Dana Gas PJSC and Subsidiaries

CONSOLIDATED FINANCIAL STATEMENTS

31 DECEMBER 2015

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 2015.

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 to a regional natural gas Company with presence in the United Arab Emirates, Egypt, Bahrain, and the Kurdistan Region of Iraq (KRI) and headquartered in Sharjah, United Arab Emirates.

Results for the year ended 31 December 2015
During the year, the Company earned gross revenues of USD 417 million (AED 1.5 billion) as compared to USD 683 million (AED 2.5 billion) in 2014, a decline of 39% reflecting sharp decline in hydrocarbon prices coupled with lower production in Egypt. Realised prices were down by almost 50% in 2015 and averaged USD 50/bbl for condensate and USD 37/boe for LPG compared to USD 97/bbl and USD 64/boe respectively in 2014. This eroded approximately USD 222 million (AED 814 million) off the top line.

As mentioned above, the sharp decline in hydrocarbon prices impacted income during the year, though the Company has a natural hedge by way of fixed long term gas prices in Egypt. The Company made Gross profit of USD 126 million (AED 463 million) which was lower by 58% compared to 2014 and achieved a net profit after tax of USD 144 million (AED 528 million) as compared to USD 125 million (AED 457 million) in 2014, an increase of 15%. Key profitability driver was a gain of USD 208 million (AED 762 million) on settlement of RWE Supply & Trading GmbH (RWEST) arbitration including the sale of a 5% interest in Pearl Petroleum Company Limited (PPCL) to RWEST Middle East Holding BV.

The Company ended the year with an average production of 63,900 barrels of oil equivalent per day (boepd), a decrease of 7% compared to last year's production of 68,900 boepd. Production in Egypt was lower by 15% at 12.4 millions of barrel of oil equivalent (MMboe) compared to 14.6 MMboe in 2014, whereas production in Kurdistan increased by 3% to 10.7 MMboe as compared to 10.4 MMboe in 2014.

Earnings before interest, tax, depreciation and amortisation ("EBITDA") decreased to USD 218 million (AED 800 million) compared to USD 366 million (AED 1.34 billion) in 2014.

Liquidity and Financial Resources
Cash and bank balance at year end stood at USD 470 million (AED 1.72 billion); an increase of 155% compared to the USD 184 million (AED 674 million) cash balance at the end of 2014. Included in the cash balance is USD 54 million (AED 198 million) held in equivalent Egyptian Pounds in Egypt. The key contributor to this increase was the cash received from RWE in November in consideration of the agreed settlement of the arbitration and sale of 5% interest in PPCL. Excluding this one-off gain the year end cash and bank balance would have decreased compared to year end 2014. This decrease resulted from increased equity contributions for the Zora project and to cover financing costs and general office and overhead costs as a result of continued deficient payments being received from the operations in the KRI. During the year, the Group also realised USD 54 million (AED 198 million) from sale of investment in MOL shares and used part of the proceeds to buyback Sukuk with par value of USD 27.1 million (AED 99 million).

Business Update
In line with its outlined strategy, the Dana Gas Group continues to focus on maximising the value of its existing hydrocarbon assets and projects, while pursuing growth through a strategy of organic exploration opportunities in our heartland areas and new business development in the upstream and midstream value chains. We continue to balance our capital expenditure with the available sources of cash to ensure we maintain a robust financial position.

Reserves & Resources

(a) Dana Gas Egypt

Gaffney, Cline & Associates (GCA), a leading advisory firm carried out an independent evaluation of Dana Gas Egypt's hydrocarbon reserves as at 31 December 2015. Following this review, the Group's gross proved reserves (1P) as at 31 December 2015 were assessed at 83 MMboe (31 December 2014: 59 MMboe); an increase of 41 %. The gross proved and probable reserves (2P) as at 31 December 2015 were estimated at 130 MMboe (31 December 2014: 113 MMboe); an increase of 15 % and the gross proved, probable and possible reserves (3P) as at 31 December 2015 were estimated to be 185 MMboe (31 December 2014: 171 MMboe); an increase of 8%. The 2P reserve replacement ratio for the year was 237%.

(b) Pearl Petroleum Company Limited

Pearl Petroleum Company Limited's ("Pearl Petroleum") appointed GCA which following its assessment of the KRI assets in 2013, provided an estimate of hydrocarbons in-place as at 31 December 2012 for both the Khor Mor and Chemchemal 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. Based on this report related to the individual fault blocks which comprise Khor Mor, Dana Gas has calculated an aggregated Best Estimate (P50) volume of 22 Tscf. For Chemchemal, gas initially in place volumes (unrisked*), based on the same assessment reported volumes for the individual fault blocks, have been aggregated by Dana Gas to be a Best Estimate (P50) of 30 Tscf. The GCA report also indicates that both fields have considerable additional upside potential. Dana Gas' 35% share of these Best Estimate in-place volumes for Khor Mor and Chemchemal combined corresponds to 17.5 Tscf.

GCA also stated that certain Khor Mor fault blocks may contain oil instead of gas and determined oil initially in-place volumes (un-risked*) 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 Khor Mor and Chemchemal have the potential to be the largest gas fields in the KRI and indeed in the whole of Iraq and thus makes them world class assets.

**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.*

Reserves & Resources (continued)

(c) Sharjah Western Offshore – Zora Field

Following signing of concession agreement with Ajman in January 2014, Dana Gas has a 100% working interest in the Zora field which spans the territorial waters of Sharjah and Ajman. Gaffney, Cline & Associates carried out an independent evaluation of Sharjah Western Offshore – Zora Field's hydrocarbon reserves as on 31 December 2015. Following this review, the Group's gross proved reserves (1P) as at 31 December 2015 were assessed at 16 MMboe (31 December 2014: 17 MMboe). The gross proved and probable reserves (2P) as at 31 December 2015 were estimated to be 31 MMboe (31 December 2014: 32 MMboe) and the gross proved, probable and possible reserves (3P) as at 31 December 2015 were estimated to be 64 MMboe (31 December 2014: 64 MMboe).

E&P Operations

a) Egypt E&P operations

Dana Gas Egypt ended 2015 with production for the full year of operations of 12.4 MMboe i.e. averaging 33,900 boepd (2014: 14.6 MMboe, i.e. averaging 39,900 boepd) a decline of 15% over the corresponding year. The decrease followed a steady and predictable downward curve associated with normal field production decline and was partially reversed when two of the Balsam Field wells were brought into production in Q4 2015.

During the year the Company drilled two successful wells in the Balsam Development Lease. The Balsam-2 development well established better quality reservoir and a longer hydrocarbon column in the already discovered part of the field whilst Balsam-3 exploratory well made a significant gas discovery to the west of the field. These excellent results have added additional 2P reserves of 165 billion cubic feet (Bcf) of gas, equivalent to 28 million barrels of oil equivalent. The wells open up further development potential that will be pursued in 2016. The Balsam-1 and -2 wells were brought on stream in December 2015.

In Egypt the Company collected USD 125 million (AED 458 million), and hence realised 111% of its year's revenue. During the year the Company received cash of USD 109 million (AED 400 million) (2014: USD 163 million / AED 597 million) and EGAS/EGPC offset the Block-1 and Block-3 signature bonus of USD 13 million (AED 46 million) and payables to government owned contractors of USD 3 million (AED 11 million) against the amounts due to the Group. At the year end the trade receivable balance stood at USD 221 million (AED 810 million) compared to USD 233 million (AED 854 million) at end of 2014, an overall reduction of USD 12 million (AED 44 million).

b) 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 developing the 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 extracting LPG and condensate and providing natural gas supplies to domestic power generation plants near Erbil and Sulaimaniya. Further development of both fields is planned following resolution of the ongoing legal dispute. As envisaged under the agreements, such further development is expected to provide significant natural gas supplies for future expansion of power generation and local industries as well as for export and sale abroad as and when the political circumstances permit.

On 27 November 2015, Dana Gas and Crescent sold an equity interest of 5% each in Pearl Petroleum to RWE Middle East Holding BV ("RWE"). The shareholding interest in Pearl Petroleum is now as follows: Dana Gas: 35%, Crescent: 35%, OMV: 10%, MOL: 10% and RWE: 10%.

E&P Operations (continued)

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

Dana Gas's share of gross production in the KRI for 2015 was 10.7 MMboe, i.e. averaging 29.3 thousand BOE per day (2014: 10.4 MMboe, averaging 28.5 thousand BOE per day).

Dana Gas share of collections for the year stood at USD 43 million (AED 158 million), compared to USD 34 million (AED 125 million) in 2014. Upon expiry of the direct local sales contract, KRG had commenced direct lifting of LPG and Condensate from 20 September and 7 October 2015, respectively from the Khor Mor plant through a nominated local contractor. At year end, Dana Gas' 35% share of trade receivable balance stood at USD 727 million (AED 2,665 million) – (Dana Gas 40% - 2014: USD 746 million / AED 2,734 million).

c) Zora Gas Field

The Zora gas 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 as agreed under the initial unitization agreement. The project will produce slightly sour rich gas from the Zora gas field to a new onshore gas processing plant that has been built within the Sharjah Hamriyah Free Zone.

The project includes the engineering, construction and installation of a new unmanned platform in approximately 24 meters of water depth located about 33 km offshore. The platform is connected by means of a 12" subsea and onshore pipeline system to the onshore gas processing plant where the gas will be processed.

Two lateral extended reach horizontal well bores have been drilled and all of the offshore works completed including the hook-up and commissioning of the platform topsides. The pipeline including both the offshore and onshore sections has been commissioned. The onshore plant pre-commissioning and commissioning works have also been completed and the project achieved first gas in January 2016.

The project cost is partly financed through a USD 100 million Term Facility that was signed on 25 June 2014 through a syndicate of four regional banks ENBD, CBI, CBD and Barwa Bank. This facility contributed the debt component of the financing needed to complete the project and to bring the Zora gas field on-stream. The financial close was achieved for the said Term facility on 16 March 2015 and was fully drawn down by 30 November 2015. The balance of the project cost was financed through equity.

