensure we maintain a robust statement of financial position.

DANA GAS PJSC

Report of the Directors

Reserves & Resources

(a) Dana Gas Egypt

The U.K. based advisory firm, Gaffney, Cline & Associates carried out an independent evaluation of Dana Gas Egypt's hydrocarbon reserves as at 31 December 2013. Following this review, the Group's gross proved reserves (1P) as at 31 December 2013 were 74 millions of barrels of oil equivalent (31 December 2012: 78 mmboe). The gross proved and probable reserves (2P) as at 31 December 2013 were estimated to be 117 mmboe (31 December 2012: 131 mmboe) and the gross proved, probable and possible reserves (3P) as at 31 December 2013 were estimated to be 189mmboe (31 December 2012: 223 mmboe).

(b) Pearl Petroleum Company Limited

Pearl Petroleum Company Limited's ("Pearl Petroleum") appointed independent petroleum consultant Gaffney, Cline & Associates Limited (GCA), provided in quarter three 2013 an estimate of hydrocarbons in-place as at 31 December, 2012 for both the Kor Mor and Chemchemical fields based on a comprehensive data set comprising ca. 1200 km 2D seismic, the 11 wells drilled in the two fields to date and field production data over a period of five years.

Gas initially in-place volumes (unrisked*) have been computed by GCA and, based on its recently released report related to the individual fault blocks which comprise Kor Mor, Dana Gas has calculated an aggregated Best Estimate (P50) volume of 22 Tscf. For Chemchemical, gas initially in place volumes (unrisked*), based on the GCA reported volumes for the individual fault blocks, have been aggregated by Dana Gas to be a Best Estimate (P50) of 30 Tscf. The report also indicates that both fields have considerable additional upside potential. Dana Gas' 40% share of these Best Estimate in-place volumes for Kor Mor and Chemchemical combined corresponds to 20 Tscf.

GCA also stated that certain Kor Mor fault blocks may contain oil instead of gas and determined oil initially in-place volumes (unrisked*) for these individual blocks. Dana Gas has calculated an aggregated Best Estimate (P50) volume of around 1.8 billion barrels of oil, in place of around 3 Tscf of gas in these blocks.

GCA's report confirms Dana Gas' belief that Kor Mor and Chemchemical 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.

*Note that a risk factor accounting for geological and commercial uncertainties has not been assessed or applied at this time. However, both fields are surrounded by producing oil and/or gas fields which calibrates and reduces the geological and reservoir risks. The reported hydrocarbon volumes are estimates based on professional judgment and are subject to future revisions, upwards or downwards, as a result of future operations or as additional information becomes available.

(c) Sharjah Western Offshore – Zora Field

The U.K. based advisory firm, Gaffney, Cline & Associates carried out an independent evaluation of Sharjah Western Offshore – Zora Field's hydrocarbon reserves as at 31 December 2013. Following signing of concession agreement with Ajman in January 2014, the Group has a 100% interest in the Zora field which spans the territorial waters of Sharjah and Ajman. Following this review, the Group's gross proved reserves (1P) as at 31 December 2013 were 17 millions of barrels of oil equivalent (31 December 2012: 17 mmboe). The gross proved and probable reserves (2P) as at 31 December 2013 were estimated to be 33 mmboe (31 December 2012: 33 mmboe) and the gross proved, probable and possible reserves (3P) as at 31 December 2013 were estimated to be 64mmboe (31 December 2012: 67 mmboe). Prior year reserves numbers have been restated for ease of comparison.

DANA GAS PJSC

Report of the Directors

Egypt E&P operations

Dana Gas Egypt ended 2013 with production for the full year of operations of 13.4 MMBOE i.e. averaging 36,700 boepd (2012: 11.8 MMBOE, i.e. averaging 32,200 boepd). This represents an increase of 14% compared to the same period last year. The Company was successful in bringing online production from the tie-in of South Abu El Naga dry gas and rich gas well, new discoveries of Allium in West El Manzala concession, West Sama in West El Qantara concession and West El Baraka in Komombo concession. Quarter 4, 2013 output averaged 39,800 boepd (Q4 2012: 32,700 boepd)

During the year, the Group collected AED 491 million against its receivables in Egypt (2012: AED 596 million). At year end, the trade receivable balance stood at AED 1,004 million (31 December 2012: AED 866 million). The Company continues to calibrate its capital expenditure in line with collections.

On 18 April 2013, Dana Gas Egypt was awarded a 100% working interest in the North El Arish Offshore (Block 6) concession area. The agreement for the block was signed on 12 February 2014. The area is located offshore Nile Delta, in the eastern part of the Mediterranean Sea, in water depths of up to 1,000 meters and covering an area of 2,980 Km². The concession has an 8 year exploration period comprised of three phases starting with an initial four year exploration period and two additional two year extension period.

Kurdistan Region of Iraq (KRI) Project (Pearl Petroleum Company Limited)

In April 2007, the Group entered into agreements with the Kurdistan Regional Government of Iraq for the development of its significant petroleum (including gas) resources in the Khor Mor and Chemchemal fields. Since then, the focus has been on developing, processing and transporting natural gas from the Khor Mor field including processing and the extraction of LPG and condensate and providing natural gas supplies to fuel domestic electric power generation plants near the major urban centers of Erbil and Suleymania. Further development of the gas resources are planned to include allowing expansion of electricity generation and to supply natural gas as feedstock and energy for local industries.

During 2013, the Group's share (40%) of gross production in the Kurdistan Region of Iraq was 10 mmboe, i.e. averaging 27,600 boepd (2012: 10 mmboe, averaging 27,500 boepd).

The LPG loading bay at the Kor Mor LPG processing facility was damaged as a result of an explosion of a LPG tanker belonging to a local trader on 22 June 2012 and hence LPG production was suspended. The reconstruction and upgrading of the loading facilities was completed in July 2013, however, production of LPG has remained low since then due to under lifting by the Ministry of Natural Resource ("MNR") of KRG, as a result of inadequate numbers of certified LPG tankers.

During 2013, the Group collected AED 253 million against its share of receivables in Kurdistan (2012: AED 525 million). The Group has not received any significant payment since July 2013 and is taking steps to ensure that payments are resumed as soon as possible. At year end, the Group's share of trade receivables balance stood at AED 1,888 million (December 2012: AED 1,298 million).

On 21 October 2013, Dana Gas, along with Crescent Petroleum and Pearl Petroleum (which holds petroleum rights in the Kurdistan Region of Iraq), commenced arbitration proceedings at the London Court of International Arbitration (LCIA), in accordance with the agreement with the KRG which was signed in April 2007 and is governed by English Law.

DANA GAS PJSC

Report of the Directors

UAE Gas Project

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. In July 2010, 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 and expects an enforceable decision by the international tribunal during 2014.

Sharjah Western Offshore Concession (Zora Gas Field)

The Zora gas field is located at 33 km off the Sharjah coastline straddling Ajman/Sharjah territorial boundary and is an offshore gas discovery made in 1979. The field lies partly in the Sharjah Western Offshore Concession area and extends into the adjacent Ajman Concession area with approximately 50% of the volume on each side agreed as the initial unitization rate.

The work program for the development of Zora field includes the engineering, construction and installation of a new unmanned platform, together with 2 horizontal gas production wells in approximately 24 meters of water depth. These planned facilities are about 33 km offshore from the Sharjah Hamriyah Free Zone coast line, linked by a new 12” gas and condensate pipeline, to a new onshore gas processing plant to be constructed within the Sharjah Hamriyah Free Zone Area.

The project had been split into a number of different scopes for which contracts are to be awarded. Contract for offshore platform fabrication and hookup was awarded to Adyard on 17 November 2013. Order for key fabrication material has been placed and placement of orders for topsides equipment is underway. Physical platform fabrication will commence within the next few weeks. Final clarifications are underway to allow award of the following remaining key contracts by mid-March 2014: offshore pipeline installation, line pipe procurement, onshore pipeline installation, onshore gas plant and drilling services contract.

Egypt Gulf of Suez – Gas Liquids Extraction Plant

The Company, through its subsidiary Danagaz Bahrain, is a 26.4% owner (effective) in Egyptian Bahraini Gas Derivative Company (Joint Venture) to build, own and operate a Natural Gas Liquids Extraction Plant in Egypt in partnership with the Egyptian National Gas Company (EGAS) and the Arab Petroleum Investments Corporation (APICORP).

The plant has a capacity to process 150 MMscfd of gas and it is currently processing an average of 80 MMscfd. In future, it is expected that the gas supply will increase through tie-ins with other gas fields in the vicinity.

