ANNUAL REPORT & ACCOUNTS - **2013**

دانة غاز

DANAGAS

PRUDENT GROWTH

Khor Mor LPG Plant - Kurdistan

ANNUAL REPORT & ACCOUNTS - **2013**

دانة غاز
DANAGAS

PRUDENT GROWTH

our VISION

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

our VALUES

We set and apply the highest standards of conduct and accountability. We respect and value everyone and embrace all kinds of diversity. We strive to devise and implement innovative ways to improve our business and fulfill our commitments.

We aim to provide a safe and environmentally friendly workplace for our employees and business partners, and to minimize the adverse effects of our operations on communities and the environment.

our STRATEGY

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

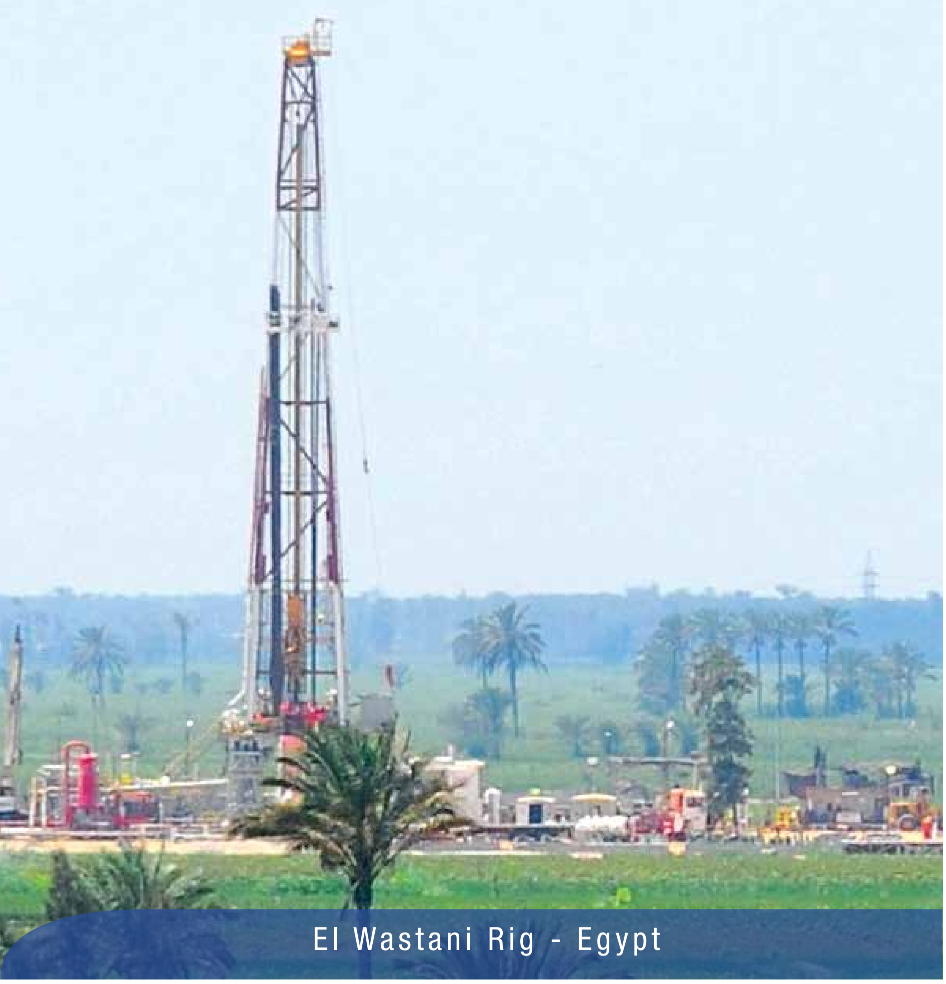
دانة غاز
DANAGAS

El Wastani Plant - Egypt

Glossary

AED	United Arab Emirates Dirham
Bcf	Billions of Standard Cubic Feet
MMboe	Millions of Barrels of Oil Equivalent
bpd	Barrels per Day
boepd	Barrels of Oil Equivalent per Day
MMb	Millions of Barrels
kboepd	Thousand Barrels of Oil Equivalent per Day
Tcf	Trillions of Cubic Feet
MMscfd	Millions of Standard Cubic Feet per Day
Tpd	Tonnes Per Day

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



El Wastani Rig - Egypt

the CONTENT

SajGas Processing Plant - UAE

Khor Mor LPG Plant - Iraq

Group Operational Footprint

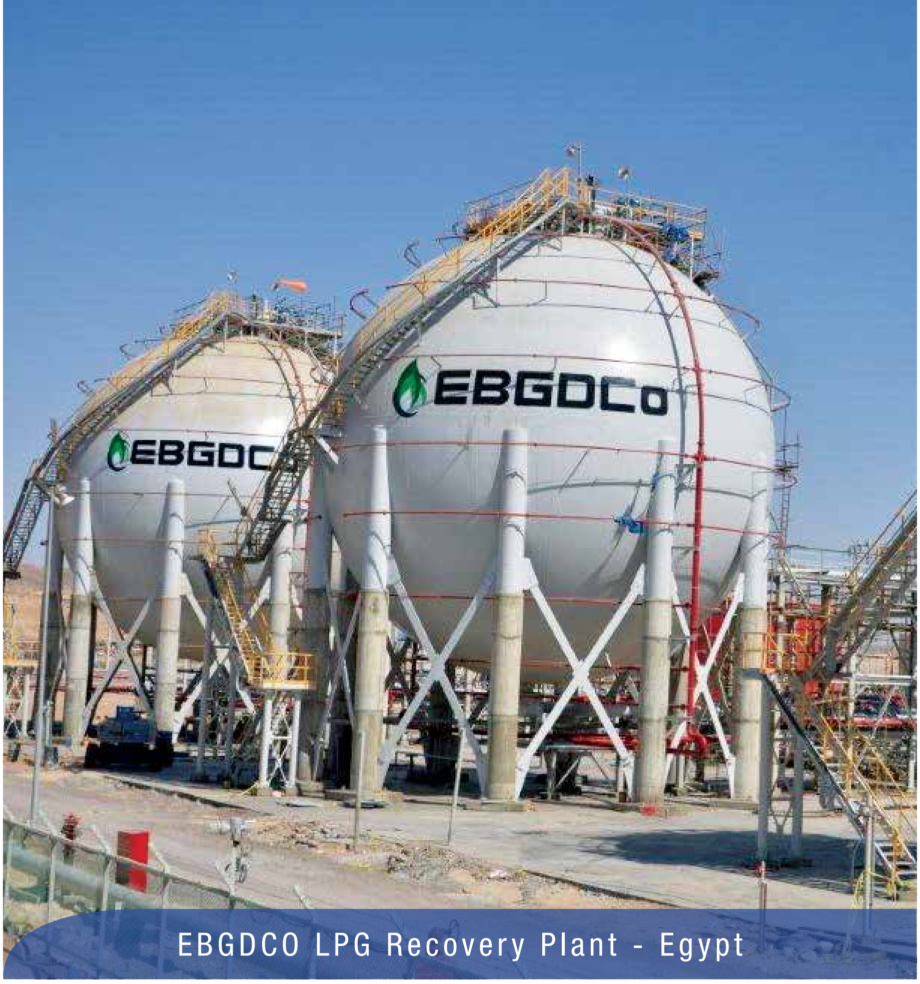
in UAE

Sharjah Western Offshore (Zora Field)
Dana Gas is the 100% operator of the Sharjah Western Offshore Concession, the Zora Field, which straddles the offshore waters of the Emirates of Sharjah and Ajman. The field will be developed to bring much needed gas to satisfy local energy needs.

The Zora development project consists of two wells, which will be re-entered and produce gas with associated condensate. These wells were drilled in 1999 and 2002. An unmanned platform being fabricated by Adyard of Abu Dhabi will be installed in 24 meters of water and connected to onshore facilities by a 35 km, 12 inch pipeline. The onshore gas processing facility, in the Hamriyah Free Zone will process 40 MMscfd of gas, along with some hydrocarbon condensate. Production targeted to start in the first half of 2015. Chain agreements have been signed with the Governments of Sharjah and Ajman. The project is progressing well with most major offshore and onshore contracts for design, procurement, construction and commissioning awarded.

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

UGTC owns 50% of a joint venture with Emarat which has developed the largest gas pipeline in the UAE (48 inch diameter), with a capacity of 1000 MMscfd to transport gas in Sharjah.



EBGDCO LPG Recovery Plant - Egypt

our FOOTPRINT

in IRAQ

Kurdistan Region of Iraq

In the Kurdistan Region of Iraq, Dana Gas holds a 40% interest in Pearl Petroleum Company Ltd. (PPCL) jointly with Crescent Petroleum (40%), OMV (10%) an integrated, international Oil and Gas Company and MOL (10%) the Hungarian-listed Oil and Gas Company, key partners in Dana Gas's Kurdistan operations. PPCL holds the rights to the Khor Mor and Chemchemal Fields. Currently, Dana Gas and Crescent Petroleum jointly operate the Khor Mor Field on behalf of PPCL. During 2013, the operations at Khor Mor produced gas at a daily rate of 320 MMscf and condensate at an average daily rate of about 15,000 barrels. In July 2013, the LPG loading facilities reconstruction was completed and the LPG plant's production capacity was restored to the original design capacity of 1000 metric ton per day. The gas produced and processed at Khor Mor plant is being supplied to the two power stations at Bazian and Erbil through a 180 km pipeline.

PPCL has put in place long term plans to complete the appraisal and initiate major developments of the 2 fields to increase production capacity to meet local gas requirements and for export.

in EGYPT

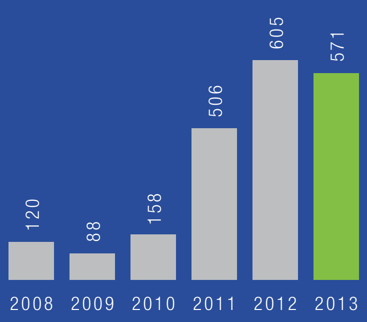
Dana Gas Egypt

Dana Gas Egypt is 100% operator of three Concessions and produces from thirteen fields in the Nile Delta and it is 50% joint operator of one Concession and produces from two fields in Upper Egypt. During 2013, the Company produced 64.6 Bcf of gas and 2.7 MMb of liquids, at an average rate of 36.7 kboepd. The focus for 2014 will be to increase the throughput of El Wastani plant to 200 MMscfd and to complete phase two of the Salma/Tulip tie-in. In April 2013, Dana Gas Egypt was awarded a 100% working interest in the North El Arish Offshore (Block-6) Concession. It is located offshore Nile Delta, in the eastern part of the Mediterranean Sea in water depths of up to 1,000 meters and covering an area of 2,980 km^2.

EBGDCo

On the Gulf of Suez, Dana Gas holds a 26.4% interest in LPG recovery plant designed to extract 130,000 tons per annum of LPG from a gas stream of 150 MMscfd.

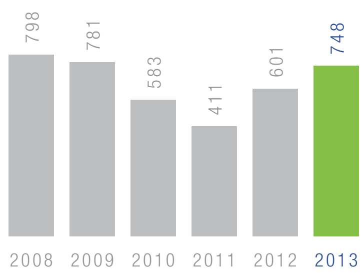
Group 2013 Performance Highlights (Financials in AED million)



NET PROFIT

AED 571 million

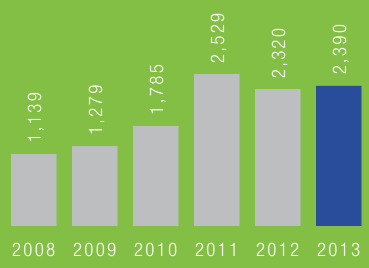
2012 AED 605 million



CASH BALANCE

AED 748 million

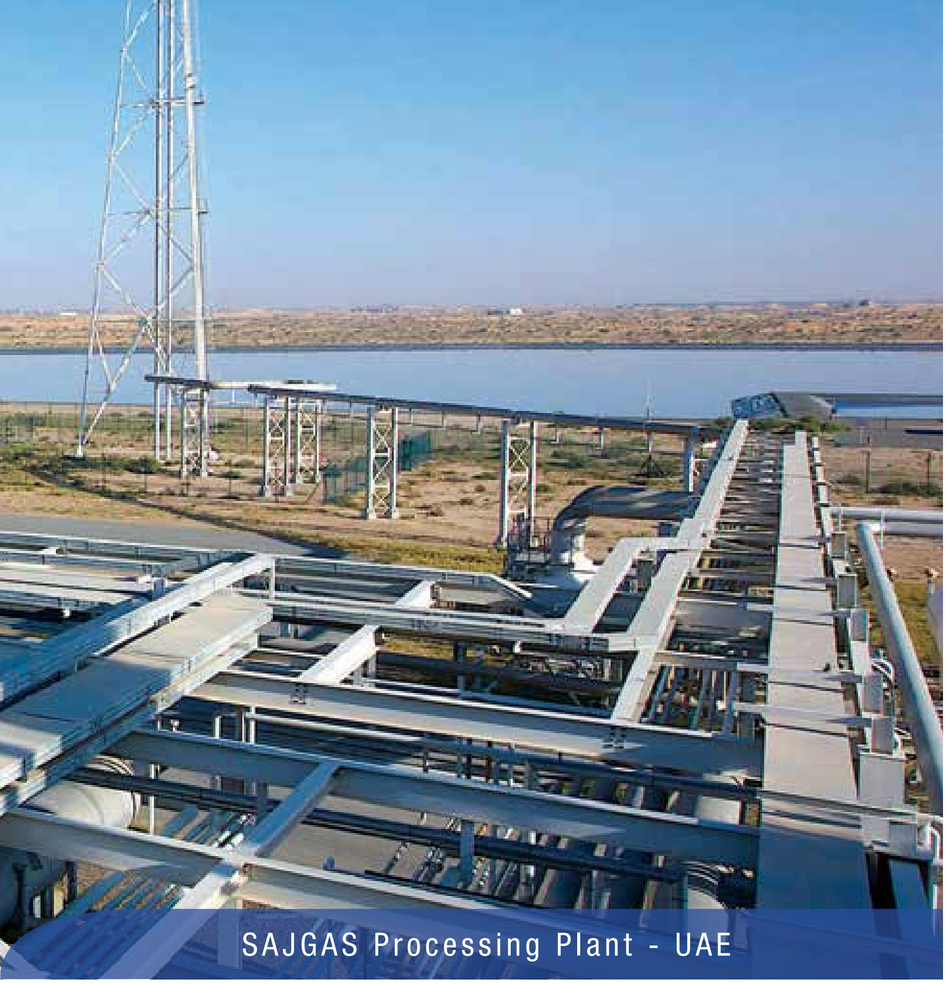
2012 AED 601 million



GROSS REVENUE

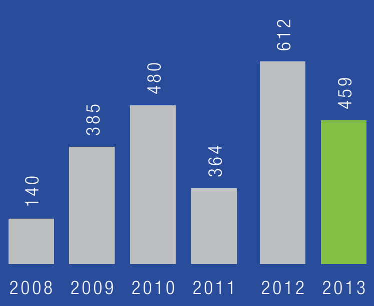
AED 2,390 million

2012 AED 2,320 million



SAJGAS Processing Plant - UAE

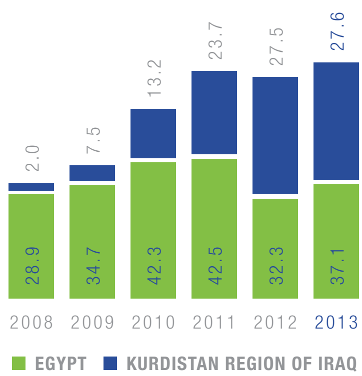
PERFORMANCE HIGHLIGHTS



OPERATING CASH FLOW

AED 459 million

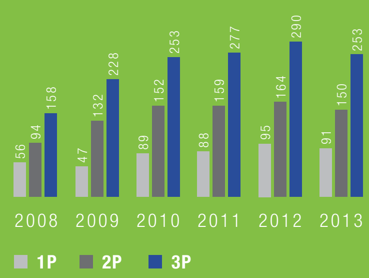
2012 AED 612 million



PRODUCTION

64,700 boepd

2012 59,800 boepd



2P RESERVES

150 MMboe

2012 164 MMboe

(excluding Kurdistan Region of Iraq)

our CORPORATE

Group Structure

DANA GAS EGYPT
100%

UGTC
100%

PEARL PETROLEUM
40%

GAS CITIES
50%

DANA GAS PJSC

SAJ GAS
100%

CNGCL
35%

Danagaz
66%

EBGDCO
40%

Diagram shows a simplified group structure

SAJGAS Processing Plant - UAE

"In 2013, Dana Gas delivered a robust operational and financial performance with growth in both gross production and revenue, despite a number of challenges."

Dr. Adel Khalid Al Sabeeh
Chairman of the Board

Chairman's Statement 2013

In 2013, Dana Gas delivered a robust operational and financial performance with growth in both gross production and revenue, despite a number of challenges. Gross production increased by 8% from an average of 59,800 boepd in 2012 to an average of 64,700 boepd in 2013. Higher production resulted in the company achieving revenue of AED 2.39 billion (USD 652 million) compared to AED 2.32 billion (USD 633 million) in 2012. The Company ended the year with a cash balance of AED 748 million (USD 204 million) as compared to AED 601 million (USD 164 million) at the end of 2012. This growth in cash balance was aided by an AED 194 million (USD 53 million) payment of outstanding receivables from Egypt in December 2013.

Earlier in May 2013, the Company successfully restructured its USD 1 billion Trust Certificates (Sukuk –al-Mudarabah) resulting in reduction in the Company's outstanding Sukuk amount to USD 850 million. This was a reflection of growing confidence that the investor community has in the future prospects of the Company.

MENASA Region Focus

UN estimates that the Middle East region's population set to increase by about 19% in the period 2010 to 2020. Over the same period, International Energy Agency (IEA) estimates Middle East gas demand to increase from 370 billion cubic feet (bcm) per annum to circa 466 bcm per annum, an increase of 25%. Growth in gas demand is increasingly expected to be met by a combination of local gas resources, regional pipelines and international LNG trade. The MENA region holds circa 50% of global proven oil & gas resource. U.S. Energy Information Administration (EIA) estimates that the MENA region is likely to maintain its position as one of the most important oil & gas producing regions in the global context contributing circa 35% of global oil production and circa 20% of global gas production over the next 20 years. Globally and across MENA region, there are adequate gas resources available to meet the region's growing demand.

The past few years have seen a period of dramatic and sustained change in the geopolitical landscape in some of the countries where Dana Gas operates.

our MESSAGE

In Egypt, the past 2 to 3 years has proved challenging and has been marked by periods of geo-political uncertainties and a stagnating economy. This has resulted in the increasing receivables outstanding for the petroleum industry causing a sharp decline in investments, thus adversely impacting domestic production. Your Company has also been impacted by these developments.

Operations

As the regions' only gas focused, independent, publicly listed company, Dana Gas is well positioned to help meet the region's gas demand. The Company's operations in Egypt and the Kurdistan Region of Iraq are focused on supplying gas for power generation and other industrial needs that remain central to the region's development and economic prosperity.

Dana Gas is among the most active oil & gas companies in Egypt and has grown to become one of the largest gas producers with production reaching 200 MMscfd in August 2013.

Dana Gas continues to make significant progress with its exploration and appraisal activity in Egypt. The Company has a successful track record of gas discoveries in Egypt over the last six years and in June 2013, announced the 25th discovery with the Begonia – 1 well in Nile Delta. The Company also successfully brought on stream 3 new discoveries made in Nile Delta in 2012 in record time. The resulting success have contributed to our reserve base in Egypt, with gross proved reserves (1P) at 31st December 2013 of 74 MMboe, in line with 78 MMboe in 2012. Dana Gas is also continuously looking at new concessions in the region and in 2013, successfully bid and won 100% working interest in North El Arish Offshore (Block 6) Concession Area in Egypt.

Similarly, in Kurdistan Region of Iraq, since the start of production in October 2008, Dana Gas and its partners have produced in total more than 433 bcf of gas and 21.2 million barrels of condensate and liquids. The gas is supplied for power generation enabling 1750 MW of new electricity for Kurdistan Region and that ensures almost continuous supply of electricity for 4 million people in the region.

In the Kurdistan Region of Iraq, based on recent resource assessment report for Pearl Petroleum prepared by an independent petroleum consultant Gaffney, Cline and Associates Limited (GCA), Dana Gas' 40% share of Best Estimate in place volumes for Khor Mor and Chemchemal Fields combined corresponds to 20 Tcf. The GCA report confirms Dana Gas' belief that Khor Mor and Chemchemal have the potential to be the largest gas fields in the Kurdistan Region of Iraq and all of Iraq.