UAE Gas Project

The UAE Gas Project to process and transport imported gas continues to await the commencement of gas supplies from the National Iranian Oil Company ("NIOC") to Crescent Petroleum. Dana Gas has a 35% interest in Crescent National Gas Corporation Limited (CNGCL) which is entitled to market the gas and owns 100% of Saj Gas and UGTC, the entities that own the offshore riser platform, the offshore and onshore pipelines and the sour gas processing plant.

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) that has built, owns and operates 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 mmscf/d of gas and has been operating up to its full capacity during 2015.

Arbitration Cases

On 21 October 2013, Dana Gas, along with Crescent Petroleum and Pearl Petroleum (the Consortium which holds petroleum rights in the KRI), together "the Claimants", commenced international arbitration proceedings at the London Court of International Arbitration (LCIA), in accordance with the dispute resolution mechanism of the agreement signed with the Kurdistan Regional Government (KRG) on 04 April 2007 and governed by English Law.

With effect from June 2013, the date upon which the Claimants initiated mediation proceedings with the LCIA, the KRG ceased making any payments for the liquid products that it continued to lift and sell from the Khor Mor plant. On 21 March 2014, the Consortium filed an interim measures application with the Tribunal. The Consortium was successful in its application to the Tribunal for interim measures and the Tribunal made an order on 10 July 2014 for the KRG to restore the previous regular payments to the Consortium as of 21 March 2014, the date of the application, and until the case is concluded.

The KRG failed to comply with and challenged the Tribunal's order, although from September 2014, the Company was permitted to commence local sales of condensate and LPG to third parties. On 17 October 2014, the Tribunal dismissed the KRG's challenge and re-affirmed its order for interim measures of 10 July 2014. In addition, the Tribunal ordered the KRG to pay the Consortium USD 100 million within a timeframe of 30 days (by 17 November 2014). In default of its legal obligations, the KRG failed to make payment by the stipulated deadline. Consequently, the Tribunal's order became peremptory in nature, enabling its enforcement by the English High Court. On 12 December 2014, and with the Tribunal's permission, an application to the English High Court was made for the enforcement of the order, with the prospect of sanctions being imposed on the KRG for non-compliance. The English High Court heard the Claimants' application for the enforcement of the order during a hearing on 28 and 29 October 2015.

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

The KRG has also applied to the Tribunal to discharge the Peremptory Order, which was the subject of a short hearing before the Tribunal on 8 January 2016. On 15 January 2016, the Tribunal handed down its decision rejecting the KRG application to discharge the Peremptory Order and confirming the payment date of 26 February 2016.

On 18 February 2016, the KRG applied for permission to appeal to the Court of Appeal various aspects of the High Court orders relating to the enforcement of the Peremptory Order. The Court of Appeal determined that the question of whether permission should be given to allow the KRG to appeal should be determined at an oral hearing on a date to be fixed possibly within 3 months. In the meantime, the Court of Appeal ordered that (1) the date for payment of the US$100 million be deferred from 26 February 2016 until after the outcome of the hearing; and (2) in the meantime, the KRG should continue to pay the Claimants US$8 million on the 15th of each month.

In relation to the arbitration proceedings on merits a one-week hearing took place in London commencing 20 April 2015 at which selected issues in the arbitration were considered.

Arbitration Cases (continued)
On 3 July 2015, the Arbitral Tribunal issued a Partial Final Award dated 30 June 2015 ("First PFA") confirming the Consortium's contractual rights including a number of important issues addressed at the 20 April 2015 hearing. Among other things, the First Partial Final Award confirmed:

- The Consortium's exclusive long-term rights to develop and produce gas and petroleum from both the Khor Mor and Chemchemal fields for the duration of the Contract, being not less than 25 years.
- The KRG's contractual obligation to pay the Consortium for the produced condensate and LPG at international prices, including the pricing methodology for each.
- That Dana Gas and Crescent Petroleum were entitled to farm out part of their own interests to MOL and OMV, and that the KRG was not entitled to a share of the farm-out proceeds.

On 21 September 2015, a one-day hearing was held during which the Consortium made an application to the Tribunal for monetary award of USD1.963 billion against the KRG, being the outstanding unpaid invoices (as of 30 June 2015) for the produced condensate and LPG calculated as per the pricing methodology determined by the Tribunal in the First Partial Final Award. The Tribunal considered the parties' claims and their submissions. On 27 November 2015, the Tribunal handed down its Second Partial Final Award ("Second PFA") in which it ordered the KRG to pay the Consortium within 28 days (i.e. by 26 December 2015) the sum of USD1.963 billion for outstanding unpaid invoices for the produced condensate and LPG up to 30 June 2015, as per the pricing methodology already determined by the Tribunal in the First PFA.

The Second PFA is final, binding and internationally enforceable, and does not depend upon any further hearings or the parties' outstanding claims and counter-claims that are yet to be determined in the arbitration.

The KRG has not yet paid the USD 1.963 billion, and on 22 December 2015, launched a challenge to the Second PFA in the English High Court on the limited procedural grounds allowed for in arbitration. The Consortium and their legal advisors are of the view that the challenge is without merit and will fail. This challenge in any case does not freeze the obligation of the KRG to pay.

The Consortium's entitlement to receivables in respect of Excess Gas and substantial damage claims (estimated at over USD15 billion) for wrongful interference with the Consortiums long term rights over the Khor Mor and Chemchemal fields (as affirmed by the First PFA) will be determined (along with other outstanding claims) in a subsequent hearing, which is scheduled to commence on 5 September 2016. This hearing will also address the various counterclaims alleged by the KRG for more than USD 3 billion against the Consortium, all of which the Consortium and their legal advisors believe are without merit.

In December 2010, Dana Gas PJSC and Crescent Petroleum Company International Limited (the "Claimants") initiated arbitration proceedings before an arbitration tribunal in London alleging that RWEST (the "Respondent") had breached certain confidentiality agreements between the parties. On 10 March 2015, the Tribunal held that Respondent's breaches of the confidentiality agreements had harmed the Claimants' interests in the KRI. On 27 November 2015, the Claimants reached a mutually satisfactory and confidential settlement with RWEST. As part of the settlement, Dana Gas transferred an equity interest of 5% in Pearl Petroleum to RWE Middle East Holdings BV. Dana Gas' shareholding in Pearl Petroleum is consequently now 35%.

The Gas Sales & Purchase Contract between Dana Gas' partner Crescent Petroleum and the National Iranian Oil Company (NIOC) for the supply of gas to the UAE has been the subject of international arbitration since June 2009. In August 2014, Dana Gas was notified by Crescent Petroleum that the Arbitration Tribunal has issued a Final Award on the merits, determining that the 25-year Contract between it and NIOC is valid and binding upon the parties, and that NIOC has been obligated to deliver gas under the Contract since December 2005. Crescent Petroleum has since informed Dana Gas that the final hearing for determination of the damage claims against NIOC for non-performance of the contract has now been fixed by the Tribunal for the 1 September 2016 in The Hague.

DANA GAS PJSC
Report of the Directors

Directors
The Directors who served during the year were:

1. H.H. Sheikh Ahmed Bin Sultan Al-Qasimi, Honorary Chairman
2. Mr. Hamid Dhiya Jafar, Chairman (from 30 April 2015)
3. Mr. Rashid Saif Al-Jarwan, Deputy Chairman (from 30 April 2015)
4. Dr. Patrick Allman-Ward, Chief Executive Officer
5. H.E. Sheikh Sultan Bin Ahmed Bin Sultan Al-Qasimi
6. Mr. Abdullah Ali Al Majdouie
7. Mr. Majid Hamid Jafar
8. Mr. Nasser Al Nowais
9. Mr. Said Arrata
10. Mr. Varoujan Nerguizian
11. Mr. Ziad Abdulla Ibrahim Galadari
12. Mr. Hani Abdulaziz Hussein (from 30 April 2015)
13. Ms. Fatima Obaid Al-Jaber (from 30 April 2015)
14. Dr. Adel Khalid Al-Sabeeh, Chairman (to 30 April 2015)
15. Dr. Tawfeeq Abdulrahman Almoayed, Deputy Chairman (to 30 April 2015)
16. Mr. Abdulaziz Hamad Aljomaih (to 30 April 2015)
17. Mr. Ahmed Al Midfa (to 30 April 2015)
18. Mr. Ahmed Rashid Al Arbeed (to 30 April 2015)
19. Mr. Khalid Abdul Rahman Saleh Al-Rajhi (to 30 April 2015)
20. Mr. Rashad Mohammed Al-Zubair (to 30 April 2015)
21. Mr. Salah Al Qahtani (to 30 April 2015)

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

23 March 2016

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Building a better working world

INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS OF DANA GAS PJSC

Report on the consolidated 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 2015, and the consolidated income statement, consolidated statement of other comprehensive income, consolidated statement of cash flows and consolidated statement of changes in equity for the year then ended, and 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 in compliance with the applicable provisions of the articles of association of Dana Gas PJSC and the UAE Federal Law No. (2) of 2015, 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.

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the Group as at 31 December 2015, 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 notes 12 (b) and 14 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 15 to the consolidated financial statements which discloses arbitration proceedings entered into with the Kurdistan Regional Government of Iraq.

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

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

Report on Other Legal and Regulatory Requirements

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

i) we have obtained all the information we considered necessary for the purposes of our audit;

ii) the financial statements have been prepared and comply, in all material respects, with the applicable provisions of the UAE Federal Law No. (2) of 2015 and the Articles of Association of the company;

iii) the Company has maintained proper books of account;

iv) the financial information included in the Report of the Directors is consistent with the books of account of the Company;

v) the Company has not purchased or invested in any shares or stocks during the financial year ended 31 December 2015;

vi) note 31 reflects material related party transactions and the terms under which they were conducted;

vii) based on the information that has been made available to us nothing has come to our attention which causes us to believe that the Company has contravened during the financial year ended 31 December 2015 any of the applicable provisions of the UAE Federal Law No. (2) of 2015 or of its Articles of Association which would materially affect its activities or its financial position as at 31 December 2015; and

viii) note 35 reflects the social contributions made during the year.