DANA GAS PJSC
Report of the Directors

Directors

The Directors who served during the year were:

H.H. Sheikh Ahmed Bin Sultan Al-Qasimi, Honorary Chairman
Dr. Adel Khalid Al-Sabeeh, Chairman
Dr. Tawfeeq Abdulrahman Almoayed, Deputy Chairman
Mr. Hamid Dhiya Jafar
Mr. Ahmed Rashid Al Arbeed,
Mr. Rashid Saif Al-Jarwan, Acting Chief Executive Officer
H.E. Sheikh Sultan Bin Ahmed Bin Sultan Al-Qasimi
Mr. Abdulaziz Hamad Aljomaih
Mr. Abdullah Ali Al Majdouie
Mr. Khalid Abdul Rahman Saleh Al-Rajhi
Mr. Majid Hamid Jafar
Mr. Nasser Al Nowais
Mr. Rashad Mohammed Al-Zubair
Mr. Said Arrata
Mr. Varoujan Nerguizian
Mr. Ziad Abdulla Ibrahim Galadari
Mr. Ahmed Al Midfa
Mr. Salah Al Qahtani

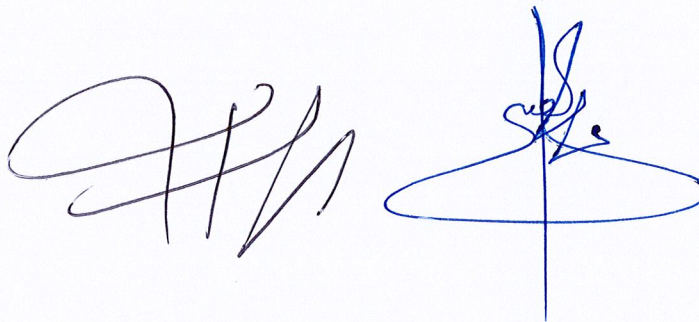
Auditors

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

5 March 2014

Two handwritten signatures in blue ink. The signature on the left is a stylized, cursive script. The signature on the right is a more formal, blocky script with a large, circular flourish at the bottom.

INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS OF DANA GAS PJSC

Report on the financial statements

We have audited the accompanying consolidated financial statements of Dana Gas PJSC and its subsidiaries (the "Group"), which comprise the consolidated statement of financial position as at 31 December 2013, and the consolidated income statement, consolidated statement of comprehensive income, consolidated statement of cash flows and consolidated statement of changes in equity for the year then ended, and a summary of significant accounting policies and other explanatory information.

Directors' responsibility for the consolidated financial statements

The Directors are responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards, as issued by the International Accounting Standards Board (IASB), and the applicable provisions of the articles of association of Dana Gas PJSC and the UAE Commercial Companies Law of 1984 (as amended), and for such internal control as the Directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these consolidated 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 about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the consolidated 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 consolidated 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 Directors, as well as evaluating the overall presentation of the consolidated financial statements.

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

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

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the Group as at 31 December 2013, and its financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards.

Emphasis of matters

- (i) We draw attention to note 11 to the consolidated financial statements which discloses that the continued delay in commencement of gas supplies has prompted a key supplier of the Group to initiate arbitration proceedings against its ultimate supplier; and
- (ii) We also draw attention to note 23 to the consolidated financial statements which discusses the commencement of arbitration proceedings with the Kurdistan Regional Government of Iraq.

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

Report on Other Legal and Regulatory Requirements

We also confirm that, in our opinion, the consolidated 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 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 year which would have had a material effect on the business of Dana Gas PJSC or on its financial position.



Signed by
Anthony O'Sullivan
Registration No. 687
For Ernst & Young

5 March 2014

Sharjah, United Arab Emirates

Dana Gas PJSC and Subsidiaries

CONSOLIDATED INCOME STATEMENT

For the year ended 31 December 2013

	Notes	2013		2012	
		USD mm	AED mm	USD mm (Restated)	AED mm
Revenue		652	2,390	633	2,320
Royalties		(192)	(704)	(136)	(499)
Net revenue	5	460	1,686	497	1,821
Cost of sales		(66)	(242)	(53)	(194)
Depreciation and depletion	10	(106)	(389)	(89)	(326)
Gross profit		288	1,055	355	1,301
Investment and finance income	6	44	161	14	52
Impairment	7	(3)	(11)	(9)	(33)
Change in fair value of investment property	12	(1)	(4)	(3)	(11)
General and administration expenses		(32)	(117)	(34)	(125)
Share of loss of a joint venture		(1)	(4)	-	-
Finance costs	8	(78)	(286)	(86)	(315)
Exploration expenses	10	(8)	(29)	(9)	(33)
PROFIT BEFORE INCOME TAX		209	765	228	836
Income tax expense	27	(53)	(194)	(63)	(231)
PROFIT FOR THE YEAR		156	571	165	605
Basic earnings per share (USD/AED per share)	9	0.024	0.086	0.025	0.092
Diluted earnings per share (USD/AED per share)	9	0.021	0.078	0.025	0.092

The attached notes 1 to 32 form part of these consolidated financial statements.

Dana Gas PJSC and Subsidiaries

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2013

	<i>2013</i>		<i>2012</i>	
	<i>USD mm</i>	<i>AED mm</i>	<i>USD mm</i>	<i>AED mm</i>
			(Restated)	
Profit for the year	156	571	165	605
Other comprehensive income:				
(Loss)/ gain on available-for-sale financial asset (note 15)	<u>(20)</u>	<u>(73)</u>	<u>29</u>	<u>106</u>
Other comprehensive (loss)/ income for the year	<u>(20)</u>	<u>(73)</u>	<u>29</u>	<u>106</u>
Total comprehensive income for the year	<u><u>136</u></u>	<u><u>498</u></u>	<u><u>194</u></u>	<u><u>711</u></u>

The attached notes 1 to 32 form part of these consolidated financial statements.

Dana Gas PJSC and Subsidiaries

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2013

	Notes	2013 USD mm	AED mm	2012 USD mm (Restated)	AED mm
ASSETS					
Non-current assets					
Property, plant and equipment	10	960	3,519	938	3,437
Intangible assets	11	738	2,705	785	2,877
Investment property	12	27	99	28	103
Interest in joint ventures	32	567	2,078	568	2,082
		<u>2,292</u>	<u>8,401</u>	<u>2,319</u>	<u>8,499</u>
Current assets					
Inventories	13	59	217	54	198
Trade and other receivables	14	845	3,098	678	2,485
Available-for-sale financial asset	15	100	367	255	935
Financial assets at fair value through profit or loss	16	8	29	10	37
Cash and cash equivalents	17	204	748	164	601
		<u>1,216</u>	<u>4,459</u>	<u>1,161</u>	<u>4,256</u>
Assets classified as held for sale	28	13	47	-	-
TOTAL ASSETS		<u><u>3,521</u></u>	<u><u>12,907</u></u>	<u><u>3,480</u></u>	<u><u>12,755</u></u>
EQUITY					
Capital and reserves attributable to equity holders of the Company					
Share capital	18	1,801	6,602	1,801	6,602
Statutory reserve		80	293	65	238
Legal reserve		80	293	65	238
Retained earnings		482	1,767	349	1,280
Other reserves	19	16	58	85	310
Convertible bonds- equity component		81	297	48	176
		<u>2,540</u>	<u>9,310</u>	<u>2,413</u>	<u>8,844</u>
Attributable to shareholders of the Company		<u>2,540</u>	<u>9,310</u>	<u>2,413</u>	<u>8,844</u>
Non-controlling interest		3	11	4	15
Total equity		<u><u>2,543</u></u>	<u><u>9,321</u></u>	<u><u>2,417</u></u>	<u><u>8,859</u></u>
LIABILITIES					
Non-current liabilities					
Borrowings	20	815	2,988	-	-
Provisions	21	17	62	14	51
		<u>832</u>	<u>3,050</u>	<u>14</u>	<u>51</u>
Current liabilities					
Borrowings	20	-	-	920	3,372
Trade payables and accruals	22	141	518	129	473
		<u>141</u>	<u>518</u>	<u>1,049</u>	<u>3,845</u>
Total liabilities		<u><u>973</u></u>	<u><u>3,568</u></u>	<u><u>1,063</u></u>	<u><u>3,896</u></u>
Liabilities associated with the assets classified as held for sale	28	5	18	-	-
TOTAL EQUITY AND LIABILITIES		<u><u>3,521</u></u>	<u><u>12,907</u></u>	<u><u>3,480</u></u>	<u><u>12,755</u></u>

Director

5 March 2014

Director

5 March 2014

The attached notes 1 to 32 form part of these consolidated financial statements.

