دانة غاز
DANAGAS

ANNUAL REPORT & ACCOUNTS 2015

10 Years of clean energy

10 Years of clean energy

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DANAGAS

The Zora Gas Plant in UAE

The first offshore project
The first greenfield project
The first project in the home market

ANNUAL REPORT & ACCOUNTS 2015

10 Years of clean energy

OUR VISION

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

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OUR STRATEGY

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

OUR VALUES

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

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

GROUP STRUCTURE

DANA GAS PJSC

UGTC
100%

DANA GAS EGYPT
100%

SAJ GAS
100%

CNGCL
35%

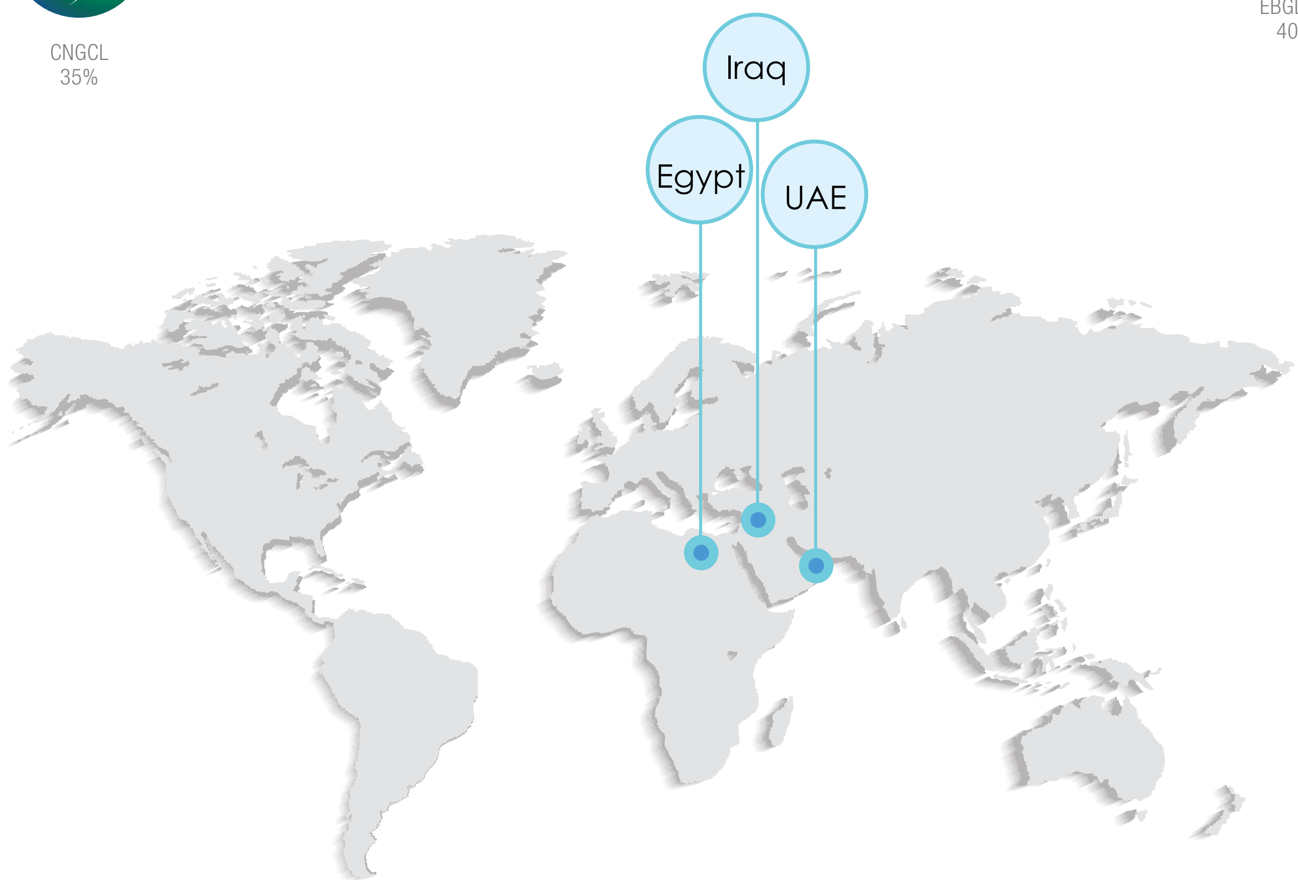
PEARL PETROLEUM
35%

GAS CITIES
50%

Danagaz
66%

EBGDCO
40%

Diagram shows a simplified group structure



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CHAIRMAN'S STATEMENT

Globally, the oil and gas industry faced significant challenges during 2015, particularly in respect of further falls in world oil prices. Our region no doubt was affected, in addition to other security and economic challenges. In this context, Dana Gas successfully maintained its prudent investment strategy and delivered a strong operational and financial performance. Our average group production was 63,900 barrels of oil equivalent per day and we ended the year with a net profit of US$ 144 million and a cash position of US$ 470 million, as well as a growth in reserves. This financial strength will allow us to weather the current period of lower oil prices and be well positioned for future growth as prices recover, while maximising the value of our solid asset base in the UAE, Iraq and Egypt.

