

# **Dana Gas PJSC and Subsidiaries**

## **CONSOLIDATED FINANCIAL STATEMENTS**

**31 DECEMBER 2022**

## **DANA GAS PJSC**

### **Report of the Directors**

The Board of Directors of Dana Gas PJSC (“Dana Gas” or the “Company”) are pleased to announce the consolidated financial results of the Company, its subsidiaries and joint arrangements (together referred to as the “Group”) for the year ended 31 December 2022.

#### **Principal Activities**

Dana Gas was incorporated in the Emirate of Sharjah (“Sharjah”), United Arab Emirates, as a public joint stock company on 20 November 2005 pursuant to incorporation decree number 429/2005 issued by the Ministry of Economy.

Dana Gas is the Middle East’s first and largest private sector natural gas company. The Group currently operates in the MENASA (Middle East, North Africa & South Asia) Region across the natural gas value chain; from exploration and production, through gas processing and transportation, to the distribution, marketing and utilisation of gas as feedstock and fuel to the petrochemical, industrial and the power sectors. Since its establishment, the Company has grown to be a regional natural gas Company with presence in the United Arab Emirates, Egypt, and the Kurdistan Region of Iraq (KRI) and headquartered in Sharjah, United Arab Emirates.

#### **Results for the year ended 31 December 2022**

During the year, the Group earned gross revenues of USD 529 million (AED 1.9 billion) as compared to USD 452 million (AED 1.65 billion) in 2021, an increase of 17% due to higher realised prices during the year. This increase was partly offset by lower production in Egypt which declined by 8%. Realised price averaged USD 79/bbl for condensate and USD 42/boe for LPG compared to USD 54/bbl and USD 35/boe respectively in 2021 and positively impacted the revenues by USD 107 million.

The Group ended the year with an average production of 60,200 barrels of oil equivalent per day (boepd), a decrease of 3% compared to last year’s production of 62,100 boepd. Production in Kurdistan increased by 1% from 33,800 boepd to 34,300 boepd in the corresponding year. This was offset by a drop in production in Egypt which fell 8% to 25,900 boepd as compared to 28,300 in 2021, due to natural decline in producing fields.

The Group achieved a Net Profit of USD 182 million (AED 667 million) in 2022 as compared to a Net Profit of USD 317 million (AED 1,163 million). Excluding the other income and impairments recognized in 2022 and 2021, the Group adjusted net profit for the year was higher by 53% at a record USD 196 million (AED 718 million) compared to adjusted net profit of USD 128 million (AED 469 million), reflecting strong underlying operating performance.

Earnings before interest, tax, depreciation and amortisation (“EBITDA”) was higher at USD 332 million (AED 1,217 million) compared to USD 269 million (AED 986 million) in 2021 mainly due to increased revenue.

#### **Liquidity and Financial Resources**

Cash and bank balance at year end stood at USD 151 million (AED 553 million), a decrease of 18% compared to 2021 balance of USD 185 million (AED 678 million). Cash includes USD 88 million (AED 323 million) being 35% share of cash held at Pearl Petroleum.

The Group collected a total of USD 318 million (AED 1,166 million) during the year with Egypt and KRI contributing USD 85 million (AED 312 million) and USD 233 million (AED 854 million), respectively. During the year the Company paid a final dividend of 4.5 fils for 2021 and an interim dividend of 4.5 fils for the first half of 2022.

As at 31 December 2022, Egypt receivable stood at USD 30 million (AED 110 million) an increase of USD 6 million. In Kurdistan, receivable increased to USD 64 million (AED 235 million) from USD 43 million (AED 158 million) at the end of 2021. The increase in Kurdistan receivable is a result of delays in the payment of invoices.

## **DANA GAS PJSC**

### **Report of the Directors**

#### **Business Update**

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

#### **Reserves & Resources**

##### ***(a) Pearl Petroleum Company Limited***

As reported previously, Dana Gas and Crescent Petroleum, joint operators of Pearl Petroleum Company Limited ("PPCL"), estimates that the P50 total geologically risked<sup>1</sup> resources of petroleum initially in-place (PIIP) of the Khor Mor and Chemchemical Fields at 75 Tscf (of wet gas) and 7 billion barrels of oil.

PPCL appointed Gaffney Cline Associates ("GCA") to carry out a certification of the reserves for these fields as at 15 May 2019. The certification is based on the earlier work carried by GCA but updated to take into account the current understanding of the field, production data and incorporating the latest appraisal well drilling and test results.

In their report, GCA estimates the following reserves:

##### **Khor Mor**

- Proved plus probable (2P) gas, condensate and LPG reserves are 6.9 Tscf, 173 MMbbl and 18 MMt, respectively, of which Dana Gas' 35% share equates to 2.4 Tscf of dry gas, 61 MMbbl of condensate and 6 MMt of LPG.
- Proved plus probable (2P) oil reserves of 51.3 MMbbl of which Dana Gas' 35% share equates to 18 MMbbl

##### **Chemchemical**

- Proved plus probable (2P) gas, condensate and LPG reserves are 5.7 Tscf, 215 MMbbl and 20 MMt, respectively, of which Dana Gas' 35% share equates to 2 Tscf of dry gas, 75 MMbbl of condensate and 7 MMt of LPG.

Dana's share of the proved plus probable (2P) hydrocarbon reserves have increased by 10% following the 2019 certification of reserves. Management's estimate of the total share of Dana Gas is equivalent to 1,087 MMboe, up from 990 MMboe when GCA first certified the field in April 2016. This confirms that the fields located in the KRI could be the biggest gas fields in the whole of Iraq.

The balance between these 2P reserves figures and the joint operator's estimated risked initially in place (gas and oil) resources (PIIP) are classified as Contingent Resources<sup>2</sup> and Prospective Resources<sup>3</sup>.

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<sup>1</sup> Risked PIIP figures have been calculated by means of a stochastic aggregation using GeoX software with risk factors accounting for geological uncertainties calibrated by surrounding producing oil and/or gas fields.

<sup>2</sup> Those quantities of petroleum estimated to be potentially recoverable but not yet considered mature enough for commercial development due to one or more contingencies.

<sup>3</sup> Those quantities of petroleum estimated to be potentially recoverable from undiscovered accumulations by future development projects.

## **DANA GAS PJSC**

### **Report of the Directors**

#### **Reserves & Resources (continued)**

##### ***(b) Dana Gas Egypt***

Gaffney, Cline & Associates (GCA), a leading advisory firm carried out an independent evaluation of Dana Gas Egypt's hydrocarbon reserves as at 31 December 2022. The Group's gross proved reserves (1P) as at 31 December 2022 were assessed at 23 MMboe (31 December 2021: 30 MMboe). The gross proved and probable reserves (2P) as at 31 December 2022 were estimated at 42 MMboe (31 December 2021: 44 MMboe) and the gross proved, probable and possible reserves (3P) as at 31 December 2022 were estimated to be 62 MMboe (31 December 2021: 73 MMboe).

GCA reserves estimation is based on the enhanced fiscal terms of the concession consolidation agreement with the Egyptian Natural Gas Holding Company (EGAS). The agreement is subject to the Egyptian parliament ratification which is expected later this year.

#### **E&P Operations**

##### ***(a) Pearl Petroleum Company Limited (KRI) E&P Operations***

Dana Gas's share (35%) of gross production in the KRI for 2022 was 12.5 MMboe, i.e. averaging 34,300 boe per day (2021 – DG Share 35%: 12.3 MMboe, averaging 33,800 boe per day), an increase of 1% when compared with the corresponding year. Following the successful completion of further plant de-bottlenecking enhancements at the Khor Mor facility in the second half of the year, the plant's production capacity increased by 50 MMscfd to 500 MMscfd. Gas production reached this new record of 500 MMscfd on the 14 January and will have a positive impact on production and revenues in 2023.

Dana Gas' share of collections for the year stood at USD 233 million (AED 854 million) and hence realised 91% of the year's revenue. At year end, Dana Gas' 35% share of trade receivable balance stood at USD 64 million (AED 235 million) as compared to USD 43 million (AED 158 million) at year end 2021.

Pearl is proceeding with the development of its two world-class gas fields with in-place volumes of approximately 75 trillion cubic feet of wet gas and 7 billion bbls of oil. In January 2020, Pearl appointed an engineering, procurement and construction ('EPC') contractor for the first of two 250 MMscf/d gas processing trains planned at the Khor Mor gas processing plant. The appointment of the contractor followed final approval by the Ministry of Natural Resources of the Kurdistan Regional Government, which oversees the project. The contract award marks a key milestone in Pearl Petroleum's long-term expansion plan. The second phase will take total production to 1000 MMscfd.

In January 2020, Exterran – a leading oil and gas services provider, was appointed to carry out engineering, procurement and construction ("EPC") of a 250 MMSCFD gas processing train and provide operations related technical assistance services for 5 years post hand over of the plant. The EPC contract terms reflect Exterran's contractor financing whereby the plant will be predominantly funded by Exterran with repayment of principal with interest over five years following completion of the plant. Following declarations of force majeure in 2020 under the EPC contract due to COVID, work restarted end 2020. Pearl and Exterran agreed on a completion date of 30 April 2023. In 2022 Exterran was purchased by Enerflex.

Work on the KM 250 onsite EPC contract activities was temporarily suspended in June following rocket attacks in the area of the construction site and plant and a state of force majeure was declared. Subsequent to year end, following enhancement of the security arrangements, Enerflex and its subcontractors have started to remobilize to site and construction activities are now underway.

Production, drilling operations and non-EPC contract activities have continued throughout as normal.

**DANA GAS PJSC**  
**Report of the Directors**

**E&P Operations**

*(b) Egypt E&P operations*

Dana Gas Egypt ended 2022 with production for the full year of operations of 9.4 MMboe i.e. averaging 25,900 boepd (2021: 10.3 MMboe, i.e. averaging 28,300 boepd), a decrease of 8% over the corresponding year. The field annual natural decline of circa 20% was partially compensated by the intervention campaign and production optimization operations at field and plant level.

In Egypt, the Company collected a total USD 85 million (AED 312 million) during 2022 and hence realized 93% of the year's revenue. At year end, the trade receivable balance stood at USD 30 million (AED 110 million) as compared to USD 24 million (AED 88 million) at the end of 2021.

In Egypt, the Company reached an agreement with the Egyptian Natural Gas Holding Company (EGAS) for consolidation of its existing concessions on enhanced fiscal terms. The new terms will extend the life of Egypt's economic assets. The agreement is subject to the Egyptian parliament ratification which is expected later this year.

## **DANA GAS PJSC**

### **Report of the Directors**

#### **UAE Gas Project**

The UAE Gas Project includes Dana Gas' 35% interest in Crescent National Gas Corporation Limited (CNGCL), which is entitled to market the gas, and 100% interests in UGTC and Saj Gas, the entities that own the offshore riser platform, the offshore and onshore pipelines to transport the gas and the sour gas processing plant to process the gas.

#### **Arbitration Cases**

- a) The Gas Sales & Purchase Contract between Dana Gas' partner Crescent Petroleum and the National Iranian Oil Company ('NIOC') for the supply of gas to the UAE has been the subject of international arbitration since June 2009. In August 2014, Dana Gas was notified by Crescent Petroleum that the Arbitral Tribunal has issued a Final Award on the merits, determining that the 25-year Contract between it and NIOC is valid and binding upon the parties, and that NIOC had been in breach of its contractual obligation to deliver gas under the Contract since December 2005.

The parties to the arbitrations are Crescent Petroleum and NIOC, who are the parties to the Gas Sales & Purchase Contract (GSPC) at issue in the arbitration. Dana Gas is not a party to the GSPC, or to the arbitration.

Dana Gas was informed by Crescent Petroleum that an award for damages in the first arbitration against NIOC was made by the international arbitration tribunal on 27 September 2021. This first arbitration covered the period of the first 8.5 years of the 25 year gas sales agreement from 2005 to mid-2014. Dana Gas share of award was USD 608 million (AED 2.23 Billion) which was recorded in the books in 2021.

In addition, a second arbitration with a much larger claim for the 16.5 years covering the remainder of the gas supply period from 2014 to 2030 is currently underway. The final hearing was scheduled to commence in October 2022 in Paris, however was delayed to March 2023. The hearing has been further deferred and is now anticipated later this year. The final award on damages is expected by 2024. Dana Gas will also receive a portion of the next award which is expected to be more than the sum due from the first arbitration in keeping with the longer time period.

- b) MOL Earn Out payment arbitration: The Company, together with Crescent Petroleum, commenced arbitration proceedings against MOL Hungarian Oil and Gas Public Limited Company ('MOL') on 14 February 2020 arising out of MOL's attempts to avoid paying reserve based earn out payments to the Company and Crescent Petroleum in accordance with the terms of the Sale and Purchase Agreement entered into between the Parties in 2009, through which MOL acquired its 10% shareholding in Pearl Petroleum.

The Company received the final award in December from London Court of International Arbitration (LCIA). The arbitration panel dismissed the claims and ruled that the Company is not entitled to the earn-out payments.

## **DANA GAS PJSC**

### **Report of the Directors**

#### **Arbitration Cases (continued)**

- c) OMV Earn Out payment arbitration: The Company, together with Crescent Petroleum, commenced arbitration proceedings against OMV Upstream International GMBH ('OMV') on 14 February 2020 arising out of OMV's attempts to avoid paying reserve based earn out payments to the Company and Crescent Petroleum in accordance with the terms of the Sale and Purchase Agreement entered into between the Parties in 2009, through which OMV acquired its 10% shareholding in Pearl Petroleum.