Dana Gas PJSC and Subsidiaries

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2013

		2013		2012	
	Notes	USD mm	AED mm	USD mm	AED mm
				(Restated)	
OPERATING ACTIVITIES					
Profit before income tax		209	765	228	836
Adjustments for:					
Depreciation and depletion	10	106	389	89	326
Investment and finance income	6	(44)	(161)	(14)	(52)
Change in fair value of investment property	12	1	4	3	11
Finance costs	8	78	286	86	315
Exploration expenses	10	8	29	9	33
Impairment	7	3	11	9	33
Board compensation		(3)	(11)	(2)	(7)
		<u>358</u>	<u>1,312</u>	<u>408</u>	<u>1,495</u>
Changes in working capital:					
Trade and other receivables		(194)	(711)	(170)	(623)
Inventories		(7)	(26)	(1)	(4)
Trade payables and accruals		21	78	(5)	(18)
Due to related parties		-	-	(2)	(7)
		<u>178</u>	<u>653</u>	<u>230</u>	<u>843</u>
Net cash generated from operating activities		<u>178</u>	<u>653</u>	<u>230</u>	<u>843</u>
Income tax paid		(53)	(194)	(63)	(231)
Net cash flows from operating activities		<u>125</u>	<u>459</u>	<u>167</u>	<u>612</u>
INVESTING ACTIVITIES					
Purchase of property, plant and equipment (net)	10	(64)	(234)	(31)	(115)
Expenditure on intangible assets	11	(22)	(81)	(29)	(106)
Proceeds from partial disposal of available-for-sale financial asset		134	491	-	-
Investment and finance income received		6	22	14	52
Investment redeemed during the year	16	2	7	-	-
		<u>56</u>	<u>205</u>	<u>(46)</u>	<u>(169)</u>
Net cash flows from/ (used in) investing activities		<u>56</u>	<u>205</u>	<u>(46)</u>	<u>(169)</u>
FINANCING ACTIVITIES					
Sukuk repayment		(70)	(257)	-	-
Finance costs paid		(71)	(260)	(69)	(253)
		<u>(141)</u>	<u>(517)</u>	<u>(69)</u>	<u>(253)</u>
Net cash flows used in financing activities		<u>(141)</u>	<u>(517)</u>	<u>(69)</u>	<u>(253)</u>
NET INCREASE IN CASH AND CASH EQUIVALENTS					
		40	147	52	190
Cash and cash equivalents at the beginning of the year		164	601	112	411
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	17	<u>204</u>	<u>748</u>	<u>164</u>	<u>601</u>

The attached notes 1 to 32 form part of these consolidated financial statements.

Dana Gas PJSC and Subsidiaries

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2013

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 2012	1,801	6,602	48	176	48	176	220	806	55	200	48	176	4	15	2,224	8,151
Profit for the year	-	-	-	-	-	-	165	605	-	-	-	-	-	-	165	605
Other comprehensive income	-	-	-	-	-	-	-	-	29	106	-	-	-	-	29	106
Total comprehensive income for the year	-	-	-	-	-	-	165	605	29	106	-	-	-	-	194	711
Board compensation	-	-	-	-	-	-	(2)	(7)	-	-	-	-	-	-	(2)	(7)
Transfer to reserves	-	-	17	62	17	62	(34)	(124)	-	-	-	-	-	-	-	-
Share based payment (note 25)	-	-	-	-	-	-	-	-	1	4	-	-	-	-	1	4
As at 31 December 2012	1,801	6,602	65	238	65	238	349	1,280	85	310	48	176	4	15	2,417	8,859
Profit for the year	-	-	-	-	-	-	156	571	-	-	-	-	-	-	156	571
Other comprehensive income	-	-	-	-	-	-	-	-	(20)	(73)	-	-	-	-	(20)	(73)
Share based reserve	-	-	-	-	-	-	10	37	(10)	(37)	-	-	-	-	-	-
Total comprehensive income for the year	-	-	-	-	-	-	166	608	(30)	(110)	-	-	-	-	136	498
Transfer to reserves	-	-	15	55	15	55	(30)	(110)	-	-	-	-	-	-	-	-
Gain on disposal of available for sale financial asset (note 6)	-	-	-	-	-	-	-	-	(39)	(142)	-	-	-	-	(39)	(142)
Equity component of convertible sukuk	-	-	-	-	-	-	-	-	-	-	33	121	-	-	33	121
Loss to non-controlling interest	-	-	-	-	-	-	-	-	-	-	-	-	(1)	(4)	(1)	(4)
Board compensation	-	-	-	-	-	-	(3)	(11)	-	-	-	-	-	-	(3)	(11)
As at 31 December 2013	1,801	6,602	80	293	80	293	482	1,767	16	58	81	297	3	11	2,543	9,321

The attached notes 1 to 32 form part of these consolidated financial statements.

Dana Gas PJSC and Subsidiaries

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

As at 31 December 2013

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 P. O. Box 2011, Sharjah, United Arab Emirates with offices in Al-Khobar, Bahrain, Cairo, Kurdistan Region of Iraq and London.

Principal subsidiaries and joint arrangements of the Group at 31 December 2013 and the Group 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”)	40	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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

As at 31 December 2013

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 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 have been adopted by the Group for the first time for the financial year beginning on or after 1 January 2013 and have a material impact on the Group. The Group has adopted all the new and amended IFRS and IFRIC interpretations becoming mandatory for the financial year beginning on and after 1 January 2013. Other than the changes described below, the accounting policies adopted are consistent with those of the previous financial year.

IFRS 10 Consolidated financial statements

Consolidated financial statements builds on existing principles by identifying the concept of control as the determining factor in whether an entity should be included within the consolidated financial statements of the parent company. The standard provides additional guidance to assist in the determination of control where this is difficult to assess. The changes introduced by IFRS 10 require management to exercise significant judgment to determine which entities are controlled and therefore are required to be consolidated by a parent.

The application of IFRS 10 did not impact the Group's accounting for its interests in subsidiaries. However, the accounting policies were updated to reflect the new requirements of IFRS 10.

IFRS 11 Joint arrangements and IAS 28 Investment in Associates and Joint Ventures

The standard focuses on the rights and obligation of the parties to the arrangement rather than legal form. There are two types of joint arrangements: joint operations and joint ventures. Joint operations arise where the investors have rights to the assets and obligations for the liabilities of an arrangement. A joint operator accounts for its share of the assets, liabilities, revenue and expenses. Joint ventures arise where the investors have rights to the net assets of the arrangement; joint ventures are accounted for under the equity method. Proportional consolidation of joint arrangements is no longer permitted.

The changes were applied retrospectively as required by IFRS 11 and the comparative information for the immediately preceding period (2012) is restated. See note 32 for the impact of adoption on the consolidated financial statements of the Group.

IFRS 12 Disclosures of interest in other entities

The standard includes the disclosure requirements for all forms of interests in other entities, including subsidiaries, joint arrangements, associates, structured entities and other off balance sheet vehicles.

The requirements in IFRS 12 are more comprehensive than the previously existing disclosure requirements for such investments, but have no impact on the Group's financial position or performance except the disclosures.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

As at 31 December 2013

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

New and amended standards adopted by the Group (continued)

IFRS 13 Fair value measurement

IFRS 13 establishes a single source of guidance under IFRS for all fair value measurements. IFRS 13 does not change when an entity is required to use fair value, but rather provides guidance on how to measure fair value under IFRS. IFRS 13 defines fair value as an exit price. As a result of guidance in IFRS 13, the Group re-assessed its policies for measuring fair values, in particular, its valuation inputs such as non-performance risk for fair value measurement of liabilities. IFRS 13 also required additional disclosures.

Application of IFRS 13 has not materially impacted the fair value measurements of the Group. Additional disclosures where required, are provided in the individual notes relating to the assets and liabilities whose fair values were determined. The fair value hierarchy is provided in note 30.

IAS 1 Presentation of Items of Other Comprehensive Income- Amendments to IAS 1

The amendments to IAS 1 introduce a grouping of items presented in OCI. Items that will be reclassified ('recycled') to profit or loss at a future point in time (e.g. net loss or gain on AFS financial assets) have to be presented separately from items that will not be reclassified (e.g. revaluation of land and buildings). The amendments affect presentation only and have no impact on the Group's financial position or performance.