In the UAE, for the Zora Field Development Project, Dana Gas has commenced awarding contracts for offshore platform fabrication, hook-up and related infrastructure. The project is on a fast track mode and is in line for first gas production in early 2015 with a capacity of 40 MMscfd. The gas will be a valuable source for local power generation in the Northern Emirates.

KRG Arbitration

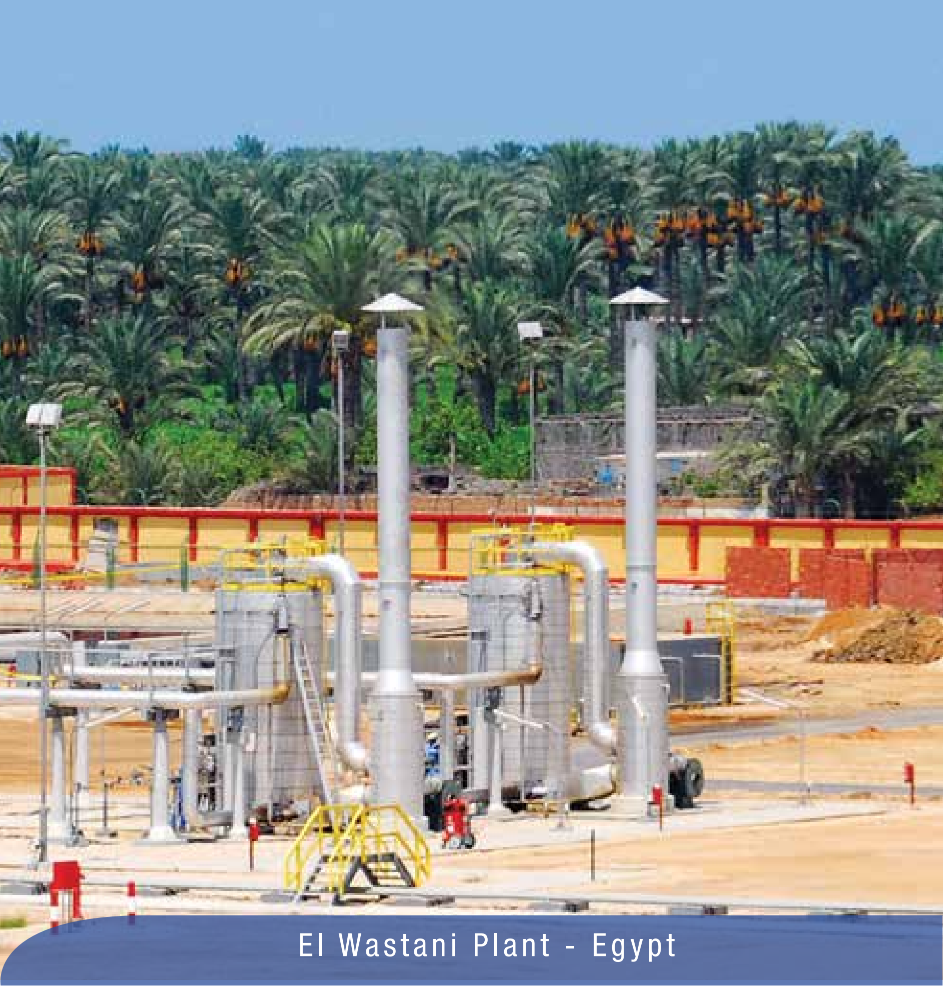
On 21st October 2013, Dana Gas, along with Crescent Petroleum and Pearl Petroleum (which holds petroleum rights in the Kurdistan Region of Iraq) commenced arbitration proceeding at the London Court of International Arbitration (LCIA), regarding the agreement with the Kurdistan Regional Government of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

The arbitration is progressing, with the Tribunal having been successfully formed in January 2014. The arbitration proceedings are to confirm the Company's contractual rights, which we believe is in the best interests of our shareholders and stakeholders. The Company has not received any significant payment from the KRG since July 2013 when mediation was instigated, and is therefore taking steps to ensure that payments are resumed at the very earliest.

Board and Management

I would also like to take the opportunity to express the Company's gratitude to the continued support of our Honorary Chairman, His Highness Sheikh Ahmed Bin Sultan Al-Qasimi and my colleagues in the Board for their relentless efforts and support.

I would also like to welcome Dr. Patrick Allman-Ward as the new CEO of Dana Gas. The Board would like to thank Mr. Rashid Saif Al Jarwan for fulfilling the vital role of Acting CEO following the retirement of Mr. Ahmed al Arbeed. Rashid's tireless service for the company since 2006 and during the interim period is very much appreciated, and he will continue to play an important role as a Member of the Board.



El Wastani Plant - Egypt

our MESSAGE

On behalf of the Board and the Management of Dana Gas, I would like to thank our shareholders for their confidence in Dana Gas and its growth potential. I would also like to thank the management team and staff for their commitment, hard work and expertise which have been vital to the success of Dana Gas and achieving another year of sustainable performance.

Conclusion

2013 was a year of significant achievements and steady progress for Dana Gas, despite the ongoing challenges in the region. Natural gas is now the fastest growing energy source worldwide and with half of the global reserves in the MENA region, and it is our core business focus. As a Company, we have achieved good results and have strengthened our executive management team. The management along with the Board of Directors are actively engaged and focused on delivering maximum value to our esteemed shareholders.

"Under continuing challenging operating and financial circumstances, Dana Gas has successfully restructured its corporate debt and charted a cause of **PRUDENT GROWTH** through cost effective production increases matched to collections."

Patrick Allman-Ward
Chief Executive Officer

Chief Executive Officer's Statement & Operating Review

I am pleased to share with you that in 2013, Dana Gas delivered another good operating performance with average gross production increasing by 8% to 64,700 boepd compared to the average production of 59,800 boepd in 2012. Dana Gas achieved higher revenue of AED 2.39 billion (USD 652 million) as compared to AED 2.32 billion (USD 633 million) in 2012. This was achieved as a result of the overall production increase of 8% which was partly offset by a price decline of 3% and a sharp decline in LPG production volumes in Kurdistan during the year.

The Company ended the year with a cash balance of AED 748 million (USD 204 million) as compared to AED 601 million (USD 164 million) at the end of 2012, largely as a result of the receipt of USD 53 million from the Egyptian government at the end of December 2013 in part payment of the overdue receivables. Lower sales of the high-margin LPG, in Kurdistan Region of Iraq, increase in royalty payments, higher depreciation, depletion and amortization expenses in Egypt impacted net profit, which was lower at AED 571 million (USD 156 million) compared to AED 605 million (USD 165 million) achieved in 2012.

In 2013, along with operational performance, we have worked hard with the Egyptian Government to reduce our outstanding receivables. We also continue to meet our contractual obligations in Kurdistan Region of Iraq whilst trying to resolve issues pertaining to our contractual rights through the arbitration process that commenced in October 2013.

Revenues

During the year 2013, the Company earned revenues of AED 2.39 billion (USD 652 million) as compared to AED 2.32 billion (USD 633 million) in 2012. The increase in revenue was mainly due to higher production in Egypt which increased by 14% and contributed AED 1.5 billion (USD 417 million) to gross revenue as compared to AED 1.4 billion (USD 370 million) in 2012. Our share of revenue from Kurdistan Region of Iraq was at AED 843 million (USD 230 million) 11% lower as compared to AED 946 million (USD 258 million) in 2012, mainly due to lower sales of LPG. Sales of LPG was impacted partially due to repairs of the LPG loading facilities at the Khor Mor facility in 1H 2013 and due to under lifting by the Ministry of Natural Resource (MNR) of the Kurdistan Regional Government of Iraq (KRG) thereafter.

our **MESSAGE**

Cash Flow
Cash balance improved by 24% to AED 748 million (USD 204 million) by end of 2013 aided by an AED 194 million (USD 53 million) payment of outstanding receivables from Egypt in December 2013. Cash flow from operations decreased to AED 459 million (USD 125 million) from AED 612 million (USD 167 million) in 2012, mainly due to lower collections on a year-on-year basis.

Receivables
In Egypt, the Company collected AED 491 million (USD 134 million) in 2013 and as of 31st December 2013 had a trade receivable balance of AED 1 billion (USD 274 million).

In the KRI, Dana Gas collected AED 253 million (USD 69 million) during 2013 and had a year- end trade receivable balance of AED 1.9 billion (USD 515 million). The Company has not received any significant payment since July 2013 when it initiated mediation proceedings through the London Court of International Arbitration as a step towards amicably resolving long-standing differences with regards to the Company's contractual rights in the KRI.

The Company is now taking steps in the on-going arbitration against the KRG to ensure that payments are resumed as soon as possible.

Dana Gas Sukuk
In April 2013, Dana Gas Sukuk holders overwhelmingly voted to approve the refinancing of the AED 3.6 billion (USD 1 billion) trust certificates. The terms of the transaction resulted in a reduction in the Company's outstanding debt from AED 3.6 billion (USD 1 billion) to AED 3.1 billion (USD 850 million.) The outstanding USD 850 million was split into two instruments: a USD 425 million Ordinary Sukuk and USD 425 million Convertible Sukuk, each with 5 year maturity to ensure long term financing. The average combined profit rate of 8%, together with the lower debt amount of USD 850 million lowered the debt servicing obligation on the Company.

On 31st October 2013, the conversion period for the convertible Sukuk commenced. Subsequently, during the period from 1 January 2014 to 15 March 2014, the Company has received conversion notices for the convertible Sukuk amounting to USD 51 million.

Reserves MMboe (figures rounded)

Country	Concession	Proved (1P)	Proved+Probable (2P)	Proved+Probable+Possible (3P)
Egypt	El Manzala	4.0	6.8	12.0
	West El Manzala	45.2	71.2	127.7
	West El Qantara	24.8	39.2	49.5
	Komombo	0.1	0.1	0.2
UAE	Sharjah Offshore	16.6	32.6	063.6
	TOTAL	**90.7**	**149.9**	**253.0**

Accordingly, approximately 250 million ordinary shares of the Company calculated at a conversion price of AED 0.75 (with a paid-up value of AED 1.0) have been issued to satisfy the said Notices. The difference in value between the conversion price and the paid-up value of the shares is accounted for by appropriation from the capital reserves of the Company.

Production Highlights

The Company's Net Production averaged 64,700 boepd from its interests in Egypt and the Kurdistan Region of Iraq, an increase of 8% compared to last year production of 59,800 boepd. Natural gas constitutes 79% of total group's production in 2013, with condensate, LPG and crude oil contributing 15%, 5% and 1% respectively to product mix.

Egypt operations

Dana Gas Egypt's gas, condensate, LPG and crude oil full year output averaged 36,700 boepd, 14% higher compared to 32,200 boepd in 2012. The Company was successful in bringing online production from the tie-in of South Abu El Naga dry gas and rich gas well, new discoveries of Allium in West El Manzala concession, West Sama in West El Qantara concession and West El Baraka in the Komombo concession.

The Company successfully drilled and tested one exploration and three development wells during the year and announced its 25th discovery with the Begonia-1 well in the Nile Delta.

In February 2014, the Company also carried out a major maintenance and tie-in work program in the El Wastani Plant, resulting in a temporary shut down for approximately two weeks. Besides extending the life of the facility and ensuring safe operations, the shutdown was also aimed at de-bottlenecking the facility and expanding its production output capacity by 25% to 200 MMscfd. This is equivalent to 6,650 boepd.

Dana Gas has further strengthened its position in the Nile Delta area by winning 100% working interest in the North EL Arish Offshore (Block 6) Concession Area in Egypt. The area is located in the highly potential offshore Nile Delta, in the eastern part of the Mediterranean Sea, in water depths of up to 1,000 meters and covering an area of 2,980 km². Dana Gas also has a 26.4% interest in Egyptian Bahrain Gas Derivatives Company ("EBGDCo"), a joint venture that has built and operates a LPG extraction plant at Ras Shukhier on the Gulf of Suez. This interest is held through Dana Gas' 66% ownership of Danagaz Bahrain.

Khor Mor LPG Plant - Kurdistan Region of Iraq

our MESSAGE

The plant started operating in October 2012 and had averaged production of 31 tons per day (400 boepd) of Propane and Butane in 2013.

Kurdistan Region of Iraq
In the KRI, Dana Gas has a 40% shareholding in the Pearl Petroleum Company Ltd. (PPCL) together with Crescent Petroleum with 40%, OMV with 10% and MOL with 10%. Together with our partners, we produce gas from Khor Mor Field and deliver it to power stations at Erbil and Bazian.

In the Kurdistan Region of Iraq, the Company saw its full year share of production in the Khor Mor Field remain constant at 27,600 boepd. Repairs to the LPG loading bay were also completed in July 2013 and lifting of the product has been steadily growing since then but remains below full capacity due to under lifting by the MNR of the KRG.

In October 2013, Dana Gas along with Crescent Petroleum and the Pearl Petroleum Company Limited commenced arbitration proceedings at the London Court of International Arbitration (LCIA), in order to clarify certain contractual rights under their Agreement with the KRG, which was signed in April 2007 and is governed by English Law (the Agreement).

The Board of Directors of Dana Gas made this decision in order to protect the interests of the Company's shareholders and investors.

However, the Company very much hopes that all outstanding matters with the MNR can still be resolved, amicably and in good faith, in the shortest possible time, in order to enable full and proper development of the Khor Mor and Chemchemal Fields as envisaged in the Agreement, for the benefit of the people of the Kurdistan Region and all of Iraq.

The Arbitral Tribunal was appointed in January 2014, and the arbitral process is continuing. Nevertheless, Dana Gas reaffirms its intention, together with its partners, to continue fulfilling its obligations under the terms of the Agreement with the support and cooperation of the KRG and reiterate its continued, long-term commitment to the KRG and to the people of the Kurdistan Region and all of Iraq.

UAE Gas Project
The UAE Gas project to process and transport gas remains in preservation mode due to non-delivery of the committed gas supplies to Crescent National Gas Corporation Limited (CNGCL) by Crescent Petroleum. Dana Gas has a 35% interest in CNGCL and owns 100% of SajGas and UGTC.

However, no gas has been received to date and the SajGas plant and UGTC riser platform and pipeline system remains in preservation mode. Crescent Petroleum is continuing with international arbitration to seek a ruling on its gas supply contract with The National Iranian Oil Company (NIOC) and expects an award by the international tribunal in 2014.

UAE Zora Offshore Project

The Company is progressing rapidly with the development of the Zora Gas Field, which spans the territorial waters between Sharjah and Ajman. In November 2013 the Company awarded Adyard Abu Dhabi the AED 62.5 million (USD 17 million) contract for the fabrication of an offshore platform for the Zora Field Development Project and more recently, in March 2014, issued letters of intent for the load out and installation of the platform and topsides, the construction of the onshore gas plant, offshore pipeline installation and line pipe procurement. The project is in line for first gas in early 2015 with an initial of 40 MMscfd.

Reserves & Resources

The Company's gross proved reserves (1P) in Egypt and UAE as at 31st December 2013 are estimated to be 91 MMboe and the gross proved and probable reserves (2P) are estimated to be 150 MMboe.

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

Volumes of gas initially in place (unrisked*) have been computed by GCA and, based on its report related to the individual fault blocks which comprise the Khor Mor Field, Dana Gas has calculated an aggregated Best Estimate (P50) volume of 22 Tcf. For the Chemchemal Field, gas initially in place volumes (unrisked*), based on the GCA reported volumes for the individual fault blocks, have been aggregated by Dana Gas as a Best Estimate (P50) of 30 Tcf. The report also indicated that both fields have considerable additional upside potential. Dana Gas' 40% share of the combined Best Estimate in place volumes for both the Khor Mor and Chemchemal Fields corresponds to 20 Tcf.

GCA also stated that certain Khor Mor fault blocks may contain oil instead of gas and determined oil initially in place volumes (unrisked*) for these individual blocks. Dana Gas has calculated an aggregated Best

UGTC Gas Transmission Facility

our MESSAGE

Estimate (P50) volume of around 1.8 boe, which would replace around 3 Tcf of gas in these blocks. GCA's report confirms Dana Gas' belief that the Khor Mor and Chemchemal Fields have the potential to be the largest gas fields in the KRI and Iraq and a world class asset.

Governance and Risk

A key part of our strategy is looking to make material discoveries in areas underexplored due to perceived political or technical risk. With this risk comes challenges, and our chosen areas of operation require a deep understanding of regional issues. Dana Gas, being of the region and from the region is well placed to evaluate and manage these issues. The oil and gas industry also has inherently high technical risk and this requires building first class technical and commercial expertise, something the Company has focussed on building in 2013 and will continue to do in the years ahead.

Identifying, evaluating and mitigating a broad range of financial and non-financial risks requires a dynamic and effective risk management process. This is central to Dana Gas' approach and underpins delivery of the Group's growth strategy. It protects the Group's business, people and reputation while enhancing shareholder value.

We carefully monitor risks across all our operations and have appropriate mitigation strategies in place, working with regional authorities and local communities in order to maintain a strong reputation locally while giving the highest priority to the safety of our staff and contractors.

HSSE

Throughout 2013, we have been resolute in our commitment to protecting our employees, the communities we interact with, the environment and our assets from harm. We continue to focus on actions that reduce risk. In 2013 we reduced our recordable injury frequency to 0.37 from 0.76 in 2012 with 2013 recording a reduction in number of people injured.

Our loss of primary containment incidents, a key measure of the integrity of our facilities, saw a dramatic improvement with a reduction to 17 incidents compared to 67 in 2012. We have initiated the development of safety cases for our operating sites to assist us in better ensuring that we do not suffer accidents.

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.*

"In 2013, we have demonstrated a strong track record of project delivery, as well as very significantly improved HSSE performance across our entire asset base in all of the areas in which we operate."

Looking forward

In 2013, we have demonstrated a strong track record of project delivery, as well as very significantly improved HSSE performance across our entire asset base in all of the areas in which we operate. Resumption of LPG production, which is a significant contributor to the profitability of our KRI operations, will help enhance the profits of the company going forward.

The Company has prepared a cash conservation plan to strictly control costs pending the Arbitral Tribunal decision in May 2014. Despite geo-political uncertainty, we remain committed to enhancing the underlying value of our operations in Egypt, reducing outstanding receivables and in successfully winning the bid for the highly prospective offshore Block 6 Concession Area.

The progress being made on the Zora gas Field provides real growth opportunities for the Company going forward. The independent assessment of very substantial resource volumes in our asset in Kurdistan also shows that Dana Gas has title to a very material resource base that provides substantial growth opportunities for the Company going forward.

The Sukuk restructuring that was successfully completed in 2013 provides us with a stronger financial position to continue to grow our business over the short and medium term.

The desire of holders of the new, restructured convertible Sukuk bonds to convert their holdings into shares in Dana Gas is a reflection of the efforts of the Company to improve performance in 2013 and a further vote of confidence in the Company's abilities to realize its underlying growth potential.

Our success is underpinned by the skills, experience and dedication of our employees. I thank the entire Dana Gas team for their hard work and commitment under difficult operating circumstances. We continue to build on our skills and capabilities as we prepare to grow from our long-term asset base across the MENASA region.

I would like to thank our Honorary Chairman, the honourable members of the Board of Directors and the management and staff of Dana Gas for their continuous support and commitment.

I would like also to extend my thanks to the Government of Egypt, Government of UAE, Government of Sharjah, Government of Ajman, The Sharjah Petroleum Council, our regulators, our joint venture partners and all our business associates for their cooperation and support for Dana Gas.