Ernst & Young

Signed by
Thodla Hari Gopal
Partner
Registration No. 689

23 March 2016

Sharjah, United Arab Emirates

CONSOLIDATED INCOME STATEMENT
For the year ended 31 December 2015

	Notes	*2015* USD mm	*2015* AED mm	*2014* USD mm	*2014* AED mm
Revenue	5	**417**	**1,529**	683	2,504
Royalties	5	**(146)**	**(535)**	(207)	(759)
Net revenue	5	**271**	**994**	476	1,745
Operating costs		**(56)**	**(205)**	(55)	(202)
Depreciation and depletion	11	**(89)**	**(326)**	(118)	(433)
Gross profit		**126**	**463**	303	1,110
General and administration expenses		**(23)**	**(84)**	(28)	(102)
Other income	6	**208**	**762**	-	-
Investment and finance income	7	**130**	**476**	3	11
Provision for surplus over entitlement	28	**(153)**	**(561)**	-	-
Provision for impairments		**(24)**	**(88)**	(22)	(81)
Other expenses		**(8)**	**(29)**	(4)	(15)
Change in fair value of investment property	13	**(1)**	**(4)**	(1)	(4)
Share of loss of a joint venture	14	**(7)**	**(26)**	(1)	(4)
Exploration expenses		**(14)**	**(51)**	(1)	(4)
Finance cost	8	**(77)**	**(282)**	(73)	(267)
PROFIT BEFORE INCOME TAX		**157**	**576**	176	644
Income tax expense	9	**(13)**	**(48)**	(51)	(187)
PROFIT FOR THE YEAR		**144**	**528**	125	457
PROFIT ATTRIBUTABLE TO:					
- Equity holders of the parent		**146**	**535**	125	457
- Non-controlling interest		**(2)**	**(7)**	-	-
		144	**528**	125	457
EARNINGS PER SHARE:					
- Basic earnings per share (USD/AED per share)	10	**0.021**	**0.077**	0.018	0.066
- Diluted earnings per share (USD/AED per share)	10	**0.019**	**0.072**	0.017	0.064

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

CONSOLIDATED STATEMENT OF OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2015

	2015		*2014*	
	USD mm	***AED mm***	*USD mm*	*AED mm*
Profit for the year	**144**	**528**	125	457
Other comprehensive income:				
Other comprehensive income to be classified to income statement in subsequent periods:				
Gain/ (loss) on available-for-sale financial asset (note 18)	**-**	**-**	(26)	(94)
Other comprehensive income not to be reclassified to income statement in subsequent periods:				
Gain/ (loss) on available-for-sale financial asset (note 18)	**3**	**11**	-	-
Net amount transferred from other reserve (available-for-sale financial asset)	**12**	**44**	-	-
Other comprehensive income / (loss) for the year	**15**	**55**	(26)	(94)
Total comprehensive income for the year	**159**	**583**	99	363
ATTRIBUTABLE TO:				
- Equity holders of the parent	**161**	**590**	99	363
- Non-controlling interest	**(2)**	**(7)**	-	-
	159	**583**	99	363

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

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
As at 31 December 2015

	Notes	*2015* USD mm	*2015* AED mm	*2014* USD mm	*2014* AED mm
ASSETS					
Non-current assets					
Property, plant and equipment	11	**1,032**	**3,784**	948	3,474
Intangible assets	12	**748**	**2,741**	728	2,669
Investment property	13	**25**	**91**	26	95
Interest in joint ventures	14	**559**	**2,048**	566	2,074
		2,364	**8,664**	2,268	8,312
Current assets					
Inventories	16	**53**	**194**	51	187
Trade and other receivables	17	**1,017**	**3,728**	1,049	3,844
Available-for-sale financial asset	18	**-**	**-**	51	187
Financial assets at fair value through profit or loss	19	**8**	**29**	9	33
Cash and bank balance	20	**470**	**1,723**	184	674
		1,548	**5,674**	1,344	4,925
TOTAL ASSETS		**3,912**	**14,338**	3,612	13,237
EQUITY AND LIABILITIES					
Capital and reserves attributable to equity holders of the Parent					
Share capital	21	**1,901**	**6,969**	1,899	6,961
Statutory reserve	22	**108**	**395**	93	340
Legal reserve	22	**108**	**395**	93	340
Retained earnings		**693**	**2,540**	578	2,119
Other reserves	23	**2**	**7**	(14)	(51)
Convertible bonds- equity component	25	**58**	**212**	58	212
Attributable to equity holders of the Parent		**2,870**	**10,518**	2,707	9,921
Non-controlling interest		**1**	**4**	3	11
Total equity		**2,871**	**10,522**	2,710	9,932
Non-current liabilities					
Borrowings	25	**810**	**2,969**	748	2,741
Provisions	26	**16**	**59**	19	69
		826	**3,028**	767	2,810
Current liabilities					
Borrowings	25	**51**	**187**	-	-
Trade payables and accruals	27	**150**	**550**	135	495
Provision for surplus over entitlements (net)	28	**14**	**51**	-	-
		215	**788**	135	495
Total liabilities		**1,041**	**3,816**	902	3,305
TOTAL EQUITY AND LIABILITIES		**3,912**	**14,338**	3,612	13,237

Director
23 March 2016

Director
23 March 2016

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

CONSOLIDATED STATEMENT OF CASH FLOWS
For the year ended 31 December 2015

	Notes	*2015* USD mm	*2015* AED mm	*2014* USD mm	*2014* AED mm
OPERATING ACTIVITIES					
Profit before income tax		**157**	**576**	176	644
Adjustments for:					
Depreciation and depletion	11	**89**	**326**	118	433
Other income		**(33)**	**(121)**	-	-
Investment and finance income	7	**3**	**11**	(3)	(11)
Provision for impairments		**24**	**88**	22	81
Change in fair value of investment property	13	**1**	**4**	1	4
Share of loss of a joint venture	14	**7**	**26**	1	4
Finance costs		**77**	**282**	73	267
Board compensation		**-**	**-**	(3)	(11)
		325	**1,192**	385	1,411
Changes in working capital:					
Trade and other receivables		**(101)**	**(370)**	(244)	(895)
Inventories		**(9)**	**(33)**	10	37
Trade payables and accruals		**(13)**	**(48)**	1	4
Provision for surplus over entitlement		**14**	**51**	-	-
Net cash generated from operating activities		**216**	**792**	152	557
Income tax paid	9	**(13)**	**(48)**	(51)	(187)
Net cash flows generated from operating activities		**203**	**744**	101	370
INVESTING ACTIVITIES					
Purchase of property, plant and equipment		**(156)**	**(571)**	(84)	(308)
Expenditure on intangible assets		**(25)**	**(92)**	-	-
Proceeds from disposal of interest in joint operation		**162**	**593**	-	-
Proceeds from disposal of available-for-sale financial asset		**54**	**198**	18	66
Investment and finance income received		**5**	**18**	6	22
Investment redeemed during the year		**1**	**4**	-	-
Proceeds from sale of Komombo		**-**	**-**	3	11
Un-claimed acquisition cost - Centurion		**-**	**-**	3	11
Net cash flows from/ (used in) investing activities		**41**	**150**	(54)	(198)
FINANCING ACTIVITIES					
Proceeds from borrowings		**143**	**524**	-	-
Repurchase of Sukuk		**(24)**	**(88)**	-	-
Repayment of loans		**(8)**	**(29)**	-	-
Finance costs paid		**(69)**	**(254)**	(67)	(246)
Deposit – Murabaha facility	20	**(29)**	**(106)**	-	-
Net cash flow from/ (used in) financing activities		**13**	**47**	(67)	(246)
NET INCREASE/ (DECREASE) IN CASH AND CASH EQUIVALENTS		**257**	**941**	(20)	(74)
Cash and cash equivalents at the beginning of the year	20	**184**	**674**	204	748
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	20	**441**	**1,615**	184	674

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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
For the year ended 31 December 2015

	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 2014	1,801	6,602	80	293	80	293	482	1,767	16	58	81	297	3	11	2,543	9,321
Profit for the year	-	-	-	-	-	-	125	457	-	-	-	-	-	-	125	457
Other comprehensive income	-	-	-	-	-	-	-	-	(26)	(94)	-	-	-	-	(26)	(94)
Total comprehensive income for the year	-	-	-	-	-	-	125	457	(26)	(94)	-	-	-	-	99	363
Transfer to reserves (note 22)	-	-	13	47	13	47	(26)	(94)	-	-	-	-	-	-	-	-
Reclassification of previously recognised gain on disposal of available-for-sale financial asset	-	-	-	-	-	-	-	-	(3)	(11)	-	-	-	-	(3)	(11)
Conversion of Sukuk (note 25)	97	355	-	-	-	-	-	-	-	-	(23)	(85)	-	-	74	270
Issuance of shares to employees	1	4	-	-	-	-	-	-	(1)	(4)	-	-	-	-	-	-
Board compensation	-	-	-	-	-	-	(3)	(11)	-	-	-	-	-	-	(3)	(11)
As at 31 December 2014	1,899	6,961	93	340	93	340	578	2,119	(14)	(51)	58	212	3	11	2,710	9,932
Profit for the year	-	-	-	-	-	-	146	535	-	-	-	-	(2)	(7)	144	528
Other comprehensive income	-	-	-	-	-	-	-	-	15	55	-	-	-	-	15	55
Total comprehensive income for the year	-	-	-	-	-	-	146	535	15	55	-	-	(2)	(7)	159	583
Transfer to reserves (note 22)	-	-	15	55	15	55	(30)	(110)	-	-	-	-	-	-	-	-
Transfer	-	-	-	-	-	-	(1)	(4)	1	4	-	-	-	-	-	-
Share based payment	-	-	-	-	-	-	-	-	2	7	-	-	-	-	2	7
Issuance of shares to employees	2	8	-	-	-	-	-	-	(2)	(8)	-	-	-	-	-	-
As at 31 December 2015	**1,901**	**6,969**	**108**	**395**	**108**	**395**	**693**	**2,540**	**2**	**7**	**58**	**212**	**1**	**4**	**2,871**	**10,522**

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

1 CORPORATE INFORMATION

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

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

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

The UAE Federal Law No. 2 of 2015 ("Companies Law") has come into effect from 28 June 2015. The Company has twelve months from the effective date of the Companies Law to comply with its provisions (the "transitional provisions") and the Company has availed these transitional provisions.