"DANA GAS SUCCESSFULLY MAINTAINED ITS PRUDENT INVESTMENT STRATEGY AND DELIVERED A STRONG OPERATIONAL AND FINANCIAL PERFORMANCE."

Operations

In the UAE, we are pleased to report that production has commenced from the Zora Field shared between the Emirate of Sharjah and the Emirate of Ajman. This was an important landmark in the Company's history: our first offshore project and our first upstream project in the GCC. I would like to take this moment, on behalf of Dana Gas, to thank the Governments of Sharjah and Ajman, as well as our contractors, suppliers and employees for all their hard work and support in enabling this project to come to fruition.

One of our key areas of focus in 2015 was Egypt. In late 2014 we entered into a new important agreement with the Egyptian Government - the Gas Production Enhancement Agreement (GPEA). We drilled two successful wells adding additional reserves and delivered on our promise to bring about an increase in production by year end. We are committed to drilling a further five wells this year, investing more than US$ 140 million into our Egyptian operations, and will Insha'Allah begin to see the additional production and revenues during this year, which will further help in reducing our outstanding receivables position.

Our operations in the KRI have continued uninterrupted despite the ongoing security risks in Iraq, and we achieved a slight growth in production there also. We continue to work in close cooperation with the KRI Government to ensure that our people and our facilities remain safe.

Arbitration

Dana Gas and its partner in KRI Crescent Petroleum also achieved a positive outcome in the arbitration with the German Company RWE Supply and Trading. A mutually satisfactory amicable settlement of the dispute was reached, as part of which RWE paid a sum in damages and has also joined as a 10% partner shareholder in our Pearl Consortium in KRI which is led by Crescent Petroleum and Dana Gas and also includes OMV of Austria and MOL of Hungary.

The arbitration with the Kurdistan Regional Government (KRG) also progressed in a positive manner for Dana Gas and its Consortium partners during the year, with the issuing of the First and Second Partial Final Awards on 3 July and 27 November 2015. The First Award reconfirmed the Consortium's long-term exclusive rights under the contract for the development of the Khor Mor and Chemchemal Fields in KRI, and defined the terms around the sale and payment for the produced petroleum products. The Second Award further confirmed that the KRG owes the Consortium an outstanding amount of US$ 1.963 billion for liquid products taken and sold but not paid for, up to June 2015. These Awards are final, binding and internationally enforceable. The Consortium's further substantial damage claims for wrongfully delayed development of the fields will be heard at the final hearing in early September 2016, along with the remaining counter-claims of the KRG.

Mr. HAMID JAFAR
Chairman of the Board

"IN THE UAE, WE ARE PLEASED TO REPORT THAT PRODUCTION HAS COMMENCED FROM THE ZORA FIELD SHARED BETWEEN THE EMIRATE OF SHARJAH AND THE EMIRATE OF AJMAN. THIS WAS AN IMPORTANT LANDMARK IN THE COMPANY'S HISTORY."

Dana Gas and its Consortium partners are committed to working with KRG to realise the full potential of the significant resources in the Khor Mor and Chemchemal Fields for the benefit of the KRI and Iraq, as well as the wider region. In the meantime we are pleased to report that we are currently receiving the full realized market value of our current condensate and LPG production, along with a monthly supplement from the KRG to reduce past receivables. We hope the payment situation will continue to improve.

Adapting to new oil and gas price realities

In my 45 years in the petroleum industry, I have seen many oil price (and obviously accompanying gas price) cycles. When oil prices fall with such speed, industry participants such as ourselves of course need to adapt quickly to the lower price environment. Our immediate response has been to reduce operating costs and improve efficiency. Nevertheless, we continued in 2015 to target investments in executing high-value projects in Egypt and completing the Zora Gas project. We will continue to exert fiscal discipline with respect to our capital and operational investments in 2016 and as these fields start production, we anticipate generating stronger cash flow going forward.