SAJGAS Processing Plant - UAE

Key Financial Metrics

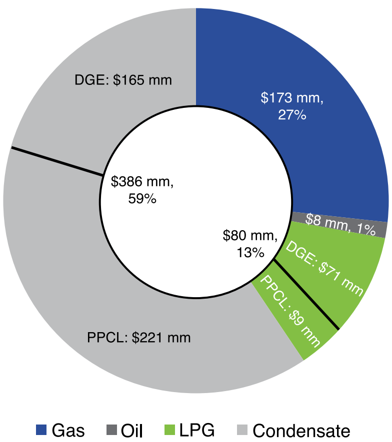
	2013		2012		%Change
	AED million	USD million	AED million	USD million	
Gross Revenue	2,390	652	2,320	633	3
Gross Profit	1,055	288	1,301	355	(19)
Profit After Tax	571	156	605	165	(6)
EBITDAX	1,312	358	1,469	401	(11)
Cash From Operations	459	125	612	167	(25)

Financial Review

Gross Revenue

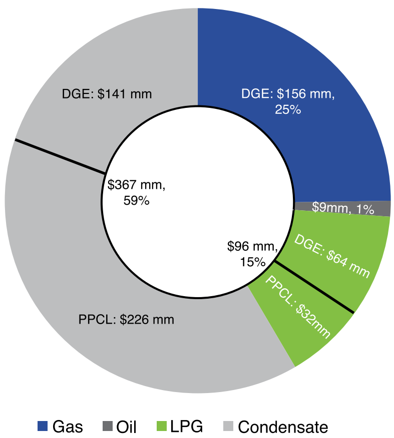
Revenue Contribution by Product

2013



DGE : Dana Gas Egypt

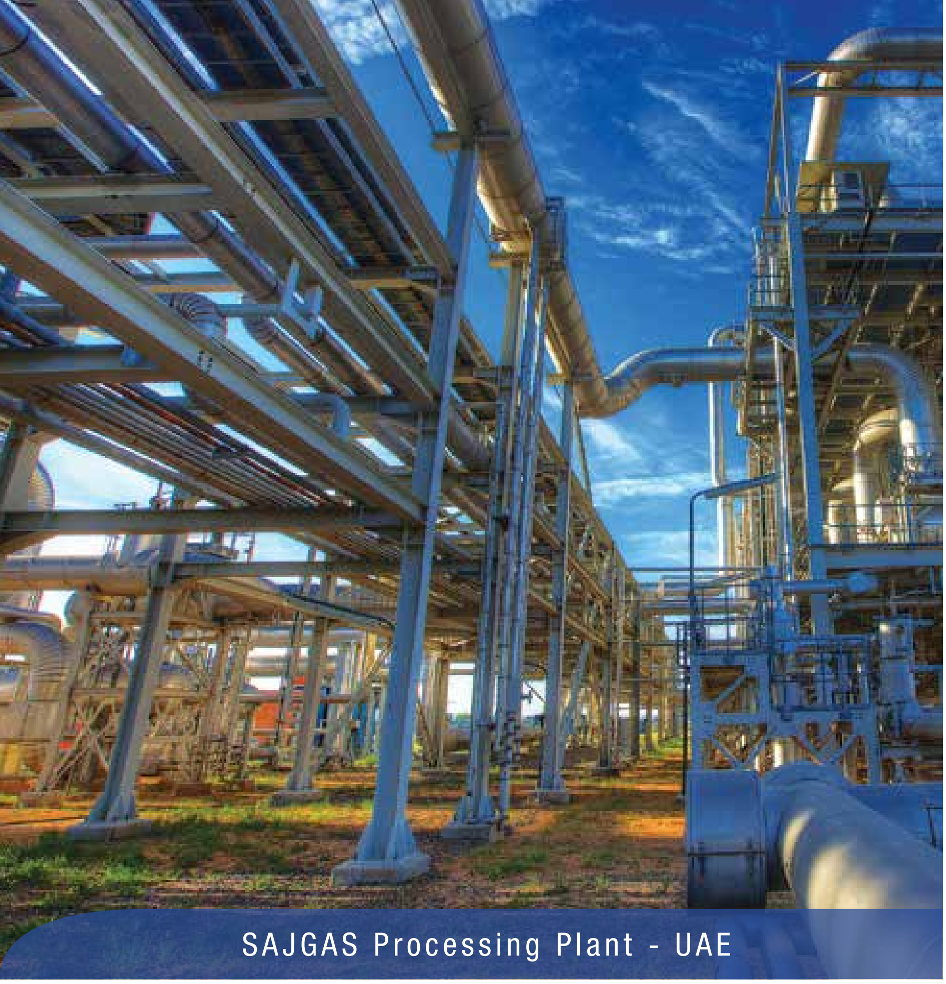
2012



DGE : Dana Gas Egypt

During the year the Company earned revenues of USD 652 million as compared to USD 633 million in 2012. The marginal increase in revenue was mainly due to higher production in Egypt which increased by 14% and contributed USD 417 million to Gross revenue as compared to USD 371 million in 2012. Our share of revenue from the joint operations in Kurdistan Region of Iraq stood at USD 230 million lower by 11% as compared to USD 258 million recorded in 2012 mainly due to lower sales of LPG.

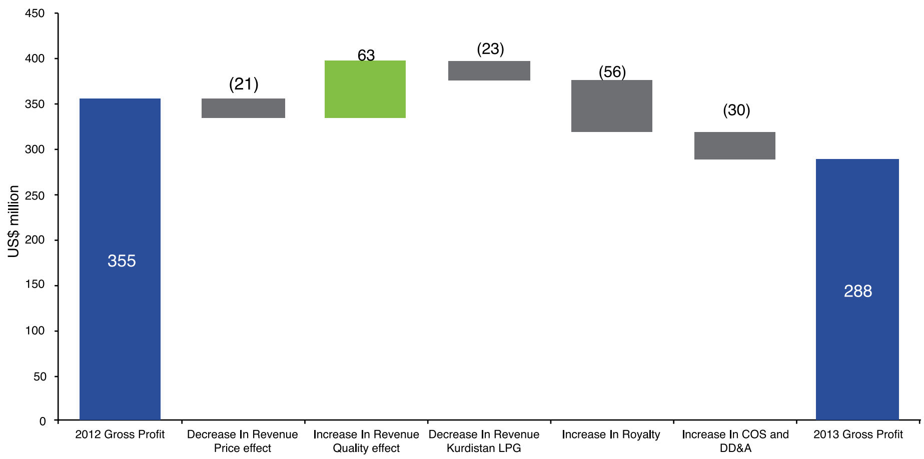
The lower sales of LPG were due to the ongoing repair of the LPG loading facilities at the Khor Mor facility in the first half of the year and to under lifting by the MNR of KRG since the facility came back on stream in July 2013. In summary, increased production in Egypt contributed USD 63 million to the increase in gross revenue, offset by USD 21 million decrease due to lower hydrocarbon prices and USD 23 million due to lower sales of LPG in Kurdistan.



SAJGAS Processing Plant - UAE

the FINANCIAL Review

Gross Profit Bridge



Gross Profit

Gross profit for the year stood at USD 288 million, a decrease of 19% compared to the previous year. This decrease was due to an increase in royalty payments to the Egyptian government, a higher depreciation, depletion and amortization expense in Egypt as well as lower sales of high-margin LPG in the Kurdistan Region of Iraq (as mentioned above). Royalty and depreciation, depletion and amortisation in Egypt are linked to production. Royalty was also higher as a result of lower capital expenditure, due to which the cost pool was not entirely recovered, thereby allowing the excess to be shared between the Government and the Company in the profit sharing ratio of 75:25.

Comprehensive Income

Total comprehensive income for the year stood at USD 136 million compared to USD 194 million in 2012. The comprehensive income for 2013 includes an unrealised loss of USD 20 million (2012: gain of USD 29 million) on Dana Gas 1.4% shareholding (2012: 3%) in MOL, the Hungarian-listed Oil and Gas Company and a key partner in Dana Gas's Kurdistan operations.

MOL's share price and HUF/USD exchange rate at end of 2013 were lower than that at the end 2012. The unrealized loss is booked directly to equity in line with the Company's published accounting policy.

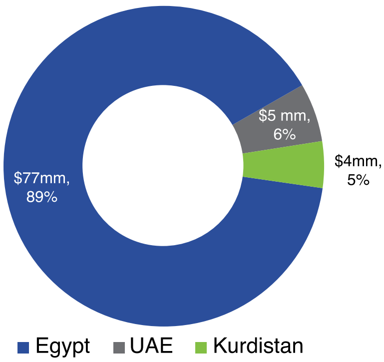
Balance Sheet

Equity attributable to shareholders stood at USD 2.53 billion; an increase of 5.3% from last year's equity of USD 2.41 billion. Accordingly the book value per share at the end of 2013 was AED 1.41 (2012: AED 1.34 per share).

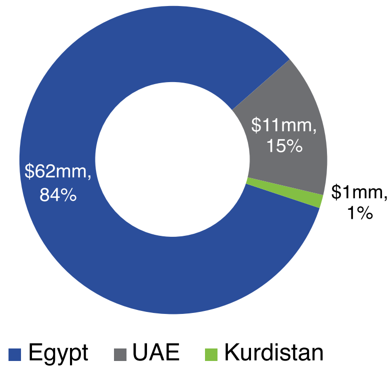
Total assets at the year-end increased slightly to USD 3.52 billion from last year's total assets of USD 3.48 billion. This was largely due to increase in trade receivables at the year end.

Capital Investments

Geographical Analysis - 2013



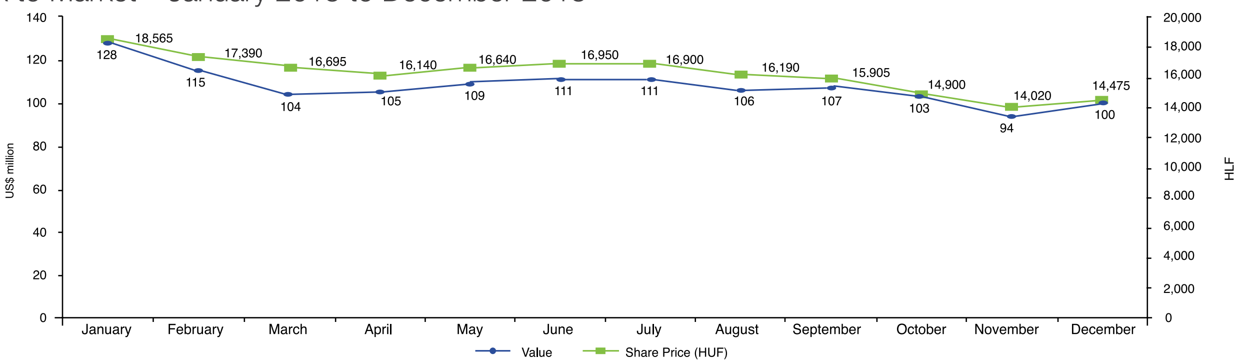
Geographical Analysis - 2012



In line with its outlined strategy, the Company continues to balance its capital expenditures with the available sources of finance to ensure that it maintains a robust balance sheet. Capital investments in 2013 reached USD 86 million compared to US$ 74 million in 2012. In Egypt, the Company expended USD 77 million on various field development activities to grow production and in Sharjah an amount of USD 5 million was spent on the Zora field development. In the Kurdistan Region of Iraq, the Group's share of capital expenditure was USD 4 million.

Available-for-Sale Financial Assets

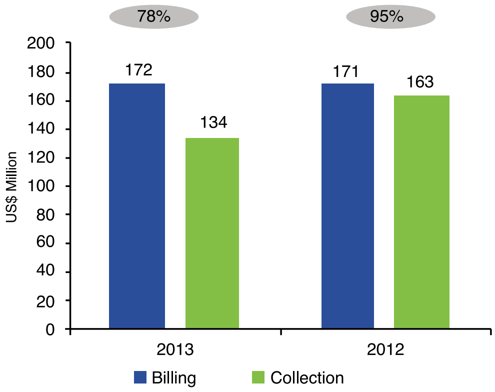
Mark to Market – January 2013 to December 2013



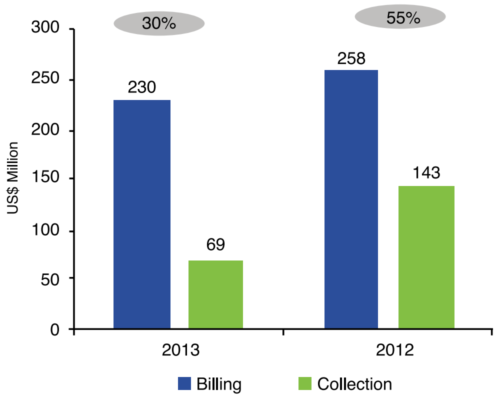
The Group holds 1,486,116 ordinary shares in MOL as of December 31, 2013 (2012: 3,161,116 ordinary shares) received as consideration for the disposal of an interest in Pearl Petroleum in May 2009. These shares are listed on the Budapest Stock Exchange and are being marked to market on the balance sheet date. During the year, the Group sold 1,675,000 shares (53%) out of its shareholding of 3,161,116 shares in MOL, at an average price of HUF 17,515, generating USD 135 million through a book building process.

Trade Receivables

Dana Gas Egypt



Pearl Petroleum



At the end of year, the Group's trade receivables, stood at USD 800 million compared with USD 599 million in 2012. This increase was due to the slow rate of collections in Egypt and Kurdistan, compared to billed revenues. Receivables in Egypt constitute 34% of the total and the balance mainly relates to receivables in Kurdistan. In 2013, the Company's total cash collections were USD 203 million.

In Egypt the Company collected USD 134 million or 78% of net revenue invoiced for the year ending the year with a receivable balance of USD 274 million. In Kurdistan, the Group collected USD 69 million (40% share) or 30% of revenue invoiced during 2013 and had a year-end trade receivable balance of USD 515 million.

Cash Flow

	2013 (USD million)	2012 (USD million)
Net Cash From Operating Activities	125	167
Net Cash From/(Used) in Investing Activities	56	(46)
Net Cash Used in Financing Activities	(141)	(69)
Net Cash Flow During the Year	40	52

Cash flow generated from operations in 2013, dropped by 25% to reach USD 125 million from USD 167 million in 2012. This decrease was due to the lower level of collections in Egypt and Kurdistan when compared to 2012. Under investing activities, partial sale of investment in MOL generated USD 134 million of which USD 70 million was used to partially reduce the Sukuk with the balance adding to the Company's cash balance. At year end, the Company's cash balance stood at USD 204 million.

Khor Mor LPG Plant -
Kurdistan Region of Iraq

Health, Safety, Security and Environment

Throughout the year 2013, Dana Gas leadership has been determined in their commitment to protect our employees, the communities we interact with, the environment and our assets from potential damage. 2013 has indeed witnessed a steady improvement in HSSE risk reduction. This has been translated into a decrease in injuries and releases.

It has been a busy year in which we have initiated the development of Safety Cases which will assist in safe management of our facilities, introduced further Group Technical Practices, and made progress on closing out actions from the 2012 Group Operating Risk Management System (ORMS) audits. Moreover, we have introduced a number of competence-based HSE programs including a safety leadership program.

We continue to influence our joint venture and joint operated partners to adopt ORMS aligned to our company ORMS which has in turn witnessed an update incorporating lessons learnt derived from the first full year of use in 2012.

Performance

We remain committed to full and open reporting of all incidents (major and minor) across the company enabling us to learn, and continuously drive down lagging indicators. We strive to work with all our operated and joint venture partners to promote full reporting of incidents and we are in the process of achieving further reliability in the data we gather.

Personal Safety

Eleven of our colleagues (5 employees and 6 contractors) suffered recordable injuries throughout the year. However, there has been a decrease in injuries in both Kurdistan and Egypt and a significant drop in more severe injuries (Day Away From Work Cases) from five to one. At the end of 2013, the Total Recordable Injury Frequency was 0.37 against our target of 0.60 and 0.76 for 2012. The 50 percent improvement has been achieved due to considerable efforts made in operating assets and resolute messages and actions taken by leaders, however it is worthy noting that the volume of drilling and construction (more hazardous activities) man hours has been below the anticipated figure in 2013.

we CARE

Key Metric	2013	2012	2011	Benchmark	Comment
Fatalities	0	5	0		
Man Hours Worked	5.84 mm	5.0 mm	5.1 mm		Contractors and employees
Recordable Injury Cases	11	19	9		OSHA definition (2012 includes 5 fatalities)
Recordable Injury Frequency	0.37	0.76	0.35	0.35 *	*2012 OGP global average
High Potential Incidents	8	4	12		
Loss of Primary Containment Incidents	17	67	147		
Major Road accidents	2	0	0		
Kilometers Driven	6.18 mm	5 mm	11 mm		Closer monitoring revealed over reporting in 2011

High Potential Incidents

Eight high potential incidents have been reported in 2013, double the number reported in 2012.

	Production Operations	Drilling and Well Intervention	Security	Transport
Egypt	3	3	0	0
KRI	0	0	1	1
UAE	0	0	0	0

This increase in reported High Potential Incidents is also a result of the adoption of more thorough reporting systems and is considered a significant step forward towards our ability to derive lessons learnt and prevent further incidents. There has been a focus on robust investigations of incidents in 2013 with the introduction of an accident investigation and root-cause analysis competence program and review of accident investigation reports to ensure the system causes are revealed and corrected.

Safety observations

There has been a decrease from 5780 observations in 2012 to 4960 in 2013. This drop was partly justified by a decrease in construction and drilling activities, however this is a trend we intend to reverse in 2014 where safety observations, each of which is an accident avoided.

We will maintain our focus on this important leading metric into 2013, challenging the organization to observe and rectify further conditions with the aim of driving down the number of accidents.

Process Safety

Managing the integrity of our assets (Asset Integrity Management) ensures that our facilities operate as designed and in a way that hazardous gases and liquids we produce and use remain within the pipes and vessels they are generated in. We are in the process of developing capabilities to measure a series of leading indicators for asset integrity and process safety in 2014. In 2013 we maintained our focus on release prevention from our facilities. We saw a significant reduction in loss of primary containment incidents from 67 in 2012 to 17 in 2013. This came as a result of further reductions in releases from flow lines in Egypt as the pipeline integrity program was rolled out, as well as a reduction in LPG truck releases in Kurdistan. With the aim of increasing awareness and enhance competency in process safety, we have embarked on a series of assessed Fundamental and Advanced Process Safety courses, which have already proved positive outcomes such as having competent process-aware staff on site. These courses will remain to be provided throughout 2014.

The ORMS is committed to develop Safety Cases for all major accident hazard facilities to enable the understanding and demonstration that risks are managed to appropriate levels. Safety case studies have been launched for facilities in Egypt and Kurdistan, as well as for the Zora Project in the UAE.

Environment

There have been three significant reported releases (more than 1 barrel) of hydrocarbon in the environment in 2013, a drop from 7 in 2012. Flow line releases in our Northern Egypt assets have seen a dramatic decrease owing to a focused pipeline integrity program in addition to further environmental controls in our Khor Mor plant in Kurdistan. The gross green house gas (GHG) emissions from facilities has remained largely flat from 2011 to 2013 with a reduction of 2% from 2011 to 2013. We will continue to monitor our emissions of GHG and to look for opportunities to reduce emissions through operational efficiencies.

Health

Emphasis on health management launched in 2012 has continued in 2013 namely in our Khor Mor facility, being one of the remote facilities. As we move forward with our stringent (adopting international offshore criteria) health monitoring campaign, we have reported three recordable illnesses from the facility. In 2014, we will be sharing the lessons derived from Khor Mor across the Group to achieve further focus on health risk assessment.

Security

Security management forms an integral part of our HSSE efforts. There has been five reported security incidents in our activities in 2013, a slight drop from six in 2012. Four of the five were community unrest incidents in our Northern Egypt fields which occurred early in 2013. Throughout the year, a steady drop has been observed in community incidents impacting our field activities in Egypt.

We maintain a robust security management structure in the Kurdish Region of Iraq to ensure the protection of our workforce and facilities cooperating closely with the National Oil Field Police. In Kurdistan but also in Egypt, our relationship with the community surrounding our fields continues to be play a key role in our ability to prevent serious incidents.

HSSE Risks

Throughout 2013, we maintained our focus on strategic HSSE risks shown in 2011 and 2012 Annual Reports, achieving remarkable progress. These strategic risks are built up from asset and Business Unit risk matrices which have become a key discussion item on the agenda of Senior Management and Board of Director meetings held on a quarterly basis.