Subsequent to year-end, the Company received the final award from London Court of International Arbitration (LCIA). The arbitration panel dismissed the claims and ruled that the Company is not entitled to the earn-out payments.

#### **Directors**

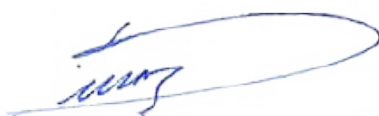
1. Mr. Hamid Dhiya Jafar, Chairman
2. Mr. Rashid Saif Al-Jarwan, Deputy Chairman
3. Mr. Ajit Vijay Joshi
4. Mr. Hani Abdulaziz Hussein
5. Mr. Jassim MohamadRafi Alseddqi
6. Mr. Majid Hamid Jafar
7. Ms. Najla Ahmed Al-Midfa
8. Mr. Shaheen Al-Muhairi
9. Mr. Varoujan Nerguizian
10. H.E. Younis Al Khoori
11. Mr. Ziad Abdulla Ibrahim Galadari

#### **Auditors**

The financial statements have been audited by Ernst & Young.

On behalf of the Board of Directors

To the best of our knowledge, the financial information included in the report fairly presents in all material respects the financial condition, results of operation and cash flows of the company as of, and for, the periods presented in the report.



**Directors**  
**07 March 2023**

## **INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF DANA GAS PJSC**

### **Report on the audit of the consolidated financial statements**

#### **Opinion**

We have audited the consolidated financial statements of Dana Gas PJSC (the “Company” or “Dana Gas”) and its subsidiaries (the “Group”), which comprise the consolidated statement of financial position as at 31 December 2022, and the consolidated income statement, consolidated statement of other comprehensive income, consolidated statement of cash flows and consolidated statement of changes in equity for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at 31 December 2022, and its financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards (“IFRSs”).

#### **Basis for opinion**

We conducted our audit in accordance with International Standards on Auditing (“ISAs”). Our responsibilities under those standards are further described in the *Auditor’s responsibilities for the audit of the consolidated financial statements* section of our report. We are independent of the Group in accordance with the *International Code of Ethics for Professional Accountants (including International Independence Standards)* (the “*IESBA Code*”) together with the ethical requirements that are relevant to our audit of the consolidated financial statements in the United Arab Emirates, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

#### **Emphasis of matter**

We draw attention to the matter described in note 13, 14 (a) and 16 to the consolidated financial statements which describes the current position with respect to arbitration proceedings that a key supplier of the Group has initiated against the ultimate supplier relating to delays in commencement of gas supplies, and the uncertainty surrounding the timing and final outcome of those arbitration proceedings. Our opinion is not modified in respect of these matter.

#### **Key audit matters**

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled the responsibilities described in the Auditor’s responsibilities for the audit of the consolidated financial statements section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the consolidated financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis of our audit opinion on the accompanying consolidated financial statements.



## INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF DANA GAS PJSC (continued)

### Key audit matters (continued)

Key audit matter	How our audit addressed the key audit matter
<p><b>UAE gas project assets and legal arbitration</b></p> <p>The Group's consolidated statement of financial position includes UAE Gas Project assets as at 31 December 2022 comprising of:</p> <ul style="list-style-type: none"> <li>a) Property, plant and equipment of USD 138 million (note 13);</li> <li>b) intangible assets of USD 191 million (note 14a); and</li> <li>c) investment in joint venture of USD 361 million (note 16).</li> </ul> <p>As disclosed in notes 13, 14 (a) and 16 to the consolidated financial statements, the UAE Gas Project to process and transport imported gas continues to be subject to international arbitration in relation to NIOC's supply failure in default of its 25 years gas supply contract with Crescent Petroleum.</p> <p>Crescent Petroleum received an award for damages in the first arbitration against NIOC by the international arbitration tribunal on 27 September 2021.</p> <p>Following the first arbitration award, management has carried out an assessment of the recoverable values of the UAE Gas Project assets and has recognised an impairment of USD 360 million during the year ended 31 December 2021 against these assets.</p> <p>Since significant judgement and assumptions are involved in assessing the recoverable value of these assets and the uncertainty surrounding the amount and timing of damages award from the second arbitration, we have identified this as a key audit matter.</p>	<p>We performed the below procedures to address this key audit matter:</p> <ul style="list-style-type: none"> <li>• We reviewed the legal documents including the decision of the English High Court of July 2016 relating to the dismissal of the NIOC challenge of the Award and the first arbitration award;</li> <li>• We discussed the progress and status of the arbitration process with the Group's legal department and senior management;</li> <li>• We assessed the reasonableness of management's assumptions used in assessing the recoverable value of these assets and that the sums expected from the second arbitration will be sufficient to cover the remaining carrying value of the related assets;</li> <li>• We inspected publicly available information of a case involving Iran in international arbitrations, Iran's adherence to the decisions by courts, form and timing of related settlements; and</li> <li>• We also reviewed the adequacy of the related disclosures in the consolidated financial statements.</li> </ul> <p>Considering the inherent uncertainty over the ultimate outcome of any arbitration or court process, we have included an emphasis of this matter as above in this audit report.</p>

## INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF DANA GAS PJSC (continued)

### Key audit matters (continued)

Key audit matter	How our audit addressed the key audit matter
<p><b>Impairment assessment of Oil &amp; Gas interests</b></p> <p>As at 31 December 2022, the Group has tangible oil and gas interests of USD 454 million (note 13). As required by IAS 36 'Impairment of Assets', management performed an annual impairment test of tangible Oil and Gas Interests with value in use model supported by an independent expert's reserve report.</p> <p>We have identified this as a key audit matter because it requires significant management judgements and assumptions that are affected by future market conditions, particularly future hydrocarbon prices, expected reserves amount and macro-economic conditions.</p> <p>Key estimates in management's impairment test include judgements and assumptions around hydrocarbon price assumptions, discount rates, production forecasts and future capital and operational costs.</p>	<p>We performed the below procedures in relation to management's assessment of the recoverability of oil &amp; gas assets:</p> <ul style="list-style-type: none"> <li>• We evaluated the assumptions and methodologies used by the Group and the independent external expert, in particular those relating to discount rates, oil/gas prices, capital/ operating expenditures and production profile;</li> <li>• We compared the management's hydrocarbon price assumptions against third party forecasts, contractual arrangements and relevant market data to determine whether the price assumptions were within the range of such forecasts;</li> <li>• We evaluated the reasonableness of the discount rates used by comparing key inputs, where relevant, to the externally derived data and market rates;</li> <li>• We reviewed reports provided by external experts and the terms of engagement with the Group to assess their scope of work and conclusions, assessing the objectivity, independence and expertise of external reserve experts;</li> <li>• We reviewed the reasonableness of the production profile in light of reserves volumes certified by independent external experts and historical operations;</li> <li>• We reviewed estimated future capital and operational costs by comparison to the approved budgets, historical costs and assessed them with reference to field production forecasts and our expectations based upon other information obtained throughout the audit;</li> <li>• We reviewed the mathematical accuracy of the impairment models and performed sensitivity analysis over inputs to the cash flow models; and</li> <li>• We also focused on the adequacy of the Group's disclosures about those assumptions to which the outcome of the impairment test is most sensitive, that is, those that have the most significant effect on the determination of the recoverable amount of oil and gas assets which are disclosed in note 3 to the consolidated financial statements.</li> </ul>

## INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF DANA GAS PJSC (continued)

### Key audit matters (continued)

Key audit matter	How our audit addressed the key audit matter
<p><b>Estimation of fair value of financial assets at fair value through profit or loss</b></p> <p>As disclosed in Note 19 to the consolidated financial statements, the Group has financial assets at fair value through profit or loss of USD 94 million as at 31 December 2022. These assets arise from certain confined payments from RWE Supply &amp; Trading GmbH. Estimating the fair value of these assets is a complex process and involves a high estimation uncertainty.</p> <p>We have identified this as key audit matter as the recognition of financial assets at fair value through profit or loss requires significant judgements and estimates to be undertaken by management.</p> <p>The key estimates in management's fair value model are the probability of collection and the discount rates.</p>	<p>We performed the below procedures in relation to management's assessment of the fair value of financial assets:</p> <ul style="list-style-type: none"> <li>• We assessed the reasonableness of the management's rationale for concluding on the probability of the collection and reviewed the cash received during the year</li> <li>• We evaluated the reasonableness of the discount rates used; and</li> <li>• We also reviewed the adequacy of the related disclosures in the consolidated financial statements, including management's judgements and estimation uncertainty surrounding the carrying value of the assets.</li> </ul>

## **INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF DANA GAS PJSC (continued)**

### **Other information**

Other information consists of the information included in the Group's 2022 Annual Report, other than the consolidated financial statements and our auditors' report thereon. We obtained the Report of the Directors, prior to the date of our auditors' report, and we expect to obtain the remaining sections of the Group's 2022 Annual Report after the date of our auditors' report. Management is responsible for the other information.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

When we read the Group's 2022 Annual report, if we conclude that there is a material misstatement therein, we are required to communicate the matter to those charged with governance and take appropriate actions in accordance with ISAs.

### **Responsibilities of management and those charged with governance for the consolidated financial statements**

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with IFRSs, and in compliance with the applicable provisions of the articles of association of the Company and the UAE Federal Law No. 32 of 2021, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Group's financial reporting process.

### **Auditor's responsibilities for the audit of the consolidated financial statements**

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

## **INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF DANA GAS PJSC (continued)**

### **Auditor's responsibilities for the audit of the consolidated financial statements (continued)**

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit 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 Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

**INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF  
DANA GAS PJSC (continued)**

Further, as required by the UAE Federal Law No. 32 of 2021, we report that for the year ended 31 December 2022:

- i) we have obtained all the information we considered necessary for the purposes of our audit;
- ii) the consolidated financial statements have been prepared and comply, in all material respects, with the applicable provisions of the UAE Federal Law No. 32 of 2021 and the articles of association of the Company;
- iii) the Group has maintained proper books of account;
- iv) the financial information included in the Report of the Directors is consistent with the books of account of the Group;
- v) investments in shares and stocks during the year ended 31 December 2022, if any, are disclosed in note 19 to the consolidated financial statements;
- vi) note 30 reflects material related party transactions and the terms under which they were conducted;
- vii) based on the information that has been made available to us nothing has come to our attention which causes us to believe that the Company has contravened during the financial year ended 31 December 2022 any of the applicable provisions of the UAE Federal Law No. 32 of 2021 or of its articles of association which would materially affect its activities or its consolidated financial position as at 31 December 2022; and
- viii) note 34 reflects the social contributions made during the year ended 31 December 2022.

For Ernst & Young



Signed by:  
Anthony O'Sullivan  
Partner  
Registration No. 687

7 March 2023

Sharjah, United Arab Emirates

# Dana Gas PJSC and Subsidiaries

## CONSOLIDATED INCOME STATEMENT

For the year ended 31 December 2022

	Notes	2022		2021	
		USD mm	AED mm	USD mm	AED mm
Gross revenue	5	529	1,939	452	1,657
Royalties	5	(152)	(557)	(134)	(491)
Net revenue		377	1,382	318	1,166
Operating costs	6	(57)	(210)	(60)	(220)
Depreciation & depletion	13	(71)	(260)	(63)	(231)
<b>Gross profit</b>		<b>249</b>	<b>912</b>	<b>195</b>	<b>715</b>
General and administration expenses		(12)	(44)	(11)	(40)
Other expenses		(10)	(37)	(16)	(60)
Investment and finance income	7	5	18	2	7
Other income	8	36	132	642	2,353
Reversal of impairment of oil & gas assets	12	-	-	80	293
Impairment of PP&E, intangible and joint venture	13/14/16	(2)	(7)	(531)	(1,945)
Impairment/write-off of financial assets	19	(47)	(172)	(2)	(7)
Change in fair value of asset held for sale	12	-	-	(14)	(51)
Share of (loss) / profit of a joint venture	16	(2)	(7)	4	15
Exploration expenses		-	-	(5)	(18)
Finance cost	9	(9)	(33)	(5)	(18)
<b>PROFIT BEFORE INCOME TAX</b>		<b>208</b>	<b>762</b>	<b>339</b>	<b>1,244</b>
Income tax expense	10	(26)	(95)	(22)	(81)
<b>PROFIT FOR THE YEAR</b>		<b>182</b>	<b>667</b>	<b>317</b>	<b>1,163</b>
<b>PROFIT ATTRIBUTABLE TO:</b>					
- Equity holders of the parent		182	667	315	1,156
- Non-controlling interest		-	-	2	7
		<b>182</b>	<b>667</b>	<b>317</b>	<b>1,163</b>
<b>EARNINGS PER SHARE:</b>					
Basic & Diluted earnings per share (USD/AED per share)	11	0.026	0.095	0.045	0.165

The attached notes 1 to 34 form part of these consolidated financial statements.