Principal subsidiaries and joint arrangements of the Group at 31 December 2015 and the Company percentage of ordinary share capital or interest are set out below:

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

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

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

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

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

New and amended standards adopted by the Group
The following standards and amendments have been adopted by the Group for the first time effective for the financial year beginning on or after 1 January 2015. The nature and the impact of each new standard and amendment are described below, which did not have a material impact on the consolidated financial statements of the Group. Several other amendments apply for the first time in 2015, however, they do not impact the consolidated financial statements of the Group. The Group has not early adopted any standard, interpretation or amendment that has been issued but not yet effective. Other than the changes described below, accounting policies adopted are consistent with those of the previous financial year:

Amendments to IAS 19 Defined Benefit Plans: Employee Contributions
IAS 19 requires an entity to consider contributions from employees or third parties when accounting for defined benefit plans. Where the contributions are linked to service, they should be attributed to periods of service as a negative benefit. These amendments clarify that, if the amount of the contributions is independent of the number of years of service, an entity is permitted to recognise such contributions as a reduction in the service cost in the period in which the service is rendered, instead of allocating the contributions to the periods of service. This amendment is effective for annual periods beginning on or after 1 July 2014. This amendment is not relevant to the Group, since none of the entities within the Group has defined benefit plans with contributions from employees or third parties.

Annual improvements *2010-2012 Cycle*
With the exception of the improvement relating to IFRS 2 Share-based payment applied to share-based payment transactions with a grant date on or after 1 July 2014, all other improvements are effective for accounting period beginning on or after 1 July 2014. The Group has also applied these improvements for the first time in these consolidated financial statements. They include:

IFRS 2 *Share-based Payment*
This improvement is applied prospectively and clarifies various issues relating to the definitions of performance and service conditions which are vesting conditions, including:

- A performance condition must contain a service condition
- A performance target must be met while the counterparty is rendering service
- A performance target may relate to the operations or activities of an entity, or to those of another entity in the same group
- A performance condition may be a market or non-market condition
- If the counterparty, regardless of the reason, ceases to provide service during the vesting period, the service condition is not satisfied

These amendments did not impact the Group's financial statements or accounting policies.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

IFRS 3 *Business Combinations*
The amendment is applied prospectively and clarifies that all contingent consideration arrangements classified as liabilities (or assets) arising from a business combination should be subsequently measured at fair value through profit or loss whether or not they fall within the scope of IFRS 9 (or IAS 39, as applicable). This is consistent with the Group's current accounting policy and thus this amendment did not impact the Group's accounting policy.

IFRS 8 *Operating Segments*
The amendments are applied retrospectively and clarify that:

- An entity must disclose the judgments made by management in applying the aggregation criteria in paragraph 12 of IFRS 8, including a brief description of operating segments that have been aggregated and the economic characteristics (e.g., sales and gross margins) used to assess whether the segments are 'similar'
- The reconciliation of segment assets to total assets is only required to be disclosed if the reconciliation is reported to the chief operating decision maker, similar to the required disclosure for segment liabilities.

The Group has not applied the aggregation criteria in IFRS 8.12.

IAS 16 *Property, Plant and Equipment* and IAS 38 *Intangible Assets*
The amendment is applied retrospectively and clarifies in IAS 16 and IAS 38 that the asset may be revalued by reference to observable data on either the gross or the net carrying amount. In addition, the accumulated depreciation or amortisation is the difference between the gross and carrying amounts of the asset. This amendment is not relevant for the Group as it does not have any revaluation reserve.

IAS 24 *Related Party Disclosures*
The amendment is applied retrospectively and clarifies that a management entity (an entity that provides key management personnel services) is a related party subject to the related party disclosures. In addition, an entity that uses a management entity is required to disclose the expenses incurred for management services. This amendment is not relevant for the Group as it does not receive any management services from other entities.

Annual improvements *2011-2013 Cycle*
These improvements are effective from 1 July 2014 and the Group has applied these amendments for the first time in these consolidated financial statements. They include:

IFRS 3 *Business Combinations*
The amendment is applied prospectively and clarifies for the scope exceptions within IFRS 3 that:

- Joint arrangements, not just joint ventures, are outside the scope of IFRS 3
- This scope exception applies only to the accounting in the financial statements of the joint arrangement itself

IFRS 13 *Fair Value Measurement*
The amendment is applied prospectively and clarifies that the portfolio exception in IFRS 13 can be applied not only to financial assets and financial liabilities, but also to other contracts within the scope of IFRS 9 (or IAS 39, as applicable). The Group does not apply the portfolio exception in IFRS 13.

IAS 40 *Investment Property*
The description of ancillary services in IAS 40 differentiates between investment property and owner-occupied property (i.e., property, plant and equipment). The amendment is applied prospectively and clarifies that IFRS 3, and not the description of ancillary services in IAS 40, is used to determine if the transaction is the purchase of an asset or business combination. This amendment did not impact the accounting policy of the Group.

Standards, amendments and interpretations issued but not yet effective
The standards, amendments and interpretations that are issued, but not yet effective, up to the date of issuance of the Groups' financial statements are disclosed below. These standards and interpretations will become effective for annual periods beginning on or after the dates as respectively mentioned there against. The Group intends to adopt these standards, if applicable, when they become effective.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Standards, amendments and interpretations issued but not yet effective (continued)

- IFRS 9 Financial Instruments (1 January 2018)
- IFRS 14 Regulatory Deferral Accounts (1 January 2016)
- IFRS 15 Revenue from Contracts with Customers (1 January 2018)
- IFRS 16 Leases (1 January 2019)
- Amendments to IFRS 11 Joint Arrangements (1 January 2016)
- Amendments to IAS 16 Property, Plant and Equipment (1 January 2016)
- Amendments to IAS 38 Intangible Assets (1 January 2016)
- Amendments to IAS 41 Agriculture (1 January 2016)
- Amendments to IAS 27 Separate Financial Statements (1 January 2016)
- Amendments to IFRS 10 Consolidated Finance Statements (1 January 2016)
- Amendments to IAS 28 Investments in Associates and Joint Ventures (1 January 2016)
- Annual Improvements 2012-2014 Cycle (1 January 2016), including:
  - IFRS 5 *Non-current Assets Held for Sale and Discontinued Operations*
  - IFRS 7 *Financial Instruments: Disclosures*
  - IAS 19 *Employee Benefits*
  - IAS 34 *Interim Financial Reporting*
- Amendments to IAS 1 Presentation of Financial Statements (1 January 2016)
- Amendments to IFRS 10, IFRS 12 and IAS 28 *Investment Entities: Applying the Consolidation Exception* (1 January 2016)

These standards, interpretations and improvements are not expected to a have a material impact on the financial statements of the Group.

Basis of consolidation
The consolidated financial statements comprise the financial statements of the Group and its subsidiaries as at 31 December 2015.

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

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

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

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

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

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Basis of consolidation (continued)

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

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

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

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

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

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

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

(b) Changes in ownership interests in subsidiaries without change of control
Transactions with non-controlling interests that do not result in loss of control are accounted for as equity transactions – that is, as transactions with the owners in their capacity as owners. The difference between fair value of any consideration paid and the relevant share acquired of the carrying value of net assets of the subsidiary is recorded in equity. Gains or losses on disposals to non-controlling interests are also recorded in equity.

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Basis of consolidation (continued)

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

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

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

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

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

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

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

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

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

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Basis of consolidation (continued)

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

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

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

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

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

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

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

Foreign currency translation

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

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

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

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Foreign currency translation (continued)

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

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

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

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

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

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Oil and gas assets (continued)
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.

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 a mount, 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.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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.

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

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

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

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

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial assets (continued)

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

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

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

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

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

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.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

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

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

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

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

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

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

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

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.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

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

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

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

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

- Expected to be realised or intended to sold or consumed in normal operating cycle
- Held primarily for the purpose of trading
- Expected to be realised within twelve months after the reporting period

Or

- Cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period

All other assets are classified as non-current.

A liability is current when:

- It is expected to be settled in normal operating cycle
- It is held primarily for the purpose of trading
- It is due to be settled within twelve months after the reporting period

Or

- There is no unconditional right to defer the settlement of the liability for at least twelve months after the reporting period

The Group classifies all other liabilities as non-current.

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

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

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

3 SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS

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

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

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

- Impairment of goodwill: The Group determines whether goodwill is impaired on an annual basis. This requires an estimation of the value in use of the cash-generating units to which the goodwill is allocated. Estimating the value in use requires the Group to make an estimate of the expected future cash flows from each cash-generating unit and also to determine a suitable discount rate in order to calculate the present value of those cash flows. The carrying amount of goodwill at 31 December 2015 was USD 308 million (2014: 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 2015 was USD 151 million (2014: USD 124 million).
- The Group is entitled to further compensation and payments, however as of the reporting date these cannot be reasonably ascertained.
- The Group carries its investment property at fair value, with changes in fair values being recognised in the consolidated income statement. The Group engaged a firm of qualified independent property consultant to determine fair value reflecting market conditions at 31 December 2015.

3 SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS (continued)

Estimates and assumptions (continued)

- 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 items' life, which is assessed annually, has regard to both its physical life limitations and to present assessments of economically recoverable reserves of the field at which the asset is located. These calculations require the use of estimates and assumptions, including the amount of recoverable reserves and estimates of future capital expenditure. The calculation of the UOP rate of depreciation could be impacted to the extent that actual production in the future is different from current forecast production based on total proved reserves, or future capital expenditure estimates changes. Changes to prove reserves could arise due to changes in the factors or assumptions used in estimating reserves and are accounted for prospectively.