Risk Theme	Controls put in place in 2013 (highlights)
Developing a Consistent Safety Culture Across the Group	• The issue of version 2 of the Group ORMS incorporating learnings from 2011 and 2012 • Follow up on the Group Audit of Egypt JV facilities in 2012 continues with 39% of actions closed (including the majority of critical actions) • Safety Leadership Program launched in Egypt which will be extended across the company in 2014 • A focus on incident reporting and robust investigations • Consistency maintained in the KPI's monitored from 2012 on Group scorecard
Consistency in Assessment of HSSE Risks Across the Group	• A continued focus on asset integrity risks through robust investigation of integrity failures • Deep dive operational risk assessment completed for the Kurdistan activity set • 2013 and 2014 budgets and plans were challenged to ensure they addressed known risks • Issue of the Group Technical Practice for Permit to Work
Project HSSE Risk and Assurance	• Hiring of three key positions has enabled an increased focus on HSSE and quality in projects (Head of Projects, Projects QA/QC Manager and Projects Controls Manager). • The Project Zora in the UAE will be executed in compliance with the ORMS • Alignment of Egypt JV and Dana Gas HSSE in Projects Technical Practices conducted
Ensuring We Identify and Manage Major Accident Hazards	• Process safety competence development program launched • Major accident hazard reviews conducted for operating facilities as the first step towards development of safety cases • Safety critical element lists completed for operating facilities • Robust investigation of all high potential incidents
Consistency in the HSSE Standards of Contractors	• Issue of the Group Contractor HSSE Management Technical Practice • Continued effort to reduce incidents on drilling and well intervention activities in Egypt


GAS

Khor Mor LPG Plant -
Kurdistan Region of Iraq

Risk Management

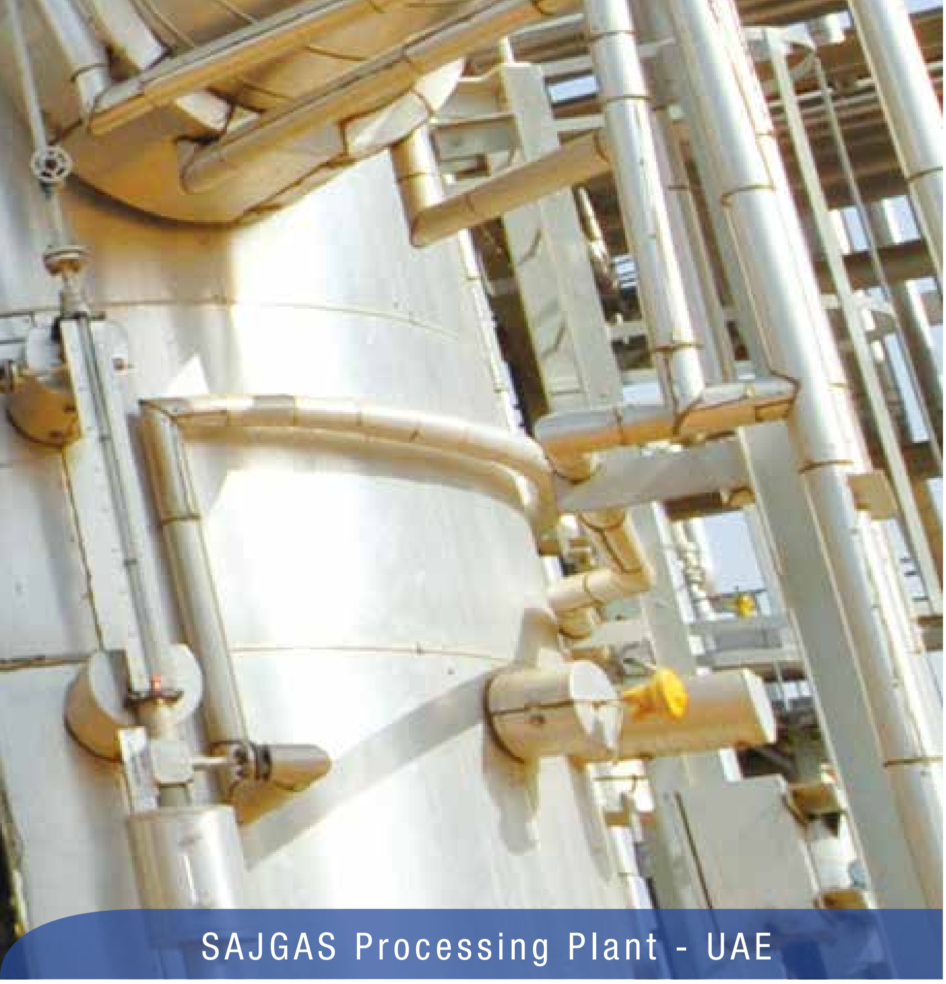
The oil and gas industry is inherently high risk and this requires a dynamic approach to identifying, evaluating and mitigating a broad range of financial and non-financial risks. Effective risk management is central to Dana Gas and underpins delivery of the Group's growth strategy. Dana Gas is committed to an effective risk management approach that protects the Group's business, people and reputation while enhancing shareholder value.

Enterprise Risk Management Framework
The Group's risk management policy promotes enterprise-wide risk management through an integrated framework that considers the impact on the Group's business of strategic, operational, financial, HSSE and compliance risks.

To achieve this, an Enterprise Risk Management Framework, based on ISO 31000, was established in 2011, to identify, evaluate and assist in the management of the risks faced by the Group at all levels including projects, business units, central functions, joint ventures and at the Group level. The process operates on a mandatory basis across the Group and provides the Board with assurance that the major risks faced by the Group have been identified and are regularly assessed, and that wherever possible there are controls in place to eliminate, reduce or manage these risks.

Risk assessments and evaluations are incorporated into key business processes, including strategy and business planning, business development, project management and HSSE management processes. At the management level, a Risk Committee was established in 2011, composed of key members of the executive leadership team. The terms of reference of the Risk Committee include oversight and monitoring of the significant risks facing the business and review of the proposed mitigation strategies. The Committee meets once every quarter and the key outputs are made available to the Board and Senior Management.

The Dana Gas Board is ultimately responsible for the Company's risk management and internal control systems. It determines the nature and extent of the significant risks considered appropriate in pursuit of the Group's strategic objectives. Accountability for identifying and managing business risks lies with business unit line management, with oversight by the Risk Committee and the Board.



the MEASURES

RISK FACTORS AND UNCERTAINTIES

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

Receivables and Liquidity

Dana Gas exposure to receivables and liquidity risk takes the form of a loss that would be recognised if counterparties (including sovereign entities) failed or were unable to meet their payment or performance obligations. Management of receivables is fundamental not only to financial value but also to the Group's ability to deliver its core business. Dana Gas is also exposed to liquidity risks, including risks associated with refinancing borrowings as they mature, and the risk that financial assets cannot readily be converted to cash without loss of value.

Capital Requirements

Dana Gas ability to deliver its business and growth objective is dependent on its ability to fund capital-intensive development projects in the countries where it operates. The Group's capital requirements depend on a broad range of factors, including revenue and cash flow generated from our operations, success with new development leases and proceeds realised from any asset disposals. Dana Gas ability to access finance on attractive terms may be constrained. In addition the Group may be required to record asset impairment charges as a result of events beyond the Group's control that would adversely impact its ability to raise funds.

Political

The success of Dana Gas depends in part upon understanding and managing the political, economic and market conditions in the many diverse economies existing across the MENA region in which it operates. Specific country risks that could impact Dana Gas business include political violence and uprisings, regional and governmental instability, re-interpretation of existing tax laws, government intervention in license awards, contract frustration, expropriation, increased royalty payments and political obstacles to key project delivery.

As a result of these risks, the Group may face lengthy legal and arbitration challenges, the outcome of which may be beyond the control of the Group.

Portfolio Concentration
Dana Gas has a regional portfolio of assets and opportunities that span across its business segments. Failure to manage this portfolio effectively as appropriate, looking at numerous factors including segmental weighting, geographical weighting, political risk, and gas/oil mix could impact the performance of the business. The Group is exposed to concentration risk operating in countries going through economic and political changes. The Group faces risk events that may exacerbate country risks and which may cause non-payment of foreign currency obligations to Dana Gas by governments or government-owned entities, or which may otherwise impact successful project delivery and implementation.

Asset Integrity and HSSE
The production, transmission and distribution of hydrocarbons and associated products present a number of HSSE risks and the inherent potential for accidents or incidents. These include: asset integrity failure (leading to a loss of containment of hydrocarbons and other hazardous materials), personal health and safety, natural disasters and breaches of security.

Major accidents or incidents and/or the failure to manage these risks could result in injury or loss of life, damage to the environment, or loss of certain facilities with an associated loss or deferment of production and revenues.

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

Project Management
The Group's future gas and oil production is, to a significant extent, dependent upon successful completion of development projects within budgeted costs, time and technical requirements.

The successful delivery of projects may be subject to availability of funding, delay in obtaining concession agreements, sub-surface uncertainties, legal and regulatory compliance, availability and performance of suppliers, and availability of critical equipment and material.

the MEASURES

Exploration

Dana Gas future gas and oil production is highly dependent upon finding, acquiring and developing new reserves. In general, the rate of production from natural gas and oil reservoirs declines as reserves are depleted. The Group needs to replace these depleted reserves with new proved reserves cost-effectively and on a consistent basis. This could be affected by a number of factors including barriers to gaining new exploration acreage, funding constraints, inaccurate interpretation of geological and engineering data and disruptions to the successful implementation of the drilling programme.

Governance and Regulation

Dana Gas is listed in the ADX Securities Exchange with business activities conducted in the MENA region, and is therefore subject to a broad range of compliance, legislations and regulations. Dana Gas would face the risk of value erosion or reputation loss if the conditions attached to the compliance or licenses which govern its current operations, are not properly managed or delivered.

NOTES

Insurance

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

Joint ventures

Dana Gas's risk management framework and controls apply across all wholly owned businesses and joint ventures operated by the Group. Where Dana Gas works in joint ventures in which it does not exercise control, it may have more limited influence over these ventures and how they are managed. Management of these non-controlled joint ventures may vary from Dana Gas own standards including those related to risk assessments, health, safety and environmental risks, and technical and operational matters. Dana Gas endeavours to influence these ventures to achieve standards, controls and procedures equivalent to the Group's own.

Khor Mor LPG Plant -
Kurdistan Region of Iraq

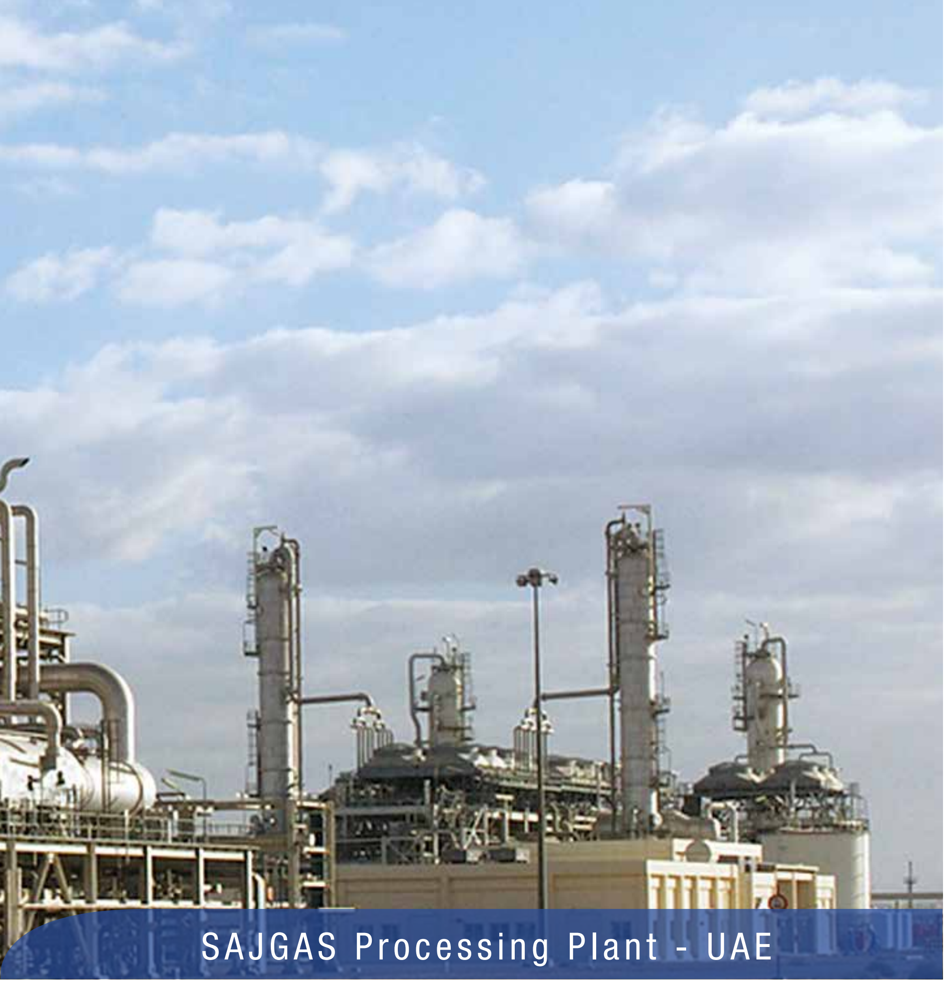
Corporate Governance

EARLY CORPORATE GOVERNANCE VISION

Dana Gas has recognized from the outset that the adoption of best corporate governance practices is fundamental to building a sound commercial reputation for a corporation aspiring to be a leading oil and gas company in the Middle East. The first step in this regard was taken in April 2006 a few months after the incorporation of the Company. Dana Gas commissioned the International Finance Corporation (part of the World Bank Group) to assess corporate governance practices within the Company and make appropriate recommendations with a view to improve the effectiveness of the Board of Directors, strengthen the control environment and ensure that the disclosure and transparency practices of the Company are consistent with international best practice.

In 2010 the Company amended its Articles of Association to be consistent with the provisions of the Ministerial Resolution No. 518/2009 Concerning Governance Rules and Corporate Discipline Standards. Since that time the Company has diligently implemented the prescribed norms of institutional control standards at all levels. At the level of the Board of Directors, the Corporate Governance Committee and the Audit Committee are committed to ensuring compliance with applicable policies and regulations. The Corporate Governance Committee presents reports on corporate governance matters periodically to the Board of Directors. Further, Internal Control Manager and the Compliance Officer oversee commitment and adherence to corporate governance guidelines by employees, departments, subsidiaries and counterparties.

The commitment of the Board of Directors and executive management of Dana Gas to achieve the strategic objectives of the Company in realizing sustained growth and long term value for its Shareholders is predicated on a firm commitment to corporate governance standards. Compliance with corporate standards precepts is deemed to be an effective instrument in ensuring transparency, effective control and high performance necessary to translate the Company's objectives into projects and value and strengthen the confidence of Shareholders, whilst serving the interests of other stakeholders.



the GOVERNANCE

Dealings of Directors and Employees and Their Relatives in the Securities of the Company

In furtherance of Dana Gas' goal to enhance transparency, the Company adopted in June 2011 the Rules Governing Dealings by Directors and Employees in the Securities of the Company.

The Rules include all relevant provisions in the regulations issued by the Securities and Commodities Authority and Abu Dhabi Stock Exchange which in turn substantially reflect international standards.

The Rules define the periods during which Directors and Employees are not permitted to deal in the Company's securities consistent with the ban periods set out in the Securities and Commodities Authority Resolution No. 2/2001.

There were three (3) dealings by Board of Directors and their relatives in the Securities of the Company during the year 2013. It should be noted that none of the Directors or Employees of the Company traded in the Company's securities during the banned periods.

THE BOARD OF DIRECTORS

Powers of the Board of Directors

According to the Company's Articles of Association the management of the Company shall vest in its Board of Directors. The Board of Directors has all the powers concerning the management of the Company to accomplish all goals as required to reach its business objectives.

Board Member	Investor No.	Exchange Type	Amount	Date
Mr. Rashid Saif Al-Jarwan	UAE202000612103	Buying	360,120	15/08/2013
Mr. Abdulaziz Hamad Al-Jomaih	SAU001055133977	Buying	2,750,000	12/11/2013
Mr. Ziad Galadari	UAE201000635003	Buying	2,000,000	16/05/2013

Functions of the Board of Directors

The main responsibilities of the Board of Directors include:

01. Establishment and approval of the Company's strategy and business plans;
02. Approval of the annual budget and the allocation of resources;
03. Establishing investment priorities and approving business opportunities;
04. Entering into contracts with any person, authority or corporation in matters concerning the gas and oil business in keeping with the objectives of the Company;
05. Establishing the responsibility and accountability matrix with appropriate powers of authority;
06. Supervising the soundness of the financial results and reports and the effectiveness of the internal controls;
07. Assessment and development of executive management performance;
08. Laying down the bye-laws and regulation, policies and procedures in connection with the Company's administration and financial matters and personnel matters;
09. Deciding on the appointment and succession of senior executives;
10. Conclusion of loan agreements for any period of time;
11. Selling and mortgaging the Company's real estate or other assets;
12. Absolving the Company's debtors from liability; and
13. Authorizing the conducting of conciliation and arbitration proceedings and in the filing of lawsuits and the settling of them.

The Role of the Chairman of the Board:

The Chairman presides over the meetings of the Board of Directors, ensures the effectiveness of its deliberations and the availability of the information necessary for discharging its functions.

The duties of the Chairman of the Board of Directors include:

01. Ensuring the effective and smooth functioning of the Board and the timely discussion of all important business presented to the Board;
02. Approving the agenda of the meetings of the Board of Directors taking into consideration matters proposed by the other Directors. The Chairman may delegate this responsibility under his supervision to a Director or to the Corporate Secretary;
03. Encouraging Directors to participate actively in the deliberations of the Board to enable the Board to benefit from their knowledge and experience;
04. Establishing appropriate measures to ensure efficient participation by the Directors particularly Non-Executive Directors and to promote constructive working relationship between Executive and Non-Executive Directors, and;
05. Taking appropriate action to ensure regular interaction with Shareholders and prompt communication of their opinions to the Board of Directors.

Composition of the Board of Directors

While the Board of Directors consists of 20 seats only 17 seats were occupied during 2013. The Board is elected by the General Assembly every 3 years. The current Directors, most of whom have been on the Board since the incorporation of the Company in November 2005, were elected in June 2012. The Board of Directors comprises leading businessmen from the GCC countries, and others with considerable experience in the oil and gas sector.

The Board is composed of 11 Independent Directors, 5 Non-Executive Directors and 1 Executive Director.

The current Directors are:

SN	Directors	Category	Qualifications	Years of membership since first Date of election	Experience
1	Dr. Adel Khalid Al-Sabeeh, Chairman	Non-Executive Independent	PhD in Mechanical Engineering "North Carolina State University" USA	8	Dr. Al-Sabeeh is the Vice Chairman and CEO of National Industries Company (NIC) in Kuwait. He is also the Chairman of the Board of Directors of Dana Gas. He also held several ministerial posts including Minister of Oil, Electricity and Water, Housing Affairs and Health. In addition, he held an esteemed position at Kuwait University as Vice President for research.
2	Dr. Tawfeeq Abdulrahman Almoayed, Vice Chairman	Non-Executive Independent	Bachelors Degree in Electrical Engineering with First Class Honors PHD in Telecommunications "Queen Mary College, London University" Fellow of the Institution of Engineering and Technology UK	8	Dr. Almoayed is the Chairman of T.A. Almoayed and Sons WLL and Chairman of Almoayed Wilhelmsen Ltd. He is the Vice Chairman of the Board of Directors of Dana Gas, the Vice Chairman of A.K. Almoayed Group and Board Member of Kimberly Clark Holding Company. He has held numerous positions in his career whereby his professional expertise has been applied to the complexities of doing business successfully in the Middle East. Dr. Almoayed is recognized as a partner, co-investor and strategic advisor to regional and internal multinationals operating in the Gulf Cooperative Council States. His working experience includes petrochemicals, telecoms, consultancy and shipping.
3	Mr. Hamid Dhiya Jafar	Non-Executive Non-Independent	Masters Degree in Engineering (Thermodynamics and Fluid Flow) "Cambridge University" UK	8	Mr. Hamid Jafar is the Chairman of the Board of the Crescent Group of companies. In addition to his primary business in oil and gas, Mr. Hamid has a variety of global commercial interests including container shipping, terminal operations, transport and logistics, real estate, power generation and private equity. Mr. Hamid has also promoted important projects in higher education at Cambridge University. He is also an active supporter of many charities.

The current Directors are:

SN	Directors	Category	Qualifications	Years of membership since first Date of election	Experience
4	HE Sheikh Sultan Bin Ahmed Al-Qasimi	Non-Executive Non-Independent	B.Sc. in Business Administration "Arkansas State University" USA Masters in Computer Information Systems "University of Detroit Mercy" USA	8	HE Sheikh Al-Qasimi is the Deputy Chairman of the Sharjah Petroleum Council and Chairman of Sharjah Pipeline Co. (Anabeeb). In addition, he is the Chairman of the Board of several companies such as Basma Group, Green Plant LLC, Sharjah Media Corporation and the Medical Waste Company (WEKAYA) LLC. HE Sheikh Al-Qasimi has extensive experience in the areas of trade development, tourism, media and oil as well as in the commercial sector.
5	Mr. Khalid Abdulrahman Al-Rajhi	Non-Executive Independent	Bachelors Degree in Finance "King Fahd University for Petroleum & Minerals" (KFUPM) KSA	8	Mr. Al-Rajhi is the Chairman of Saudi Cement Company and the Chief Executive Officer of Abdul Rahman Saleh Al Rajhi & Partners Co. Ltd (General Investments) in KSA. In addition, he serves as Chairman and Board Member of the Board of Directors of several companies. He is the Chairman of Procare Hospitals, Chairman of the Al-Salam Schools and Founding Member of "Pearl Initiative", United Nations. He is also a Founding Member of the Special Fund to support research at King Fahd University of Petroleum and Minerals.
6	Mr. Abdulaziz Hamad Al-Jomaih	Non-Executive Independent	Masters Degree in Public Administration "University of Southern California" USA Bachelors Degree in Engineering "King Saud University" KSA	8	Mr. Al-Jomaih is the Managing Director of International Investments of Aljomaih Group. In addition, he is Vice Chairman of Arcapita Bank in Bahrain and Managing Director of Pergola Holding & its subsidiaries.