Dana Gas PJSC and Subsidiaries

CONSOLIDATED STATEMENT OF OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2022

	2022		2021	
	<i>USD mm</i>	<i>AED mm</i>	<i>USD mm</i>	<i>AED mm</i>
<b>Profit for the year</b>	<b>182</b>	<b>667</b>	317	1,163
Other comprehensive income	-	-	-	-
<b>Other comprehensive income for the year</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>TOTAL COMPREHENSIVE INCOME FOR THE YEAR</b>	<b>182</b>	<b>667</b>	317	1,163
<b>ATTRIBUTABLE TO:</b>				
- Equity holders of the parent	182	667	315	1,156
- Non-controlling interest	-	-	2	7
	<b>182</b>	<b>667</b>	317	1,163

The attached notes 1 to 34 form part of these consolidated financial statements.



# Dana Gas PJSC and Subsidiaries

## CONSOLIDATED STATEMENT OF FINANCIAL POSITION

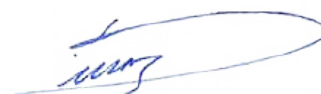
As at 31 December 2022

	Notes	2022 USD mm	2022 AED mm	2021 USD mm	2021 AED mm
<b>ASSETS</b>					
<b>Non-current assets</b>					
Property, plant and equipment	13	1,060	3,885	1,013	3,713
Intangible assets	14	211	773	191	700
Investment property	15	20	73	20	73
Interest in joint ventures	16	361	1,324	363	1,331
Financial assets at fair value through profit or loss	19	87	319	66	242
		<u>1,739</u>	<u>6,374</u>	<u>1,653</u>	<u>6,059</u>
<b>Current assets</b>					
Inventories	18	21	77	21	77
Financial assets at fair value through profit or loss	19	7	26	53	194
Sum due following arbitration award	20	608	2,229	608	2,229
Trade and other receivables	21	143	524	107	392
Cash and cash equivalents	22	151	553	185	678
Total current assets		<u>930</u>	<u>3,409</u>	<u>974</u>	<u>3,570</u>
<b>TOTAL ASSETS</b>		<u><b>2,669</b></u>	<u><b>9,783</b></u>	<u><b>2,627</b></u>	<u><b>9,629</b></u>
<b>EQUITY</b>					
<b>Capital and reserves attributable to equity holders of the Company</b>					
Share capital	23	1,908	6,995	1,908	6,995
Legal reserve	25	182	666	164	599
Voluntary reserve	25	50	183	32	116
Retained earnings		160	587	189	695
Total equity		<u><b>2,300</b></u>	<u><b>8,431</b></u>	<u><b>2,293</b></u>	<u><b>8,405</b></u>
<b>LIABILITIES</b>					
<b>Non-current liabilities</b>					
Borrowings	26	159	583	162	594
Trade payables and accruals	28	58	213	36	132
Provisions	27	20	73	17	62
		<u>237</u>	<u>869</u>	<u>215</u>	<u>788</u>
<b>Current liabilities</b>					
Borrowings	26	57	209	37	136
Trade payables and accruals	28	75	274	82	300
Total current liabilities		<u>132</u>	<u>483</u>	<u>119</u>	<u>436</u>
<b>Total liabilities</b>		<u><b>369</b></u>	<u><b>1,352</b></u>	<u><b>334</b></u>	<u><b>1,224</b></u>
<b>TOTAL EQUITY AND LIABILITIES</b>		<u><b>2,669</b></u>	<u><b>9,783</b></u>	<u><b>2,627</b></u>	<u><b>9,629</b></u>

The consolidated financial statements were approved for issue by the Board of Directors on 07 March 2023 and signed on their behalf by:



Director



Director

The attached notes 1 to 34 form part of these consolidated financial statements.

# Dana Gas PJSC and Subsidiaries

## CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2022

		2022		2021	
	Notes	USD mm	AED mm	USD mm	AED mm
<b>OPERATING ACTIVITIES</b>					
Profit before income tax		208	762	339	1,244
Adjustments for:					
Depreciation and depletion	13	71	260	63	231
Investment and finance income		(5)	(18)	(2)	(7)
Other income	8	(36)	(132)	(642)	(2,353)
Reversal of impairment of oil & gas assets	12	-	-	(80)	(293)
Impairment of PP&E, intangible & joint venture	13/14/16	2	7	531	1,945
Impairment/write-off of financial assets		47	172	2	7
Change in fair value of assets held for sale	12	-	-	14	51
Share of loss / (profit) of a joint venture	16	2	7	(4)	(15)
Exploration expenses		-	-	5	18
Finance cost	9	9	33	5	18
Directors' remuneration		(3)	(11)	-	-
		295	1,080	231	846
Changes in working capital:					
Trade and other receivables		(45)	(164)	96	353
Inventories		-	-	1	4
Trade payables and accruals		1	4	(4)	(15)
Net cash generated from operating activities		251	920	324	1,188
Income tax paid		(26)	(95)	(22)	(81)
Net cash flows generated from operating activities		225	825	302	1,107
<b>INVESTING ACTIVITIES</b>					
Purchase of property, plant and equipment		(91)	(334)	(104)	(381)
Expenditure on intangible assets		-	-	(2)	(7)
Investment and finance income received		2	7	2	7
Proceeds from sale of interest in joint venture	16	-	-	15	55
Net cash flows used in investing activities		(89)	(327)	(89)	(326)
<b>FINANCING ACTIVITIES</b>					
Dividend paid	31	(172)	(630)	(172)	(630)
Proceeds from sale of treasury shares		-	-	7	26
Repayment of borrowings		(37)	(136)	(22)	(81)
Proceeds from borrowings		53	194	59	216
Finance costs paid		(14)	(51)	(9)	(33)
Net cash flow used in financing activities		(170)	(623)	(137)	(502)
<b>NET (DECREASE) / INCREASE IN CASH AND CASH EQUIVALENTS</b>					
		(34)	(125)	76	279
Cash and cash equivalents at the beginning of the year	22	185	678	109	399
<b>CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR</b>					
	22	151	553	185	678

The attached notes 1 to 34 form part of these consolidated financial statements.

# Dana Gas PJSC and Subsidiaries

## CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2022

### Attributable to equity holders of the Company

	Share capital		Legal reserve		Voluntary reserve		Retained earnings		Other reserves		Treasury Shares		Non-controlling interest		Total	
	USD	AED	USD	AED	USD	AED	USD	AED	USD	AED	USD	AED	USD	AED	USD	AED
	Mm	mm	mm	mm	mm	mm	mm	mm	mm	mm	mm	mm	mm	mm	mm	mm
As at 1 January 2022	1,908	6,995	164	599	32	116	189	695	-	-	-	-	-	-	2,293	8,405
Profit for the year	-	-	-	-	-	-	182	667	-	-	-	-	-	-	182	667
Total comprehensive profit for the year	-	-	-	-	-	-	182	667	-	-	-	-	-	-	182	667
Dividend paid	-	-	-	-	-	-	(172)	(630)	-	-	-	-	-	-	(172)	(630)
Transfer to reserves	-	-	18	67	18	67	(36)	(134)	-	-	-	-	-	-	-	-
Directors' remuneration	-	-	-	-	-	-	(3)	(11)	-	-	-	-	-	-	(3)	(11)
As at 31 December 2022	1,908	6,995	182	666	50	183	160	587	-	-	-	-	-	-	2,300	8,431
As at 1 January 2021	1,908	6,995	132	483	132	483	(20)	(75)	-	-	(9)	(33)	2	8	2,145	7,861
Profit for the year	-	-	-	-	-	-	315	1,156	-	-	-	-	2	7	317	1,163
Total comprehensive profit for the year	-	-	-	-	-	-	315	1,156	-	-	-	-	2	7	317	1,163
Sale of treasury shares	-	-	-	-	-	-	-	-	-	-	7	26	-	-	7	26
Transfer	-	-	-	-	(132)	(483)	132	483	-	-	-	-	-	-	-	-
Disposal of interest	-	-	-	-	-	-	-	-	-	-	-	-	(4)	(15)	(4)	(15)
Loss on treasury shares	-	-	-	-	-	-	(2)	(7)	-	-	2	7	-	-	-	-
Dividend paid	-	-	-	-	-	-	(172)	(630)	-	-	-	-	-	-	(172)	(630)
Transfer to reserves	-	-	32	116	32	116	(64)	(232)	-	-	-	-	-	-	-	-
As at 31 December 2021	1,908	6,995	164	599	32	116	189	695	-	-	-	-	-	-	2,293	8,405

The attached notes 1 to 34 form part of these consolidated financial statements.

# Dana Gas PJSC and Subsidiaries

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

At 31 December 2022

### 1 Corporate information

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

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

The Company’s registered head office is at P. O. Box 2011, Sharjah, United Arab Emirates with a presence in Cairo (Egypt) and Kurdistan Region of Iraq.

For the year ended 31 December 2022, the Group is in compliance with the provisions of the UAE Federal Decree Law No. (32) of 2021 concerning Commercial Companies. The Company has amended its Articles of Association to be in compliance with the said law.

On 9 December 2022, the UAE Ministry of Finance released Federal Decree-Law No. 47 of 2022 on the Taxation of Corporation and Businesses (Corporate Tax or the Law) to enact a Federal corporate tax (CT) regime in the UAE. The CT regime will become effective for accounting period beginning on or after 1 June 2023.

Generally, UAE businesses will be subject to a 9% CT rate, while a rate of 0% will apply to taxable income not exceeding a threshold of AED 375,000 by way of a Cabinet Decision issued in early 2023. There were a number of significant decisions that were yet to be finalized by way of a Cabinet Decision, that are critical for entities to determine their tax status and the amount of tax due. Therefore, pending such important decision by the Cabinet, the Group has determined that the Law was not practically operational as at 31 December 2022, and so not enacted or substantively enacted from the perspective of IAS 12 – Income Taxes. The Company shall continue to monitor the timing of the issuance of these critical cabinet decisions to determine its tax status and the applicability of IAS 12 – Income Taxes.

The Company is currently in the process of assessing the possible impact on the consolidated financial statements, both from current and deferred tax perspective, once the Law becomes substantively enacted.

Principal subsidiaries and joint arrangements of the Group at 31 December 2022 and 31 December 2021 and the Company’s (direct and indirect) percentage of ordinary share capital or interest are set out below:

<i><b>Subsidiaries</b></i>	<i><b>%</b></i>	<i><b>Country of incorporation</b></i>	<i><b>Principal activities</b></i>
Dana LNG Ventures Limited	100	British Virgin Islands	Intermediate holding company of Dana Gas Egypt
Dana Gas Red Sea Corporation	100	Barbados	Holding company of Dana Gas Egypt
Dana Gas Egypt Ltd	100	Barbados	Oil and Gas exploration (“Dana Gas Egypt”) & production
Dana Gas Explorations FZE	100	UAE	Oil and Gas exploration & production
Sajaa Gas Private Limited Company (“Saj Gas”)	100	UAE	Gas Sweetening
United Gas Transmissions Company Limited (“UGTC”)	100	UAE	Gas Transmission
Danagaz (Bahrain) WLL	66	Bahrain	Gas Processing

# Dana Gas PJSC and Subsidiaries

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

At 31 December 2022

### 1 Corporate information

<i>Joint Operations</i>	<i>%</i>	<i>Country of incorporation</i>	<i>Principal activities</i>
Pearl Petroleum Company Limited ("Pearl Petroleum")	35	British Virgin Islands	Oil and Gas exploration & production
UGTC/ Emarat JV	50	Unincorporated	Gas Transmission
<i>Joint Ventures</i>	<i>%</i>		
Crescent National Gas Corporation Limited ("CNGCL")	35	British Virgin Islands	Gas Marketing
GASCITIES Ltd	50	British Virgin Islands	Gas Cities

### 2 Summary of significant accounting policies

#### 2.1 Basis of preparation

The consolidated financial statements have been prepared on a historical cost basis, except for investment property and financial assets at fair value through profit or loss account that have been measured at fair value. The consolidated financial statements are presented in United States Dollars (USD), which is the Company's functional currency, and all the values are rounded to the nearest million (USD mm) except where otherwise indicated. The United Arab Emirates Dirham (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.

#### 2.2 Statement of compliance

The consolidated financial statements of the Group have been prepared in accordance with International Financial Reporting Standards (IFRS) and interpretations issued by the IFRS Interpretations Committee (IFRS IC) 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.

#### 2.3 New and amended standards adopted by the Group

The Group applied for the first-time certain standards and amendments, which are effective for annual periods beginning on or after 1 January 2022. These standards and amendments had no impact on the consolidated financial statements of the Group.

- Onerous Contracts – Costs of Fulfilling a Contract – Amendments to IAS 37 (1 January 2022)
- Reference to the Conceptual Framework – Amendments to IFRS 3 (1 January 2022)
- Property, Plant and Equipment: Proceeds before Intended Use – Amendments to IAS 16 (1 January 2022)
- IFRS 1 First-time Adoption of International Financial Reporting Standards – Subsidiary as a first-time Adopter (1 January 2022)
- IFRS 9 Financial Instruments – Fees in the '10 per cent' test for derecognition of financial liabilities (1 January 2022)
- IAS 41 Agriculture – Taxation in fair value measurements (1 January 2022)

## 2 Summary of significant accounting policies (continued)

### New standards and interpretations not yet adopted

The standards, amendments and interpretations that are issued, but not yet effective as at 31 December 2022 are disclosed below. The Group intends to adopt these standards, if applicable, when they become effective.