New standards and interpretations issued but not yet effective and not yet adopted

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

IFRS 9 Financial Instruments

IFRS 9, as issued, reflects the first phase of the IASB's work on the replacement of IAS 39 and applies to classification and measurement of financial assets and financial liabilities as defined in IAS 39. The standard was initially effective for annual periods beginning on or after 1 January 2013, but Amendments to IFRS 9 Mandatory Effective Date of IFRS 9 and Transition Disclosures, issued in December 2011, as amended by a subsequent decision of the IASB in July 2013 means that the standard will not become effective until all phases of IFRS 9 are completed. The adoption of the first phase of IFRS 9 will have an effect on the classification and measurement of the Group's financial assets, but will not have an impact on classification and measurements of the Group's financial liabilities. The Group will quantify the effect in conjunction with the other phases, when the final standard including all phases is issued.

Investment Entities (Amendments to IFRS 10, IFRS 12 and IAS 27)

These amendments are effective for annual periods beginning on or after 1 January 2014 provide an exception to the consolidation requirement for entities that meet the definition of an investment entity under IFRS 10. The exception to consolidation requires investment entities to account for subsidiaries at fair value through profit or loss. It is not expected that this amendment would be relevant to the Group, since none of the entities in the Group would qualify to be an investment entity under IFRS 10.

IAS 32 Offsetting Financial Assets and Financial Liabilities - Amendments to IAS 32

These amendments clarify the meaning of "currently has a legally enforceable right to set-off" and the criteria for non-simultaneous settlement mechanisms of clearing houses to qualify for offsetting. These are effective for annual periods beginning on or after 1 January 2014. These amendments are not expected to be relevant to the Group.

Amendments to IAS 36 Impairment of assets

The amendment removed certain disclosures of the recoverable amount of CGUs which had been included in IAS 36 by the issue of IFRS 13. The amendment is not mandatory for the Group until 1 January 2014.

IAS 39 Novation of Derivatives and Continuation of Hedge Accounting – Amendments to IAS 39

These amendments provide relief from discontinuing hedge accounting when novation of a derivative designated as a hedging instrument meets certain criteria. These amendments are effective for annual periods beginning on or after 1 January 2014. These amendments are not expected to be relevant to the Group.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

As at 31 December 2013

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

New and amended standards adopted by the Group (continued)

IFRIC Interpretation 21 Levies (IFRIC 21)

IFRIC 21 clarifies that an entity recognises a liability for a levy when the activity that triggers payment, as identified by the relevant legislation, occurs. For a levy that is triggered upon reaching a minimum threshold, the interpretation clarifies that no liability should be anticipated before the specified minimum threshold is reached. IFRIC 21 is effective for annual periods beginning on or after 1 January 2014. These amendments are not expected to be relevant to the Group.

Basis of consolidation

The consolidated financial statements comprise the financial statements of the Group and its subsidiaries as at 31 December 2013.

(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 entity and has the ability to affect those returns through its power over the entity. 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

As at 31 December 2013

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Basis of consolidation (continued)

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 with the Group's accounting policies.

(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.

(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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

As at 31 December 2013

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Basis of consolidation (continued)

(d) Associates (continued)

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.

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

As at 31 December 2013

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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.

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
Pipelines & related facilities	25 years

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

As at 31 December 2013

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Other assets:

Computers	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-licence 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.

(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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

As at 31 December 2013

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

As at 31 December 2013

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.

(a) 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.

(b) 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'.

(c) 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

As at 31 December 2013

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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.

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

As at 31 December 2013

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Provisions (continued)

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.

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.

Equity-settled transaction

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

As at 31 December 2013

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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.

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, 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

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

- **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 2013 was USD 308 million (2012: 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 2013 was USD 134 million (2012: USD 181 million).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

As at 31 December 2013

3 SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS (continued)

Estimates and assumptions (continued)

- The Group carries its investment properties at fair value, with changes in fair values being recognised in the income statement. The Group engaged a firm of qualified independent property consultant to determine fair value reflecting market conditions at 31 December 2013.
- 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.
- 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 item's 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 proved 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 judgement 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 2013 is shown in Note 11.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

As at 31 December 2013

3 SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS (continued)**Estimates and assumptions (continued)**

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.

Year ended 31 December 2013

	<i>United Arab Emirates USD mm</i>	<i>Egypt USD mm</i>	<i>Kurdistan Region of Iraq USD mm</i>	<i>Total USD mm</i>
Revenue				
External sales net of royalties	5	225	230	460
Total revenue net of royalties	<u>5</u>	<u>225</u>	<u>230</u>	<u>460</u>
Gross profit	3	97	188	288
Investment and finance income				44
Impairments				(3)
Change in fair value of investment property				(1)
General and administration expenses				(32)
Share of loss of a joint venture				(1)
Finance costs				(78)
Exploration expenses				(8)
Profit before income tax				209
Income tax expense				(53)
PROFIT FOR THE YEAR				<u>156</u>
Segment assets as at 31 December 2013	<u>1,485</u>	<u>1,164</u>	<u>872</u>	<u>3,521</u>
Segment liabilities as at 31 December 2013	<u>844</u>	<u>116</u>	<u>18</u>	<u>978</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

As at 31 December 2013

4 SEGMENTAL INFORMATION (continued)

	<i>United Arab Emirates USD mm</i>	<i>Egypt USD mm</i>	<i>Kurdistan Region of Iraq USD mm</i>	<i>Total USD mm</i>
Other segment information				
Capital expenditure:				
Intangible assets	-	22	-	22
Property, plant and equipment	5	55	4	64
Total	<u>5</u>	<u>77</u>	<u>4</u>	<u>86</u>
Depreciation, depletion & amortisation	2	91	13	106
Change in fair value of investment property	1	-	-	1
Impairment	-	3	-	3
Exploration expenses	-	8	-	8

Year ended 31 December 2012

	<i>United Arab Emirates USD mm</i>	<i>Egypt USD mm</i>	<i>Kurdistan Region of Iraq USD mm</i>	<i>Total USD mm</i>
Revenue				
External sales net of royalties	5	234	258	497
Total revenue net of royalties	<u>5</u>	<u>234</u>	<u>258</u>	<u>497</u>
Gross profit	3	128	224	355
Investment and finance income				14
Impairments				(9)
Change in fair value of investment property				(3)
General and administration expenses				(34)
Finance costs				(86)
Exploration expenses				(9)
Profit before income tax				228
Income tax expense				(63)
PROFIT FOR THE YEAR				<u>165</u>
Segment assets as at 31 December 2012	<u>1,551</u>	<u>1,155</u>	<u>774</u>	<u>3,480</u>
Segment liabilities as at 31 December 2012	<u>960</u>	<u>93</u>	<u>10</u>	<u>1,063</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

As at 31 December 2013

4 SEGMENTAL INFORMATION (continued)

	<i>United Arab Emirates USD mm</i>	<i>Egypt USD mm</i>	<i>Kurdistan Region of Iraq USD mm</i>	<i>Total USD mm</i>
Other segment information				
Capital expenditure:				
Intangible assets	-	29	-	29
Property, plant and equipment	11	33	1	45
Total	11	62	1	74
Depreciation, depletion & amortisation	2	74	13	89
Change in fair value of investment property	3	-	-	3
Impairment	-	9	-	9
Exploration expenses	-	9	-	9

5 NET REVENUE

	<i>2013 USD mm</i>	<i>2012 USD mm</i>
Gross sales	647	628
Less: royalties*	(192)	(136)
Net sales	455	492
Tariff/ management fee	5	5
Net revenue	460	497

*Royalties relate to Government share of production in Egypt.

6 INVESTMENT AND FINANCE INCOME

	<i>2013 USD mm</i>	<i>2012 USD mm</i>
Gain on disposal of available for sale financial asset	39	-
Profit share from bank deposits	2	3
Dividend income	3	6
Fair value gain on financial assets at fair value through profit or loss (note 16)	-	2
IPO interest claim	-	2
Others	-	1
	44	14

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

As at 31 December 2013

7 IMPAIRMENT

	<i>2013</i> <i>USD mm</i>	<i>2012</i> <i>USD mm</i>
Impairment of oil and gas assets (note 11)	3	9
	<u>3</u>	<u>9</u>

8 FINANCE COSTS

	<i>2013</i> <i>USD mm</i>	<i>2012</i> <i>USD mm</i>
Finance cost on borrowings (note 20)	78	86
	<u>78</u>	<u>86</u>

9 EARNINGS PER SHARE

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

	<i>2013</i>	<i>2012</i>
Earnings:		
Net profit for the year - USD mm	<u>156</u>	<u>165</u>
Shares:		
Weighted average number of shares outstanding for calculating basic EPS - million	<u>6,602</u>	<u>6,602</u>
EPS (Basic) – USD:	<u>0.024</u>	<u>0.025</u>

(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.