SN	Directors	Category	Qualifications	Years of membership since first Date of election	Experience
7	Mr. Ahmed Rashid Al-Arbeed	Non-Executive Non-Independent	Bachelors Degree in Petroleum & Natural Gas Engineering "Pennsylvania State University" USA	8	Mr. Al-Arbeed is the General Manager of Seven Sisters Company in Kuwait. He served as a former Chief Executive Officer of Dana Gas. He is a former Chairman & Managing Director of Kuwait Oil Company (KOC) and also for Kuwait Foreign Petroleum Exploration Co. (KUFPEC). He established the Oil Development Company (ODC), a subsidiary of KPC.
8	Mr. Majid Hamid Jafar	Non-Executive Non-Independent	Bachelors and Masters Degree in Engineering (Fluid Mechanics and Thermodynamics) "Cambridge University, Churchill College" UK MA (with distinction) in International Studies and Diplomacy from "University of London's School of Oriental & African Studies" MBA (with distinction) from "Harvard Business School" USA	8	Mr. Majid Jafar is the CEO of Crescent Petroleum, the Middle East's oldest private oil & gas Company, and Vice-Chairman of the Crescent Group of companies. In addition, he is the Board Managing Director of Dana Gas. His previous experience was with Shell International's Exploration & Production and Gas & Power Divisions. Mr. Majid Jafar is also an active member of the World Economic Forum Global Agenda Council for Youth Unemployment, the Royal Institute for International Affairs in London, the Young Presidents Organization and the Young Arab Leaders Organization, and is an accredited Director of the Institute of Directors (IoD Mudara) in Dubai.
9	Mr. Varouj Abraham Nerguizian	Non-Executive Independent	Sciences Economiques "Universite' Saint Joseph" Lebanon "Universite' Lyon Lumiere" France	8	Mr. Nerguizian is the Executive Director and General Manager of Bank of Sharjah since 1992. He is the Chairman and General Manager of Emirates Lebanon Bank SAL, Lebanon (member of Bank of Sharjah Group) since 2008. He is also a Founding Member and Chairman of the Lebanese Educational Fund SA and of the Lycee' Libanais Francophone Prive Dubai, a non-profit educational initiative that caters to the needs of the Lebanese and Francophone communities of the UAE since 2003.

The current Directors are:

SN	Directors	Category	Qualifications	Years of membership since first Date of election	Experience
10	Mr. Rashad Muhammad Al-Zubair	Non-Executive Independent	Bachelor Degree in Business Administration "University of Colorado" USA	8	Mr. Al-Zubair is the Chairman of The Zubair Corporation (Z-Corp) in Sultanate of Oman. He is also the Chairman of Oman Arab Bank and Vice Chairman of Barr Al Jissah Resort Company operated by Shangri-La. He is a former Deputy Chairman of the Oman Business Council, a member of its founding Directors, a former Director of Oman International Development and Investment Company SAOG (OMNIVEST) and was also a Director of the Capital Market Authority.
11	Mr. Ziad Abdulla Galadari	Non-Executive Independent	Bachelors of Laws (LLB) "UAE University"	8	Mr. Galadari is the Founder & Chairman of Galadari Advocates & Legal Consultants. He is also the Chairman of Galadari Investments Group, Chairman of the Higher Organizing Committee for Dubai International Arabian Horse Championship, Board Member of the Emirates Equestrian Federation and Chairman of the Jebel Ali Racecourse Council. In addition to this, he is also a Board Member of Dubai World Trade Centre and a Board Member of Emirates Integrated Telecommunications Company PJSC (DU).
12	Mr. Rashid Saif Al-Jarwan	Executive Non-Independent	Bachelor Degree in Petroleum & Natural Gas Engineering "Pennsylvania State University" USA	5	Mr. Al-Jarwan is the Executive Director of the Board of Dana Gas. He was acting CEO of Dana Gas for one year and the General Manager for 3 years. He held various executive and technical positions in the ADNOC Group of companies for 28 years in Abu Dhabi, of which he was GM of ADGAS for the last 8 years. He served on the Board of National Petroleum Construction Co., National Drilling Co., FERTIL in Abu Dhabi and Sharjah Industrial Development Co.

SN	Directors	Category	Qualifications	Years of membership since first Date of election	Experience
13	Mr. Said Youssef Arrata	Non-Executive Non-Independent	B.Sc. in Petroleum Engineering "Cairo University" Several post-graduate accreditations at various universities in North America	6	Mr. Arrata is the Chairman and CEO of Sea Dragon Energy in Canada, a public Company involved in exploration and production of oil and gas concessions in Egypt. He is a Board Member at Deep Well Oil and Gas Incorporation. He is a former CEO of Centurion Energy International, and served in senior management positions in major global oil companies in Canada and around the world.
14	Mr. Abdullah Ali Al-Majdouie	Non-Executive Independent	Bachelors and Master Degree in Science College of Industrial Management, King Fahd University for Petroleum & Mineral (KFUPM), KSA	4	Mr. Al-Majdouie is the Group President and Vice Chairman of Almajdouie Group since 1986. He also holds Chairmanship of several companies in Saudi Arabia, Bahrain and UAE. He serves on the Board of the Asharqia Chamber and other business councils. In addition, he is a Counseling Member at Tharawat in Dubai and a member of several social and charitable institutions in Saudi Arabia.
15	Mr. Nasser Mohamed Al-Nowais	Non-Executive Independent	Bachelor Degree in Business & Public Administration "New York University" USA	4	Mr. Al-Nowais is the Chairman of Rotana Hotel Management Corp. Ltd. and Aswaq Management & Services. In addition, he is the Managing Director of Abu Dhabi Trade Center. He served as Former Under-Secretary of UAE Ministry of Finance, and a Former Chairman of Arab Insurance Group.

The current Directors are:

SN	Directors	Category	Qualifications	Years of membership since first Date of election	Experience
16	Mr. Ahmed Mohammed Al-Midfa	Non-Executive Independent	Bachelor Degree in Business Administration "Cairo University" Egypt	1	Mr. Al-Midfa is the Chairman of Sharjah Chamber of Commerce & Industry, and Expo Centre Sharjah. In addition, he serves as Chairman of Ruwad Establishment in Sharjah and Third Vice President of the Germany Arab Chamber of Commerce, and also Chairman of International Association of Exposition Management Arabian Gulf Chapter. He is a Former Director of the Bureau of HH the Ruler of Sharjah and Director General of Sharjah Ports and Customs Department and Second Deputy Chairman of the Federal National Council. In addition, he serves on the Board of various Chambers of Commerce and Business Councils.
17	Mr. Salah Abdul Hadi Al-Qahtani	Non-Executive Independent	Bachelor Degree in Business Administration "Houston University" USA	1	Mr. Al-Qahtani is the Vice Chairman of Abdel Hadi Abdullah Al-Qahtani & Sons Group of Companies in Dammam, and the Chairman of Young Arab Leaders. He serves on the Board of several companies.

MEMBERSHIP OF BOARDS OF DIRECTORS IN OTHER COMPANIES

Dana Gas' Directors act as members of boards of leading companies, banks and business institutions as described below:

SN	Directors	Directorship in other companies
1	Dr. Adel Khalid Al-Sabeeh, Chairman	-Vice Chairman and CEO of National Industries Company (NIC), Kuwait. -Chairman, Proclad Group International Ltd. (subsidiary of National Industry Group), Kuwait -Chairman, Saudi Lime Industries, Saudi Arabia -Chairman, Saudi Insulated Blocks, Saudi Arabia -Deputy Chairman, Ikarus Petroleum Industries Company, Kuwait -Board Member, Kuwait Foundations of Advancement of Science

SN	Directors	Directorship in other companies
2	Dr. Tawfeeq Abdulrahman Almoayed, Vice Chairman	-Chairman, TA Almoayed and Sons WLL, Bahrain -Chairman, Almoayed Wilhelmsen Ltd., Bahrain -Vice-Chairman, A.K. Almoayed Group, Bahrain -Board Member, Kimberly Clark Holdings Company -Founding Chairman & Managing Director, Gulf Petro-Chemical Industries Co. -Former First Deputy Chairman, Bahrain Telecommunications Co. (BATELCO) and Executive Committee Member -Fellow of the Institution of Engineering and Technology, UK
3	Mr. Hamid Dhiya Jafar	-Chairman, Crescent Group of companies -Chairman, Gulftainer Ltd. -Founding Shareholder, URUK Group -Founding Shareholder, Abraaj Capital -Founder, UAE Chapters of the Young Presidents Organization and the World Presidents Organization -Member, International Chief Executives Organization -Chairman of the Finance Committee, American University of Sharjah -Member of the Board of Trustees, American University of Sharjah
4	HE Sheikh Sultan Bin Ahmed Al-Qasimi	-Chairman, Sharjah National Oil Company -Chairman, Sharjah Pipeline Company (Anabeeb) -Chairman, Sharjah Commerce and Tourism Development Authority -Chairman, Sharjah Media Corporation -Chairman of the Medical Waste Co. (WEKAYA) LLC -Chairman, Basma Group -Chairman, Green Plant LLC -Deputy Chairman, Sharjah Petroleum Council -Deputy Chairman, Sharjah LPG Co. -Deputy Chairman, Sharjah Equestrian & Racing Club -Member of Sharjah Executive Council
5	Mr. Abdulaziz Hamad Al-Jomaih	-Managing Director, International Investments of Aljomaih Group, KSA -Vice-Chairman, Arcapita Bank, Bahrain -Managing Director, Pergola Holding & its subsidiaries -Board Member, Etihad Etisalat Company, KSA -Board Member, Pearl Initiative (A United Nations Initiative), UAE
6	Mr. Ahmed Rashid Al-Arbeed	-Member, Kuwait Engineering Society -Member, Society of Petroleum Engineers in USA -Member, Association of International Petroleum Negotiators
7	Mr. Khalid Abdulrahman Al-Rajhi	-Chairman, Saudi Cement Company -Chairman, Al-Salam Schools, Al Khobar -Chairman, Procare Hospitals, Al Khobar -CEO, Abdul Rahman Saleh Al Rajhi & Partners Co. Ltd (General Investments) -Board Member, Tanami -Board Member, Bank Al Bilad -Board Member, Saudi United Cooperative Insurance -Board Member, Takween Advanced Industries -Chairman, Nomination and Remuneration Committee, Takween Advanced Industries -Chairman, Investment Committee, Saudi United Cooperative Insurance -Member, Investment Committee, Bank Al Bilad -Member, Executive Committee, Saudi United Cooperative Insurance -Founding Member, “Pearl Initiative” – United Nations

SN	Directors	Directorship in other companies
8	Mr. Majid Hamid Jafar	-CEO, Crescent Petroleum, UAE -Vice-Chairman, Crescent Group of companies -Board Member, Arab Forum for Environment and Development (AFED) -Board Member, Sharjah Chamber of Commerce -Board Member, Sharjah Expo -Board Member, Carnegie Middle East Center -Board Member, Iraq Energy Institute -Board Member, the New Leaders of International Institute of Education (IIE)
9	Mr. Varouj Abraham Nerguizian	-Executive Director and General Manager, Bank of Sharjah -Chairman and General Manager, Emirates Lebanon Bank SAL, Lebanon -Board Member, Growthgate PEF -Founding Member and Chairman, Lebanese Educational Fund SA -Founding Member and Chairman, Lycee' Libanais Francophone Prive', Dubai (non-profit educational institution)
10	Mr. Rashad Muhammad Al-Zubair	-Chairman, The Zubair Corporation ("Z-Corp"), Sultanate of Oman -Chairman, Oman Arab Bank, Sultanate of Oman -Vice Chairman, Barr Al Jissah Resort Co. SAOC, Sultanate of Oman
11	Mr. Ziad Abdulla Galadari	-Founder & Chairman, Galadari Advocates & Legal Consultants, UAE -Chairman, Galadari Investments Group, UAE -Chairman, Dubai International Arabian Horse Championship -Board Member, Emirates Equestrian Federation & Chairman of Jebel Ali Racecourse Council -Board Member, Dubai World Trade Centre -Board Member, Emirates Integrated Telecommunications Company (DU)
12	Mr. Rashid Saif Al-Jarwan	- Board Member, Emirates General Petroleum Corporation (EMARAT)& EMOIL - Board Member, Oman Insurance Company - Board Member, Dubai International Financial Centre (DIFC) - Board Member, Mashreq Bank - Board Member, Al Ghurair Holding Ltd
13	Mr. Said Youssef Arrata	-Chairman and Chief Executive Officer, Sea Dragon Energy, Canada -Board Member, Deep Well Oil and Gas Incorporation, Canada
14	Mr. Abdullah Ali Al-Majdouie	-Group President & Vice Chairman, Almajdouie Group, KSA -Chairman, Almajdouie PSC Heavy Lift Co., Bahrain -Chairman, Almajdouie De Rijke Logistic Co. -Chairman, Rabigh Petrochemical Logistic LLC -Chairman, Star Marines Services, Dubai -Board Member, Asharqia Chamber -Board Member, Dhahran International Exhibitions Co. -Board Member, Arbah Capital Investment Co. -Board Member, Prince Mohammed Bin Fahd University, KSA -Board Member, Al Baha Tourism Council -Counseling Member, Tharawat, Dubai -Member of several social and charitable institutions
15	Mr. Nasser Mohamed Al-Nowais	-Chairman, Rotana Hotel Management Corp Ltd, UAE -Chairman, Aswaq Management & Services, UAE -Managing Director, Abu Dhabi Trade Center -Board Member, Abu Dhabi Council for Economic Development

SN	Directors	Directorship in other companies
16	Mr. Ahmed Mohammed Al-Midfa	-Chairman, Sharjah Chamber of Commerce & Industry -Chairman, Expo Centre Sharjah -Chairman, International Association of Exposition Management (IAEM) Arabian Gulf Chapter -Chairman, Ruwad Establishment at Sharjah -Board Member, UAE Federation of Chambers of Commerce and Industry -Board Member, the Joint Portuguese-Arab Chamber of Commerce -Board Member, Germany-Arab Chamber of Commerce -Board Member, National US-Arab Chamber of Commerce -Board Member, Egyptian-UAE Business Council -Board Member, Oman-UAE Business Council -Board Member, Tunisian-UAE Business Council
17	Mr. Salah Abdul Hadi Al-Qahtani	-Vice Chairman, Abdel Hadi Abdullah Al-Qahtani & Sons Group of Companies, KSA -Chairman, Young Arab Leaders -Founder and Director, United Gas Technology Company Ltd. -Board Member, Evolvence Capital -Board Member, Merchant Bridge & Company -Board Member, "Business Owner Union" (Islamic Chamber of Commerce & Industry), Jeddah -Board Member, Strategic Planning Committee of FFA Private Bank -Board Member, National Committee for Saudi Red Crescent

DIRECTORS' REMUNERATION

The Remuneration and Nominations Committee proposes the annual Directors' remuneration, and if endorsed by the Board of Directors, the proposal will be submitted to the General Assembly for approval in accordance with the Company's Articles of Association, Article (33) of which provides that the Company may pay Directors a fixed annual remuneration, or an additional fee or compensation to any member as determined by the Board and approved by the Annual General Assembly. The Company is Exempt Company in accordance with the provisions of Federal Law No. 15/1998 Relating to Oil & Gas Companies, and accordingly the Directors may be granted remuneration even though no dividends was distributed to Shareholders. UAE non-resident Directors get a meeting attendance allowance of AED 15,000 to cover their travel, accommodation and other expenses. The allowance is not granted in case of non-attendance. Executive Directors are not eligible to Directors' remuneration.

The details of Directors' remuneration are disclosed in the annual financial statements of the Company.

Remuneration of the Board of Directors for the Year 2012

The following table shows the total remuneration of Directors for the financial year 2012, which was approved by the Annual General Assembly in April 2013.

Board Members	Total Remuneration (AED)
HH Sheikh Ahmed Bin Sultan Al-Qasimi	500,000
Dr. Adel Khalid Al-Sabeeh	500,000
Dr. Tawfeeq Almoayed	500,000
Mr. Hamid Jafar	500,000
HE Sheikh Sultan Bin Ahmed Al-Qasimi	500,000
Sheikha Hanadi Nasser Al-Thani	500,000
Mr. Adib Al-Zamil	166,700
Mr. Abdulaziz Al-Jomaih	500,000
Mr. Ahmed Al-Arbeed	166,700
Mr. Khalid Al-Rajhi	500,000
Mr. Majid Jafar	500,000
Mr. Varouj Nerguizian	500,000
Mr. Rashad Al-Zubair	500,000
Mr. Ziad Galadari	500,000
Mr. Rashid Al-Jarwan	-
Mr. Said Arrata	500,000
Mr. Abdullah Al-Majdouie	500,000
Mr. Nasser Al-Nowais	500,000
Mr. Ahmed Al-Midfa	291,700
Mr. Salah Al-Qahtani	291,700
Total	8,417,000

Proposed remuneration of the Board of Directors for the Year 2013:

The Board of Directors has approved in its meeting held on 5 March, 2014 the recommendation presented to it by the Remuneration & Nominations Committee that the Directors' remuneration for the year 2013 be similar to the previous year 2012 (as shown in the table above). The Annual General Assembly has approved the Board of Directors' remuneration for 2013 on 23 April 2014.

Board Members	Total Remuneration (AED)
HH Sheikh Ahmed Bin Sultan Al-Qasimi	500,000
Dr. Adel Khalid Al-Sabeeh	500,000
Dr. Tawfeeq Almoayed	500,000
Mr. Hamid Jafar	500,000
HE Sheikh Sultan Bin Ahmed Al-Qasimi	500,000
Mr. Abdulaziz Al-Jomaih	500,000
Mr. Ahmed Al-Arbeed	500,000
Mr. Khalid Al-Rajhi	500,000
Mr. Majid Jafar	500,000
Mr. Varouj Nerguizian	500,000
Mr. Rashad Al-Zubair	500,000
Mr. Ziad Galadari	500,000
Mr. Rashid Al-Jarwan	-
Mr. Said Arrata	500,000
Mr. Abdullah Al-Majdouie	500,000
Mr. Nasser Al-Nowais	500,000
Mr. Ahmed Al-Midfa	500,000
Mr. Salah Al-Qahtani	500,000
Total	8,500,000

Remuneration for Committees' Meetings and Attendance for the Year 2013:
Committees' attendance remuneration for 2013 was presented to the General Assembly Meeting in April 2014. Allowances are fixed amount paid to Committee Members where the amount of AED 100,000 is paid to Committee Chair and AED 75,000 is paid to Committee Member.

The table below shows the committees' remuneration for 2013 that has been approved by the General Assembly Meeting on 23 April 2014.

Board Member	Corporate Governance, Remuneration & Nominations Committee	Audit & Compliance Committee	Board Steering Committee	Total (AED)
Dr. Adel Khalid Al-Sabeeh, Chairman			75,000	75,000
Dr. Tawfeeq Almoayed, Vice Chairman			100,000	100,000
Mr. Hamid D. Jafar	75,000			75,000
HE Sheikh Sultan Bin Ahmed Al-Qasimi				-
Mr. Abdulaziz Al-Jomaih		75,000		75,000
Mr. Ahmed Al-Arbeed				-
Mr. Khalid Al-Rajhi				-
Mr. Majid Jafar		75,000	75,000	150,000
Mr. Varouj Nerguizian		100,000	75,000	175,000
Mr. Rashad Al-Zubair	75,000			75,000
Mr. Ziad Galadari	100,000		75,000	175,000
Mr. Rashid Al-Jarwan				-
Mr. Said Arrata	75,000			75,000
Mr. Abdullah Al-Majdouie	75,000			75,000
Mr. Nasser Al Nowais		75,000		75,000
Mr. Ahmed Al-Midfa	75,000			75,000
Mr. Salah Al-Qahtani		75,000		75,000
Total	475,000	400,000	400,000	1,275,000

Directors' Attendance of Board of Directors' 2013 Meetings
According to the Company's Articles of Association, the Board of Directors meets every 3 months. The Board of Directors held six (6) meetings during the year 2013, which is consistent with best corporate governance standards laid down by the Ministerial Resolution No. (518) of 2009.

The table below reflects the personal attendance for all the Board of Directors.