- Exploration and evaluation expenditures: The application of the Group's accounting policy for exploration and evaluation expenditure requires judgment to determine whether it is likely that future economic benefits are likely, from future either exploitation or sale, or whether activities have not reached a stage which permits a reasonable assessment of the existence of reserves. The determination of reserves and resources is itself an estimation process that requires varying degrees of uncertainty depending on how the resources are classified. These estimates directly impact when the Group defers exploration and evaluation expenditure. The deferral policy requires management to make certain estimates and assumptions as to future events and circumstances, in particular, whether an economically viable extraction operation can be established. Any such estimates and assumptions may change as new information becomes available. If, after expenditure is capitalised, information becomes available suggesting that the recovery of the expenditure is unlikely, the relevant capitalised amount is written off in profit or loss in the period when the new information becomes available.

- Hydrocarbon reserve and resource estimates: Oil and gas properties are depreciated on a units UOP basis at a rate calculated by reference to total proved reserves determined in accordance with the Society of Petroleum Engineers' rules and incorporating the estimated future cost of developing those reserves. The Group estimates its commercial reserves based on information compiled by appropriately qualified persons relating to the geological and technical data on the size, depth, shape and grade of the hydrocarbon body and suitable production techniques and recovery rates. Commercial reserves are determined using estimates of oil and gas in place, recovery factors and future commodity prices, the latter having an impact on the total amount of recoverable reserves and the proportion of the gross reserves which are attributable to the host government under the terms of the relevant commercial arrangements. Future development costs are estimated using assumptions as to the number of wells required to produce the commercial reserves, the cost of such wells and associated production facilities, and other capital costs. The carrying amount of oil and gas properties at 31 December 2015 is shown in Note 12.

As the economic assumptions used may change and as additional geological information is obtained during the operation of a field, estimates of recoverable reserves may change. Such changes may impact the Group's reported financial position and results, which include:

- The carrying value of oil and gas properties, property, plant and equipment, and goodwill may be affected due to changes in estimated future cash flows.
- Depreciation and amortisation charges in profit or loss may change where such charges are determined using the UOP method, or where the useful life of the related assets change.
- Provisions for decommissioning may change as the changes to the reserve estimates affect expectations about when such activities will occur and the associated cost of these activities.

4 SEGMENTAL INFORMATION

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

Year ended 31 December 2015

	United Arab Emirates USD mm	*Egypt USD mm*	*Kurdistan Region of Iraq USD mm*	*Total USD mm*
Revenue net of royalties	4	125	142	271
Gross profit				126
General and administration expenses				(23)
Other income				208
Investment and finance income				130
Provision for surplus over entitlement				(153)
Provision for impairments				(24)
Other expenses				(8)
Change in fair value of investment property				(1)
Share of loss of a joint venture				(7)
Exploration expenses				(14)
Finance cost				(77)
Profit before income tax				157
Income tax expense				(13)
PROFIT FOR THE YEAR				144
Segment assets as at 31 December 2015	1,792	1,105	1,015	3,912
Segment liabilities as at 31 December 2015	877	133	31	1,041

4 SEGMENTAL INFORMATION (continued)

	United Arab Emirates USD mm	*Egypt USD mm*	*Kurdistan Region of Iraq USD mm*	*Total USD mm*
Other segment information				
Capital expenditure:				
Intangible assets	**-**	**38**	**-**	**38**
Property, plant and equipment	**150**	**46**	**-**	**196**
Total	**150**	**84**	**-**	**234**
Depreciation, depletion & amortisation	**2**	**75**	**12**	**89**
Change in fair value of investment property	**1**	**-**	**-**	**1**
Provision for Impairments	**14**	**10**	**-**	**24**
Exploration expenses	**-**	**14**	**-**	**14**

Year ended 31 December 2014

	United Arab Emirates USD mm	*Egypt USD mm*	*Kurdistan Region of Iraq USD mm*	*Total USD mm*
Revenue net of royalties	4	225	247	476
Gross profit				303
General and administration expenses				(28)
Investment and finance income				3
Provision for Impairment				(22)
Other expenses				(4)
Change in fair value of investment property				(1)
Share of loss of a joint venture				(1)
Exploration expenses written off				(1)
Finance costs				(73)
Profit before income tax				176
Income tax expense				(51)
PROFIT FOR THE YEAR				125
Segment assets as at 31 December 2014	1,392	1,124	1,096	3,612
Segment liabilities as at 31 December 2014	798	64	40	902

4 SEGMENTAL INFORMATION (continued)

	United Arab Emirates USD mm	*Egypt USD mm*	*Kurdistan Region of Iraq USD mm*	*Total USD mm*
Other segment information				
Capital expenditure:				
Intangible assets	-	21	-	21
Property, plant and equipment	62	39	-	101
Total	62	60	-	122
Depreciation, depletion & amortisation	2	103	13	118
Change in fair value of investment property	1	-	-	1
Provision for Impairment	-	22	-	22
Exploration expenses	-	1	-	1

5 REVENUE

	2015 USD mm	*2014 USD mm*
Gross revenue	**413**	679
Tariff fee	**4**	4
	417	683
Less: royalties	**(146)**	(207)
Net revenue	**271**	476

Royalties relate to Government share of production in Egypt.

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

6 OTHER INCOME

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

7 INVESTMENT AND FINANCE INCOME

	2015	*2014*
	USD mm	*USD mm*
Interest on receivable (note 7a)	**133**	-
Loss on disposal of available for sale financial asset	**(12)**	(2)
Dividend income	**2**	4
Profit from bank deposits	**4**	1
Gain on buyback of Sukuk (note 25a)	**3**	-
Fair value gain on financial assets at fair value through profit or loss (note 19)	-	1
Loss on disposal of Komombo interest	-	(1)
	130	3

a) Interest on receivable

Pearl Petroleum ("Pearl") is contractually entitled to charge interest cost on overdue receivables from KRG. Previously, without giving up its contractual entitlement to actual interest costs, Pearl invoiced interest on overdue KRG invoices at the rate of LIBOR plus 2% which is not its full entitlement under the Authorisation in respect of interest on overdue receivables. In the absence of settlement of overdue invoices, Pearl decided to invoice the KRG on the basis of its full entitlement to interest on all unpaid invoices. During the year, the entitlement in respect of such interest on overdue receivables from the KRG has been recomputed by applying 9% interest (quarterly compounded) on 50% of the total overdue receivables, while the remaining 50% receivables have been subject to an interest rate of LIBOR plus 2% which is the minimum specified under the Authorisation.

Based on the above, Dana Gas share (35%) of the total interest on outstanding receivables (for condensate and LPG) from KRG as at 31 December stands at USD 133 million.

8 FINANCE COST

	2015	*2014*
	USD mm	*USD mm*
Profit on Sukuk (note 25a)	**70**	70
Zora gas field project finance (note 25b)	**4**	3
Egypt equipment and building loan (note 25c & d)	**1**	-
Murabaha facility (note 25e)	**1**	-
Exchange loss	**10**	-
Less: Finance cost capitalised	**(9)**	-
	77	73

9 INCOME TAX EXPENSE

a) UAE
The Company is not liable to corporate income tax in its primary jurisdiction (UAE).

b) Egypt
The income tax expense in the statement of income relates to Dana Gas Egypt operations which is taxed at an average tax rate of 40.55% (2014: 40.55%). This tax is paid by Egyptian General Petroleum Corporation (EGPC)/Egyptian Natural Gas Holding Company (EGAS) on behalf of the Company from their share of production. Dana Gas Egypt does not have any deferred tax asset/liability at year end.

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

10 EARNINGS PER SHARE

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

	2015	*2014*
Earnings:		
Net profit for the year - USD mm	**146**	125
Shares:		
Weighted average number of shares outstanding for calculating basic EPS- million	**6,964**	6,888
EPS (Basic) – US Cents:	**2.1**	1.8

(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.

	2015 USD mm	*2014 USD mm*
Earnings:		
Net profit for the year	**146**	125
Finance cost on exchangeable Sukuk	**24**	25
	170	150
Shares:		
Weighted average number of shares outstanding for calculating basic EPS- million	**6,964**	6,888
Adjustments for:		
Restricted shares (million)	**19**	2
Assumed conversion of exchangeable Sukuk (million)*	**1,713**	1,724
Weighted average number of ordinary shares for diluted earnings per share (million)	**8,696**	8,614
EPS (Diluted) – US Cents:	**1.9**	1.7

* 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).

11 PROPERTY, PLANT AND EQUIPMENT

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

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

11 PROPERTY, PLANT AND EQUIPMENT (continued)

	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 2014	14	12	817	354	32	119	230	1,578
Additions	-	-	25	12	2	-	62	101
Transfer from intangible assets (note 12)	-	-	28	-	-	-	-	28
Impairment	-	-	(22)	-	-	-	-	(22)
Exploration cost	-	-	(1)	-	-	-	-	(1)
At 31 December 2014	14	12	847	366	34	119	292	1,684
Depreciation/ Depletion:								
At 1 January 2014	-	1	510	70	15	22	-	618
Depreciation/ depletion charge for the year	-	1	93	19	1	4	-	118
At 31 December 2014	-	2	603	89	16	26	-	736
Net carrying amount:								
At 31 December 2014	14	10	244	277	18	93	292	948

Capital Work in Progress comprises:	*USD mm*
SajGas Plant and facilities	99
UGTC Pipeline &related facilities	89
Kurdistan Region of Iraq Project	3
Sharjah Western Offshore (including Zora field)	101
	292

Impairment charge of USD 4 million (2014: USD 22 million) recognised during 2015 relates to oil and gas assets in Egypt. Sharjah Western offshore includes finance costs amounting to USD 9 million capitalised during the year.

