

Dana Gas PJSC

INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

30 SEPTEMBER 2006 (UNAUDITED)

Dana Gas PJSC

Report of the Directors

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

The Directors submit their report together with the interim condensed consolidated financial statements of the Company for the period ended 30 September 2006.

Principal activities

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

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

Results

The results of the Company for the period ended 30 September 2006 are set out on page 2 of the interim condensed consolidated financial statements.

Directors

The directors who served during the period were:

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

Auditors

The Company auditors, Ernst & Young, have issued their review report on the interim condensed consolidated financial statements of the Company.

On behalf of the Board of Directors
Director
30 October 2006



REVIEW REPORT TO THE BOARD OF DIRECTORS OF DANA GAS PJSC

Introduction

We have reviewed the accompanying interim consolidated balance sheet of Dana Gas PJSC ("Dana Gas" or "the Company") and its subsidiaries ("the Group") as at 30 September 2006 and the related interim statements of income, changes in equity and cash flows for the period then ended and explanatory notes.

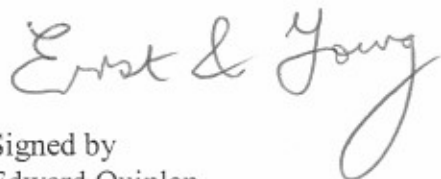
Management is responsible for the preparation and presentation of these interim condensed financial statements in accordance with International Financial Reporting Standard IAS 34 Interim Financial Reporting ("IAS 34"). Our responsibility is to express a conclusion on these interim condensed financial statements based on our review.

Scope of Review

We conducted our review in accordance with International Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity". A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying interim condensed financial statements are not prepared, in all material respects, in accordance with IAS 34.



Signed by
Edward Quinlan
Partner
Registration No. 93

Sharjah

30 October 2006

CONSOLIDATED STATEMENT OF INCOME

For the period ended 30 September 2006 (Unaudited)

		<i>1 July to 30 September 2006 AED mm</i>	<i>20 November 2005 to 30 September 2006 AED mm</i>
	<i>Notes</i>		
Other operating income		-	26
General and administration expenses		(6)	(17)
Investment and finance income (net)		52	775
Net profit for the period		46	784
Basic earnings per share (AED per share)	3	0.01	0.13
Diluted earnings per share (AED per share)	3	0.01	0.13

The attached explanatory notes 1 to 9 form part of these interim condensed consolidated financial statements.

CONSOLIDATED BALANCE SHEET

As at 30 September 2006 (Unaudited)

	<i>Notes</i>	<i>30 September 2006 AED mm</i>
ASSETS		
Non-current assets		
Property, plant and equipment		844
Intangible assets	4	3,140
		<u>3,984</u>
Current assets		
Bank balances and cash	5	3,489
Accounts receivable and prepayments		1
		<u>3,490</u>
Total assets		<u><u>7,474</u></u>
EQUITY AND LIABILITIES		
Equity		
Share capital	6	6,000
Retained earnings		784
		<u>6,784</u>
Current liabilities		
Accounts payable and accruals		42
Due to related parties		1
Convertible note	4, 7	647
		<u>690</u>
TOTAL EQUITY AND LIABILITIES		<u><u>7,474</u></u>



Director



Director

The attached explanatory notes 1 to 9 form part of these interim condensed consolidated financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS

For the period ended 30 September 2006 (Unaudited)

	<i>Notes</i>	<i>20 November 2005 to 30 September 2006 AED mm</i>
OPERATING ACTIVITIES		
Profit for the period		784
Adjustment for:		
Other income		(26)
Investment and finance income (net)		(775)
		(17)
Changes in working capital:		
Accounts receivable and prepayments		(1)
Accounts payable and accruals		(26)
Due to related parties		1
Net cash used in operating activities		(43)
INVESTING ACTIVITIES		
Purchase of property, plant and equipment		(211)
Investment in deposits with more than three months maturity		(2,021)
Investment and finance income		775
Net cash used in investing activities		(1,457)
FINANCING ACTIVITIES		
Proceeds from issue of share capital		4,045
Redemption of convertible note-first and second installments	7	(1,294)
Net cash provided by financing activities		2,751
INCREASE IN CASH AND CASH EQUIVALENTS		1,251
Cash inflow on acquisition of subsidiaries		217
Cash and cash equivalents, beginning of the period		-
CASH AND CASH EQUIVALENTS, END OF THE PERIOD	5	1,468

The attached explanatory notes 1 to 9 form part of these interim condensed consolidated financial statements.