Board Members	9 Jan	13 Mar	23 April	23 July	25 Sept	27-28 Nov
Dr. Adel Al-Sabeeh, Chairman	√	√	√	√	√	√
Dr. Tawfeeq Almoayed, Vice Chairman	√	√	√	√	√	√
Mr. Hamid Jafar	√	x	√	√	√	√
HE Sheikh Sultan Bin Ahmed Al-Qasimi	x	√	x	x	x	x
Sheikha Hanadi Nasser Al Thani	Concall	N/A	N/A	N/A	N/A	N/A
Mr. Abdulaziz Al-Jomaih	x	√	√	x	√	√
Mr. Ahmed Al-Arbeed	√	√	x	√	√	√
Mr. Khalid Al-Rajhi	Concall	√	x	x	√	x
Mr. Majid Jafar	√	√	√	√	√	√
Mr. Varouj Nerguizian	x	√	√	√	√	√
Mr. Rashad Al-Zubair	x	x	√	x	x	x
Mr. Ziad Galadari	√	x	√	√	√	√
Mr. Rashid Al-Jarwan	√	√	√	√	√	√
Mr. Said Arrata	√	√	x	x	x	√
Mr. Abdullah Al-Majdouie	√	√	x	x	√	√
Mr. Nasser Al-Nowais	√	√	√	x	√	√
Mr. Ahmed Al-Midfa	√	√	√	√	x	√
Mr. Salah Al-Qahtani	x	√	x	x	√	√

(√) Attend (x) Absent (N/A) Not Applicable

Responsibilities and Authority of the Executive Management
The Board of Directors has delegated the Company's Executive Management the following functions and responsibilities:
1. To manage the day to day affairs and business of the Company and to implement the plans and execute the policies laid down by the Board of Directors for achieving the Company's strategies;
2. To identify, pursue and submit studies and proposals relating to business development and new investment opportunities;
3. To submit to the Board of Directors periodic reports about the business of the Company, its financial position, internal control procedures and the actions taken to manage risks;
4. To provide the Board of Directors, on a timely basis, with all information and documents required for efficient conduct of Board meetings;
5. To provide regulatory bodies (Ministry of Economy, Securities and Commodities Authority, Abu Dhabi Securities Exchange) with information, disclosure statements and documents as required in accordance with applicable laws, rules and regulations.

Details of Related Parties' Transactions

Related parties include joint ventures, major shareholders, Directors and key management personnel of the Company, and entities controlled, jointly controlled or significantly influenced by such parties.

	2013		*2012*	
	Revenues USD mm	***Fees for Management Services USD mm***	*Revenues USD mm*	*Fees for Management Services USD mm*
Joint ventures	**1**	**2**	1	2
Major Shareholders	**-**	**1**	-	1
	1	**3**	1	3

Senior Executives of the Company

The following table shows the names of the Senior Executives of the Company with their designations, appointment dates and total remuneration and bonus paid to them for 2013.

Name	Job Title	Date of Appointment	Total remuneration for 2013 (Salary + Allowances) excluding expenses claims (AED)	Total Bonuses Paid in 2013 (AED)
Dr. Patrick Allman-Ward	Chief Executive Officer (previously GM of Dana Gas Egypt)	Sept. 2013	1,653,030	223,830
Mr. Rashid S. Al-Jarwan	Executive Director	April 2009	1,811,466	910,140

EXTERNAL AUDITORS

Brief Summary on External Auditors

The Company's external auditors, Ernst & Young, is one of the top four audit firms in the world with a network of 167,000 in more than 150 countries. It is an independent professional firm, which has been in the region since 1923 and has evolved during this period to become one of the largest four companies for accounting services in the world. The firm's areas of work include oil and gas, banks, financial institutions, technology and commerce, health care, infrastructure, industrial, leisure in addition to consumer products and allied sectors.

External Auditors' Fees

The Company's external auditors are appointed by Annual General Assembly of Shareholders for one year renewable term. Ernst & Young were first appointed as the Company's external auditors in 2005. They have been successively appointed and re-appointed as external auditors for the past eight years.

In April 23rd, 2013 the Annual General Assembly re-appointed Ernst & Young as external auditors for the Company's financial accounts for the year 2014. No other external auditor other than the Company's auditor provided any other services during the fiscal year 2013. Their audit fees for the annual Financial Statements for 2013 amounts to AED 350,000 as approved by AGM. The external auditors' fees are disclosed in the Company's Annual Financial Statements.

Name of External Auditors	Ernst & Young
Years of appointment	8 years
Total fees for 2013 (AED)	AED 614,364
Fees for other services beside auditing Financial Statements (AED)	None
Other services	None

The Audit and Compliance Committee (A&C)

The Audit and Compliance Committee is composed of the following Members:

Members of the Committee	**Title**
Mr. Varouj Nerguizian	Chair-Independent Director
Mr. Majid Jafar	Non-Executive Director
Mr. Abdulaziz Al-Jomaih	Independent Director
Mr. Nasser Al-Nowais	Independent Director
Mr. Salah Al-Qahtani	Independent Director

Most of the Members of the Audit Committee come from a financial business or banking background and are familiar with financial, accounting, banking and business administration matters. A majority of the Members of the Committee are Independent Directors.

The Audit and Compliance Committee assists the Board of Directors in performing its functions of supervision and control of the finances of the Company and ensuring compliance with applicable regulations.

In the discharge of the tasks entrusted to it the Committee carries out the following functions:

1. Supervision of the preparation and compiling of the Company's financial statements, and the procedure for preparation of financial reports;
2. Reviewing the annual and quarterly financial statements;
3. Overseeing that the Company's financial statements and reports represent a true and authentic statement of the Company's financial affairs;
4. Reviewing risk management and internal control procedures;
5. Recommending fees for the Company's external auditors;
6. Review and recommend Internal Audit Department's plans and activities.

In addition to the above the Committee performs the functions prescribed in the Ministerial Resolutions No. 518/2009.

The table below shows the number and dates of meetings held by A&C Committee during 2013:

Members of the A&C Committee	8 Jan.	31 Jan.	12 Mar	12 May	1 Aug.	24 Sept.	23 Oct.
Mr. Varouj Nerguizian, Chair	√	√	√	√	Concall	√	√
Mr. Majid Jafar	√	Concall	X	Proxy	Concall	√	Concall
Mr. Abdulaziz Al-Jomaih	X	Concall	Proxy	Concall	Proxy	X	Concall
Mr. Nasser Al-Nowais	Proxy	Proxy	Concall	X	Concall	Concall	X
Mr. Salah Al-Qahtani	X	X	X	X	Proxy	X	Concall

(√) Attend (x) Absent

Corporate Governance, Remuneration & Nomination Committee (CGR&NC)
The Corporate Governance, Remuneration & Nominations Committee is composed of the following Members:

Members of the Committee	Title
Mr. Ziad Galadari	Chair-Independent Director
Mr. Hamid D. Jafar	Non-Executive Director
Mr. Said Arrata	Non-Executive Director
Mr. Rashad Al-Zubair	Independent Director
Mr. Abdulla Al-Majdouie	Independent Director
Mr. Ahmed Al-Midfa	Independent Director

The majority of the members of the Committee are Independent Directors. They possess considerable knowledge and expertise in corporate governance, nominations, remuneration, salaries and benefits policies.

The Committee oversees the compliance of the governing bodies of the Company, the General Assembly, the Board of Directors and Executive Management with corporate governance best practice. The Committee also assists the Board in relation to the appointment of senior executives, appraisal of management performance, succession plans, remuneration policies and nominations to the Board of Directors membership as provided by the Ministerial Resolution No. 518/2009.

To achieve its objectives the Committee exercises the following functions:

1. Preparing remuneration, salary, benefits incentives policies and proposals;
2. Making proposals for human resources policies to improve performance and promote work environment and loyalty;
3. Recommending appropriate corporate governance standards and overseeing Board of Directors' procedures and performance;
4. Reviewing non-financial disclosure standards;
5. Reviewing Directors' remuneration and making appropriate recommendations to the Board;
6. Reviewing and approving senior employees' succession plans;
7. Maintaining good relationships with Shareholders, investors and regulators;
8. Conducting and supervising nominations to the Board of Directors.

The table below shows the number and dates of meetings held by CGR&N Committee during 2013:

Members of the CGR&N Committee	8 Jan.	12 Mar	2 July	24 Sept.	26 Nov.
Mr. Ziad Galadari, Chair	√	x	√	√	√
Mr. Hamid Jafar	N/A	x	√	√	x
Mr. Said Arrata	√	√	x	√	√
Mr. Rashad Al-Zubair	x	x	x	x	x
Mr. Abdulla Al-Majdouie	√	√	x	x	Concall
Mr. Ahmed Al-Midfa	√	√	√	x	√

(√) Attend (x) Absent (N/A) Not Applicable

INTERNAL CONTROL SYSTEM

The Board of Directors established an Internal Control Department and defined its functions and appointed a manager for the department who reports to the Board of Directors on the following:

1. Assessing and scrutinizing the various risks facing the Company;
2. Preparing risks register to be updated quarterly and annually;
3. Preparing audit plan for the risks and the register in accordance with the directions of the Board of Directors and the Audit and Compliance Committee;
4. Ensuring availability of resources to carry out audit work and internal audit plan;
5. Implementing the plan and submit a periodical report to the Board of Directors and to the Audit Committee with observations on the procedures taken by the Executive Management with respect to them.

The Internal Control Department enjoys independence in performing its functions. It reports to the Board of Directors which acknowledges its responsibility for the internal control system and its effectiveness. The Internal Control Manager adopts the appropriate procedures to ensure the implementation of the directives of the Board of Directors in this regard. He raises any irregularities of the control system or Company's regulations and its policies and the Board's directives to the Board of Directors to take the appropriate action.

The Internal Control Department audits the internal control systems of the Company, its subsidiaries and affiliates with significant shares owned by Dana Gas. The Department has full power and authority to obtain information on those companies from any of its employees and its various departments at group level.

The Internal Control Manager prepares an annual audit plan and submits it to the Board of Directors for approval as deemed appropriate. The plan involves the comprehensive assessment of the risks facing the Company to address them properly and effectively.

The annual plan includes a list of the work and activities of the Department during the year including audit work. It also includes a specific oversight work scope with its timeline.

The Internal Control Manager, Mr. Muhammed Ali Baig, was appointed in December 2010. He has 22 years of experience working with multinational organizations in Pakistan, Middle East, United States and in the GCC countries with Arthur Andersen Company for 6 years and with Qatar Gas for 4 years.

Compliance Officer

Dr. Mohamed Nour Eldin Eltahir has been appointed as Compliance Officer for the Company by a Board Resolution No. 25/2012 dated 18 November 2012 with the duties and functions prescribed in the Securities and Commodities Regulations from time to time. Dr. Mohamed is a holder of a PHD degree in Law from the University of Cambridge with over thirty (30) years of experience in legal practice.

Handling Major Incidents

The Internal Control Manager reports all major issues with respect to internal control deficiencies identified during its review and audit to Dana Gas Board of Directors, whilst also informing the CEO for corrective actions. The audit reports were shared with the external auditors while they were engaged in auditing the Company's annual financial statements. However, during 2013, no major issues were identified that could require a disclosure in the annual financial reports for the year.

Compliance during 2013

The Company did not commit any regulatory violations during the fiscal year 2013 and consequently no fines or penalties were imposed on the Company.

Corporate contributions towards community and environment

Dana Gas' corporate social responsibility activities cover the countries and communities in which the company operates. Our objective has been to play an active role in supporting local communities located within its vicinity. Dana Gas has implemented a number of projects and programs in education, health and social activities in accordance with an annual corporate social responsibility plan.
The table below shows some of the Company's social contributions during the year 2013:

The Company's Corporate Social Responsibility Initiatives in 2013

Institution	Purpose	Activity
UAE		
University of Sharjah	Educational	Dana Gas Excellence Award to the top 30 high performing seniors who have graduated with honors.
Kalemati Speech & Communication Center	Educational	Supported the purchase of specialised equipment for the hearing and speaking challenged individuals in the UAE.
Egypt		
Ministry of Health and Population	Medical	Renovated the health centers and provided medical equipment in Dakahlia (near the West El Manzala concession area) and at Sharqia located near the west El-Qantarah concession.

Institution	Purpose	Activity
Egypt		
Ministry of Education, Om El Reda Community Development Association and El Haja Rateeba Local Development Institution	Educational	Renovated and provided teaching aids to two schools in the Sharqia village.
El Haja Rateeba Local Development Institution at Haja Rateeba Village	Social	Supported the local communities in the West El Manzala area in self-employment schemes through creation of physical assets and training.
Egyptian Junior Businessmen Association	Training	Provided training and career development programs for skills up-gradation to support young entrepreneurs in the Egyptian public universities.
Iraq		
Chemchemal Mayoralty	Health	Provided the maternity hospital with healthcare equipment and laboratory for servicing the local community.
Qadir Karam and Chemchemal Town Administration	Educational	Renovated schools and provided school supplies including stationary in 5 elementary schools in Qadir Karam. Providing nurseries with school and other supplies in Chemchemal and in Qarachwar village. Awarded 10 scholarships for an MBA program at the American University of Iraq, Sulaimania. Provided transportation for 100 students and teachers from 16 villages and sub-districts to the primary and intermediate schools in Qadir Karam. Provided a graphic press machine to the Institute of Fine Arts in Chemchemal.

Institution	Purpose	Activity
Iraq		
Qadir Karam and Chemchemal Towns Administration	Health	Supplying potable water to 21 villages in Qadir Karam during summer. Drilled two water wells in two remote villages to provide potable water in Chemchemal, Shoresh and Qadir Karam as part of the Drought Program. Provided clean water source and irrigation canals in 18 villages in Qadir Karam. Provided a chlorine water purification system in the Shwan area.
Qadir Karam and Chemchemal Towns	Community	Provided electric supply in the Qadir Karam township and neighboring villages. Donated 250 KVA and 400 KVA power generators to Qadir Karam township and Sangaw District. Participated in a tree planting campaign of 4 km along the side roads connecting Chemchemal to Qadir Karam. Orphan Sponsorship program; sponsoring 1000 orphans in Kurdistan in association with Barzani Charity Foundation.

GENERAL INFORMATION

Schedule of share price in the market at the end of each month of the fiscal year of 2013

Date	Month-End	High	Low
31 January	0.49	0.50	0.48
28 February	0.51	0.51	0.50
31 March	0.45	0.46	0.45
30 April	0.50	0.50	0.49
31 May	0.60	0.60	0.58
30 June	0.54	0.55	0.53
31 July	0.63	0.64	0.62
29 August	0.57	0.58	0.56
30 September	0.69	0.71	0.68
31 October	0.65	0.66	0.64
30 November	0.61	0.64	0.61
31 December	0.91	0.96	0.91

Statement on Company's shares performance with the market index

Date	DG Price	ADX Index	Energy Index
1 January	0.48	2678.22	1394.38
1 February	0.49	2880.87	1429.45
1 March	0.50	3036.64	1413.82
1 April	0.46	3008.09	1364.82
1 May	0.50	3273.50	1393.53
1 June	0.61	3589.87	1576.44
1 July	0.56	3610.22	1477.80
1 August	0.64	3922.51	1588.78
1 September	0.59	3802.22	1498.44
1 October	0.70	3837.37	1694.22
1 November	0.66	3845.26	1633.79
1 December	0.61	3896.15	1548.37

Statement of Shareholders' ownership as of 31/12/2013

Type	UAE	GCC	Arab	Others
Individuals	1,410,640,036	1,104,625,789	263,743,284	153,357,871
Companies	950,158,084	777,051,903	9,462,667	1,858,242,330
Governments	32,644,336	42,075,000	-	-
TOTAL	**2,393,442,456**	**1,923,752,692**	**273,205,951**	**2,011,600,201**

Statement of Shareholders owning 5% or more of the Company's capital

Citizenship	Investor Name	Quantity	%
GBR	Crescent Petroleum Co. Ltd.	1,328,108,236	20.12%

Major events executed by the Company during 2013

1. On 8 May 2013, the Company refinanced its US$ 1,000,000,000 existing Sukuk certificates issued on October 2007 by the issuance of two tranches of Sukuk consisting of US$ 425 million Ordinary Sukuk and US$ 425 million exchangeable Sukuk.

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

3. On 31 October 2013, conversion period for convertible Sukuk issued on 8 May 2013 commenced, which will expire 25 trading days prior to 31 October 2017. During this period, Sukuk holders have the right to convert all or part of the convertible Sukuk into ordinary shares of the Company.

Communication with Shareholders, Investors and Media

Dana Gas is keen to maintain regular contacts with its Shareholders, investors and financial analysts to inform them on the Company's business activities and financial position through regular direct meetings with financials, press and Shareholders through the Annual General Assembly Meetings in addition to regular press releases for important developments and activities. All information about the Company's activities and its financial affairs are also available at the Company's website www.danagas.com

Dr. Adel Khalid Al-Sabeeh
Chairman of the Board

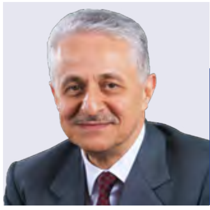
9th April, 2014

Board Members


HH Sheikh Ahmed Bin Sultan Al-Qasimi
Honorary Chairman

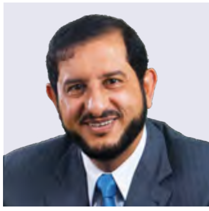

Dr. Adel Al-Sabeeh
Chairman

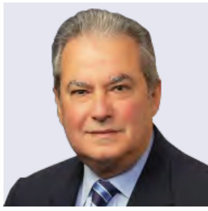

Dr. Tawfeeq Almoayed
Vice Chaiman


Mr. Hamid Jafar
Director


H.E. Sheikh Sultan Bin Ahmed Al-Qasimi . Director


Dr. Patrick Allman-Ward
CEO & Director


Mr. Ahmed Al-Arbeed
Director


Mr. Said Arrata
Director


Mr. Ziad Galadari
Director


Mr. Majid Jafar
Board MD


Mr. Rashid Al-Jarwan
Director


Mr. Abdulaziz Al-Jomaih
Director


Mr. Abdullah Al-Majdouie
Director


Mr. Ahmed Al-Midfa
Director


Mr. Varouj Nerguizian
Director


Mr. Nasser Al-Nowais
Director


Mr. Salah Al-Qahtani
Director


Mr. Khalid Al-Rajhi
Director


Mr. Rashad Al-Zubair
Director

International Advisory Board

International Advisory Board

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

International Advisory Board
(Left to Right)

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

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

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

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

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

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

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


DANA GAS

Team on Site

Our People: Equality, Diversity & Development

Equality, Diversity and Development

Dana Gas PJSC continues to be the leading private sector natural gas company in the Middle East, North Africa, South Asia (MENASA) region creating value for our shareholders and for the wellbeing and the economic growth of the region.

Our people are engaged and compensated in line with our strategy to attract and retain the necessary talents to strengthen and support the successful delivery against our corporate targets as approved by the Board of Directors. And we believe this is the key for Dana Gas Group to ultimately enhance Shareholder's value.

Talent Attraction and Retention Philosophy

Our success builds on the competence and dedication of our people. Throughout the years, Dana Gas has been able to achieve success by building capacity and capability across all levels, combining global and regional searches to identify and attract skilled and talented people. It is part of our evolving culture to leverage expertise in a way that will generate the necessary proficiency required for our Group going forward.

Our compensation and remuneration philosophy continues to recognize and incentivize performance while aligning employees' with the Shareholders' interests.

Diversity

Dana Gas strives to provide a collaborative workplace combining various backgrounds and experiences. We respect and value everyone, and embrace diversity bringing together understanding and connection to communities in which we operate. It helps us better understand the needs of our various partners, customers, clients and shareholders. Dana Gas is committed to equal opportunities and does not condone discrimination of any kind. These values have allowed the emergence and retention of the diverse and robust family that Dana Gas is proud of being today.

Talent Development

The continuous development of our people capabilities and their support to reach their full potential are key elements to deliver against our Group's business strategy. This continues to be one of our main priorities. We recognize that the

Dana Gas Egypt Team

our PEOPLE

success of our strategy depends on the success of our employees, we therefore provide individual attention and team building trainings. In 2013, we spent 414 person days in learning and development activities across all disciplines. Dana Gas believes in training, coaching, and mentoring, and encourages employees to develop their skills, at both personal as well as professional levels. Where it benefits both the employee and the organization, we encourage shifts between Business Units within the Group to share technical skills, build broad experience across the Group, and incentivize people to increase and broaden their competencies.