- IFRS 17 Insurance Contracts (1 January 2023)
- Amendments to IAS 1: Classification of liabilities as Current or Non-Current (1 January 2023)
- Definition of Accounting Estimates – Amendments to IAS 8 (1 January 2023)
- Disclosure of Accounting Policies – Amendments to IAS 1 (1 January 2023) and IFRS Practice Statement 2
- Lease Liability in a Sale and Leaseback – Amendments to IFRS 16 (1 January 2024)
- Classification of Liabilities as Current or Non-current - Amendments to IAS 1 (1 January 2024)

These standards, interpretations and improvements are not expected to have a material impact on the financial statements of the Group in the current or future reporting periods and on foreseeable future transactions.

### 2.4 Basis of consolidation

The consolidated financial statements comprise the financial statements of the Company and its subsidiaries as at 31 December 2022.

#### (a) Subsidiaries

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

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

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

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

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

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

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.

**2 Summary of significant accounting policies (continued)**

**2.4 Basis of consolidation (continued)**

*(a) Subsidiaries (continued)*

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

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

The excess of the consideration transferred, the amount of any non-controlling interest in the acquiree 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 consolidated statement of comprehensive income from the date the Group gains control until the date the Group ceases to control the subsidiary.

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

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

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

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

*(c) Disposal of subsidiaries*

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

**2 Summary of significant accounting policies (continued)**

**2.4 Basis of consolidation (continued)**

*(d) Joint arrangements*

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 a joint venture is shown on the face of the consolidated statement of profit or loss outside operating profit and represents profit or loss after tax.

The financial statements of the 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 joint venture. At each reporting date, the Group determines whether there is objective evidence that the investment in the 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 joint venture and its carrying value, then recognises the loss as 'Share of profit of a joint venture' in the statement of profit or loss.

Upon loss of significant influence over the joint venture, the Group measures and recognises any retained investment at its fair value. Any difference between the carrying amount of the 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.

**2.5 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.



## 2 Summary of significant accounting policies (continued)

### 2.6 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 consolidated 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 statement of financial position item 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.

### 2.7 Property, plant and equipment

Property, plant and equipment is stated at cost net of accumulated depreciation and/or accumulated impairment losses, if any. Historical cost includes expenditure that is directly attributable to the acquisition of the items. Land is not depreciated.

Depreciation/depletion is computed on a straight line/Unit-of-production basis over the estimated useful lives of the assets as follows:

Oil and gas interests	unit-of-production
Buildings	25 years
Plant and equipment	15 – 25 years/unit-of-production
Pipelines & related facilities	25 years/unit-of-production
Other assets	2-5 years

The carrying values of property, plant and equipment are reviewed for impairment when events or changes in circumstances indicate the carrying value may not be recoverable. If any such 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.

## **2 Summary of significant accounting policies (continued)**

### **2.7 Property, plant and equipment (continued)**

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 consolidated income statement as the expense is incurred.

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.

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 interests 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.

### **2.8 Intangible assets**

Intangible assets acquired as part of a business combination relating to oil and gas interests 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 consolidated 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 when the asset is available for use and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at least at each financial year-end. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset are accounted for by changing the amortisation period or method, as appropriate, and treated as a change in accounting estimate.

Intangible assets with indefinite useful lives are not amortised but tested for impairment annually either individually or at the cash-generating unit level. When development in respect of the oil and gas properties is internally approved, the related amount is transferred from intangible assets to property, plant and equipment and depleted in accordance with the Group's policy. If no future activity is planned, the remaining balance is written off.

#### **(a) Oil and gas interests**

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

**2 Summary of significant accounting policies (continued)**

**2.8 Intangible 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.

**(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.

**2.9 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 acquiree and the fair value of the non-controlling interest in the acquire.

Goodwill is tested for impairment annually as at 31 December and when circumstances indicate that the carrying value may be impaired. Impairment is determined for goodwill by assessing the recoverable amount of each CGU (or group of CGUs) to which the goodwill relates. When the recoverable amount of the CGU is less than its carrying amount, an impairment loss is recognised. Impairment losses relating to goodwill cannot be reversed in future periods. After initial recognition, goodwill is measured at cost less any accumulated impairment losses.

**2.10 Non-current assets (or disposal groups) classified as held for sale and discontinued operations**

Non-current assets (or disposal groups) classified as held for sale are measured at the lower of their carrying amount and fair values less costs to sell. Non-current assets (or disposal groups) are classified as held for sale if their carrying amounts will be recovered principally through a sale transaction rather than through continuing use. This condition is regarded as met only when the sale is highly probable and the asset is available for immediate sale in its present condition. Management must be committed to the sale, which should be expected to qualify for recognition as a completed sale within one year from the date of classification.

An impairment loss is recognised for any initial or subsequent write-down of the asset (or disposal group) to fair value less costs to sell. A gain is recognised for any subsequent increases in fair value less costs to sell of an asset (or disposal group), but not in excess of any cumulative impairment loss previously recognised. A gain or loss not previously recognised by the date of the sale of the non-current asset (or disposal group) is recognised at the date of derecognition.

Non-current assets (including those that are part of a disposal group) are not depreciated or amortised while they are classified as held for sale. Interest and other expenses attributable to the liabilities of a disposal group classified as held for sale continue to be recognised.

**2 Summary of significant accounting policies (continued)**

**2.10 Non-current assets (or disposal groups) classified as held for sale and discontinued operations**

Non-current assets classified as held for sale and the assets of a disposal group classified as held for sale are presented separately from the other assets in the consolidated statement of financial position. The liabilities of a disposal group classified as held for sale are presented separately from other liabilities in the consolidated statement of financial position.

A discontinued operation is a component of the Group that has been disposed of or is classified as held for sale and that represents a separate major line of business or geographical area of operations, is part of a single co-ordinated plan to dispose of such a line of business or area of operations, or is a subsidiary acquired exclusively with a view to resale. The results of discontinued operations are presented separately in the consolidated statement of comprehensive income.

**2.11 Impairment of non-financial assets**

The Group assesses at each reporting date whether there is an indication that an asset or a cash generating unit (CGU) may be impaired. If any such indication exists, or when annual impairment testing for an asset is required, the Group makes an estimate of the asset's or CGU's recoverable amount. An asset's or CGU's recoverable amount is the higher of an asset's or CGU's fair value less costs to sell and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets in which case, the asset is tested as part of a large CGU to which it belongs. When the carrying amount of an asset or CGU exceeds its recoverable amount, the asset or CGU is considered impaired and is written down to its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assumptions of the time value of money and the risks specific to the asset or CGU. In determining fair value less costs of disposal, recent market transactions are taken into account. If no such transactions can be identified, an appropriate valuation model is used. These calculations are corroborated by valuation multiples, quoted share prices for publicly traded companies or other available fair value indicators.

The Group bases its impairment calculation on detailed budgets and forecast calculations, which are prepared separately for each of the Group's CGUs to which the individual assets are allocated. These budgets and forecast calculations generally cover a period of five years. For longer periods, a long-term growth rate is calculated and applied to project future cash flows after the fifth year.

For assets excluding goodwill, an assessment is made at each reporting date as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. If such indication exists, the Group makes an estimate of recoverable amount. A previously recognised impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. If that is the case the carrying amount of the asset or CGU is increased to its recoverable amount. That increased amount cannot exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised for the asset in prior years. Impairment losses recognised in relation to goodwill are not reversed for subsequent increases in its recoverable amount.

## 2.12 Financial assets and liabilities

### Financial assets

#### (a) Classification and measurement

The Group classifies its financial assets in the following measurement categories:

- Those to be measured subsequently at fair value (either through OCI, or through profit or loss), and
- Those to be measured at amortised cost

The classification depends on the entity's business model for managing the financial assets and the contractual terms of the cash flows and is determined at the time of initial recognition. With the exception of trade receivables that do not contain a significant financing component or for which the Group has applied the practical expedient, the Group initially measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs. Trade receivables that do not contain a significant financing component or for which the Group has applied the practical expedient are measured at the transaction price determined under IFRS 15. In order for a financial asset to be classified and measured at amortised cost or fair value through OCI, it needs to give rise to cash flows that are 'solely payments of principal and interest (SPPI)' on the principal amount outstanding. This assessment is referred to as the SPPI test and is performed at an instrument level.

The Group's business model for managing financial assets refers to how it manages its financial assets in order to generate cash flows. The business model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both.

For assets measured at fair value, gain and losses will either be recorded in profit or loss or OCI. For investments in equity instruments that are not held for trading, this will depend on whether the Group has made an irrevocable election at the time of initial recognition to account for equity investment at fair value through other comprehensive income (FVOCI). The Group reclassifies debt investments when and only when its business mode for managing those assets changes.

#### (a) Measurement

At initial recognition, the Group measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss (FVPL), transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at FVPL are expensed in profit or loss. Financial assets with embedded derivatives are considered in their entirety when determining whether their cash flows are solely payment of principal and interest.

### Debt instruments

Subsequent measurement of debt instruments depends on the Group's business model for managing the asset and the cash flow characteristics of the asset. There are three measurement categories into which the Group classifies its debt instruments:

- **Amortised cost:** Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortised cost. Interest income from these financial assets is included in finance income using the effective interest rate method. Any gain or loss arising on derecognition is recognised directly in profit or loss and presented in other gains/ (losses), together with foreign exchange gains and losses. Impairment losses are presented as separate line item in the consolidated statement of profit or loss. This category mainly includes the Group's trade and other receivables.
- **FVOCI:** Assets that are held for collection of contractual cash flows and for selling the financial assets, where the assets' cash flows represent solely payments of principal and interest, are measured at FVOCI. Movements in the carrying amount are taken through OCI, except for the recognition of impairment gains or losses, interest revenue and foreign exchange gains and losses when are recognised in profit or loss. When the financial asset is derecognised, the cumulative gain or loss previously recognised in OCI is recycled to profit or loss and recognised in other gain/(losses) and impairment expenses are presented as separate line item in the statement of profit or loss.
- **FVPL:** Assets that do not meet the criteria for amortised cost or FVOCI are measured at FVPL. A gain or loss on a debt investment that is subsequently measured at FVPL is recognised in profit or loss and presented net within other gains/(losses) in the period in which it arises.

## 2 Summary of significant accounting policies (continued)

### 2.12 Financial assets and liabilities (continued)

#### Equity instruments

The Group subsequently measures all equity investments at fair value. Where the Group's management has elected to present fair value gains and losses on equity investments in OCI, there is no subsequent reclassification of fair value gains and losses to profit or loss following the derecognition of the investment. Dividends from such investments continue to be recognised in profit or loss as other income when the Group's right to receive payment is established.

Changes in the fair value of financial assets at FVPL are recognised in other gain/(losses) in the statement of profit or loss as applicable. Impairment losses (and reversal of impairment losses) on equity investments measured at FVOCI are not reported separately from other changes in fair value.

#### Derecognition

A financial asset (or, where applicable, a part of a financial asset or part of a Group of similar financial assets) is primarily derecognised (i.e., removed from the Group's consolidated statement of financial position) when:

- The rights to receive cash flows from the asset have expired or
- The Group has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement; and either (a) the Group has transferred substantially all the risks and rewards of the asset, or (b) the Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset

When the Group has transferred its rights to receive cash flows from an asset or has entered into a passthrough arrangement, it evaluates if, and to what extent, it has retained the risks and rewards of ownership. When it has neither transferred nor retained substantially all of the risks and rewards of the asset, nor transferred control of the asset, the Group continues to recognise the transferred asset to the extent of its continuing involvement. In that case, the Group also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Group has retained.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay.

#### Impairment

The Group assesses on a forward looking basis the expected credit losses associated with its debt instruments carried at amortised cost and FVOCI. The impairment methodology applied depends on whether there has been a significant increase in credit risk.

For trade receivables, the Group applies the simplified approach permitted by IFRS 9, which requires expected lifetime losses to be recognised from initial recognition of the receivable. The Group has established a matrix that is based on the Group's historical credit loss experience, adjusted for forward looking factors specific to the debtors and the economic environment.

For other debt financial assets, the ECL is based on the 12-month ECL. The 12-month ECL is the portion of lifetime ECLs that results from default events on a financial instrument that are possible within 12 months after the reporting date. However, when there has been a significant increase in credit risk since origination, the allowance will be based on the lifetime ECL.

### 2.13 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)**

### **2.14 Investment properties**

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

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

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

### **2.15 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.

### **2.16 Trade and other receivables**

Accounts receivable are stated at original invoice amount less a provision for any uncollectible amounts. The Group applies the simplified approach permitted by IFRS 9, which requires expected lifetime losses to be recognised from initial recognition of the receivable. The Group has established a matrix that is based on the Group's historical credit loss experience, adjusted for forward looking factors specific to the debtors and the economic environment.

### **2.17 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 consolidated statement of financial position.

### **2.18 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. Trade and other payables are presented as current liabilities unless payment is not due within 12 months after the reporting period. They are recognised initially at their fair value and subsequently measured at amortised cost using the effective interest method.

## **2 Summary of significant accounting policies (continued)**

### **2.19 Provisions**

#### *General*

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

#### *Decommissioning liability*

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

#### *Employees' end of service benefits*

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

### **2.20 Royalty**

Royalty is recognised when associated revenue is earned. Royalties are government's share of sales and is either a per barrel amount from sales volume or a percentage of the revenue from sales of hydrocarbons. Accordingly, royalties are excluded to arrive at Net revenue.