Dana Gas PJSC

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the period ended 30 September 2006 (Unaudited)

	<i>Share capital AED mm</i>	<i>Retained earnings AED mm</i>	<i>Total AED mm</i>
Proceeds from issue of share capital	6,000	-	6,000
Net profit for the period 20 November 2005 to 30 September 2006	-	784	784
At 30 September 2006	<u>6,000</u>	<u>784</u>	<u>6,784</u>

Transfers to legal and statutory reserves will be made in accordance with the provisions of the Memorandum and Articles of Association of the Company at the end of the first statutory financial period of the Company.

NOTES TO THE FINANCIAL STATEMENTS

At 30 September 2006

1 ACTIVITIES

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

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

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

2 SIGNIFICANT ACCOUNTING POLICIES

The interim condensed consolidated financial statements of the Company and its subsidiaries are prepared in accordance with International Accounting Standard (IAS) No 34, Interim Financial Reporting. Hence, the interim condensed financial statements do not contain all information and disclosures required for full financial statements prepared in accordance with International Financial Reporting Standards.

The accounting policies used in the preparation of the interim condensed consolidated financial statements are set out below.

Basis of preparation

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

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

The first statutory financial period of the Company is from the date of incorporation of the Company and ends on 31 December 2006.

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the parent company ("Dana Gas") and each of its controlled subsidiaries ("the Group") listed below as of 30 September 2006:

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

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

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

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

NOTES TO THE FINANCIAL STATEMENTS

At 30 September 2006

2 SIGNIFICANT ACCOUNTING POLICIES - continued

Business combinations

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

Property, plant and equipment

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

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

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

The carrying values of property, plant and equipment are reviewed for impairment when events or changes in circumstances indicate the carrying value may not be recoverable. If any such indication exists and where the carrying values exceed the estimated recoverable amount, the assets are written down to their recoverable amount.

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

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

Intangible assets

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

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

Following initial recognition, intangible assets are carried at cost less any accumulated amortisation and any accumulated impairment losses.

Internally generated intangible assets, excluding capitalised development costs, are not capitalised and expenditure is charged against profits in the year in which expenditure is incurred. The useful lives of intangible assets are assessed to be either finite or indefinite. Intangible assets with finite lives are amortised over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortization period and the amortisation method for an intangible asset with a finite useful life are reviewed at least at each financial year-end. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset are accounted for by changing the amortisation period or method, as appropriate, and treated as a change in accounting estimate.

Intangible assets with indefinite useful lives are tested for impairment annually. Such intangibles are not amortised.

NOTES TO THE FINANCIAL STATEMENTS

At 30 September 2006

2 SIGNIFICANT ACCOUNTING POLICIES - continued

Impairment and uncollectibility of financial assets

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

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

Accounts receivable and prepayments

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

Cash and cash equivalents

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

Accounts payable and accruals

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

Provisions

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

Employees' end of service benefits

The Company provides end of service benefits to its employees. The entitlement to these benefits is based upon the employees' final salary and length of service, subject to the completion of a minimum service period. The expected costs of these benefits are accrued over the period of employment.

Derivative financial instruments

Derivatives are stated at fair value determined by marking to market the derivative using prevailing market rates.

For the purposes of hedge accounting, hedges are classified into two categories (a) fair value hedges which hedge the exposure to changes in the fair value of a recognised asset or liability and (b) cash flow hedges which hedge exposure to variability in cash flows of a recognised asset or liability or a forecasted transaction.

In relation to fair value hedges which meet the conditions for hedge accounting, any gain or loss from re-measuring the hedging instrument to fair value is recognised immediately in the statement of income. The hedged asset or liability is adjusted for fair value changes relating to the risk being hedged and the difference is recognised in the statement of income.