Performance Management and Evaluation

In order to achieve the Group objectives, Dana Gas firstly defines the criteria against which success is being measured. Then goals are set, performance periodically reviewed, results assessed, and employees recognized for their contribution. Dana Gas understands that recognition is an important motivation factor and seeks to create a team-spirit where we value achievement and support each other to accomplish our shared goals. As we look ahead to 2014, Dana Gas continues its journey towards developing a manual of capabilities and behaviors required to deliver broader and more complex services. This will allow Dana Gas to continue resourcing, developing and retaining the highly qualified and motivated people we need. We are also aiming to enhance internal communication across the Group and encourage open and transparent dialogue among employees, departments, operating units and asset management teams.

Operational and Behavioral Change

Strong individual as well as operational performance continues to be the Executive Management priority. We are focused on building a simple, lean yet efficient organization with clear responsibilities and accountabilities enabling a faster decision making process while enhancing control.

Dana Gas has a strong shared focus on maintaining a healthy and safe working environment. And in order to achieve day-to-day improvement, Dana Gas encourages all employees to report any incident affecting their health and safety, the aim being to have an accident and harm-free workplace and minimize any adverse effect on the environment.

Dana Gas Kurdistan Region of Iraq Team

Employee Engagement, Communication and Feedback
Dana Gas believes in open dialogue and values employee feedback and experience sharing on the business. Employees are a vital stakeholders in the Group. Our Quarterly Performance Reviews serve to communicate our operational as well as financial outcomes and allow us to keep everyone informed and consulted about changes affecting them as well as the Group.

Head Count Master Report (Net to the Company's Interest) as on 31 Dec 2013

	Employees	Contractors	JV Employees	JV Contractors	Total
UAE - DG Corporate (100%)	31	2	0	0	33
UAE - Dana Gas (100%)	15	3	0	0	18
UAE - SajGas (100%)	15	10	0	0	25
UAE - UGTC (100%)	3	0	0	0	3
KRI - Dana Gas (100%)	7	0	0	0	7
KRI - CREDAN (40%)	0	0	181	27	208
Egypt - Dana Gas (100%)	121	14	0	0	135
Egypt - WASCO (100%)	6	0	393	302	701
Egypt - EBGDCO (26%)	1	0	14	10	25
Egypt - Ganope/Komombo (50%)	1	1	26	23	51
Subtotal	200	30	614	362	
Grand Total					**1206**

Note: WASCO Employees are, for the great majority, EGPC Employees.

Dana Gas supports
entrepreneurship workshop - UAE

Construction, renovation of and supplies to schools - Kurdistan Region of Iraq

Corporate Social Responsibility

Dana Gas strives to maintain its role as an active agent of change by considerably contributing to the development of communities and the region in which it operates. Dana Gas recognizes that Corporate Social Responsibility (CSR) is about managing business interactions with people, the environment and the economy, by directly contributing to economic and social development while protecting natural resources and respecting the rights of each individual. The Company is focused on delivering sustainable long-term value to its stakeholders, while making a positive contribution to communities we engage with.

Dana Gas is constantly working towards undergoing transformation in the way we do business whereby CSR is no longer managed as a separate discipline, but as part of the experience of being a responsible employee in an organization that has values and lives up to them. Whether it is an environmental awareness project, supporting entrepreneurs, promoting humanitarian efforts. Dana Gas fully understands its role in sustainability and CSR, and recognizes its role in fostering an environment that embeds a CSR ethic in its activities and business practices.

This is an effort that Dana Gas has undertaken since its establishment, and it prides itself in pursuing along this path despite the though financial times the world and the Company have gone through.

We remain strongly committed to our CSR efforts, whether by helping improve healthcare standards for individuals in rural areas where the Company's concessions are located, or through promoting knowledge sharing. The Company seeks to continue offering as much assistance as possible, conscious of its responsibility in making the world a better place to live. We endeavor to make a positive and lasting contribution to society and its people. We believe that the ideal way to achieve our goal is by empowering communities with the best sustainable development tools we have at our disposal.

During 2013, education has taken a major part of our CSR contributions, while areas such as knowledge sharing, sports, health care and sustainable community development have been supplemented by a key regional project aiming at educating the future generations in responsible business.

our **RESPONSIBILITY**

Education and Knowledge Sharing

Dana Gas proudly maintains its sponsorship of the "Dana Gas Chemical Engineer Chair" at the American University of Sharjah, a support planned to last until 2015. During this period, we will work closely to develop important research in the field of oil & gas.

As part of its support to the University of Sharjah, regarded as one of the region's top universities, the Company annually presents the "Dana Gas Excellence Awards", to recognize seniors who have graduated with honors for their outstanding academic achievements.

The idea behind "Educational Enhancement" has been developed with the aim of targeting schools and nurseries in communities where the current physical amenities/educational materials and tools hinder the achievements of a proper educational service. The intervention has and will continue to focus on lack of physical and technological upgrade of selected schools and nurseries alongside a capacity building component targeting facilities' management, student councils and boards of trustees.

An example of such endeavors has been the efforts made by Dana Gas Egypt to renovate and equip a local nursery serving several hundred children in a village close to our operating sites.

Dana Gas maintained its support to the local community at El Wastani and South El Manzala plants. In 2013 Dana Gas provided medical equipment to local health units. Moreover, the Company supported the local community in purchasing a land that will serve to build a new local medical center. It also equipped schools and nurseries with modern educational tools such as smart board interaction systems and personal computers, donated construction materials to build a local Islamic education center and established a new bakery.

Dana Gas contributed to the development and support of young entrepreneurs in Egyptian public universities. The program focuses on providing career development and soft skills to the public university graduates with the aim of enhancing their capacity.

El Mustafa Mosque - Egypt

Skoool – As part of its education interests, Dana Gas has supported the ‘Skoool’ online portal initiative. Egypt’s top free education portal reached a mega success in the second phase with more than 2.7 million unique subscribers. The second phase focused on increasing the content and grades covered in this free online web page that is currently offering digital remake for the Egyptian curricula.

Skoool portal in Egypt is currently receiving massive national recognition following its immense coverage. The portal has indeed added significant value to students in Egypt allowing them to access free online educational material.

Responsible Business

Joining forces with more than 15 partners including top universities, companies and foundations across the region, Dana gas is the oil and gas representative in a group conducting a regional study on the responsible business practice in the region.

The list of partners includes the American University in Cairo, the American University in Beirut, Emirates Foundation, King Abdullah Foundation, Coca Cola, Aramex and Nestle.

The Company also contributed to the development of training activities and public awareness on CSR through the National Egyptian Center for Corporate Social Responsibility.

The project is currently in its last year of development. This year marks the development of local sector studies and training of over 200 participants on different capacity building programs on CSR understanding and implementation.

Petroleum CSR Committee

Dana Gas is part of the industry initiative in Egypt for the development of a joint CSR committee in partnership with Oil and Gas.

Dana Gas Egypt hosted the first committee meeting and managed to ensure the presence of the top 10 petroleum companies in Egypt. Currently, the charter and the structure of the legal committee are being developed to ensure its sustainability.

In the Kurdistan region Dana Gas remained strongly committed to its CSR initiatives aiming at improving education opportunities, upgrade infrastructure in areas surrounding its footprint and providing support to the underprivileged with other charity institutions.

our RESPONSIBILITY

The Company maintained its position as the largest employer in local areas providing direct employment to over 200 workers from nearby villages constituting over 50% of total local national employees.

At the national level, the Company provided donations to 1,000 orphans through “Barzani Orphanage Charity” as annual life support. Donations were made to a local specialty hospital for subsidized treatment of underprivileged patients with advanced medical conditions.

The Company has also maintained its supply of books, furniture and other stationary items to nearby schools as well as provision of light and heavy equipment to villages to rehabilitate roads and water ponds.

Several water wells were drilled and handed over to local villages to ensure round the year availability of potable water. During the summer months tankers of potable waters were continuously provided to villages located far off from natural water bodies or wells.

Transportation arrangements were provided for teachers to reach remotely located schools ensuring better presence thereby benefitting the students.

Students in remote villages were also provided with transportation arrangements to attend the nearest high schools and access higher education. Caravans fitted with air conditioners were donated to the maternity ward of a local hospital.

SAJGAS Processing Plant - UAE

Independent Auditors' Report to the Shareholders of DANA GAS PJSC

Report on the financial statements

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

Directors' responsibility for the consolidated financial statements

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

Auditors' Responsibility

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

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

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

Opinion

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

Emphasis of matters

(i) We draw attention to note 11 to the consolidated financial statements which discloses that the continued delay in commencement of gas supplies has prompted a key supplier of the Group to initiate arbitration proceedings against its ultimate supplier; and

(ii) We also draw attention to note 23 to the consolidated financial statements which discusses the commencement of arbitration proceedings with the Kurdistan Regional Government of Iraq.

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

Report on Other Legal and Regulatory Requirements

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

Signed by

Anthony O'Sullivan

Registration No. 687
For Ernst & Young

5th March 2014
Sharjah, United Arab Emirates

Consolidated Income Statement

For The Year Ended 31 December 2013

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

Consolidated Statement of Comprehensive Income For The Year Ended 31 December 2013

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

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

Consolidated Statement of Financial Position

As at 31 December 2013

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

Director
5th March 2014

Director
5th March 2014

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

Consolidated Statement of Cash Flows

For The Year Ended 31 December 2013

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

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

Consolidated Statement of Changes in Equity

For The Year Ended 31 December 2013

	Attributable to the equity holders of the parent							
	Share capital		*Statutory reserve*		*Legal reserve*		*Retained earnings*	
	USD mm	*AED mm*	*USD mm*	*AED mm*	*USD mm*	*AED mm*	*USD mm*	*AED mm*
As at 1 January 2012	1,801	6,602	48	176	48	176	220	806
Profit for the year	-	-	-	-	-	-	165	605
Other comprehensive income	-	-	-	-	-	-	-	-
Total comprehensive income for the year	-	-	-	-	-	-	165	605
Board compensation	-	-	-	-	-	-	(2)	(7)
Transfer to reserves	-	-	17	62	17	62	(34)	(124)
Share based payment (note 25)	-	-	-	-	-	-	-	-
As at 31 December 2012	**1,801**	**6,602**	**65**	**238**	**65**	**238**	**349**	**1,280**
Profit for the year	-	-	-	-	-	-	156	571
Other comprehensive income	-	-	-	-	-	-	-	-
Share based reserve	-	-	-	-	-	-	10	37
Total comprehensive income for the year	-	-	-	-	-	-	166	608
Transfer to reserves	-	-	15	55	15	55	(30)	(110)
Gain on disposal of available for sale financial asset (note 6)	-	-	-	-	-	-	-	-
Equity component of convertible sukuk	-	-	-	-	-	-	-	-
Loss to non-controlling interest	-	-	-	-	-	-	-	-
Board compensation	-	-	-	-	-	-	(3)	(11)
As at 31 December 2013	**1,801**	**6,602**	**80**	**293**	**80**	**293**	**482**	**1,767**

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

Consolidated Statement of Changes in Equity (continued)

For The Year Ended 31 December 2013

Attributable to the equity holders of the parent

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
55	200	48	176	4	15	2,224	8,151
-	-	-	-	-	-	165	605
29	106	-	-	-	-	29	106
29	106	-	-	-	-	194	711
-	-	-	-	-	-	(2)	(7)
-	-	-	-	-	-	-	-
1	4	-	-	-	-	1	4
85	**310**	**48**	**176**	**4**	**15**	**2,417**	**8,859**
-	-	-	-	-	-	156	571
(20)	(73)	-	-	-	-	(20)	(73)
(10)	(37)	-	-	-	-	-	-
(30)	(110)	-	-	-	-	136	498
-	-	-	-	-	-	-	-
(39)	(142)	-	-	-	-	(39)	(142)
-	-	33	121	-	-	33	121
-	-	-	-	(1)	(4)	(1)	(4)
-	-	-	-	-	-	(3)	(11)
16	**58**	**81**	**297**	**3**	**11**	**2,543**	**9,321**

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

Notes to the Consolidated Financial Statements

As at 31 December 2013

1 CORPORATE INFORMATION

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

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

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

Principal subsidiaries and joint arrangements of the Group at 31 December 2013 and the Group percentage of ordinary share capital or interest are set out below:

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

Joint Operations	%	Area of operation	Principal activities
Pearl Petroleum Company Limited ("Pearl Petroleum")	40	Kurdistan Region of Iraq	Oil and Gas exploration & production
UGTC/ Emarat JV	50	Emirate of Sharjah	Gas Transmission

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

2 SUMMARY OF SIGNIFICANT A COUNTING POLICIES

Basis of preparation

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

Statement of compliance

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

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

New and amended standards adopted by the Group

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

IFRS 10 Consolidated financial statements

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

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

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

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

IFRS 11 Joint arrangements and IAS 28 Investment in Associates and Joint Ventures (continued)

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

IFRS 12 Disclosures of interest in other entities

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

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

IFRS 13 Fair value measurement

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

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

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

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

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

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

IFRS 9 Financial Instruments

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

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

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

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

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

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

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

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

IFRIC Interpretation 21 Levies (IFRIC 21)

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Basis of consolidation

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

(a) Subsidiaries

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

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

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

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

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

The Group applies the acquisition method to account for business combinations. The consideration transferred for the acquisition of a subsidiary is the fair values of the assets transferred, the liabilities incurred to the former owner of the acquiree and the equity interests issued by the Group. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. The Group recognises any non-controlling interest in the acquiree on an acquisition-by-acquisition basis, either at fair value or at the non-controlling interest's proportionate share of the recognised amounts of acquiree's identifiable net assets. Acquisition related costs are expensed as incurred.

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Basis of consolidation (continued)

(a) Subsidiaries (continued)

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 with the Group's accounting policies.

(b) Changes in ownership interests in subsidiaries without change of control

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(c) Disposal of subsidiaries

When the Group ceases to have control, any retained interest in the entity is remeasured to its fair value at the date when control is lost, with the change in carrying amount recognised in profit or loss. The fair value is the initial carrying amount for the purposes of subsequently accounting for the retained interest as an associate, joint venture or financial asset. In addition, any amounts previously recognised in other comprehensive income in respect of that entity are accounted for as if the Group had directly disposed of the related assets or liabilities. This may mean that amounts previously recognised in other comprehensive income are reclassified to profit or loss.

(d) Associates

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

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

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

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.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(e) Joint arrangements

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

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

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

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

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

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

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

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

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Segment reporting

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

Foreign currency translation

(a) Functional and presentation currency

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

(b) Transactions and balances

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

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

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

(c) Group companies

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

a) assets and liabilities for each items of financial position presented are translated at the closing rate at the date of statement of financial position

b) income and expenses for each income statement are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the rate on the dates of the transactions); and

c) all resulting exchange differences are recognised in other comprehensive income.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Property, plant and equipment

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

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

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

Other assets:

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

The carrying values of property, plant and equipment are reviewed for impairment when events or changes in circumstances indicate the carrying value may not be recoverable. If any such indications exist and where the carrying values exceed the estimated recoverable amount, the assets are written down to their recoverable amount being the higher of their fair value less costs to sell and their value in use.
The residual values and useful lives of property, plant and equipment are reviewed at each financial year end and adjusted prospectively if appropriate.
Expenditure incurred to replace a component of an item of property, plant and equipment that is accounted for separately is capitalised and the carrying amount of the component that is replaced is written off. Other subsequent expenditure is capitalised only when it increases future economic benefits of the related item of property, plant and equipment. All other expenditure is recognised in the income statement as the expense is incurred.

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

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

Oil and gas assets

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

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.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Intangible assets (continued)

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.

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.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Impairment of non-financial assets (continued)

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 itsrecoverableamount.

Financial assets

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

(a) Financial assets at fair value through profit or loss

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

(b) Loans and receivables

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

(c) Available-for-sale financial assets

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial assets (continued)

Regular purchases and sales of financial assets are recognised on the trade-date – the date on which the Group commits to purchase or sell the asset. Investments are initially recognised at fair value plus transaction costs for all financial assets not carried at fair value through profit or loss. Financial assets carried at fair value through profit or loss is initially recognised at fair value and transaction costs are expensed in the income statement. Financial assets are derecognised when the rights to receive cash flows from the investments have expired or have been transferred and the Group has transferred substantially all risks and rewards of ownership.
Financial assets at fair value through profit or loss are subsequently carried at fair value.

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

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

Impairment of financial assets

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

Investment properties

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Investment properties (continued)

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

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

Inventories

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

Trade and other receivables

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

Cash and cash equivalents

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

Trade payable and accruals

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

Provisions

General

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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.

Equity-settled transaction

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

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

Restricted shares

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

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

Revenue recognition

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Revenue from sale of hydrocarbons

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

Finance income

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

3 SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS

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

Judgements

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

Estimates and assumptions

The Group has identified the following areas where significant estimates and assumptions are required, and where if actual results were to differ, may materially affect the financial position or financial results reported in future periods. Further information on each of these and how they impact the various accounting policies are described in the relevant notes to the consolidated financial statements.

- Impairment of goodwill: The Group determines whether goodwill is impaired on an annual basis. This requires an estimation of the value in use of the cash-generating units to which the goodwill is allocated. Estimating the value in use requires the Group to make an estimate of the expected future cash flows from each cash-generating unit and also to determine a suitable discount rate in order to calculate the present value of those cash flows. The carrying amount of goodwill at 31 December 2013 was USD 308 million (2012: USD 308 million).

3 SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS (continued)

Estimates and assumptions (continued)

- Recoverability of intangible oil and gas assets: The Group assesses at each statement of financial position date whether there is any evidence of impairment in the carrying value of its intangible oil and gas assets. This requires management to estimate the recoverable value of its intangible oil and gas assets using estimates and assumptions such as long term oil prices, discount rates, operating costs, future capital requirements, decommissioning costs, explorations potentials, reserves and operating performance uncertainty. These estimates and assumptions are subject to risk and uncertainty. The carrying amount of such intangibles at 31 December 2013 was USD 134 million (2012: USD 181 million).

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

- Decommissioning costs: Decommissioning costs will be incurred by the Group at the end of the operating life of some of the Group's facilities and properties. The Group assesses its decommissioning provision at each reporting date. The ultimate decommissioning costs are uncertain and cost estimates can vary in response to many factors, including changes to relevant legal requirements, the emergence of new restoration techniques or experience at other production sites. The expected timing, extent and amount of expenditure can also change, for example in response to changes in reserves or changes in laws and regulations or their interpretation. Therefore, significant estimates and assumptions are made in determining the provision for decommissioning. As a result, there could be significant adjustments to the provisions established which would affect future financial results. The provision at reporting date represents management's best estimate of the present value of the future decommissioning costs required.

- Units of production depreciation of oil and gas properties: Oil and gas properties are depreciated using the units of production (UOP) method over total proved reserves. This results in a depreciation/amortisation charge proportional to the depletion of the anticipated remaining production from the field. Each 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 proved reserves could arise due to changes in the factors or assumptions used in estimating reserves and are accounted for prospectively.

3 SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS (continued)

Estimates and assumptions (continued)

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

- Hydrocarbon reserve and resource estimates: Oil and gas properties are depreciated on a units UOP basis at a rate calculated by reference to total proved reserves determined in accordance with the Society of Petroleum Engineers' rules and incorporating the estimated future cost of developing those reserves. The Group estimates its commercial reserves based on information compiled by appropriately qualified persons relating to the geological and technical data on the size, depth, shape and grade of the hydrocarbon body and suitable production techniques and recovery rates. Commercial reserves are determined using estimates of oil and gas in place, recovery factors and future commodity prices, the latter having an impact on the total amount of recoverable reserves and the proportion of the gross reserves which are attributable to the host government under the terms of the relevant commercial arrangements. Future development costs are estimated using assumptions as to the number of wells required to produce the commercial reserves, the cost of such wells and associated production facilities, and other capital costs. The carrying amount of oil and gas properties at 31 December 2013 is shown in Note 11.

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

Notes to the Consolidated Financial Statements

As at 31 December 2013

4 SEGMENTAL INFORMATION

Management has determined the operating segments based on the reports reviewed by the Chief Executive Officer (CEO) that are used to make strategic decisions. The CEO considers the business from a geographic perspective which is divided into three geographical units.