### **2.21 Income Taxes**

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

### **2.22 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.



## 2 Summary of significant accounting policies (continued)

### 2.23 Current versus non-current classification

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

- Expected to be realised or intended to sold or consumed in normal operating cycle
- Held primarily for the purpose of trading
- Expected to be realised within twelve months after the reporting period
- Or
- Cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period

All other assets are classified as non-current.

A liability is current when:

- It is expected to be settled in normal operating cycle
- It is held primarily for the purpose of trading
- It is due to be settled within twelve months after the reporting period
- Or
- There is no unconditional right to defer the settlement of the liability for at least twelve months after the reporting period

The Group classifies all other liabilities as non-current.

### 2.24 Revenue recognition

The Group recognises revenue from contracts with customers based on a five-step model as set out in IFRS 15.

- Step 1. Identify contract(s) with a customer: A contract is defined as an agreement between two or more parties that creates enforceable rights and obligations and sets out the criteria for every contract that must be met.
- Step 2. Identify performance obligations in the contract: A performance obligation is a promise in a contract with a customer to transfer a good or service to the customer.
- Step 3. Determine the transaction price: The transaction price is the amount of consideration to which the Group expects to be entitled in exchange for transferring promised goods or services to a customer, excluding amounts collected on behalf of third parties.
- Step 4. Allocate the transaction price to the performance obligations in the contract: For a contract that has more than one performance obligation, the Group allocates the transaction price to each performance obligation in an amount that depicts the amount of consideration to which the Group expects to be entitled in exchange for satisfying each performance obligation.
- Step 5. Recognise revenue when (or as) the Group satisfies a performance obligation.

The Group satisfies a performance obligation and recognises revenue over time, if one of the following criteria is met:

- a) The Group's performance does not create an asset with an alternate use to the Company and the Company has as an enforceable right to payment for performance completed to date.
- b) The Group's performance creates or enhances an asset that the customer controls as the asset is created or enhanced.
- c) The customer simultaneously receives and consumes the benefits provided by the Group's performance as the Group performs.

For performance obligations where one of the above conditions are not met, revenue is recognised at the point in time at which the performance obligation is satisfied.

## 2 Summary of significant accounting policies (continued)

### 2.24 Revenue recognition (continued)

When the Group satisfies a performance obligation by delivering the promised goods or services it creates a contract-based asset on the amount of consideration earned by the performance. Where the amount of consideration received from a customer exceeds the amount of revenue recognised this gives rise to a contract liability.

Revenue is measured at the fair value of the consideration received or receivable, taking into account contractually defined terms of payment and excluding taxes and duty. The Group assesses its revenue arrangements against specific criteria to determine if it is acting as principal or agent.

Revenue is recognised to the extent it is probable that the economic benefits will flow to the Group and the revenue and costs, if applicable, can be measured reliably.

The Company identified one performance obligation which is the delivery of condensate, LPG and gas to the customers as per the terms of the customer contracts. Accordingly, revenue is recognised point in time when the performance obligation is fulfilled.

#### *Finance income*

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

## 3 Significant accounting judgements, estimates and assumptions

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

### **Judgements**

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

- 3.1 Carrying value of UAE Gas Project: This includes an investment in CNGCL (note 16) and assets relating to Saj Gas and UGTC included under Property, plant and equipment (note 13) and Intangible assets (note 14). The Gas Sales & Purchase Contract between Dana Gas's partner Crescent Petroleum and the National Iranian Oil Company ("NIOC") for the supply of gas to the UAE Gas Project has been the subject of international arbitration since June 2009 (refer note 16). In September 2021, Dana Gas was informed by Crescent Petroleum that an award for damages in the first arbitration against NIOC has now been made by the international arbitration tribunal. This first arbitration covers the period of the first 8.5 years of the 25 year gas sales agreement from 2005 to mid-2014. The damages sum due to the Company is USD 608 million which has been recognised during 2021. Based on advice from Crescent Petroleum, the management believes that the final award from the second arbitration will be sufficient to recover an amount in excess of the remaining carrying value of the related assets. The Group assesses at each statement of financial position date whether there is any evidence of impairment in the carrying value of the UAE Gas Project assets. This requires management to estimate the value in use using estimates and assumptions such as long term hydrocarbon prices, supply volumes, discount rate, operating cost, future capital requirement and operating performance uncertainty.

**3 Significant accounting judgements, estimates and assumptions (continued)**

**Judgements (continued)**

- 3.2 Exploration and evaluation expenditures: The application of the Group's accounting policy for exploration and evaluation expenditure requires judgment to determine whether it is likely that future economic benefits are likely, from future either exploitation or sale, or whether activities have not reached a stage which permits a reasonable assessment of the existence of reserves. The determination of reserves and resources is itself an estimation process that requires varying degrees of uncertainty depending on how the resources are classified. These estimates directly impact when the Group defers exploration and evaluation expenditure. The deferral policy requires management to make certain estimates and assumptions as to future events and circumstances, in particular, whether an economically viable extraction operation can be established. Any such estimates and assumptions may change as new information becomes available. If, after expenditure is capitalised, information becomes available suggesting that the recovery of the expenditure is unlikely, the relevant capitalised amount is written off in profit or loss in the period when the new information becomes available.
- 3.3 Joint arrangements: As at 31 December 2022, the Group holds 35% (31 December 2021: 35%) of the voting rights in PPCL. The group has joint control over PPCL as under the contractual arrangements, unanimous consent is required from all parties to the arrangement for majority of the relevant activities. Though PPCL is structured as a limited liability company, the underlying agreements provide the company with rights and obligations to its share of jointly owned assets/income and jointly incurred liabilities/expenses. Therefore, this arrangement is classified as joint operations.

**Estimates and assumptions**

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

- 3.4 Sum due following arbitration award: Sum due following arbitration award is based on the assumption that full recovery will take place within twelve months. The sum due is subject to interest for delayed payments.
- 3.5 Recoverability of 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 oil and gas assets in property, plant and equipment. This requires management to estimate the recoverable value of its oil and gas assets using estimates and assumptions such as long term hydrocarbon 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 calculation for value in use is most sensitive to the discount rate and oil price. The future cash flows are discounted to their present value using a pre-tax discount rate of 10% - 12.5%. The future cashflows are sensitive to oil price.
- 3.6 Financial assets through profit or loss: The Group uses various models and assumptions in measuring fair value of financial assets. Judgement is applied in identifying the most appropriate model for each type of asset as well as determining the assumptions used in these models, including assumptions around probabilities and discount rates. During the year, the Group has reviewed the discount rate, hydrocarbon prices and probability assumptions and has recognised an amount of USD 35 million. A 100 basis point increase/decrease in discount rate would impact the fair value of the financial asset at fair value through profit or loss by USD 3 million.

**3 Significant accounting judgements, estimates and assumptions (continued)**

**Estimates and assumptions (continued)**

- 3.7 Hydrocarbon reserve and resource estimates: Oil and gas properties are depreciated on a unit of production (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 2022 and 2021 is shown in Note 13.

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.

- 3.8 Investment Property: The Group carries its investment property at fair value, with changes in fair values being recognised in the consolidated income statement. The Group engaged a qualified independent property consultant to determine fair value reflecting market conditions at 31 December 2022.
- 3.9 Units of production depreciation of oil and gas properties: Oil and gas properties are depreciated using the units of production (UOP) method over total proved reserves. This results in a depreciation/amortisation charge proportional to the depletion of the anticipated remaining production from the field. Each item's life, which is assessed annually, has regard to both its physical life limitations and to present assessments of economically recoverable reserves of the field at which the asset is located. These calculations require the use of estimates and assumptions, including the amount of recoverable reserves and estimates of future capital expenditure. The calculation of the UOP rate of depreciation could be impacted to the extent that actual production in the future is different from current forecast production based on total proved reserves, or future capital expenditure estimates changes. Changes to proved reserves could arise due to changes in the factors or assumptions used in estimating reserves and are accounted for prospectively.
- 3.10 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.

# Dana Gas PJSC and Subsidiaries

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

At 31 December 2022

### 4 Segment 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. Unallocated amounts are included in General & administration expenses, investment and finance income, other income, other expenses and finance cost.

#### Year ended 31 December 2022

	United Arab Emirates USD mm	Egypt USD mm	Kurdistan Region of Iraq USD mm	Total USD mm
Gross revenue	4	270	255	529
Royalties	-	(152)	-	(152)
Net revenue	4	118	255	377
Operating cost & depletion	(2)	(63)	(63)	(128)
Gross profit	2	55	192	249
General and administration expenses	-	-	-	(12)
Other expenses	-	-	-	(10)
Investment and finance income	-	-	-	5
Other income	35	1	-	36
Impairment of PP&E, Intangible & Joint venture	-	(2)	-	(2)
Impairment of financial assets	(47)	-	-	(47)
Share of profit of a joint venture	-	-	-	(2)
Finance cost	-	-	-	(9)
Profit before income tax				208
Income tax expense	-	(26)	-	(26)
Net Profit for the period				182
Segment assets as at 31 December 2022	1,505	167	997	2,669
Segment liabilities as at 31 December 2022	82	40	247	369

#### Other segment information

Capital expenditure:				
Property, plant and equipment	-	18	100	118
Intangible	-	20	-	20
Depreciation & depletion	2	33	36	71
<u>Staff cost</u>				
Operating cost - staff	-	13	12	25
Operating cost - production cost	-	-	2	2
General & administrative	5	-	-	5
Other expenses	1	-	-	1
Capital expenditure	-	9	3	12

# Dana Gas PJSC and Subsidiaries

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

At 31 December 2022

### 4 Segment information (continued)

#### Year ended 31 December 2021

	United Arab Emirates USD mm	Egypt USD mm	Kurdistan Region of Iraq USD mm	Total USD mm
Gross revenue	4	261	187	452
Royalties	-	(134)	-	(134)
Net revenue	4	127	187	318
Operating cost & depletion	(2)	(60)	(61)	(123)
Gross profit	2	67	126	195
General and administration expenses	-	-	-	(11)
Other expenses	-	-	-	(16)
Investment and finance income	-	-	-	2
Other income	642	-	-	642
Reversal of impairment of oil & gas assets	-	80	-	80
Impairment of PP&E, Intangible & Joint venture	(360)	(171)	-	(531)
Impairment of financial assets	(2)	-	-	(2)
Change in fair value of asset held for sale	-	(14)	-	(14)
Share of profit of a joint venture	-	-	-	4
Exploration expenses/write-off	-	(5)	-	(5)
Finance cost	-	-	-	(5)
Profit before income tax				339
Income tax expense	-	(22)	-	(22)
Net Profit for the period				317
Segment assets as at 31 December 2021	1,575	171	881	2,627
Segment liabilities as at 31 December 2021	105	48	181	334

#### Other segment information

Capital expenditure:				
Property, plant and equipment	-	36	88	124
Intangible	-	2	-	2
Depreciation & depletion	2	25	36	63
Staff cost				
Operating cost - staff	-	14	11	25
Operating cost – production cost	-	2	-	2
General & administrative	5	-	-	5
Other expenses	1	-	-	1
Capital expenditure	-	10	2	12

# Dana Gas PJSC and Subsidiaries

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

At 31 December 2022

### 5 Revenue

	2022 USD mm	2021 USD mm
Gross revenue	525	448
Tariff fee	4	4
	<u>529</u>	<u>452</u>
Less: royalties	(152)	(134)
Net revenue	<u>377</u>	<u>318</u>

Royalties relate to Government share of production in Egypt. Tariff fees relates to fixed pipeline capacity fees earned by UGTC. As the contract includes monthly fixed fee, revenue is recognised over a period of time when customers are invoiced.

In Pearl, revenue against sale of condensate to KRG under the terms of the PDA is recognised based on provisional prices following the principles laid out in the PDA. As per the terms of the PDA, KRG is obliged to provide price particulars for each month based on which provisionally priced condensate sales invoices are raised, which may undergo reconciliations once audited price particulars are received. The monthly condensate revenue invoices from January 2022 to October 2022 have been billed based on the pricing information received from the KRG and therefore not subject to any significant adjustments. Further adjustment, if any, post receipt of final audited pricing particulars from KRG will be accounted for prospectively.

### 6 Operating costs & depletion

	2022 USD mm	2021 USD mm
Production costs	32	35
Staff costs (note 4)	25	25
Depreciation and depletion (note 13)	71	63
	<u>128</u>	<u>123</u>

### 7 Investment and finance income

	2022 USD mm	2021 USD mm
Profit on short term deposit	3	2
Interest on delayed payments (note a)	2	-
	<u>5</u>	<u>2</u>

- a) Represents interest billed to the KRG on delayed payments against petroleum sales for period covering September 2017 until December 2022 in accordance with the terms of the PDA and the Gas Sales Agreement dated 30 January 2018 with the KRG.

### 8 Other income

	2022 USD mm	2021 USD mm
Sum due following arbitration award (note 20)	-	608
Financial asset recognised during the year (note 19)	35	34
Others	1	-
	<u>36</u>	<u>642</u>

## Dana Gas PJSC and Subsidiaries

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

At 31 December 2022

#### 9 Finance cost

	2022 USD mm	2021 USD mm
Term finance (note 26a)	4	3
Project finance – Pearl (note 26b)	1	1
Others	4	1
	<u>9</u>	<u>5</u>

#### 10 Income tax expense

##### (a) UAE

The Company is not liable to corporate income tax in its primary jurisdiction (UAE – Note 1).