In relation to cash flow hedges which meet the conditions for hedge accounting, the portion of the gain or loss arising from the change in fair value of the hedging instrument that is determined to be an effective hedge is recognised initially in equity and any ineffective portion is recognised in the statement of income. The gains or losses on effective cash flow hedges recognised initially are transferred to the statement of income in the period in which the underlying transaction impacts the statement of income.

Hedge accounting is discontinued when the hedging instrument expires or is sold, terminated or exercised, or no longer qualifies for hedge accounting. At that point in time, any cumulative gain or loss on the hedging instrument recognised in equity remains in equity until the forecasted transaction occurs.

For those derivatives which do not qualify for hedge accounting, any gains or losses arising from changes in the fair value of the hedging instrument are taken directly to the income statement for the period.

NOTES TO THE FINANCIAL STATEMENTS

At 30 September 2006

2 SIGNIFICANT ACCOUNTING POLICIES - continued**Foreign currencies**

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

Revenue recognition

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

Fair values

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

3 EARNINGS PER SHARE

Basic earnings per share are calculated by dividing net profit for the period attributable to equity holders of the parent by the weighted average number of ordinary shares outstanding during the period. For diluted earnings per share, the weighted average numbers of shares have been adjusted for the shares that may be issued should the holders of the convertible note exercise their option to convert a portion of these notes into ordinary shares (note 7).

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

	<i>1 July to 30 September 2006 AED mm</i>	<i>20 November 2005 to 30 September 2006 AED mm</i>
Earnings:		
Net profit for the period	<u>46</u>	<u>784</u>
Shares:		
Weighted average number of shares outstanding for calculating basic EPS	6,000	6,000
Weighted average number of shares which may be issued upon conversion of the convertible notes	<u>221</u>	<u>221</u>
Weighted average number of shares outstanding for calculating diluted EPS	<u>6,221</u>	<u>6,221</u>

NOTES TO THE FINANCIAL STATEMENTS

At 30 September 2006

4 BUSINESS COMBINATION

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

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

The total consideration of AED 3,922 million was settled by issuing AED 1,961 million ordinary shares and the balance in the form of Convertible Notes (note 7).

The intangible assets represent the fair value of the rights for the purchase, transmission, sweetening and sale of gas and related products acquired by the Company through its shareholdings in SajGas, UGTC and CNGCL. The fair value of the rights acquired was determined by reference to valuation exercises undertaken by professionally qualified third parties based on the expected future cash flows arising from the underlying contractual relationships.

The intangible assets are being amortised over 25 years from the date of commencement of commercial activity in accordance with the terms of the contracts to which they relate.

5 CASH AND CASH EQUIVALENTS

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

	<i>30 September 2006 AED mm</i>
Total cash and bank balances	3,489
Less: Deposits and balances with an original maturity of greater than three months	(2,021)
Cash and cash equivalents	<u>1,468</u>

6 SHARE CAPITAL

	<i>30 September 2006 AED mm</i>
<i>Authorised, issued and fully paid up:</i>	
6,000,000,000 common shares of AED 1 each	<u>6,000</u>

NOTES TO THE FINANCIAL STATEMENTS

At 30 September 2006

7 CONVERTIBLE NOTES

The convertible notes shall be repaid or redeemed in the following manner:

- one-third of the principal shall be repaid at the date six months after the date of incorporation of Dana Gas,
- a further one-third shall be repaid at the date nine months after the date of incorporation of Dana Gas, and
- the balance of the principal outstanding shall either be repaid in cash or shall be converted into Shares in Dana Gas at the election of the holder, on the date twelve months after the date of incorporation of Dana Gas, with the number of such shares being ascertained by dividing the balance of the principal outstanding under the convertible note by the average of the monthly arithmetic average share price of Dana Gas from the first day of listing to the end of the month preceding conversion.

During the period from incorporation to 30 September 2006, the first and second instalments of the convertible notes with a carrying value of AED 647 million each were repaid in cash.

8 SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

Judgements

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

Impairment of intangible assets

Management undertakes an impairment review for intangible assets whenever there is an indication of impairment. Management has determined that there are no such indications.

Accounting estimates

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

Fair value of intangible assets

In allocating the purchase price paid to the identifiable assets and liabilities acquired in the acquisitions detailed in note 4 management has used estimation in determining the fair value of the intangible assets acquired.

9 ACQUISITION OF A BUSINESS

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