	<i>2013</i>	<i>2012</i>
Earnings:		
Net profit for the period - USD mm	156	165
Finance cost on convertible Sukuk - USD mm	30	-
	<u>186</u>	<u>165</u>
Shares:		
Weighted average number of shares outstanding for calculating basic EPS- million	6,602	6,602
Adjustments for:		
Share options/ Restricted shares (million) *	14	11
Assumed conversion of convertible Sukuk (million)**	2,081	-
	<u>8,697</u>	<u>6,613</u>
Weighted average number of ordinary shares for diluted earnings per share (million)	<u>8,697</u>	<u>6,613</u>
EPS (Diluted) – USD:	<u>0.021</u>	<u>0.025</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

As at 31 December 2013

9 EARNINGS PER SHARE (continued)

*During the year, the Board approved the issuance of new restricted shares to key management employees in lieu of the previously held options. All options issued in prior years have been cancelled and the reserve created for the employee share option scheme has been transferred to retained earnings. These restricted shares will vest over a period of three years starting from 1 April 2013. Further in 2010 and 2011, key management employees were awarded with restricted shares, one third portion of which will vest yearly over a period of 3 years. All the above restricted shares have been taken into account in the calculation of diluted earnings per share.

** 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).

Dana Gas PJSC and Subsidiaries

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

As at 31 December 2013

10 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 2013	14	12	738	345	30	119	213	1,471
Additions	-	-	47	5	2	-	10	64
Transfer from intangible assets (note 11)	-	-	66	-	-	-	-	66
Transfer from capital work-in-progress	-	-	1	9	-	-	(10)	-
Assets held for sale (note 28)	-	-	(27)	-	-	-	-	(27)
Dry hole costs written-off	-	-	(8)	-	-	-	-	(8)
Transfer of interest*	-	-	-	-	-	-	17	17
Write off	-	-	-	(5)	-	-	-	(5)
At 31 December 2013	14	12	817	354	32	119	230	1,578
Depreciation/ Depletion:								
At 1 January 2013	-	1	450	54	11	17	-	533
Depreciation/ depletion charge for the year	-	-	81	16	4	5	-	106
Assets held for sale (note 28)	-	-	(21)	-	-	-	-	(21)
At 31 December 2013	-	1	510	70	15	22	-	618
Net carrying amount:								
At 31 December 2013	14	11	307	284	17	97	230	960
Capital Work in Progress comprises:	USD mm							
SajGas Plant and facilities	99							
UGTC Pipeline & related facilities	89							
Kurdistan Region of Iraq Project	2							
Sharjah Western Offshore (including Zora field)	40							
	230							

* Transfer of interest relates to the 50% cost transfer from Ajman Petroleum Investment Company following award of the concession agreement for the Zora field by the Emirate of Ajman to Dana Gas PJSC.

Dana Gas PJSC and Subsidiaries

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

As at 31 December 2013

10 PROPERTY, PLANT AND EQUIPMENT (continued)

	<i>Freehold land USD mm</i>	<i>Building USD mm</i>	<i>Oil and gas interests USD mm</i>	<i>Plant and equipment USD mm</i>	<i>Other assets USD mm</i>	<i>Pipeline & related facilities USD mm</i>	<i>Capital work-in- progress USD mm</i>	<i>Total USD mm</i>
Cost:								
At 1 January 2012	14	12	714	340	28	119	213	1,440
Additions	-	-	24	5	2	-	14	45
Transfer from intangible assets (note 11)	-	-	9	-	-	-	-	9
Dry hole costs written-off	-	-	(9)	-	-	-	-	(9)
Transfer of interest*	-	-	-	-	-	-	(14)	(14)
At 31 December 2012	14	12	738	345	30	119	213	1,471
Depreciation/ Depletion:								
At 1 January 2012	-	1	384	37	9	13	-	444
Depreciation/ depletion charge for the year	-	-	66	17	2	4	-	89
At 31 December 2012	-	1	450	54	11	17	-	533
Net carrying amount:								
At 31 December 2012	14	11	288	291	19	102	213	938

Capital Work in Progress comprises:

<i>USD mm</i>
SajGas Plant and facilities
UGTC Pipeline & related facilities
Kurdistan Region of Iraq Project
Sharjah Western Offshore
213

* Transfer of interest relates to the 50% cost transfer to Ajman Petroleum Investment Company relating to the Zora field upon signing of the Unitisation and Unit Operating Agreement.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

As at 31 December 2013

10 PROPERTY, PLANT AND EQUIPMENT (continued)

On 22 June 2012, an LPG road tanker belonging to a local LPG trader and offtaking LPG on behalf of and under contract with the Kurdistan Regional Government of Iraq ("KRG"), exploded and caused a fire during filling at the loading facility of the Kor Mor LPG plant. The incident resulted in five fatalities and caused extensive damage to the LPG loading facility as well as two other third-party road tankers. Detailed and comprehensive investigations conducted by independent and internationally-recognised experts have confirmed that the incident was caused by a latent welding defect in the third-party tanker, which caused it to rupture during normal filling operations

As a protective measure in accordance with the requirements of the Authorisation, the Operator (Crescent and Dana Gas) declared force majeure in relation to this incident on behalf of Pearl Petroleum Company Limited ("PPCL").

Whilst the rest of the plant was not damaged, as a precautionary operational measure, the plant was temporarily shut down for less than twenty four hours. Since then the plant resumed gas production and within three days returned to over 90% of the pre-incident gas and condensate production levels. In view of the damage to the LPG loading facility, LPG production was suspended.

PPCL awarded the contract to Petrofac, an EPC Contractor, for reconstruction of the damaged loading bay facility and formally derecognised the cost of damaged assets amounting USD 12.8 million (DG share: USD 5 million) based on early cost estimates from the EPC contractor. The reconstruction of the facilities were completed and commissioned in Q3, 2013. In accordance with the terms and conditions of the insurance policies, PPCL's insurers have completed the review, through their loss adjusters, of the total reconstruction costs incurred by the Company. Consequently, the insurers have formally acknowledged the total insurance claim settlement amount of USD 10.96 million (100%) – towards the reimbursement of the costs incurred for the restoration of the damaged LPG loading facility on a 'like for like basis'. In Q4 2013, upon the formal acknowledgement of the final settlement amount by the insurer, PPCL charged the unrecoverable cost of assets damaged amounting to USD 2.1 million (DG Share: USD 0.8 million) in the statement of comprehensive income.

The cost incurred towards the reconstruction of the loading facilities have been transferred from capital work in progress and capitalised consequent to the commissioning of the loading facilities in Q3 2013.

11 INTANGIBLE ASSETS

	<i>Oil and gas Interests USD mm</i>	<i>Transmission & sweetening rights USD mm</i>	<i>Gas processing rights USD mm</i>	<i>Development cost USD mm</i>	<i>Goodwill USD mm</i>	<i>Total USD mm</i>
Cost at 1 January 2013	277	289	7	2	308	883
Less: impairment	(96)	-	-	(2)	-	(98)
At 1 January 2013	181	289	7	-	308	785
Additions - net	22	-	-	-	-	22
Transfer to property, plant and equipment (note 10)	(66)	-	-	-	-	(66)
Impairment (note 7)	(3)	-	-	-	-	(3)
At 31 December 2013	134	289	7	-	308	738

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

As at 31 December 2013

11 INTANGIBLE ASSETS (continued)

	<i>Oil and gas Interests USD mm</i>	<i>Transmission & sweetening rights USD mm</i>	<i>Gas processing rights USD mm</i>	<i>Development cost USD mm</i>	<i>Goodwill USD mm</i>	<i>Total USD mm</i>
Cost at 1 January 2012	257	289	7	2	308	863
Less: impairment	(87)	-	-	(2)	-	(89)
At 1 January 2012	170	289	7	-	308	774
Additions - net	29	-	-	-	-	29
Transfer to property, plant and equipment (note 10)	(9)	-	-	-	-	(9)
Impairment (note 7)	(9)	-	-	-	-	(9)
At 31 December 2012	181	289	7	-	308	785

(a) Oil and Gas Interests

Oil and gas interests of USD 134 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 13% 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 79% of Dana Gas Egypt current production. The Egyptian Natural Gas Holding Company (“EGAS”) approved new development lease for Balsam and Allium 1 in February 2014. EGAS initially approved the scope of new development lease for Begonia discovery during the second half of 2013 and the formal approval for Begonia is expected by April 2014.
- **West El Qantara Development Leases (West El Qantara Concession)** – These development leases are held with a 100% working interest. These development lease have 4,324 acres of land included within their boundaries and are located in the Nile Delta of Egypt. EGAS, in February 2014, approved the scope of the Sama development lease amendment for West Sama-1. and the scope of a new development lease for Salma discovery. Formal approval is expected by April 2014. To date, two development lease are producing both natural gas and associated liquids representing approximately 7% of Dana Gas Egypt current production.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

As at 31 December 2013

11 INTANGIBLE ASSETS (continued)

- Kom Ombo Development Leases (Kom Ombo Concession) – These development leases are held with a 50% working interest with the balance of 50% interest held by Mediterra Energy Ltd. These development leases have 119 Km2 of land included within its boundaries and are located in the Upper Egypt. In February 2013, Ganoub El Wadi Holding Petroleum Company approved the new development lease for West El Baraka. To date, two development leases have been created from this exploration concession and produce approximately 1% of Dana Gas Egypt current volumes and produces only oil.