##### (b) Kurdistan Region of Iraq

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

##### (c) Egypt

The income tax expense in the income statement relates to Dana Gas Egypt operations which is taxed at an average tax rate of 40.55% (2021: 40.55%). This tax is paid by Egyptian General Petroleum Corporate (EGPC)/Egyptian Natural Gas Holding Company (EGAS) on behalf of the Company from their share of production. Dana Gas Egypt does not have any deferred tax asset/liability at year end.

#### 11 Earnings per share

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

	2022 USD mm	2021 USD mm
<b>Earnings:</b>		
Net profit for the year - USD mm	182	315
	<u>          </u>	<u>          </u>
<b>Shares:</b>		
Weighted average number of shares outstanding – million	6,995	6,987
	<u>          </u>	<u>          </u>
Earnings per share (Basic & Diluted)– USD:	0.026	0.045
	<u>          </u>	<u>          </u>

#### 12 Asset and liabilities classified as held for sale

The Group announced on 25 October 2020 that it had entered into an agreement with IPR Wastani Petroleum Ltd, a member of the IPR Energy Group (“IPR”) for the sale of its onshore Egyptian producing oil and gas assets for a consideration of up to USD 236 million including contingent payments.

On 23 April 2021 the Company terminated its agreement for the sale of its Egyptian assets, previously announced on 25 October 2020.

IPR, notified Dana Gas Egypt (“DGE”) that it has submitted a request for Arbitration disputing DGE’s right to terminate the SPA.



**12 Asset and liabilities classified as held for sale (continued)**

By an award dated 17 July 2021 the Tribunal dismissed IPR's claim in its entirety, and ruled that Dana Gas' termination of the SPA was valid.

Upon termination of the SPA, the Company transferred the related assets and liabilities from "assets /liabilities held for sale" to the respective statement of financial position categories and reassessed the previously recognised impairment in light of the intention to now retain these assets. This resulted in reversal of impairment of USD 80 million which was recognised in 2021 income statement.

# Dana Gas PJSC and Subsidiaries

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

At 31 December 2022

### 13 Property, plant and equipment

	Freehold Land USD mm	Building USD mm	Oil and gas interests USD mm	Plant and equipment USD mm	Other assets USD mm	Pipeline & related facilities USD mm	Capital work-in- progress USD mm	Total USD mm
<b>Cost:</b>								
At 1 January 2022	14	12	1,658	385	44	119	389	2,621
Additions (net)	-	-	15	2	-	-	101	118
At 31 December 2022	14	12	1,673	387	44	119	490	2,739
<b>Depreciation/ depletion:</b>								
At 1 January 2022	-	7	1,165	269	34	67	66	1,608
Depreciation/depletion charge for the year	-	-	54	11	2	4	-	71
At 31 December 2022	-	7	1,219	280	36	71	66	1,679
<b>Net carrying amount:</b>								
At 31 December 2022	14	5	454	107	8	48	424	1,060

Some of Pearl Petroleum's property, plant and equipment is pledged against loan facility (note 26).

Property, plant and equipment include financing cost amounting to USD 25 million as at 31 December 2022 (2021: USD 15 million) on borrowings for ongoing development and capitalised using effective interest rate of the specific borrowing.

# Dana Gas PJSC and Subsidiaries

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

At 31 December 2022

### 13 Property, plant and equipment (continued)

	Freehold Land USD mm	Building USD mm	Oil and gas interests USD mm	Plant and equipment USD mm	Other assets USD mm	Pipeline & related facilities USD mm	Capital work-in- progress USD mm	Total USD mm
<b>Cost:</b>								
At 1 January 2021	14	12	521	244	34	119	301	1,245
Additions (net)	-	-	22	1	-	-	88	111
Transfer from asset held for sale	-	-	1,115	140	10	-	-	1,265
<b>At 31 December 2021</b>	<b>14</b>	<b>12</b>	<b>1,658</b>	<b>385</b>	<b>44</b>	<b>119</b>	<b>389</b>	<b>2,621</b>
<b>Depreciation/ depletion:</b>								
At 1 January 2021	-	6	93	109	25	63	1	297
Depreciation/depletion charge for the year	-	1	46	11	1	4	-	63
Impairment	-	-	-	9	-	-	65	74
Transfer from asset held for sale	-	-	1,026	140	8	-	-	1,174
<b>At 31 December 2021</b>	<b>-</b>	<b>7</b>	<b>1,165</b>	<b>269</b>	<b>34</b>	<b>67</b>	<b>66</b>	<b>1,608</b>
<b>Net carrying amount:</b>								
<b>At 31 December 2021</b>	<b>14</b>	<b>5</b>	<b>493</b>	<b>116</b>	<b>10</b>	<b>52</b>	<b>323</b>	<b>1,013</b>

Some of Pearl Petroleum's property, plant and equipment is pledged against loan facility (note 26).

Property, plant and equipment include financing cost amounting to USD 15 million as at 31 December 2021 (2020: USD 8 million) on borrowings for ongoing development and capitalised using effective interest rate of the specific borrowing.

**13 Property, plant and equipment (continued)**

The majority of Saj Gas and UGTC assets have not been depreciated as commercial activity has not yet begun. Saj Gas assets are to be used for processing and sweetening of the gas received from CNGCL and UGTC assets are to be used in transportation of the same gas. CNGCL was to receive gas from Crescent Petroleum who relied on its contracted gas supplier NIOC. The failure by NIOC to supply gas meant that Saj Gas and UGTC assets could not be put to use. Crescent Petroleum is continuing with an international arbitration in relation to NIOC's supply failure in default of its 25 year gas supply contract.

Dana Gas was informed by Crescent Petroleum that an award for damages in the first arbitration against NIOC has been made by the international arbitration tribunal on 27 September 2021. This first arbitration covers the period of the first 8.5 years of the 25 year gas sales agreement from 2005 to mid-2014. Following the first arbitration award, management had carried out an assessment of the recoverable values of the Saj Gas and UGTC assets at the period end and based on the expected future cash flows to be generated by the assets has recognised an impairment provision of USD 74 million against these assets in 2021.

*Oil and Gas Interests*

Oil and gas interests relates to retained concessions in Dana Gas Egypt as described below in more detail:

- El Wastani Development Lease – This development lease is held with a 100% working interest and represents approximately 2% of current production in Dana Gas Egypt. El Wastani production includes both gas and associated gas liquids. This development lease has 40.7 sq. km of land included within its boundary and is 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 261.5 sq. km 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 90% of Dana Gas Egypt current production.
- West El Qantara Development Leases (West El Qantara Concession) - These development leases are held with a 100% working interest. These development leases have 76.5 sq. km of land included within their boundaries and are located in the Nile Delta of Egypt. To date, two development leases are producing both natural gas and associated liquids representing approximately 8% of Dana Gas Egypt current production.

**14 Intangible assets**

	<i>Oil and gas interests USD mm</i>	<i>Transmission &amp; sweetening rights USD mm</i>	<i>Goodwill USD mm</i>	<i>Total USD mm</i>
Cost at 1 January 2022	201	289	308	798
Less: accumulated impairment	(201)	(98)	(308)	(607)
Net book amount at 1 January 2022	-	191	-	191
Addition	20	-	-	20
<b>At 31 December 2022</b>	<b>20</b>	<b>191</b>	<b>-</b>	<b>211</b>

## Dana Gas PJSC and Subsidiaries

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

At 31 December 2022

#### 14 Intangible assets (continued)

	<i>Oil and gas interests USD mm</i>	<i>Transmission &amp; sweetening rights USD mm</i>	<i>Goodwill USD mm</i>	<i>Total USD mm</i>
Cost at 1 January 2021	199	289	145	633
Less: accumulated impairment	(175)	-	-	(175)
Net book amount at 1 January 2021	24	289	145	458
Addition	2	-	-	2
Impairment	(26)	(98)	(145)	(269)
At 31 December 2021	-	191	-	191

##### (a) Transmission and sweetening rights

Intangible assets include USD 191 million (2021: USD 191 million) which represent the rights, for the transmission and sweetening of gas and related products, acquired by the Company through its shareholdings in Saj Gas 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 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. Crescent Petroleum is continuing with international arbitration to seek a ruling on its binding 25 years gas supply contract with NIOC. The parties to the arbitrations are Crescent Petroleum and NIOC, who are the parties to the Gas Sales & Purchase Contract (GSPC) at issue in the arbitration. Dana Gas is not a party to the GSPC, or to the arbitration.

Dana Gas was informed by Crescent Petroleum that an award for damages in the first arbitration against NIOC has been made by the international arbitration tribunal on 27 September 2021. This first arbitration covers the period of the first 8.5 years of the 25 year gas sales agreement from 2005 to mid-2014. Dana Gas will receive USD 608 million (AED 2.23 Billion). Following the first arbitration award, management had carried out an assessment of the recoverable values of the transmission & sweetening rights at the period end and based on the expected future cash flows to be generated by these assets has recognised an impairment provision of USD 98 million in 2021.

In addition, a second arbitration with a much larger claim for the 16.5 years covering the remainder of the gas supply period from 2014 to 2030 is currently underway. The final hearing was scheduled to commence in October 2022 in Paris, however was delayed to March 2023. The hearing has been further deferred and is now anticipated later this year. The final award on damages is expected by 2024. Dana Gas will also receive a portion of the next award. Based on advice from Crescent Petroleum, management believes that the sums expected from the second arbitration will be sufficient to cover the remaining carrying value of the related assets.

#### 15 Investment property

	<b>2022 USD mm</b>	<b>2021 USD mm</b>
Balance at 1 January	20	20
Change in fair value	-	-
Balance at 31 December	<b>20</b>	<b>20</b>

Investment property consists of industrial land owned by Saj Gas, a subsidiary, in the Sajaa area in 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. The latest valuation exercise was carried out by the consultants as at 31 December 2022 and resulted in a valuation of USD 20.5 million.

# Dana Gas PJSC and Subsidiaries

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

At 31 December 2022

### 16 Interest in joint ventures

The following table summarises the statement of financial position of the joint ventures as at 31 December 2022:

	Gas Cities USD mm	CNGCL USD mm	Total USD mm
<b>Current assets</b>			
Other current assets	2	-	2
Total current assets	2	-	2
<b>Non-current assets</b>	-	18	18
<b>Current liabilities</b>			
Other current liabilities	(9)	(55)	(64)
Total current liabilities	(9)	(55)	(64)
<b>Non-current liabilities</b>			
Other non-current liabilities	-	(19)	(19)
Total non-current liabilities	-	(19)	(19)
<b>Net liabilities</b>	<b>(7)</b>	<b>(56)</b>	<b>(63)</b>
<b>Reconciliation to carrying amount</b>			
Opening net assets/(liabilities) as of 1 January 2022	(7)	(50)	(57)
Loss for the year	-	(6)	(6)
Closing net assets/(liabilities) as of 31 December 2022	<b>(7)</b>	<b>(56)</b>	<b>(63)</b>
Group's share in %age	50%	35%	
Group's share of net assets/(liabilities)	(3)	(20)	(23)
Fair value/adjustment	3	569	572
Impairment	-	(188)	(188)
Carrying amount as of 31 December 2022	<b>-</b>	<b>361</b>	<b>361</b>

**16 Interest in joint ventures (continued)**

The following table summarises the income statement of the joint ventures for the year ended 31 December 2022:

	Gas Cities USD mm	CNGCL USD mm	Total USD mm
Revenue	-	-	-
Interest Income	-	-	-
Depreciation and amortisation	-	-	-
Interest expense	-	-	-
Income tax expense	-	-	-
<b>Total comprehensive loss for the year</b>	<b>-</b>	<b>(6)</b>	<b>(6)</b>

The Joint ventures had no other contingent liabilities or capital commitments as at 31 December 2022 and 2021.

The following table summarises the statement of financial position of the joint ventures as at 31 December 2021:

	Gas Cities USD mm	CNGCL USD mm	EBGDCO USD mm	Total USD mm
<b>Current assets</b>				
Other current assets	2	-	-	2
Total current assets	2	-	-	2
<b>Non-current assets</b>	-	21	-	21
<b>Current liabilities</b>				
Other current liabilities	(9)	(52)	-	(61)
Total current liabilities	(9)	(52)	-	(61)
<b>Non-current liabilities</b>				
Other non-current liabilities	-	(19)	-	(19)
Total non-current liabilities	-	(19)	-	(19)
<b>Net assets / (liabilities)</b>	<b>(7)</b>	<b>(50)</b>	<b>-</b>	<b>(57)</b>

## Dana Gas PJSC and Subsidiaries

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

At 31 December 2022

#### 16 Interest in joint ventures (continued)

##### Reconciliation to carrying amount

	Gas Cities USD mm	CNGCL USD mm	EBGDCO USD mm	Total USD mm
Opening net assets/(liabilities) as of 1 January 2021	(7)	(46)	18	(35)
Loss / (profit) for the year	-	(4)	-	(4)
Closing net assets/(liabilities) as of 31 December 2021	(7)	(50)	18	(39)
Group's share in %age	50%	35%	40%	
Group's share of net assets/(liabilities)	(3)	(18)	8	(13)
Fair value/adjustment	3	569	5	577
Impairment	-	(188)	-	(188)
Disposal of interest	-	-	(13)	(13)
Carrying amount as of 31 December 2021	-	363	-	363

The following table summarises the income statement of the joint ventures for the year ended 31 December 2021:

	Gas Cities USD mm	CNGCL USD mm	EBGDCO USD mm	Total USD mm
Revenue	-	-	-	-
Interest Income	-	-	-	-
Depreciation and amortisation	-	-	-	-
Interest expense	-	-	-	-
Income tax expense	-	-	-	-
<b>Total comprehensive loss for the year</b>	-	(4)	-	(4)

Investment in joint venture at the year end relates to Dana Gas' 35% interest in CNGCL and represents the rights for the purchase and sale of gas and related products acquired by the Company in 2005. The fair value of the rights acquired 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.