Year ended 31 December 2013

	United Arab Emirates USD mm	Egypt USD mm	Kurdistan Region of Iraq USD mm	Total USD mm
Revenue				
External sales net of royalties	5	225	230	460
Total revenue net of royalties	5	225	230	460
Gross profit	3	97	188	288
Investment and finance income				44
Impairments				(3)
Change in fair value of investment property				(1)
General and administration expenses				(32)
Share of loss of a joint venture				(1)
Finance costs				(78)
Exploration expenses				(8)
Profit before income tax				209
Income tax expense				(53)
PROFIT FOR THE YEAR				156
Segment assets as at 31 December 2013	1,485	1,164	872	3,521
Segment liabilities as at 31 December 2013	844	116	18	978
Other segment information				
Capital expenditure:				
Intangible assets	-	22	-	22
Property, plant and equipment	5	55	4	64
Total	5	77	4	86
Depreciation and depletion	2	91	13	106
Change in fair value of investment property	1	-	-	1
Impairment	-	3	-	3
Exploration expenses	-	8	-	8

4 SEGMENTAL INFORMATION (continued)

Year ended 31 December 2012

	United Arab Emirates USD mm	Egypt USD mm	Kurdistan Region of Iraq USD mm	Total USD mm
Revenue				
External sales net of royalties	5	234	258	497
Total revenue net of royalties	5	234	258	497
Gross profit	3	128	224	355
Investment and finance income				14
Impairments				(9)
Change in fair value of investment property				(3)
General and administration expenses				(34)
Finance costs				(86)
Exploration expenses				(9)
Profit before income tax				228
Income tax expense				(63)
PROFIT FOR THE YEAR				165
Segment assets as at 31 December 2012	1,551	1,155	774	3,480
Segment liabilities as at 31 December 2012	960	93	10	1,063
Other segment information				
Capital expenditure:				
Intangible assets	-	29	-	29
Property, plant and equipment	11	33	1	45
Total	11	62	1	74
Depreciation and depletion	2	74	13	89
Change in fair value of investment property	3	-	-	3
Impairment	-	9	-	9
Exploration expenses	-	9	-	9

5 NET REVENUE

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

*Royalties relate to Government share of production in Egypt.

6 INVESTMENT AND FINANCE INCOME

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

7 IMPAIRMENT

	2013 USD mm	2012 USD mm
Impairment of oil and gas assets (note 11)	**3**	9
	3	9

8 FINANCE COSTS

	2013 USD mm	2012 USD mm
Finance cost on borrowings (note 20)	**78**	86
	78	86

9 EARNINGS PER SHARE

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

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

(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.

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

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

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

10 PROPERTY, PLANT AND EQUIPMENT

	Freehold land	*Building*	*Oil and gas interests*	*Plant and equip-ment*	*Other assets*	*Pipeline & related facilities*	*Capital work-in-progress*	*Total*
	USD mm	*USD mm*	*USD mm*	*USD mm*	*USD mm*	*USD mm*	*USD mm*	*USD mm*
Cost:								
At 1 January 2013	**14**	**12**	**738**	**345**	**30**	**119**	**213**	**1,471**
Additions	-	-	47	5	2	-	10	64
Transfer from intangible assets (note 11)	-	-	66	-	-	-	-	66
Transfer from capital work-in-progress	-	-	1	9	-	-	(10)	-
Assets held for sale (note 28)	-	-	(27)	-	-	-	-	(27)
Dry hole costs written-off	-	-	(8)	-	-	-	-	(8)
Transfer of interest*	-	-	-	-	-	-	17	17
Write off	-	-	-	(5)	-	-	-	(5)
At 31 December 2013	**14**	**12**	**817**	**354**	**32**	**119**	**230**	**1,578**
Depreciation/ Depletion:								
At 1 January 2013	**-**	**1**	**450**	**54**	**11**	**17**	**-**	**533**
Depreciation/ depletion charge for	-	-	81	16	4	5	-	106
the year Assets held for sale (note 28)	-	-	(21)	-	-	-	-	(21)
At 31 December 2013	**-**	**1**	**510**	**70**	**15**	**22**	**-**	**618**
Net carrying amount:								
At 31 December 2013	**14**	**11**	**307**	**284**	**17**	**97**	**230**	**960**

Capital Work in Progress comprises:

	USD mm
SajGas Plant and facilities	**99**
UGTC Pipeline & related facilities	**89**
Kurdistan Region of Iraq Project	**2**
Sharjah Western Offshore (including Zora field)	**40**
	230

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

10 PROPERTY, PLANT AND EQUIPMENT (continued)

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

Capital Work in Progress comprises:

	USD mm
SajGas Plant and facilities	99
UGTC Pipeline & related facilities	89
Kurdistan Region of Iraq Project	5
Sharjah Western Offshore	20
	213

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

10 PROPERTY, PLANT AND EQUIPMENT (continued)

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

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

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

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

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

Notes to the Consolidated Financial Statements

As at 31 December 2013

11 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 2013	**277**	**289**	**7**	**2**	**308**	**883**
Less: impairment	**(96)**	**-**	**-**	**(2)**	**-**	**(98)**
At 1 January 2013	**181**	**289**	**7**	**-**	**308**	**785**
Additions - net	**22**	**-**	**-**	**-**	**-**	**22**
Transfer to property, plant and equipment (note 10)	**(66)**					**(66)**
Impairment (note 7)	**(3)**	**-**	**-**	**-**	**-**	**(3)**
At 31 December 2013	**134**	**289**	**7**	**-**	**308**	**738**

	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 2012	257	289	7	2	308	863
Less: impairment	(87)	-	-	(2)	-	(89)
At 1 January 2012	170	289	7	-	308	774
Additions - net	29	-	-	-	-	29
Transfer to property, plant and equipment (note 10)	(9)					(9)
Impairment (note 7)	(9)	-	-	-	-	(9)
At 31 December 2012	181	289	7	-	308	785

(a) Oil and Gas Interests

Oil and gas interests of USD 134 million relates to Dana Gas Egypt which has a number of concessions and development leases in Egypt as described below in more detail:

- El Wastani Development Lease – This development lease is held with a 100% working interest and represents approximately 13% of current production in Dana Gas Egypt. El Wastani production includes both gas and associated gas liquids. This lease has 13,017 acres of land included within its boundary and is located in the Nile Delta of Egypt.

11 INTANGIBLE ASSETS (continued)

(a) Oil and Gas Interests (continued)

- South El Manzala Development Leases – These development leases are held with a 100% working interest and are not currently producing. These development leases have 16,055 acres of land included within their boundaries and are located in the Nile Delta of Egypt.

- West El Manzala Development Leases (West El Manzala Concession) – These development leases are held with a 100% working interest. These development leases have 146,039 acres of land included within their boundaries and are located in the Nile Delta of Egypt. To date, eleven development leases are producing both natural gas and associated liquids representing approximately 79% of Dana Gas Egypt current production. The Egyptian Natural Gas Holding Company ("EGAS") approved new development lease for Balsam and Allium 1 in February 2014. EGAS initially approved the scope of new development lease for Begonia discovery during the second half of 2013 and the formal approval for Begonia is expected by April 2014.

- West El Qantara Development Leases (West El Qantara Concession) – These development leases are held with a 100% working interest. These development lease have 4,324 acres of land included within their boundaries and are located in the Nile Delta of Egypt. EGAS, in February 2014, approved the scope of the Sama development lease amendment for West Sama-1. and the scope of a new development lease for Salma discovery. Formal approval is expected by April 2014. To date, two development lease are producing both natural gas and associated liquids representing approximately 7% of Dana Gas Egypt current production.

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

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

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

11 INTANGIBLE ASSETS (continued)

(b) Transmission and sweetening rights

Intangible assets include USD 289 million which represent the fair value of the rights for the, transmission and sweetening gas and related products acquired by the Company through its shareholdings in SajGas and UGTC. The fair value of the rights acquired in 2005 was determined by reference to valuation exercises undertaken by professionally qualified independent third parties based on the expected future cash flows arising from the underlying contractual relationships. The intangible assets will be amortised over 25 years from the date of commencement of commercial activity in accordance with the terms of the contracts to which they relate. Commercial activity has not yet commenced. In July 2010, NIOC introduced gas into its completed transmission network and Dana Gas' UGTC pipeline and SajGas processing facilities in Sharjah for commissioning purposes. However, subsequently as it pressured up, NIOC discovered significant leaks in its offshore gas transmission system which needs rectification. Notwithstanding this, Crescent Petroleum is continuing with international arbitration to seek a ruling on its binding 25 years gas supply contract with NIOC and expects an enforceable decision by the international tribunal during 2014. Based on the information available at this time, the Directors and management are confident of a positive outcome.

In accordance with IAS 36 requirement relating to intangible assets not yet available for use, management had undertaken an impairment review of the intangible assets as at 31 December 2013. Management understands that progress has been made on the construction of the required facilities by the ultimate gas supplier and has reviewed the various inputs into the original valuation model. Management believes that the inputs into the original valuation model have not significantly changed.

Key assumptions used in value in use calculations

The calculation of value in use for the above cash generating unit is most sensitive to the following assumptions:

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

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

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

Oil prices: management has used an oil price assumption based on the forward curve prevailing at the end of 2013 for the impairment testing of its individual oil & gas investments.

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

11 INTANGIBLE ASSETS (continued)

Sensitivity to changes in assumptions

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

- Discount rate
- Crude oil prices

The Group generally estimates values in use for CGU using a discounted cash flow model. The future cash flows are discounted to their present value using a pre-tax discount rate of 10% (2012: 10%) that reflects current market assessments of the time value of money and the risks specific to the asset. Management believes that currently, there is no reasonable possible change in discount rate which would reduce the Group's excess of recoverable amount over the carrying amount of the individual assets/CGU to Zero.

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

(c) Goodwill

Goodwill of USD 308 million relates to the acquisition of Dana Gas Egypt (previously known as Centurion) in January 2007 which enabled Dana Gas to acquire the upstream business qualification and therefore the rights to develop the gas fields in the Kurdistan region of Iraq. The recoverable amount of the above cash generating unit has been determined based on value in use calculation using cash flow projections approved by senior management up to a 20 year period or the economic limit of the producing field. The pre-tax discount rate applied to cash flow projections is 10% (2012: 10%). Cash flows are generated using forecasted production, capital and operating cost data over the expected life of each accumulation. Management believes that currently there is no reasonable change in assumptions used which would impact Goodwill.

12 INVESTMENT PROPERTY

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

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

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

Investment property is stated at fair value which has been determined based on a valuation performed by an independent firm of qualified property consultants, with reference to comparable market transactions. This valuation has resulted in a decrease in the fair value by USD 1 million (31 December 2012: decrease of USD 3 million) which was charged to the consolidated income statement.

13 INVENTORIES

	2013 USD mm	2012 USD mm
Spares and consumables	**71**	66
Less: provision for impairment of inventory	**(12)**	(12)
	59	54

14 TRADE AND OTHER RECEIVABLES

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

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

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

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

			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
2013	**795**	**125**	**20**	**41**	**56**	**24**	**529**
2012	599	100	32	11	56	5	395

15 AVAILABLE-FOR-SALE FINANCIAL ASSET

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

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

16 FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

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

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

17 CASH AND CASH EQUIVALENTS

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

Cash at bank earns profit at floating rates based on daily bank deposit rates. Short-term deposits are made for varying periods of between one week and three months, depending on the immediate cash requirements of the Group, and earn profit at the respective short-term deposit rates. The fair value of cash and short-term deposits is USD 204 million (2012: USD 164 million). The effective profit rate earned on short term deposits ranged between 1.25% to 2.5% (2012: between 1.25% to 3.5%) per annum. As at 31 December 2013, 90% (2012: 75%) of cash and cash equivalents were held with UAE banks.

18 SHARE CAPITAL

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

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

19 OTHER RESERVES

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

20 BORROWINGS

	2013 USD mm	2012 USD mm
Non-current		
Ordinary Sukuk	**425**	-
Convertible Sukuk	**390**	-
	815	-
Current		
Convertible bonds	**-**	920
	-	920
Total borrowings	**815**	920

20 BORROWINGS (continued)

a) CONVERTIBLE SUKUK

In October 2007, the Group arranged to issue convertible Sukuk-al-Mudarabah (the "Sukuk") for a total value of USD 1 billion in the form of Trust Certificates through a special purpose company (the "Issuer"). The Sukuk, which were drawn up to conform to the principles of Islamic Sharia, were approved by the Company's shareholders at an Extraordinary General Meeting held in July 2007. Pursuant to the conditions of the Sukuk, the proceeds were used for the acquisition and development of assets (the "Mudarabah Assets") owned by Dana LNG Ventures Limited. The Sukuk matured on 31 October 2012 and had a profit rate of 7.5% payable quarterly from profits of the Mudarabah Assets. In 2008, Dana Gas purchased some of the Sukuk from the market with a nominal value of USD 80 million.
The Company announced on 10 December 2012 that a standstill and lockup agreement has been reached with an "Ad-Hoc committee" of Sukuk certificate holders for a refinancing transaction (the "Transaction") in relation to the Sukuk. The standstill and lockup agreement also includes a detailed set of terms, conditions and implementation schedule.

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

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

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

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

20 BORROWINGS (continued)

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

date of 31 October 2017, subject to the applicable call premium on the Ordinary Sukuk and the soft call provisions on the Convertible Sukuk. The convertible sukuk at the option of the certificate holders can be exchanged into ordinary shares of the Company on or after 31 October 2013 until 25 trading days prior to the Scheduled Redemption Date.

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

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

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

21 PROVISIONS

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

22 TRADE PAYABLES AND ACCRUALS

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

23 INTEREST IN JOINT OPERATIONS

(a) Kurdistan Region of Iraq Project

On 15 May 2009, Dana Gas and Crescent signed a Share Sale Agreement with OMV and MOL wherein an equity interest of 5% each was sold by Dana Gas and Crescent to OMV and MOL respectively. Consequently, the new shareholding interest in Pearl Petroleum is as follows: 40% to Dana Gas, 40% to Crescent, 10% to OMV and 10% to MOL.

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

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

The objective of the arbitration is to obtain confirmation of the long-term contractual rights for the development and marketing in respect of the Khor Mor and Chemchemal fields including the outstanding receivables owed by the MNR of the Kurdistan Region of Iraq.

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

23 INTEREST IN JOINT OPERATIONS (continued)

(a) Kurdistan Region of Iraq Project (continued)

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

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

23 INTEREST IN JOINT VENTURES (continued)

(b) UGTC/ Emarat Joint Venture

The Group has a 50% interest in the UGTC/ Emarat jointly controlled operations which own one of the largest gas pipelines in the UAE (48 inch diameter) with an installed capacity of 1000 MMscfd, to transport gas in Sharjah from Sajaa to Hamriyah. The following amounts represent the Group's 50% share of the assets and liabilities of the Joint Operations:

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

24 CONTINGENCIES AND COMMITMENTS

(a) Dana Gas Egypt

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

In April 2013, Dana Gas Egypt was awarded a 100% working interest in the North El Arish Offshore (Block 6) concession area. The area is located offshore Nile Delta, in the eastern part of the Mediterranean sea. As per the concession agreement, Dana Gas Egypt has committed to pay Egyptian Natural Gas Holdings a sum of USD 20 million as a signature bonus and this was offset against the outstanding receivables in January 2014. Dana Gas Egypt has committed to spend USD 25.5 million on the block during the first phase of exploration which is 4 years.

(b) Sharjah Western Offshore

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

25 SHARE BASED PAYMENT

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

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

Restricted Shares

Awards under this plan are generally subject to vesting over time, contingent upon continued employment and to restriction on sale, transfer or assignment until the end of a specified period, generally over one to three years from date of grant. All awards may be cancelled if employment is terminated before the end of the relevant restriction period. The Group determines fair value of restricted shares unit based on the numbers of unit granted and the grant date fair value. The Group has made no restricted share awards to key employees during the year and the charge relates to restricted shares issued in lieu of previously held options and previously issued restricted shares.

25 SHARE BASED PAYMENT (continued)

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

	2013 USD mm	2012 USD mm
Expense arising from share-based payment transactions	4	1

26 RELATED PARTY DISCLOSURES

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

	2013		2012	
	Revenues USD mm	Fees for management services USD mm	Revenues USD mm	Fees for management services USD mm
Joint ventures	1	2	1	2
Major shareholders	-	1	-	1
	1	3	1	3

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

Compensation of key management personnel

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

	2013 USD mm	2012 USD mm
Short-term benefits	8	8
Restricted Shares	4	1
	12	9

Notes to the Consolidated Financial Statements

As at 31 December 2013

27 INCOME TAX EXPENSE

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

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

28 ASSETS HELD FOR SALE

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

The results of discontinued operation are presented below:

	2013 USD mm	*2012 USD mm*
Net revenue	**5**	6
Cost of sales & depletion	**(5)**	(5)
Net profit	**-**	1

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

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

29 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

Financial risk factors

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

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

(a) Foreign currency risk

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

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

(b) Profit rate risk

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

(c) Equity price risk

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

(d) Credit risk

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

(i)Trade receivables

The trade receivables arise from its operations in UAE, Egypt and Kurdistan Region of Iraq. The requirement for impairment is analysed at each reporting date on an individual basis for major customers. As majority of the Group's trade receivable are from Government related entities no impairment was necessitated at this point. The maximum exposure to credit risk at the reporting date is the carrying amount as illustrated in note 14.

29 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

(ii) Bank balances

Credit risk from balances with banks and financial institutions is managed by Group's Treasury in accordance with the Group policy. Investment of surplus funds is made only with counterparties approved by the Group's Board of Directors. The Group's maximum exposure to credit risk in respect of bank balances as at 31 December 2013 is the carrying amount as illustrated in note 17.

(e) Liquidity risk

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

Year ended 31 December 2013

	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**	**51**	**1,037**	**-**	**1,093**
Trade payables and accruals	**-**	**141**	**-**	**-**	**-**	**141**
Provisions	**3**	**-**	**-**	**3**	**22**	**28**
	3	**146**	**51**	**1,040**	**22**	**1,262**

Year ended 31 December 2012

	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	920	-	-	-	-	920
Trade payables and accruals	-	129	-	-	-	129
Provisions	-	-	2	5	16	23
	920	129	2	5	16	1,072

Capital risk management

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

The Group manages its capital structure and makes adjustments to it in light of changes in business conditions. No changes were made in the objectives, policies or processes during the years ended 31 December 2013 and 31 December 2012. Capital comprises share capital, retained earnings, other reserves and equity component of convertible bonds, and is measured at USD 2,380 million as at 31 December 2013 (2012: USD 2,283 million).

30 FAIR VALUE ESTIMATION

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

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

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

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

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

30 FAIR VALUE ESTIMATION (continued)

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

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

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

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

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

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

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

31 FINANCIAL INSTRUMENTS BY CATEGORY

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

31 December 2013 **Liabilities as per Statement of Financial Position**	*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*
Borrowings	-	-	815	815
Provisions	-	-	17	17
Trade and other payable excluding statutory liabilities	-	-	141	141
Total	-	-	973	973

31 FINANCIAL INSTRUMENTS BY CATEGORY (continued)

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

	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 2012 Liabilities as per Statement of Financial Position				
Borrowings	-	-	920	920
Provisions	-	-	14	14
Trade and other payable excluding statutory liabilities	-	-	129	129
Total	-	-	1,063	1,063

32 SHARE OF INTEREST IN JOINT VENTURES

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

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

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

	EBGDCO USD mm	Gas Cities USD mm	CNGCL USD mm	Total USD mm
Revenue	22	-	-	22
Profit before tax	(1)	-	(3)	(4)
Income tax (expense) / credit	-	-	-	-
Profit for the year	**(1)**	**-**	**(3)**	**(4)**
Other comprehensive income	**-**	**-**	**-**	**-**
Total comprehensive income for the year	**(1)**	**-**	**(3)**	**(4)**
Group's share of profit for the year	**(0.3)**	**-**	**(1)**	**(1.3)**

Out of the total investment of USD 567 million, investment of USD 558 million relates to interest in CNGCL which represents the fair value of the rights for the purchase and sale of gas and related products acquired by the Company through its 35% interest in CNGCL. The fair value of the rights acquired in 2005 was determined by reference to valuation exercises undertaken by professionally qualified independent third parties based on the expected future cash flows arising from the underlying contractual relationships.

32 SHARE OF INTEREST IN JOINT VENTURES (continued)

Commercial activity in CNGCL has not yet commenced. In July 2010, NIOC introduced gas into its completed transmission network and Dana Gas' UGTC pipeline and SajGas processing facilities in Sharjah for commissioning purposes. However, subsequently as it pressured up, NIOC discovered significant leaks in its offshore gas transmission system which needs rectification. Notwithstanding this, Crescent Petroleum is continuing with international arbitration to seek a ruling on its binding 25 years gas supply contract with NIOC and expects an enforceable decision by the international tribunal during 2014. Based on the information available at this time, the Directors and management are confident of a positive outcome.

Interest in joint ventures (transition to IFRS 11)

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

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

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

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

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

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

DANA GAS PJSC

P.O.Box 2011
Sharjah
United Arab Emirates

T: +971 6 556 9444
F: +971 6 556 6522
www.danagas.com