On 30 December 2013, Dana Gas Egypt, (a subsidiary) entered into a Farmout Agreement with Mediterra Energy Ltd to farmout its entire 50% interest in the concession. The transaction, subject to approval from regulatory authorities, is expected to be completed by Quarter 1 2014. Accordingly, all assets and liabilities relating to this concession have been classified as held for sale (note 28).

Management has carried out a review of each of the oil and gas interests at 31 December 2013 and has created an impairment charge of USD 3 million against its assets in Egypt.

(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, 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 and expects an enforceable decision by the international tribunal during 2014. Based on the information available at this time, the Directors and management are confident of a positive outcome.

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 2013. Management understands that progress has been made on the construction of the required facilities by the ultimate gas supplier and has reviewed the various inputs into the original valuation model. Management believes that the inputs into the original valuation model have not significantly changed.

Key assumptions used in value in use calculations

The calculation of value in use for the above cash generating unit 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 on the forward curve prevailing at the end of 2013 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

As at 31 December 2013

11 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
- Crude oil prices

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% (2012: 10%) that reflects current market assessments of the time value of money and the risks specific to the asset. Management believes that currently, there is no reasonable possible change in discount rate which would reduce the Group's excess of recoverable amount over the carrying amount of the individual assets/CGU to Zero.

In respect of the long term Brent crude oil prices, management is confident that even a 20% downward movement in prices will not lead to an impairment in the intangible.

(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 develop the gas fields in the Kurdistan region of Iraq. 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% (2012: 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.

12 INVESTMENT PROPERTY

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

	2013 USD mm	2012 USD mm
Balance at 1 January	28	31
Change in fair value	(1)	(3)
Balance at 31 December	27	28

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 2012: decrease of USD 3 million) which was charged to the consolidated income statement.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

As at 31 December 2013

13 INVENTORIES

	<i>2013</i> <i>USD mm</i>	<i>2012</i> <i>USD mm</i>
Spares and consumables	71	66
Less: provision for impairment of inventory	(12)	(12)
	<u>59</u>	<u>54</u>

14 TRADE AND OTHER RECEIVABLES

	<i>2013</i> <i>USD mm</i>	<i>2012</i> <i>USD mm</i>
Trade receivables	795	599
Prepaid expenses	1	1
Due from joint ventures	11	8
Other receivables	44	76
Less: provision for impairment of other receivables	(6)	(6)
	<u>845</u>	<u>678</u>

The Group's share of trade receivables in Pearl Petroleum is in respect of condensate and LPG deliveries. The above does not include amounts invoiced by Pearl Petroleum to the KRG in respect of Excess Gas deliveries. Such amounts have not been included pending mutual agreement with the KRG regarding the commercial terms of such Excess Gas deliveries.

Trade receivables are interest bearing, however, the interest amounts have not been included in the trade receivables. The general terms of credit are 30-60 days.

As at 31 December, the ageing analysis of trade receivables is as follows:

	<i>Total</i> <i>USD mm</i>	<i>Neither past due nor impaired</i> <i>USD mm</i>	<i>Past due but not impaired</i>				
			<i><30 days</i> <i>USD mm</i>	<i>30-60 days</i> <i>USD mm</i>	<i>61-90 days</i> <i>USD mm</i>	<i>91-120 days</i> <i>USD mm</i>	<i>>120 days</i> <i>USD mm</i>
2013	795	125	20	41	56	24	529
2012	599	100	32	11	56	5	395

15 AVAILABLE-FOR-SALE FINANCIAL ASSET

	<i>2013</i> <i>USD mm</i>	<i>2012</i> <i>USD mm</i>
At 1 January	255	226
Disposal	(135)	-
Change in fair value for the year	(20)	29
	<u>100</u>	<u>255</u>

The Group holds 1,486,116 ordinary shares in MOL (31 December 2012: 3,161,116 shares) received as consideration for the disposal of an interest in Pearl Petroleum in 2009. These shares are listed on the Budapest Stock Exchange and have been fair valued with reference to published price quotation at 31 December 2013. On 8 February 2013, the Group sold 1,675,000 shares (53%) out of its total shareholding of 3,161,116 shares in MOL, at an average price of HUF 17,515 (USD 135 million) through a book building process.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

As at 31 December 2013

16 FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	2013 USD mm	2012 USD mm
Balance at 1 January	10	10
Investment redeemed during the year	(2)	(2)
Change in fair value	-	2
	<u>8</u>	<u>10</u>
Balance at 31 December	<u>8</u>	<u>10</u>

This represents an initial investment of USD 10 million in the Abraaj Infrastructure fund. The valuation is based on the latest indicative fair value of the fund as of 31 December 2013.

17 CASH AND CASH EQUIVALENTS

	2013 USD mm	2012 USD mm
Cash at bank and on hand		
- Local Banks within UAE	9	39
- Foreign Banks outside UAE	20	41
Short term deposits		
- Local Banks within UAE	175	84
	<u>204</u>	<u>164</u>

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 short-term deposits is USD 204 million (2012: USD 164 million). The effective profit rate earned on short term deposits ranged between 1.25% to 2.5% (2012: between 1.25% to 3.5%) per annum. As at 31 December 2013, 90% (2012: 75%) of cash and cash equivalents were held with UAE banks.

18 SHARE CAPITAL

	2013 USD mm	2012 USD mm
<i>Authorised:</i>		
6,602,001,300 common shares of AED 1 each (USD 0.2728 each)		
<i>Issued and fully paid up:</i>		
6,602,001,300 common shares of AED 1 each (USD 0.2728 each)	<u>1,801</u>	<u>1,801</u>

The conversion period for convertible sukuk issued on 8 May 2013 commenced on 31 October 2013 which will expire 25 trading days prior to 31 October 2017. During this period sukuk holders have the right to convert all or part of the convertible sukuk into ordinary shares of the Company. Subsequent to the year end, during the period from 1 January 2014 to 28 February 2014, the Company has received conversion notices for the convertible sukuk amounting to USD 48.5 million. Accordingly, 237,414,982 ordinary shares calculated at a conversion price of AED 0.75 (nominal and paid up value of AED 1) will be issued to satisfy the notice. Out of this, the Competent authorities have approved increase of share capital of AED 186,372,570 (Ordinary shares: 186,372,570) on 18 February 2014 and 2 March 2014 relating to the first and second batch of Sukuk conversion notices of USD 20.6 million and USD 17.41 million received between 1 January 2014 to 15 January 2014 and 16 January 2014 to 31 January 2014, respectively. The ordinary shares related to first batch were delivered to the relevant sukuk holders on 23 February 2014. The process to get the approvals from the Competent Authorities to increase the share capital of the Company for the remaining batches to affect the conversion is ongoing.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

As at 31 December 2013

19 OTHER RESERVES

	<i>Share based reserve USD mm</i>	<i>Fair value reserve USD mm</i>	<i>Total USD mm</i>
At 1 January 2012	11	44	55
Value of employee services (note 25)	1	-	1
Change in fair value of available-for-sale financial asset (note 15)	-	29	29
At 31 December 2012	12	73	85
Disposal of available-for-sale financial asset (note 15)	-	(39)	(39)
Change in fair value of available-for-sale financial asset (note 15)	-	(20)	(20)
Transfer to retained earnings (note 25)	(10)	-	(10)
At 31 December 2013	2	14	16

20 BORROWINGS

	<i>2013 USD mm</i>	<i>2012 USD mm</i>
Non-current		
Ordinary Sukuk	425	-
Convertible Sukuk	390	-
	815	-
Current		
Convertible bonds	-	920
	-	920
Total borrowings	815	920

a) CONVERTIBLE 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.