12 INTANGIBLE ASSETS

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

	Oil and gas interests USD mm	*Transmission & sweetening rights USD mm*	*Gas processing rights USD mm*	*Development cost USD mm*	*Goodwill USD mm*	*Total USD mm*
Cost at 1 January 2014	233	289	7	2	308	839
Less: impairment	(99)	-	-	(2)	-	(101)
At 1 January 2014	134	289	7	-	308	738
Additions - net	18	-	-	-	-	18
Transfer to property, plant and equipment (note 11)	(28)	-	-	-	-	(28)
At 31 December 2014	124	289	7	-	308	728

(a) Oil and Gas Interests

Oil and gas interests of USD 151 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 10% 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 75% 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 with formal approval in March 2015.

- West El Qantara Development Leases (West El Qantara Concession) – These development leases are held with a 100% working interest. These development leases have 4,324 acres of land included within their boundaries and are located in the Nile Delta of Egypt. EGAS, in February 2014, approved the scope of the Sama development lease amendment for West Sama-1 and approved also new development lease for Salma in July 2014. To date, two development leases are producing both natural gas and associated liquids representing approximately 15% of Dana Gas Egypt current production.

12 INTANGIBLE ASSETS (continued)

(a) Oil and Gas Interests (continued)

- North Al Arish Offshore (Block-6) - In April 2013, Dana Gas Egypt was awarded a 100% working interest in the North El Arish Offshore (Block 6) concession area. The area is located offshore Nile Delta, in the eastern part of the Mediterranean Sea. As per the concession agreement, Dana Gas Egypt had to pay a signature bonus of USD 20 million to the Egyptian Natural Gas Holdings. This amount payable was offset against the outstanding receivables in January 2014. A 3D seismic acquisition was recently carried out in the Block, covering 1,830 full fold sq. Km.

- North Al Salhiya Onshore (Block-1) - In September 2014, Dana Gas Egypt was awarded a 100% working interest in the North El Salhiya Onshore (Block 1) concession area. The area is located onshore Nile Delta. Dana As per the concession agreement, Dana Gas Egypt had to pay a signature bonus of USD 5 million to the Egyptian Natural Gas Holdings. This amount payable was offset against the outstanding receivables in January 2015.

- El Matariya Onshore (Block-3) - In September 2014, Dana Gas Egypt was awarded a 50% working interest in the El Matariya Onshore (Block 3) concession area. The area is located onshore Nile Delta. As per the concession agreement. Dana Gas Egypt will with BP as partner and operator will participate on a 50:50 basis. Dana Gas Egypt (50% share) had to pay a signature bonus of USD 7.5 million to the Egyptian Natural Gas Holdings. This amount payable was offset against the outstanding receivables in January 2015.

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

The Company was notified by Crescent Petroleum on 10 August 2014 that the Arbitration Tribunal has issued a Final Award for the merit phase of the proceedings, determining that the 25 year contract between it and NIOC is valid and binding upon the parties, and that NIOC has been obligated to deliver gas under the Contract since December 2005. Crescent Petroleum has since informed Dana Gas that the final hearing for determination of the damage claims against NIOC for non-performance of the contract has now been fixed by the Tribunal for the 1st September 2016 in The Hague.

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 2015. Management has reviewed the various inputs into the original valuation model and believes that the inputs into the original valuation model have not materially changed.

(c) Goodwill
Goodwill of USD 308 million relates to the acquisition of Dana Gas Egypt (previously known as Centurion) in January 2007 which enabled Dana Gas to acquire the upstream business qualification and therefore the rights to development. The recoverable amount of the above cash generating unit has been determined based on value in use calculation using cash flow projections approved by senior management up to a 20 year period or the economic limit of the producing field. The pre-tax discount rate applied to cash flow projections is 10% (2014: 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 INTANGIBLE ASSETS (continued)

Key assumptions used in value in use calculations
The calculation of value in use for the oil and gas interest is most sensitive to the following assumptions:
- Financial returns;
- Discount rates;
- Oil prices; and
- Production profiles.

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

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

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

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

Sensitivity to changes in assumptions
The calculation for value in use for the oil and gas interest is most sensitive to the following assumptions:
- Discount rate

The Group generally estimates values in use for CGU using a discounted cash flow model. The future cash flows are discounted to their present value using a pre-tax discount rate of 10% (2014: 10%) that reflects current market assessments of the time value of money and the risks specific to the asset.

- Crude oil price

The future cash flows are sensitive to oil price. If the oil price forecast were to increase/decrease by 20%, the impairment charge would have been lower/higher by USD 55 million.

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

13 INVESTMENT PROPERTY

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

	2015 ***USD mm***	*2014* *USD mm*
Balance at 1 January	**26**	27
Change in fair value	**(1)**	(1)
Balance at 31 December	**25**	26

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 2014: decrease of USD 1 million) which was charged to the consolidated income statement.

14 INTEREST IN JOINT VENTURES

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

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

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

	EBGDCO USD mm	*Gas Cities USD mm*	*CNGCL USD mm*	*Total USD mm*
Revenue	16	-	-	16
Loss before tax	(9)	-	(3)	(12)
Loss for the year	**(14)**	**-**	**(3)**	**(17)**
Other comprehensive income	**-**	**-**	**-**	**-**
Total comprehensive loss for the year	**(14)**	**-**	**(3)**	**(17)**
Group's share of loss for the year	**(6)**	**-**	**(1)**	**(7)**

The Joint ventures had no other contingent liabilities or capital commitments as at 31 December 2015 and 2014 except as disclosed in note 29.

The following table summarises the statement of financial position of the joint ventures as at 31 December 2014:

	EBGDCO USD mm	*Gas Cities USD mm*	*CNGCL USD mm*	*Total USD mm*
Current assets	14	1	-	15
Non-current assets	108	-	1	109
Current liabilities	(31)	(8)	(31)	(70)
Non-current liabilities	(69)	-	-	(69)
Equity	22	(7)	(30)	(15)
Group's share of net assets	8	(3)	(10)	(5)

14 INTEREST IN JOINT VENTURES (continued)

The following table summarises the income statement of the joint ventures for the year ended 31 December 2014:

	EBGDCO USD mm	*Gas Cities USD mm*	*CNGCL USD mm*	*Total USD mm*
Revenue	27	-	-	27
Loss before tax	-	-	(3)	(3)
Loss for the year	-	-	(3)	(3)
Other comprehensive income	-	-	-	-
Total comprehensive income for the year	-	-	(3)	(3)
Group's share of loss for the year	-	-	(1)	(1)
Reconciliation of summarised financial information				
Opening net investment as of 1 January 2014	8	(3)	562	567
Loss for the year	-	-	(1)	(1)
Net investment as of 31 December 2014	8	(3)	561	566
Loss for the year	(6)	-	(1)	(7)
Net investment as of 31 December 2015	**2**	**(3)**	**560**	**559**

Out of the total investment of USD 559 million, investment of USD 560 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.

The Company was notified by Crescent Petroleum on 10 August 2014 that the Arbitration Tribunal has issued a Final Award for the merit phase of the proceedings, determining that the 25 year contract between it and NIOC is valid and binding upon the parties, and that NIOC has been obligated to deliver gas under the Contract since December 2005. Crescent Petroleum has since informed Dana Gas that the final hearing for determination of the damage claims against NIOC for non-performance of the contract has now been fixed by the Tribunal for the 1st September 2016 in The Hague.

15 INTEREST IN JOINT OPERATIONS

(a) Kurdistan Region of Iraq Project

On 15 May 2009, Dana Gas and Crescent signed a Share Sale Agreement with OMV and MOL wherein an equity interest of 5% each was sold by Dana Gas and Crescent to OMV and MOL respectively. On 27 November 2015, Dana Gas and Crescent further transferred an equity interest of 5% each in Pearl Petroleum to RWE Middle East Holdings BV ("RWE") (note 30). Consequently, the shareholding interest in Pearl Petroleum is now as follows: 35% to Dana Gas, 35% to Crescent, 10% to OMV, 10% to MOL and 10% to RWE. In accordance with the terms of the Joint Venture Agreement dated May 15, 2009, the shareholders of Pearl Petroleum appointed Crescent and Dana Gas as Subcontract Operator to conduct the business of the Company on a no-profit, no-loss basis.

15 INTEREST IN JOINT OPERATIONS (continued)

(a) Kurdistan Region of Iraq Project (continued)

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

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

Following a hearing in London between 20-24 April 2015, on 3 July 2015, the Tribunal issued a Partial Final Award (dated 30 June 2015) confirming Pearl's long-term exclusive rights for the development and marketing in respect of the Khor Mor and Chemchemal fields, and its entitlement to be paid by KRG for condensate and LPG invoices at the contractually specified international prices. On 21 September 2015, a one-day hearing was held during which the Consortium made an application to the Tribunal for monetary award of USD1.963 billion against KRG, being the outstanding unpaid invoices (as of 30 June 2015) for the produced condensate and LPG calculated as per the pricing methodology determined by the Tribunal in the Partial Final Award. The Tribunal considered the parties' claims and their submissions made on 21 September 2015. On 27 November 2015, the Tribunal handed down its Second Partial Final Award ("Second PFA") in which it ordered the KRG to pay the Consortium within 28 days (i.e. by 26 December 2015) the sum of USD1.963 billion for outstanding unpaid invoices for the produced condensate and LPG up to 30 June 2015, as per the pricing methodology already determined by the Tribunal in the First PFA.

A final determination regarding the Consortium's entitlement in respect of Excess Gas will be made a subsequent phase of arbitration, scheduled to commence on 5 September 2016. In the meantime, KRG remains in default of the arbitration Tribunal's peremptory order to pay the Claimants USD100 million on an interim basis. Accordingly, the Claimants applied to the English Court for enforcement of this interim order. The English High Court heard the Claimants' application for the enforcement of the order during a hearing on 28 and 29 October 2015.

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

The KRG has also applied to the Tribunal to discharge the Peremptory Order, which was the subject of a short hearing before the Tribunal on 8 January 2016. On 15 January 2016, the Tribunal handed down its decision rejecting the KRG application to discharge the Peremptory Order and confirming the payment date of 26 February 2016.