CNGCL is a company established on 22 July 2003 and is owned by Crescent Petroleum (65%) and Dana Gas (35%). Its primary purpose is to market natural gas and its associated products in the UAE purchased from Crescent Petroleum whose contracted gas supplier was NIOC. Commercial activity in CNGCL has not yet commenced. NIOC's failure to supply gas meant that CNGCL could not source any gas to on-sell to end users. Crescent Petroleum is continuing with international arbitration in relation to NIOC's default. The parties to the arbitrations are Crescent Petroleum and NIOC, who are the parties to the Gas Sales & Purchase Contract (GSPC) at issue in the arbitration. Dana Gas is not a party to the GSPC, or to the arbitration.

Dana Gas was informed by Crescent Petroleum that an award for damages in the first arbitration against NIOC has been made by the international arbitration tribunal on 27 September 2021. This first arbitration covers the period of the first 8.5 years of the 25 year gas sales agreement from 2005 to mid-2014 and Dana Gas will receive USD 608 million (AED 2.23 Billion). Following the first arbitration award, management has carried out an assessment of the recoverable values of the interest in joint venture at the period end and based on the expected future cash flows to be generated has recognised an impairment provision of USD 188 million in 2021.



**16 Interest in joint ventures (continued)**

In addition, a second arbitration with a much larger claim for the 16.5 years remainder of the contract from 2014 to 2030 is currently underway. The final hearing was scheduled to commence in October 2022 in Paris, however was delayed to March 2023. The hearing has been further deferred and is now anticipated later this year. The final award on damages is expected by 2024. Dana Gas will also receive a portion of the next award. Based on advice from Crescent Petroleum, management believes that the sums expected from the second arbitration will be sufficient to cover the remaining carrying value of the related assets.

Moreover, we are aware that Crescent Petroleum has made provision in its damages claim against NIOC for reimbursement of the losses suffered by the Company including any third party claims where damages would ultimately be assessed and decided by a Court.

**17 Interest in joint operations***(a) Kurdistan Region of Iraq Project*

Pearl was incorporated in the British Virgin Islands as a BVI Business Company on 19 January 2009. The activities of the Company include exploration, development, production, ownership, transportation, processing, distribution, marketing and sale of natural gas and petroleum related products, including the development of gas related projects and services in the KRI. Pearl is owned 35% each by Crescent Petroleum and Dana and 10% each by OMV Upstream International GmbH ("OM"), MOL Hungarian Oil and Gas Public Limited Company ("MOL") and RWE Middle East Holding BV ("RWE").

Pursuant to the Head of Agreement with the KRG dated 4 April 2007 (supplemented with a detailed accounting procedure dated 25 January 2008) which was subsequently amended on 30 August 2017 and termed as the "Petroleum Development Agreement" ("PDA"), Pearl is the contractor and consequently takes title to and enjoys exclusive rights to appraise, develop, produce, market and sell petroleum, including natural gas domestically and for export, from Khor Mor, Chemchemal, Block 19 and Block 20 areas ("HoA Areas"). Crescent and Dana have been appointed as the Operator (for and on behalf of Pearl Petroleum) for the purposes of the implementation of the PDA.

The following amounts represent the Group's 35% share of the assets, liabilities and income of the joint operation:

	2022 USD mm	2021 USD mm
<b>Assets:</b>		
Non-current assets	822	757
Current assets	175	124
<b>Total Assets</b>	<u>997</u>	<u>881</u>
<b>Liabilities:</b>		
Non-current liabilities	179	142
Current liabilities	68	39
<b>Total Liabilities</b>	<u>247</u>	<u>181</u>
<b>Net Assets</b>	<u>750</u>	<u>700</u>
Revenue	255	187
Operating cost	(27)	(25)
Depreciation	(36)	(36)
<b>Gross profit</b>	<u>192</u>	<u>126</u>

## Dana Gas PJSC and Subsidiaries

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

At 31 December 2022

#### 17 Interest in joint operations (continued)

##### (b) UGTC/ Emarat

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

	2022 USD mm	2021 USD mm
<b>Assets:</b>		
Non-current assets	12	13
Current assets	18	17
<b>Total Assets</b>	<b>30</b>	<b>30</b>
<b>Liabilities:</b>		
Current liabilities	-	-
<b>Net Assets</b>	<b>30</b>	<b>30</b>
Revenue	4	4
Operating cost	(1)	(1)
Depreciation	(1)	(1)
<b>Gross profit</b>	<b>2</b>	<b>2</b>

#### 18 Inventories

	2022 USD mm	2021 USD mm
Spares and consumables	21	21
	<b>21</b>	<b>21</b>

#### 19 Financial assets at fair value through profit or loss

	2022 USD mm	2021 USD mm
Balance at 1 January	119	98
Recognised during the year	35	34
Received during the year	(16)	(13)
Write-off	(44)	-
Balance at 31 December	<b>94</b>	<b>119</b>

Financial assets classification between non-current and current assets is as follows:

	2022 USD mm	2021 USD mm
Current assets	7	53
Non-current assets	87	66
	<b>94</b>	<b>119</b>

## Dana Gas PJSC and Subsidiaries

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

At 31 December 2022

#### 19 Financial assets at fair value through profit or loss (continued)

During 2019, the Company has recorded certain reserve based earn out entitlements as financial assets at fair value through profit or loss. These are due from certain shareholders in Pearl Petroleum as considerations which were contingent upon proving up additional reserves in Pearl Petroleum. The Company has filed claims in February 2020, along with Crescent Petroleum, against MOL Hungarian Oil and Gas Public Limited Company (MOL) and OMV Upstream International GMBH (OMV) to recover reserve based earn out payments claimed to be due to the Company in accordance with the terms of the Sale and Purchase Agreement entered into between the Parties in 2009. The Company received the final awards in both the arbitration from the London Court of International Arbitration. The arbitration panel dismissed the claims and ruled that the Company is not entitled to the earn-out payments, consequently the carrying value of earn out payment was written off during 2022.

In addition, as part of the settlement agreement with RWE Supply & Trading GmbH ("RWE") the Company is entitled to and has recognised certain confined payments which are due only in case and in the amount dividends are distributed to RWE by Pearl (based on RWE's 10% equity in Pearl). During the year, the Company has received an amount of USD 16 million towards such confined payments.

Financial assets at fair value through profit or loss also includes an investment in the Abraaj Infrastructure Fund. As the fund managing entity is under liquidation, this investment was fully impaired in the prior years.

The Company did not make any investment in shares or stock during the year ended 31 December 2022 (31 December 2021: Nil).

#### 20 Sum due following arbitration award

	2022 USD mm	2021 USD mm
Recognised during the year	608	608

On 27 September 2021, the Company was informed by Crescent Petroleum that an award for damages in the first arbitration against NIOC has been made by the international arbitration tribunal on 27 September 2021. The first arbitration covers the period of the first 8.5 years of the 25 years gas sales agreement from 2005 to mid-2014.

The damages sum due to Dana Gas is USD 608 million (AED 2.23 billion) which was recorded in 2021. The amount is expected to be fully recovered through an enforcement process to be undertaken by Crescent Petroleum and the Company expects to receive the sum due to it within the next twelve months. The sum due is subject to interest for delayed payment which amounted to USD 25 million at the end of 2022.

#### 21 Trade and other receivables

	2022 USD mm	2021 USD mm
Trade receivables (net)	94	67
Prepaid expenses	1	1
Due from joint ventures	16	17
Accrued revenue (note c)	8	8
Other receivables	24	14
Less: provision for impairment	-	-
	143	107

a) Trade receivables are interest bearing and are generally on 5-60 days credit period.

## Dana Gas PJSC and Subsidiaries

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

At 31 December 2022

#### 21 Trade and other receivables (continued)

b) The ageing analysis of trade receivables is as follows:

			Past due				
	<i>Total</i>	<i>Not past</i>	<i>&lt;30 days</i>	<i>30-60</i>	<i>61-90</i>	<i>91-120</i>	<i>&gt;120</i>
	<i>USD mm</i>	<i>due</i>	<i>USD mm</i>	<i>days</i>	<i>days</i>	<i>days</i>	<i>days</i>
				<i>USD mm</i>	<i>USD mm</i>	<i>USD mm</i>	<i>USD mm</i>
31 Dec. 2022	94	40	25	16	9	4	-
31 Dec. 2021	67	51	16	-	-	-	-

c) In July 2019, an audit of the KRI pipeline metering system revealed that a meter at the Khor Mor plant had, since November 2018, been over-reporting the volume of gas supplied by the Company to the KRG by 5.9%. Another issue also discovered concurrently was an under-reporting of the heating value of the sales gas.

Whilst interim steps were taken to correct the over-reporting in July 2019, the Company and the KRG also agreed a series of steps to install full fiscal metering to resolve this issue. In the meantime, a provisional interim adjustment, relating to the period November 2018 to July 2019, was applied to the invoices of July, August and September 2019. This adjustment amounted to USD 23 million (DG Share: USD 8 million) with the final resolution of the provisional adjustment only once the final adjustment and reconciliation is completed. The implementation schedule for the fiscal metering package has been delayed due to COVID-19. The new system is expected to be operational in mid-2023. Accordingly, the provisional adjustment to amounts due from the KRG has been reflected in this financial statement as an accrued revenue asset.

#### 22 Cash and cash equivalents

	2022 USD mm	2021 USD mm
Cash at bank		
- Local Banks within UAE	76	53
- Foreign Banks outside UAE	3	17
Short-term deposits		
- Local Banks within UAE	72	115
Cash and cash equivalents	151	185

Cash at bank earns profit at floating rates based on daily bank deposit rates. Short-term deposits are made for varying periods ranging between one week and twelve months, depending on the immediate cash requirements of the Group, earn profit at the respective short-term deposit rates and are repayable on demand. The fair value of cash and bank balance including short-term deposits is USD 151 million (31 December 2021: USD 185 million). The effective profit rate earned on short term deposits ranged 0.1% to 5.4% (2021: 0.11% to 2.25%) per annum. As at 31 December 2022, 98 % (31 December 2021: 91%) of cash and bank balance were held with UAE banks and the balance held outside UAE. Out of the total cash and bank balance of USD 151 million, 2% of the amount was held in Egyptian pounds (2021: 9%).

Cash & cash equivalent includes USD 88 million (DG Share 35%) held by Pearl joint venture.

#### 23 Share capital

	2022 USD mm	2021 USD mm
Issued and fully paid up:		
6,995,373,373 (2019: 6,995,373,373) common shares of AED 1 each (USD 0.2728 each)	1,908	1,908

**24 Treasury Shares**

The Company executed a share buyback during the period December 2019 to January 2020 and acquired a total of 36,950,000 of its own shares at an average price of AED 0.94.

During Quarter 1 2021, the Company sold 36,950,000 of its own shares at an average price of AED 0.746.

**25 Legal and voluntary reserve**

	Legal reserve USD mm	Voluntary reserve USD mm
At 1 January 2021	132	132
Transfer to retained earnings	-	(132)
Appropriation for the year	32	32
At 31 December 2021	164	32
Appropriation for the year	18	18
<b>At 31 December 2022</b>	<b>182</b>	<b>50</b>

*(a) Legal Reserve*

In accordance with the U.A.E. Federal Law No. 32 of 2021, the Company has established a legal reserve by appropriation of 10% of the Group's net profit for each year. The allocation may cease by the decision of the General Assembly when the reserve equals 50% of the Company's paid up capital. This reserve may not be distributed to the shareholders. However, the legal reserve in excess of 50% of the paid up capital may be distributed as profits to the shareholders in the years in which the Company does not make sufficient net profits.

*(b) Voluntary Reserve*

As per the Article of Association of the Company, 10% of the Group's net profit for each year will be allocated to the voluntary reserve. The General Assembly may stop the allocation upon the recommendation of the Board of Directors or when the reserve reaches 50% of the paid up capital. The voluntary reserve shall be expended in accordance with a resolution of the Board of Directors on matters that serve the interests of the Company.

**26 Borrowings**

	2022 USD mm	2021 USD mm
<b>Non-current</b>		
Term loan facility (a)	38	57
Loan facility (b)	121	105
	159	162
<b>Current</b>		
Term loan facility (a)	19	19
Loan facility (b)	38	18
	57	37
<b>Total Borrowings</b>	<b>216</b>	<b>199</b>

## Dana Gas PJSC and Subsidiaries

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

At 31 December 2022

#### 26 Borrowings (continued)

	2022 USD mm	2021 USD mm
<b>Total Borrowings</b> (including Pearl joint operations)	<b>216</b>	199
Less: Pearl's Loan facility– Non recourse to Dana Gas	(159)	(123)
<b>Dana Gas borrowings</b>	<b>57</b>	76

##### (a) Term loan facility

Dana Gas PJSC and Dana Gas Egypt Ltd (“DGE”) together (“the borrowers”) entered into a term loan facility with a local UAE bank on 14 October 2020 (“Signing date”), for partly refinancing the Company’s Sukuk. The term loan facility amounts to USD 90 million for a period of one year at an initial 3% per annum margin over LIBOR. The facility was fully drawn down on 22 October 2020. The first repayment date was on the six month anniversary of the signing date with original termination date falling one year from the signing date, with an option to extend for a further period of four years. In 2021, the Company has exercised its option to extend the facility for a further period of four years. As of 31 December 2022, the amount outstanding towards principal is USD 57 million.