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

As at 31 December 2013

20 BORROWINGS (continued)

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 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 Convertible Sukuk (together the "New Sukuks"), each with 5-year maturity to ensure long term financing. The Ordinary Sukuk and Convertible Sukuk have a profit rate of 9% and 7% per annum, respectively.

The Ordinary and Convertible 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 receivables of the Company's Egyptian assets, Company's interest in Danagaz W.L.L. and Sajaa Gas land.

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). 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 Convertible Sukuk. The convertible 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.

Subsequent to year end, during the period from 1 January 2014 to 28 February 2014, the company has received conversion notices for the convertible sukuk amounting to USD 48.5 million (please refer note 18 for details). Accordingly ordinary shares calculated at the conversion price will be issued to satisfy the notice.

The Convertible Sukuk recognised in the statement of financial position is calculated as follows:

	2013 USD mm
Face value of convertible sukuk on 8 May 2013	425
Less: Issuance costs	(11)
Less: Equity component on initial recognition	(33)
	<hr/>
Liability component on initial recognition	381
Finance expense for convertible sukuk	40
Profit paid	(26)
	<hr/>
	395
Current portion of profit classified under trade payables and accruals	(5)
	<hr/>
Liability component at 31 December 2013	390
	<hr/>

21 PROVISIONS

	2013 USD mm	2012 USD mm
Asset decommissioning obligation	15	12
Employee's end of service benefits	2	2
	<hr/>	<hr/>
	17	14
	<hr/>	<hr/>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

As at 31 December 2013

22 TRADE PAYABLES AND ACCRUALS

	<i>2013</i> <i>USD mm</i>	<i>2012</i> <i>USD mm</i>
Trade payables	59	60
Accrued expenses and other payables	70	57
Profit accrued on Sukuk	12	12
	<u>141</u>	<u>129</u>

23 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. Consequently, the new shareholding interest in Pearl Petroleum is as follows: 40% to Dana Gas, 40% to Crescent, 10% to OMV and 10% to MOL.

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").

Dana Gas, along with Crescent Petroleum and Pearl Petroleum (which holds petroleum rights in the Kurdistan Region of Iraq), commenced arbitration proceedings on 21 October 2013 at the London Court of International Arbitration (LCIA), in accordance with the Authorisation which was signed in April 2007 and is 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 the Kurdistan Region of Iraq.

Pearl Petroleum and its shareholders have assessed the legal position with advice from their legal advisors and based on such legal advice are fully confident of the company's rights under the Authorisation in accordance with applicable law. Accordingly they believe that there should not be a material adverse impact on the state of the company or the carrying value of its assets.

The following amounts represent the Group's 40% share of the assets and liabilities of the joint operation:

	<i>2013</i> <i>USD mm</i>	<i>2012</i> <i>USD mm</i>
Assets:		
Non-current assets	329	339
Current assets	543	435
Total Assets	<u>872</u>	<u>774</u>
Liabilities:		
Current liabilities	18	10
Net Assets	<u>854</u>	<u>764</u>
 Income	 230	 258
Operating cost	(42)	(34)
Gross profit	<u>188</u>	<u>224</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

As at 31 December 2013

23 INTEREST IN JOINT VENTURES (continued)

(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 1000 MMscfd, to transport gas in Sharjah from Sajaa to Hamriyah. The following amounts represent the Group's 50% share of the assets and liabilities of the Joint Operations:

	<i>2013</i> <i>USD mm</i>	<i>2012</i> <i>USD mm</i>
Assets:		
Non-current assets	21	22
Current assets	18	14
Total Assets	<u>39</u>	<u>36</u>
Liabilities:		
Current liabilities	-	-
Net Assets	<u>39</u>	<u>36</u>
 Income	 4	 4
Operating cost	(2)	(2)
Gross profit	<u>2</u>	<u>2</u>

24 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 pay Egyptian Natural Gas Holdings a sum of USD 20 million as a signature bonus and this was offset against the outstanding receivables in January 2014. Dana Gas Egypt has committed to spend USD 25.5 million on the block during the first phase of exploration which is 4 years.

(b) Sharjah Western Offshore

Capital expenditure contracted for at 31 December 2013 but not yet accrued amounted to USD 14 million (2012: USD 2 million).

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As at 31 December 2013

25 SHARE BASED PAYMENT

During the year, the Board approved the issuance of new restricted shares to key management employees in lieu of the previously held options. All options issued in prior years have been cancelled and the reserve created for the employee share option scheme has been transferred to retained earnings (USD 10 million). These restricted shares will vest over a period of three years starting from 1 April 2013. Further in 2010 and 2011, key management employees were awarded with restricted shares, one third portion of which will vest yearly over a period of 3 years. All the above restricted shares have been taken into account in the calculation of diluted earnings per share.

The Company now only 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 Group has made no restricted share awards to key employees during the year and the charge relates to restricted shares issued in lieu of previously held options and previously issued restricted shares.

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

	<i>2013</i> <i>USD mm</i>	<i>2012</i> <i>USD mm</i>
Expense arising from share-based payment transactions	<u>4</u>	<u>1</u>

26 RELATED PARTY DISCLOSURES

Transactions with related parties included in the consolidated income statement are as follows:

	<i>2013</i>	<i>Fees for</i> <i>management</i>	<i>2012</i>	<i>Fees for</i> <i>management</i>
	<i>Revenues</i> <i>USD mm</i>	<i>services</i> <i>USD mm</i>	<i>Revenues</i> <i>USD mm</i>	<i>services</i> <i>USD mm</i>
Joint ventures	1	2	1	2
Major shareholders	-	1	-	1
	<u>1</u>	<u>3</u>	<u>1</u>	<u>3</u>

The remuneration to the Board of Directors has been disclosed in the consolidated statement of changes in equity.

Compensation of key management personnel

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

	<i>2013</i> <i>USD mm</i>	<i>2012</i> <i>USD mm</i>
Short-term benefits	8	8
Restricted Shares	4	1
	<u>12</u>	<u>9</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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27 INCOME TAX EXPENSE

The Company is not liable to tax in its primary jurisdiction. The income tax expense relates to its Egypt operations which are taxed an average tax rate of 40.55% (2012: 40.55%)

The effective tax rate was 25 % (2012: 28 %).

28 ASSETS HELD FOR SALE

The assets and liabilities related to Komombo concession have been presented as held for sale following signing of farmout agreement with Mediterra Energy Ltd to farmout the 50% interest held in the Komombo concession. The transaction, subject to approval from regulatory authorities, is expected to be completed by Quarter 1 2014.

The results of discontinued operation are presented below:

	<i>2013 USD mm</i>	<i>2012 USD mm</i>
Net revenue	5	6
Cost of sales & depletion	(5)	(5)
Net profit	<u>-</u>	<u>1</u>

The major classes of assets and liabilities of discontinued operation as at 31 December 2013 are as follows:

	<i>2013 USD mm</i>
Assets:	
Property, plant and equipment (net)	6
Inventory	2
Trade receivables	5
Total	<u>13</u>
Liabilities:	
Provision	1
Trade payable and accruals	4
Total	<u>5</u>

29 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 review and agree policies for managing each of these risks which are summarised below.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

As at 31 December 2013

29 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)**Financial risk factors (continued)****(a) Foreign currency risk**

The Group is only exposed to material foreign currency risks in relation to available for sale financial assets which are denominated in Hungarian Forint (HUF), as a significant portion of the Group's asset, liabilities, revenues and expenses are USD denominated.

At 31 December 2013, if the HUF had strengthened/weakened by 10% against the USD with all other variables held constant, total comprehensive income for the year would have been USD 10 million higher / lower (2012: USD 25 million), as a result of foreign exchange gains/losses on translation of HUF denominated available-for-sale financial asset.

(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) Equity price risk

The Group is exposed to equity securities price risk in relation to the investments held by the Group and classified as available-for-sale financial assets. The Group's investment is in equity of an entity which is publicly traded on Budapest Stock exchange. As at 31 December 2013, if the equity price had increased / decreased by 10% with all other variables held constant the Group's comprehensive income for the year would have been USD 10 million higher / lower (2012: USD 25 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 14.

(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 2013 is the carrying amount as illustrated in note 17.