On 18 February 2016, the KRG applied for permission to appeal to the Court of Appeal various aspects of the High Court orders relating to the enforcement of the Peremptory Order. The Court of Appeal determined that the question of whether permission should be given to allow the KRG to appeal should be determined at an oral hearing on a date to be fixed possibly within 3 months. In the meantime, the Court of Appeal ordered that (1) the date for payment of the US$100 million be deferred from 26 February 2016 until after the outcome of the hearing; and (2) in the meantime, the KRG should continue to pay the Claimants US$8 million on the 15th of each month.

15 INTEREST IN JOINT OPERATIONS (continued)

(a) Kurdistan Region of Iraq Project (continued)

The ultimate outcome of any arbitration or Court process is uncertain. The final outcome of the arbitration process, and related Court hearings, may have an impact on the carrying value of certain assets and liabilities on the statement of financial position including determination, under the terms of the Authorisation, of any amounts which may become due to KRG over and above Pearl Petroleum's entitlements. 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 right under the Authorisation in accordance with applicable law, most of which have already been confirmed and upheld in the Tribunal's final and binding Partial Final Awards Accordingly, they believe that there should not be a material adverse impact on the state of the Group or the carrying values of its assets or liabilities.

The following amounts represent the Group's 35% share (2014: 40%) of the assets and liabilities of the joint operation:

	2015 ***USD mm***	*2014* *USD mm*
Assets:		
Non-current assets	**272**	316
Current assets	**743**	780
Total Assets	**1,015**	1,096
Liabilities:		
Current liabilities	**31**	40
Net Assets	**984**	1,056
Income	**142**	247
Operating cost	**(22)**	(22)
Depreciation	**(12)**	(13)
Gross profit	**108**	212

(b) UGTC/ Emarat Joint Venture

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

	2015 ***USD mm***	*2014* *USD mm*
Assets:		
Non-current assets	**19**	20
Current assets	**26**	21
Total Assets	**45**	41
Liabilities:		
Current liabilities	**-**	-
Net Assets	**45**	41
Income	**4**	4
Operating cost	**(1)**	(1)
Depreciation	**(1)**	(1)
Gross profit	**2**	2

16 INVENTORIES

	2015 ***USD mm***	*2014* *USD mm*
Spares and consumables	**73**	63
Less: provision for impairment of inventory	**(8)**	(12)
	65	51
Less: reclassification to property, plant and equipment (note 11)	**(12)**	-
	53	51

17 TRADE AND OTHER RECEIVABLES

	2015 ***USD mm***	*2014* *USD mm*
Trade receivables (net)	**950**	992
Prepaid expenses	**2**	2
Due from joint ventures	**29**	15
Other receivables	**42**	46
Less: provision for impairment of other receivables	**(6)**	(6)
	1,017	1,049

Trade receivables are interest bearing and are generally on 30-60 days credit period.

The Group's share of trade receivables in Pearl Petroleum is in respect of condensate and LPG deliveries amounting to USD 727 million (31 December 2014: 746 million) – refer note 15a.

Pearl Petroleum supplied 673,055 MMscf (715,583,287 MMbtu) of gas to KRG until December 2015 and invoiced KRG for gas supplied in excess of 200MMscfd ("Excess Gas"). Invoices for Excess Gas for the period between January 2011 to May 2015 amount to USD1.498 billion (Dana Gas 35% share: USD 524.3 million). Revenue and receivables reported from January 2011 to 31 December 2015 does not include amounts invoiced for Excess Gas. Effective June 2015, Pearl Petroleum suspended issuance of further invoices to the KRG in respect of Excess Gas pending clarification of Pearl Petroleum's entitlement to receivables in respect of Excess Gas by the Tribunal in a subsequent hearing, which is expected to take place in 2016.

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

			Past due but not impaired				
	Total *USD mm*	*Neither past due nor impaired* *USD mm*	*<30 days* *USD mm*	*30-60 days* *USD mm*	*61-90 days* *USD mm*	*91-120 days* *USD mm*	*>120 days* *USD mm*
2015	**950**	**75**	**12**	**24**	**15**	**21**	**803**
2014	992	113	17	51	64	52	695

18 AVAILABLE-FOR-SALE FINANCIAL ASSET

	2015 ***USD mm***	*2014* *USD mm*
At 1 January	**51**	100
Disposal	**(54)**	(23)
Change in fair value for the year (note 23)	**3**	(26)
	-	51

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

19 FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	2015 ***USD mm***	*2014* *USD mm*
Balance at 1 January	**9**	8
Investment redeemed during the year	**(1)**	-
Change in fair value	**-**	1
Balance at 31 December	**8**	9

This represents an investment in the Abraaj Infrastructure fund. The valuation is based on the latest indicative fair value of the fund as of 31 December 2015.

20 CASH AND BANK BALANCE

	2015 ***USD mm***	*2014* *USD mm*
Cash at bank and on hand		
- Local Banks within UAE	**66**	28
- Foreign Banks outside UAE	**32**	6
Short term deposits		
- Local Banks within UAE	**343**	76
- Foreign Banks outside UAE	**-**	74
Cash and cash equivalent	**441**	184
Deposit (Murabaha facility)	**29**	-
Cash and Bank Balance	**470**	184

Cash at bank earns profit at floating rates based on daily bank deposit rates. Short-term deposits are made for varying periods of between one week and three months, depending on the immediate cash requirements of the Group, and earn profit at the respective short-term deposit rates. The fair value of cash and bank balance including short-term deposits is USD 470 million (2014: USD 184 million). The effective profit rate earned on short term deposits ranged 0.3% to 8.0% (2014: 0.45% to 2.0%) per annum. As at 31 December 2015, 87 % (31 December 2014: 56%) of cash and bank balance were held with UAE banks and the balance held outside UAE. Out of the total cash and bank balance of USD 470 million, 11% of the amount was held in Egyptian pounds (31 December 2014: 42%).

Deposit (Murabaha facility) is EGP pledged with Mashreq Bank PSC, Egypt branch against fully secured facility of USD 25 million (note 25 e). As per the arrangement, Dana Gas Egypt will maintain EGP deposit equal in value to 115% of the outstanding principal amount of loan in USD. The tenor of the facility is one year from the date of drawdown, which was completed on 9 April 2015. The pledged EGP deposit as of 31 December 2015 stood at USD 29 million in equivalent EGP.

21 SHARE CAPITAL

	2015 ***USD mm***	*2014* *USD mm*
Authorised:		
6,968,616,114 (2014: 6,690,981,188) common shares of AED 1 each (USD 0.2728 each)		
Issued and fully paid up:		
6,968,616,114 (2014: 6,690,981,188) common shares of AED 1 each (USD 0.2728 each)	**1,901**	1,899

The conversion period for Exchangeable sukuk issued on 8 May 2013 commenced on 31 October 2013 and will expire 25 trading days prior to the scheduled redemption date of 31 October 2017. During this period sukuk holders have the right to convert all or part of the Exchangeable sukuk into ordinary shares of the Company. During the year 2014, the Company received voluntary early conversion notices for the Exchangeable sukuk amounting to USD 72,926,080. Accordingly, 357,094,708 ordinary shares calculated at a conversion price of AED 0.75 (nominal value of AED 1) were required to be delivered to satisfy the said voluntary early conversion notices. All the required ordinary shares of the Company were issued to satisfy the notices.

22 STATUTORY AND LEGAL RESERVE

	Statutory reserve USD mm	***Legal reserve USD mm***
At 1 January 2014	80	80
Transfer from net profit for the year	13	13
At 31 December 2014	93	93
Transfer from net profit for the year	15	15
At 31 December 2015	**108**	**108**

a) Statutory Reserve

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

b) Legal Reserve

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

23 OTHER RESERVES

	Share based reserve USD mm	*Fair value reserve USD mm*	*Total USD mm*
At 1 January 2014	2	14	16
Disposal of available-for-sale financial asset	-	(3)	(3)
Change in fair value of available-for-sale financial asset (note 18)	-	(26)	(26)
Shares issued to employees	(1)	-	(1)
At 31 December 2014	1	(15)	(14)
Disposal of available-for-sale financial asset	-	12	12
Change in fair value of available-for-sale financial asset (note 18)	-	3	3
Transfer from Retained earnings	1	-	1
Share based reserve (note 24)	2	-	2
Shares issued to employees	(2)	-	(2)
At 31 December 2015	**2**	**-**	**2**

24 SHARE BASED PAYMENT

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

Restricted Shares

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

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

	***2015* USD mm**	*2014 USD mm*
Expense arising from equity settled share-based payment transactions	**2**	-

25 BORROWINGS

	***2015* USD mm**	*2014 USD mm*
Non-current		
Ordinary Sukuk (a)	**400**	425
Convertible Sukuk (a)	**329**	323
Bank Borrowings – Zora Gas Field Project Finance (b)	**64**	-
Equipment loan (c)	**12**	-
Egypt Building loan (d)	**5**	-
	810	748
Current		
Bank Borrowings – Zora Gas Field Project Finance (b)	**27**	-
Bank Borrowings – Murabaha facility (e)	**24**	-
	51	-
Total Borrowings	**861**	748

25 BORROWINGS (continued)

a) EXCHANGEABLE SUKUK

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

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

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

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

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

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

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

During 2014, the Company received conversion notices for the Exchangeable Sukuk amounting to USD 72.9 million (please refer note 21 for details).

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

As of 31 December 2015 par value of outstanding Ordinary and Exchangeable sukuk amounted to USD 400 million (2014: USD 425 million) and USD 350 million (2014: USD 352 million), respectively.

25 BORROWINGS (continued)

a) EXCHANGEABLE SUKUK (continued)

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

	2015 ***USD mm***	*2014* *USD mm*
Liability component at 1 January	**323**	390
Convertible sukuk converted into shares	**-**	(73)
Finance expense for convertible sukuk	**32**	32
Sukuk cancelled through buyback	**(2)**	-
Profit paid	**(20)**	(22)
	333	327
Current portion of profit classified under trade payables and accruals	**(4)**	(4)
Liability component at 31 December	**329**	323

The conversion option embedded in the convertible instrument is valued at the issuance of the Exchangeable sukuk and disclosed separately under Equity – USD 58 million (2014: USD 58 million).

b) BANK BORROWINGS – ZORA GAS FIELD PROJECT FINANCE

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

The repayment for the Term Facility is over a period of 15 quarterly instalments and has already commenced from Q4 2015, subject to a cash sweep mechanism and carries variable rate of LIBOR + Margin during the repayment period.