The term loan facility is secured against the shares of Dana Gas Red Sea Corporation, Dana Gas Egypt Ltd, and Dana LNG Ventures (BVI) and against certain other assets in UAE and Egypt.

Under the terms of the facility, the company is required to comply with certain financial covenants and the Company has complied with these covenants as of 31 December 2022.

##### (b) Loan facility – Pearl Petroleum

Pearl Petroleum on 18 September 2018 signed a USD 150 million non-recourse (to its shareholders including Dana Gas) loan facility “Facility Agreement” with a local UAE bank with original final repayment date of 30 September 2023 for financing its development activities. The Facility Agreement provides for a 2-year grace period followed by repayment in twelve equal quarterly instalments with the first repayment taking place in 31 December 2020. Pearl has since drawn down the full facility amount of USD 150 million. The repayment schedule for the facility has been amended by way of an Agreement executed on 30 June 2020. Repayments deferred from 2020 (USD 12.5 million) have been prepaid during 2021. The remaining balance of the facility (i.e. USD 137.5 million of which USD 50 million was due in 2021) has been deferred by one year with the first repayment made on 31 March 2022 and final repayment date is 30 September 2024. The repayment instalments under the facility of USD 50 million which are due by 31 December 2023 have been classified as current liabilities. In 2021, Pearl opted to capitalize the interest payable during 2021 (USD 10 million) over the remaining balance of the facility (i.e. USD 137.5 million), with repayment due on this capitalized interest on 30 September 2024, in accordance with the amended facility agreement. During the year, Pearl has paid USD 50 million for repayment of principal under the facility (cumulative principal repayment until Q4 2022 is at USD 62.5 million). As at 31 December 2022 the outstanding amount under the facility was USD 97.5 million.

Pearl Petroleum signed a new term loan facility of USD 120 million non-recourse (to its shareholders including Dana Gas) on 12 December 2019 with a local UAE bank with final repayment date of 30 September 2023 for principally financing its development activities. The facility had a 2.5 year grace period and was repayable in eight equal quarterly instalments, with the first repayment taking place on 30 June 2022. The repayment schedule for this facility has been amended by way of an agreement executed on 30 June 2020, with the first quarterly repayment revised to be from 30 June 2023 and final repayment date of 30 September 2024. Pearl has since drawn down the full facility amount of USD 120 million (DG Share: USD 42 million). As at 31 December 2022 the outstanding amount under the facility was USD 120 million.

Pearl signed on 7 September 2021 a USD 250 million term loan facility with the U.S. International Development Finance Corporation (“DFC”) with a final repayment date of 17 July 2028 for financing the construction, development and operation of a new 250 MMscfd gas processing facility and associated infrastructure located in the Khor Mor gas field. The facility has a 2.5 year grace period and is repayable in eighteen equal quarterly instalments, with the first repayment taking place on 17 April 2024. Pearl has drawn down the full amount from the facility as at 31 December 2022. The total outstanding amount under the facility was USD 250 million as at 31 December 2022.

**26 Borrowings (continued)***(b) Loan facility – Pearl Petroleum (continued)*

Pearl has provided pari-passu security to the Lender by way of assignment of revenue, insurance, major construction contracts, pledge over revenue/debt service/debt service reserve account, registered pledge over Pearl's certain existing production assets in Kurdistan and registered pledge over the new 250 mmscfd gas processing facility once the facility is fully operational. This financing is non-recourse to the Company.

The borrowings under the non-current liabilities are stated net of transaction costs and are carried at amortised cost as at 31 December 2022.

Under the terms of the loan facility, Pearl is required to comply with certain financial covenants and Pearl has complied with these covenants as of 31 December 2022.

**27 Provisions**

	2022 USD mm	2021 USD mm
<b>Non-current</b>		
Asset decommissioning obligation (a)	16	15
Employee's end of service benefits (b)	4	2
	<u>20</u>	<u>17</u>

- (a) The asset decommissioning provision is based on the Company's best estimate of the expenditure required to settle the obligation at the end of the field life in Egypt.
- (b) Provision for employee's end of service benefits represents the present value of the obligations to employees in accordance with the UAE Labor Law. During the year an additional provision of USD 1.5 million was recognized as an expense and USD 65,000 of provision was utilized.

**28 Trade payables and accruals**

	2022 USD mm	2021 USD mm
Trade payables	23	29
Accruals and other payables	99	64
Asset decommissioning obligation	2	16
Other liabilities	9	9
	<u>133</u>	<u>118</u>

Trade payables and accruals classification between non-current and current liability is as follows:

	2022 USD mm	2021 USD mm
Current liabilities	75	82
Non-current liabilities	58	36
	<u>133</u>	<u>118</u>

## 29 Commitments

### Pearl Petroleum

As at 31 December 2022, Pearl had capital commitments of circa USD 191.57 million (DG Share: USD 67 million) – (2021: USD 255.7 million – DG share: USD 89.5 million) which mainly includes commitment relating to engineering, procurement and construction contract for development of 250 MMscfd gas processing train in Khor Mor.

## 30 Related party disclosures

Note 1 provides information about the Group's structure, including details of the subsidiaries and joint arrangement.

	2022 USD mm	2021 USD mm
Fee for management services by shareholder	2	2
Fees for management services to Joint arrangement	3	3
Revenues billed to Joint arrangement	1	1
Sum due following arbitration award (note 20)	-	608

Fees for management services for joint arrangement and major shareholder relates to actual cost charged in respect of time spend by Dana Gas personnel on Joint ventures activities and time spend by major shareholder personnel on activities related to Dana Gas.

Revenue relates to pipeline capacity charges billed by UGTC to CNGCL (Joint Venture) in which the Group holds 35% interest.

### Compensation of key management personnel

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

	2022 USD mm	2021 USD mm
Short-term benefits	4	4
Share based payment	-	1
	4	5



### 31 Dividend

At the Annual General Meeting of the Company held on 21 April 2022, the shareholders approved a final cash dividend of 4.5 fils per share for 2021 bringing the total cash dividend for the financial year ended 31 December 2021 to 8 fils (2020: 5.5 fils).

At the Board meeting held on 21 September 2022, the Board approved an interim cash dividend of 4.5 fils per share for the first half of 2022 which was paid to the Shareholders in October 2022.

### 32 Financial risk management objectives and policies

#### Financial risk factors

The Group's principal financial liabilities comprise borrowings, decommissioning obligations (provisions), trade payables and other payables. 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 have overall responsibility for the establishment and oversight of the Group's risk management framework. The Group's senior management are responsible for developing and monitoring the risk management policies and report regularly to the Board of Directors on their activities.

The Board of Directors reviews and agrees policies for managing each of these risks which are summarised below.

#### (a) Foreign currency risk

The Group is exposed to foreign currency risks in relation to its cash balance in Egyptian pounds held in Egypt with local banks and Egyptian pound payables amounting to USD 3 million.

At 31 December 2022, if the Egyptian pounds had strengthened/weakened by 10% against the USD with all other variables held constant, total comprehensive profit for the year would have been USD 0.3 million higher/ lower (2021: USD 2 million), as a result of foreign exchange gains/losses on translation of Egyptian pounds denominated cash and bank balance.

#### (b) Profit rate risk

The Group has minimal exposure to Profit rate risk on bank deposits. The Group has exposure to interest rate risk on its share of borrowing in Pearl and its term loan facility. If the interest rate would have increase/decrease by 10% with all other variable held constant, total comprehensive (loss)/profit for the year would have been USD 0.8 million higher/lower (2021: USD 0.4 million).

#### (c) Price risk

The Group is exposed to commodity price risk (oil price), however this is partially mitigated due to long term fixed price agreements for sale of natural gas which constitute approximately 39 % (2021: 43%) of the Group's gross revenue. At 31 December 2022, if the average price of oil for the year had increased/decreased by 10% with all other variable held constant the Group's total comprehensive loss for the year would have been USD 28 million higher/lower (2021: USD 17 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. Credit risk is managed on a group basis. The Group's trade receivable is considered to have low credit risk. The credit rating of the counterparties is monitored for any credit deterioration.

**32 Financial risk management objectives and policies (continued)****Financial risk factors (continued)***(d) Credit risk (continued)**(i) Trade receivables*

The trade receivables arise from its operations in Kurdistan Region of Iraq and Egypt (USD 64 million and USD 30 million, respectively. (2021: USD 43 million and USD 24 million, respectively). The requirement for impairment is analysed at each reporting date on an individual basis for major customers (Government related entities). The calculation is based on actual historical data and the status of the customer. The maximum exposure to credit risk at the reporting date is the carrying amount as illustrated in note 21.

*(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. Bank balances are placed with banks having investment grade ratings. The Group's maximum exposure to credit risk in respect of bank balances as at 31 December 2022 is the carrying amount as illustrated in note 22.

*(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 2022

	Less than 1 month USD mm	Less than 1 year USD mm	1 to 5 years USD mm	>5 years USD mm	Total USD mm
Borrowings (including profit)	6	67	186	-	259
Trade payables and accruals	31	28	74	-	133
Provisions	-	0	12	6	18
	<u>37</u>	<u>95</u>	<u>272</u>	<u>6</u>	<u>410</u>

Year ended 31 December 2021

	Less than 1 month USD mm	Less than 1 year USD mm	1 to 5 years USD mm	>5 years USD mm	Total USD mm
Borrowings (including profit)	6	42	180	-	228
Trade payables and accruals	11	48	59	-	118
Provisions	-	0	11	7	18
	<u>17</u>	<u>90</u>	<u>250</u>	<u>7</u>	<u>364</u>

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

At 31 December 2022

**32 Financial risk management objectives and policies (continued)****Capital risk management**

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

The Group manages its capital structure and makes adjustments to it in light of changes in business conditions. No changes were made in the objectives, policies or processes during the years ended 31 December 2022 and 31 December 2021. Capital comprises issued capital, retained earnings and other reserves attributable to the equity holders of the Parent and is measured at USD 2,300 million as at 31 December 2022 (2021: USD 2,293 million).

Net debt reconciliation

This section sets out an analysis of net debt and the movements in net debt for each of the years presented.

		<b>2022</b> <b>USD mm</b>	<b>2021</b> <b>USD mm</b>
Cash and cash equivalents		<b>151</b>	185
Borrowings		<b>(216)</b>	(199)
Net debt		<b>(65)</b>	(14)
	<b>Borrowings</b> <b>USD mm</b>	<b>Cash</b> <b>USD mm</b>	<b>Total</b> <b>USD mm</b>
At 1 January 2021	(163)	108	(55)
Cash flow movement during the year	(36)	77	41
	<b>(199)</b>	<b>185</b>	<b>(14)</b>
At 31 December 2021	(199)	185	(14)
Cash flow movement during the year	(17)	(34)	(51)
At 31 December 2022	<b>(216)</b>	<b>151</b>	<b>(65)</b>

The gearing ratio at 31 December 2022 and 31 December 2021 were as follows:

	<b>2022</b> <b>USD mm</b>	<b>2021</b> <b>USD mm</b>
Net debt	<b>65</b>	14
Total equity	<b>2,300</b>	2,293
Net debt to equity ratio	<b>2.83%</b>	0.61%

Financial covenants relating to borrowings are disclosed in note 26.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

At 31 December 2022

**33 Fair value estimation**

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

	Carrying amount 2022 USD mm	Fair value 2022 USD mm	Carrying amount 2021 USD mm	Fair value 2021 USD mm
<b>Financial assets</b>				
Trade and other receivables (excluding prepaid)	142	142	106	106
Financial assets at fair value through profit or loss	94	94	119	119
Cash and short term deposits	151	151	185	185
<b>Financial liabilities</b>				
Borrowings	216	216	199	199
Trade payables and accruals	133	133	118	118

The fair value of borrowings is determined as the present value of discounted future cash flows using market based discount rate. The fair value is not materially different from its carrying value.

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)

Valuation of investment property is determined with reference to comparable market transactions.

The following table presents the Group's assets that are measured at fair value on 31 December 2022:

	Level 1 USD mm	Level 2 USD mm	Level 3 USD mm	Total USD mm
<b>Assets</b>				
Financial assets at fair value through profit or loss	-	-	94	94
Investment property	-	20	-	20
<b>Total</b>	-	20	94	114

The following table presents the Group's assets that are measured at fair value on 31 December 2021:

	Level 1 USD mm	Level 2 USD mm	Level 3 USD mm	Total USD mm
<b>Assets</b>				
Financial assets at fair value through profit or loss	-	-	119	119
Investment property	-	20	-	20
<b>Total</b>	-	20	119	139

**33 Fair value estimation (continued)**

There have been no transfers between Level 1 and Level 2 during the years 2022 and 2021.

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

**34 Social contributions**

As part of the Corporate Social Responsibility Initiatives, the Group spent USD 553,000 (2021: USD 414,705) during the year.