(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 2013

	<i>On demand USD mm</i>	<i>Less than 3 months USD mm</i>	<i>3 to 12 months USD mm</i>	<i>1 to 5 years USD mm</i>	<i>>5 years USD mm</i>	<i>Total USD mm</i>
Borrowings (including profit)	-	5	51	1,037	-	1,093
Trade payables and accruals	-	141	-	-	-	141
Provisions	3	-	-	3	22	28
	<u>3</u>	<u>146</u>	<u>51</u>	<u>1,040</u>	<u>22</u>	<u>1,262</u>

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29 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)**(e) Liquidity risk (continued)**

Year ended 31 December 2012

	<i>On demand</i> <i>USD mm</i>	<i>Less than 3 months</i> <i>USD mm</i>	<i>3 to 12 months</i> <i>USD mm</i>	<i>1 to 5 years</i> <i>USD mm</i>	<i>>5 years</i> <i>USD mm</i>	<i>Total</i> <i>USD mm</i>
Borrowings	920	-	-	-	-	920
Trade payables and accruals	-	129	-	-	-	129
Provisions	-	-	2	5	16	23
	<u>920</u>	<u>129</u>	<u>2</u>	<u>5</u>	<u>16</u>	<u>1,072</u>

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 2013 and 31 December 2012. Capital comprises share capital, retained earnings, other reserves and equity component of convertible bonds, and is measured at USD 2,380 million as at 31 December 2013 (2012: USD 2,283 million).

30 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:

	<i>Carrying amount</i> <i>2013</i> <i>USD mm</i>	<i>Fair value</i> <i>2013</i> <i>USD mm</i>	<i>Carrying amount</i> <i>2012</i> <i>USD mm</i>	<i>Fair value</i> <i>2012</i> <i>USD mm</i>
<i>Financial assets</i>				
Available for sale financial asset	100	100	255	255
Trade and other receivables	845	845	678	678
Cash and short term deposits	204	204	164	164
<i>Financial liabilities</i>				
Borrowings	815	815	920	920
Trade and other payables	141	141	129	129

The fair value of bank 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).

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As at 31 December 2013

30 FAIR VALUE ESTIMATION (continued)

The following table presents the Group' assets that are measured at fair value on 31 December 2013:

	<i>Level 1 USD mm</i>	<i>Level 2 USD mm</i>	<i>Level 3 USD mm</i>	<i>Total USD mm</i>
Assets				
Available for sale financial asset				
- Equity securities	100	-	-	100
Financial assets at fair value through profit or loss	-	8	-	8
Investment property	-	-	27	27
Total	100	8	27	135

The following table presents the Group' assets that are measured at fair value on 31 December 2012:

	<i>Level 1 USD mm</i>	<i>Level 2 USD mm</i>	<i>Level 3 USD mm</i>	<i>Total USD mm</i>
Assets				
Available for sale financial asset				
- Equity securities	255	-	-	255
Financial assets at fair value through profit or loss	-	10	-	10
Investment property	-	-	28	28
Total	255	10	28	293

There have been no transfers between Level 1 and Level 2 during the years 2013 and 2012.

The fair value of financial instruments traded in active markets is based on quoted market prices at the statement of financial position date. A market is regarded as active if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service, or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm's length basis. The quoted market price used for financial assets held by the Group is the current bid price. These instruments are included in level 1 and comprises of Budapest Stock Exchange (BSE) equity investments classified as available-for-sale financial asset.

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.

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As at 31 December 2013

31 FINANCIAL INSTRUMENTS BY CATEGORY

	<i>Loans & receivables</i>	<i>Assets at fair value through the profit and loss</i>	<i>Available- for-sale financial asset</i>	<i>Total</i>
	<i>USD mm</i>	<i>USD mm</i>	<i>USD mm</i>	<i>USD mm</i>
31 December 2013				
Assets as per Statement of Financial Position				
Available-for-sale financial asset	-	-	100	100
Trade and other receivables excluding pre-payments	844	-	-	844
Financial assets at fair value through profit or loss	-	8	-	8
Cash and cash equivalents	204	-	-	204
Total	1,048	8	100	1,156

	<i>Liabilities at fair value through the profit and loss</i>	<i>Derivatives used for hedging</i>	<i>Other financial liabilities at amortised cost</i>	<i>Total</i>
	<i>USD mm</i>	<i>USD mm</i>	<i>USD mm</i>	<i>USD mm</i>
31 December 2013				
Liabilities as per Statement of Financial Position				
Borrowings	-	-	815	815
Provisions	-	-	17	17
Trade and other payable excluding statutory liabilities	-	-	141	141
Total	-	-	973	973

	<i>Loans & receivables</i>	<i>Assets at fair value through the profit and loss</i>	<i>Available- for-sale financial asset</i>	<i>Total</i>
	<i>USD mm</i>	<i>USD mm</i>	<i>USD mm</i>	<i>USD mm</i>
31 December 2012				
Assets as per Statement of Financial Position				
Available-for-sale financial asset	-	-	255	255
Trade and other receivables excluding pre-payments	677	-	-	677
Financial assets at fair value through profit or loss	-	10	-	10
Cash and cash equivalents	164	-	-	164
Total	841	10	255	1,106

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As at 31 December 2013

31 FINANCIAL INSTRUMENTS BY CATEGORY (continued)

	<i>Liabilities at fair value through the profit and loss USD mm</i>	<i>Derivatives used for hedging USD mm</i>	<i>Other financial liabilities at amortised cost USD mm</i>	<i>Total USD mm</i>
31 December 2012				
Liabilities as per Statement of Financial Position				
Borrowings	-	-	920	920
Provisions	-	-	14	14
Trade and other payable excluding statutory liabilities	-	-	129	129
	<u>-</u>	<u>-</u>	<u>129</u>	<u>129</u>
Total	<u>-</u>	<u>-</u>	<u>1,063</u>	<u>1,063</u>

32 SHARE OF INTEREST IN JOINT VENTURES

The following table summarises the statement of financial position as at 31 December 2013:

	<i>EBGDCO USD mm</i>	<i>Gas Cities USD mm</i>	<i>CNGCL USD mm</i>	<i>Total USD mm</i>
Current assets	8	1	-	9
Non-current assets	117	-	1	118
Current liabilities	27	7	28	62
Non-current liabilities	78	-	-	78
	<u>20</u>	<u>(6)</u>	<u>(27)</u>	<u>(13)</u>
Equity	20	(6)	(27)	(13)
	<u>5</u>	<u>(3)</u>	<u>(9)</u>	<u>(7)</u>
Group's share of net assets	5	(3)	(9)	(7)

The following table summarises the income statements for the year ended 31 December 2013:

Revenue	22	-	-	22
Profit before tax	(1)	-	(3)	(4)
Income tax (expense) / credit	-	-	-	-
	<u>(1)</u>	<u>-</u>	<u>(3)</u>	<u>(4)</u>
Profit for the year	(1)	-	(3)	(4)
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Other comprehensive income	-	-	-	-
	<u>(1)</u>	<u>-</u>	<u>(3)</u>	<u>(4)</u>
Total comprehensive income for the year	(1)	-	(3)	(4)
	<u>(0.3)</u>	<u>-</u>	<u>(1)</u>	<u>(1.3)</u>
Group's share of profit for the year	(0.3)	-	(1)	(1.3)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

As at 31 December 2013

32 SHARE OF INTEREST IN JOINT VENTURES (continued)

Out of the total investment of USD 567 million, investment of USD 558 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, 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 and expects an enforceable decision by the international tribunal during 2014. Based on the information available at this time, the Directors and management are confident of a positive outcome.

Interest in joint ventures (transition to IFRS 11)

As disclosed in Note 1, the Group has 26.4%, 35% and 50% interests in EBGDCO, CNGCL and Gas Cities respectively. Under IAS 31 Investment in Joint Ventures (prior to the transition to IFRS 11), the Group's interest in the above mentioned entities was classified as a jointly controlled entity and the Group's share of the assets, liabilities, revenue, income and expenses were proportionately consolidated in the consolidated financial statements.

Upon adoption of IFRS 11, the Group has determined its interest in the above entities to be a joint venture and is accounted for using the equity method. The effect of applying IFRS 11 is as follows:

Impact on the income statement: There was no material impact on the income statement and statement of cash flows or the basic or diluted EPS for the year ended 31 December 2012.

Impact on the statement of financial position (As at 31 December 2012):

	<i>EBGDCO</i> <i>USD mm</i>	<i>Gas Cities</i> <i>USD mm</i>	<i>CNGCL</i> <i>USDmm</i>
Increase in net investment in joint venture (non-current)	9	-	559
Decrease in Intangible assets (non-current)	-	-	(568)
Decrease in property, plant and equipment (non-current)	(47)	-	-
Decrease in cash and cash equivalent (current)	(1)	-	-
Decrease in borrowings (current & noncurrent)	31	-	-
Decrease in due to related parties (current)	3	-	5
Decrease in trade payables and accruals (current)	5	-	4
Net impact on equity	-	-	-

In accordance with the transition provision of IFRS 11, certain comparative numbers have been restated.