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

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

25 BORROWINGS (continued)

c) EQUIPMENT LOAN

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

d) EGYPT BUILDING LOAN

Pearl Properties Egypt ("PPE") has entered into a "Sale and Lease back" finance lease arrangement for Egypt Building with Corporate Leasing Company Egypt SAE on 9 June 2015. The total facility consist of three contracts amounting to USD 13.8 million out of which USD 5.4 million have been drawdown up to 31 December 2015. In Quarter 4, 2015 the facility was reduced by USD 1.1 million to USD 12.7 million. The payments are over a period of 29 quarters including grace period of 2 quarters for lease payments.

e) MURABAHA FACILITY

Dana Gas Egypt Ltd (Barbados) has entered into Commodity Murabaha agreement with facility limit of USD 25 million with Mashreq bank PSC (UAE) on 30 March 2015. This is a fully secured facility wherein Dana Gas Egypt Ltd will maintain EGP deposit (pledged) equal in value to 115% of the outstanding principal amount of loan in USD which will be held with Mashreq bank PSC, Egypt branch acting as Security Agent. The profit rate on the facility is LIBOR + Margin & the EGP deposit attracts a deposit rate that closely reflects the profit rate on the loan at this point in time. The facility tenor is one year from the date of drawdown. The drawdown of the said facility was completed on 9 April 2015 and falls due for settlement on 11 April 2016 as the tenor of the facility is one year from date of drawdown.

26 PROVISIONS

	2015 USD mm	*2014 USD mm*
Asset decommissioning obligation	**14**	17
Employee's end of service benefits	**2**	2
	16	19

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

27 TRADE PAYABLES AND ACCRUALS

	2015 USD mm	*2014 USD mm*
Trade payables	**67**	33
Accrued expenses and other payables	**73**	73
Profit accrued on Sukuk	**10**	11
Advance against local sales in KRI (2014: 40% share)	**-**	18
	150	135

28 PROVISION FOR SURPLUS OVER ENTITLEMENTS

	2015 *USD mm*	*2014* *USD mm*
Surplus over Entitlements (note 28a)	**153**	-
Less: Interest receivable on overdue invoices (note 7a)	**(133)**	-
Less: Other receivables	**(6)**	-
	14	-

a) Surplus over Entitlements

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

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

Such Surplus crystallises and becomes payable to KRG only when Pearl has actually recovered its Entitlements as per the terms of the Authorisation which is very much dependent upon the timing of actual receipt of funds from the KRG in respect of accrued revenue in addition to any future Petroleum Costs incurred by Pearl. It should be noted that as at 31 December 2015, Pearl has not recovered its Petroleum Costs in full.

Furthermore, Pearl has a right under the terms of the Authorisation to offset this Surplus, when payable, against any other outstanding payments due from the KRG. Accordingly, the aforementioned Surplus has been reduced by other outstanding amounts due from KRG, the net result being that even if the KRG were to have paid the entire amount of USD 2.08 billion in outstanding receivables to Pearl by 31st December 2015, the net amount re-payable to the KRG would be just USD 39.07 million (DG Share 35%: USD 13.7 million). Furthermore due to the terms of the HoA, further delay in payment by the KRG will further increase Pearl's Entitlements and reduce the net amount re-payable to the KRG.

29 CONTINGENCIES AND COMMITMENTS

a) Dana Gas Egypt

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

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

29 CONTINGENCIES AND COMMITMENTS (continued)

a) Dana Gas Egypt (continued)

In October 2014, Dana Gas Egypt was awarded a 100% working interest North El Salhiya (Block 1) concession area. The area is located in Nile delta next to DGE existing development leases. As per the concession agreement, Dana Gas Egypt has committed to spend USD 20 million on the block during the first phase of exploration which is 3 years. Dana Gas Egypt had to pay a signature bonus of USD 5 million to the Egyptian Natural Gas Holding. This amount payable was offset against the outstanding receivables in January 2015.

In October 2014, Dana Gas Egypt was also awarded El Matariya (Block 3) onshore concession area in the Nile Delta. Dana Gas Egypt with BP Exploration (Delta) Limited "BP" as partner and operator will participate in the concession on a 50:50 basis. As per the terms of the agreement with BP, BP will fund all of the cost (including Dana Gas's share) of the first exploration well up to an agreed maximum limit. In the event that the well proves commercial, BP has the option to acquire 50% in the deep potential of some of Dana Gas' adjacent Development leases. Dana Gas Egypt and BP have committed to spend USD 60 million on the block during the first phase of exploration which is 3 years. Dana Gas Egypt had to pay a signature bonus of USD 7.5 million (50% share) to the Egyptian Natural Gas Holdings. This amount payable was offset against outstanding receivables in January 2015.

Capital expenditure contracted for at 31 December 2015 but not yet accrued amounted to USD 6 million.

b) Sharjah Western Offshore

Capital expenditure contracted for at 31 December 2015 but not yet accrued amounted to Nil (2014: USD 61 million).

30 DISPOSAL OF INTEREST IN JOINT OPERATIONS

Disposal of Interest in Pearl Petroleum Company Limited

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

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

31 RELATED PARTY DISCLOSURES

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

	2015		*2014*	
	Revenues USD mm	***Fees for management services USD mm***	*Revenues USD mm*	*Fees for management services USD mm*
Joint arrangement	**1**	**2**	1	2
Major shareholder	**-**	**1**	-	1
	1	**3**	1	3

During 2015, an amount of USD 2.4 million was paid to the Directors as compensation for Committee work, special assignments and additional duties undertaken during the year. The remuneration to the Board of Directors for the year 2014 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:

	2015 USD mm	*2014 USD mm*
Short-term benefits	**6**	4
Restricted Shares	**1**	-
	7	4

32 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

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

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

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

At 31 December 2015, if the Egyptian pounds had strengthened/weakened by 10% against the USD with all other variables held constant, total comprehensive income for the year would have been USD 5 million higher/ lower (2014: USD 8 million), as a result of foreign exchange gains/losses on translation of Egyptian pounds denominated cash and bank balance.

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

32 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Financial risk factors (continued)

(c) Commodity price risk
The Group is also exposed to commodity price risk (crude oil price), however this has been partially mitigated due to fixed pricing agreement in Egypt for sale of natural gas which constitute approximately 39% (2014: 47%) of the Groups gross revenue. At 31 December 2015, if the average price of crude oil for the year had increased/decreased by 10% with all other variable held constant the Group's comprehensive income for the year would have been USD 19 million higher/lower (2014: USD 34 million).

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

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

(ii) Bank balances
Credit risk from balances with banks and financial institutions is managed by Group's Treasury in accordance with the Group policy. Investment of surplus funds is made only with counterparties approved by the Group's Board of Directors. The Group's maximum exposure to credit risk in respect of bank balances as at 31 December 2015 is the carrying amount as illustrated in note 20.

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

Year ended 31 December 2015

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

Year ended 31 December 2014

	On demand USD mm	*Less than 3 months USD mm*	*3 to 12 months USD mm*	*1 to 5 years USD mm*	*>5 years USD mm*	*Total USD mm*
Borrowings (including profit)	-	5	47	903	-	955
Trade payables and accruals	-	135	-	-	-	135
Provisions	3	-	-	4	16	23
	3	140	47	907	16	1,113

32 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

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 2015 and 31 December 2014. Capital comprises share capital, retained earnings, other reserves and equity component of convertible bonds, and is measured at USD 2,656 million as at 31 December 2015 (2014: USD 2,521 million).

33 FAIR VALUE ESTIMATION

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

	Carrying amount 2015 USD mm	***Fair value 2015 USD mm***	*Carrying amount 2014 USD mm*	*Fair value 2014 USD mm*
Financial assets				
Available for sale financial asset	**-**	**-**	51	51
Trade and other receivables	**1,017**	**1,017**	1,049	1,049
Cash and short term deposits	**470**	**470**	184	184
Financial liabilities				
Borrowings	**861**	**861**	748	748
Trade payables and accruals	**150**	**150**	135	135

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

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

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

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

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

33 FAIR VALUE ESTIMATION (continued)

The following table presents the Group' assets that are measured at fair value on 31 December 2014:

	Level 1 USD mm	*Level 2 USD mm*	*Level 3 USD mm*	*Total USD mm*
Assets				
Available for sale financial asset				
- Equity securities	51	-	-	51
Financial assets at fair value through profit or loss	-	9	-	9
Investment property	-	-	26	26
Total	51	9	26	86

There have been no transfers between Level 1 and Level 2 during the years 2015 and 2014.

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.

34 FINANCIAL INSTRUMENTS BY CATEGORY

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

34 FINANCIAL INSTRUMENTS BY CATEGORY (continued)

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

	Loans & receivables USD mm	*Assets at fair value through the profit and loss USD mm*	*Available-for-sale financial asset USD mm*	*Total USD mm*
31 December 2014				
Assets as per Statement of Financial Position				
Available-for-sale financial asset	-	-	51	51
Trade and other receivables excluding pre-payments	1,047	-	-	1,047
Financial assets at fair value through profit or loss	-	9	-	9
Cash and bank balance	184	-	-	184
Total	1,231	9	51	1,291

	Liabilities at fair value through the profit and loss USD mm	*Derivatives used for hedging USD mm*	*Other financial liabilities at amortised cost USD mm*	*Total USD mm*
31 December 2014				
Liabilities as per Statement of Financial Position				
Borrowings	-	-	748	748
Provisions	-	-	19	19
Trade payable and accruals excluding statutory liabilities	-	-	135	135
Total	-	-	902	902

35 SOCIAL CONTRIBUTIONS

As part of the Corporate Social Responsibility Initiatives, the Company spent USD 570,000 (2014: USD 365,000) during the year.