Board and Management

On behalf of the Board of Directors, I would also like to take the opportunity to express our gratitude for the continued support of our Honorary Chairman, His Highness Sheikh Ahmed Bin Sultan Al-Qasimi, Deputy Ruler of Sharjah and Chairman of the Sharjah Petroleum Council. I would also like to thank the outgoing members of the Board of Directors, including former Chairman Dr Adel Al-Sabeeh and the former Vice Chairman, Dr Tawfeeq Al-Moayed, for their leadership and service of the Company during these challenging times. On behalf of the Board and the management of Dana Gas, we would like to thank our shareholders for their continued support of the Company and their confidence in its growth potential.

Our employees are our most important asset, without whom nothing could be achieved. I would like to thank the Dana Gas management team for their commitment, hard work and personal contributions, which have been vital to the success of Dana Gas and in achieving another year of sustained performance.

Conclusion

Dana Gas has made important progress in 2015, further developing our solid asset base and managing our cash flow and costs in a challenging global economic environment. We look forward to another strong year in 2016 Insha'Allah and we are committed to delivering maximum value on behalf of our shareholders.

in EGYPT

El Wastani Plant

CHIEF EXECUTIVE OFFICER'S STATEMENT & OPERATING REVIEW

2015 was a year of steady progress for Dana Gas, despite the challenges in the region and with further falling oil prices. We achieved strong operational performances across our three principal assets in Egypt, the KRI and the UAE; posted healthy financial results with a growth in profits and our cash position; and further strengthened our senior management team while reducing our costs. This has deepened and broadened the solid foundations upon which Dana Gas will continue to build and grow for the future despite the difficult macro-economic challenges we are confronting.

"DANA GAS DELIVERED A STRONG OPERATIONAL PERFORMANCE IN ALL THREE GEOGRAPHIC AREAS OF ITS BUSINESS; EGYPT, KRI AND THE UNITED ARAB EMIRATES (UAE) AND HEALTHY FINANCIAL RESULTS."

Strong Performance

The Company ended the year with a positive financial performance with a 2015 net profit of US$ 144 million, up 15% on the previous year. Our cash reserves also increased to US$ 470 million by year end. The key contributor to these financial results was the cash received from a one-off settlement of the RWEST Middle East Holding arbitration and because the Company focused hard on managing its cost base, both capital and operational expenditures. We invested money carefully and prudently, specifically on finalising the implementation and start-up of the Zora Gas Field project, and on further developing our assets in Egypt as part of the 2014 Gas Production Enhancement Agreement (GPEA) with the Egyptian government.

Egypt remains a key driver of our business success. We made significant progress in executing the GPEA activity plan. We drilled two successful wells in the Balsam Development Lease, one development and one exploratory appraisal well. Both Balsam 2 and 3 wells had excellent results and initial estimates indicate a 2P reserve addition of about 165 Bcf (or 28 mmboe), with a high condensate yield. The wells open up further development potential that we plan to pursue in 2016. The Balsam wells represent a notable achievement in the execution of the activity plan as we start to add incremental production, generate additional revenues and reduce our outstanding receivables position.

Gaffney Cline & Associates has certified Dana Gas's Proved Reserves in Egypt at 83 MMboe, an increase of 41%. In addition Proved plus Probable (2P) reserves of Dana Gas Egypt increased to 130 MMboe corresponding to a reserve replacement ratio of 237%.

Our commitment to Sharjah and the UAE has remained consistent over the last ten years and we are incredibly proud to have completed construction works for the offshore wells, the offshore jacket, topsides and pipelines and the onshore plant and to have started the pre-commissioning work on the Zora Gas Field project. The field started production in mid Januray 2016 and achieved stable and sustainable production levels in early March. The plant will have a maximum capacity of 40 MMscfd gas (6,650 boepd). Natural gas produced from the field will provide a much-needed source of clean energy for the benefit of the people living in the Northern Emirates of the UAE. The Zora Field 2P reserves remained steady at 31 MMboe.

The assessment of the hydrocarbon resources in the Khor Mor and Chemchemal Fields in KRI is under review by the Pearl Petroleum Company Limited's (PPCL) appointed external independent petroleum consultant and their audited figures, and the Company's share of reserves and resources will be released as soon as the review is completed.

As a preliminary estimate the Company believes that total in-place gas and oil resources in the Khor Mor and Chemchemal Fields are significant. PPCL's latest estimate (P50) of total geologically risked in-place resources amount to 75 Tcf of gas

Dr. PATRICK ALLMAN-WARD
Chief Executive Officer

"WE ARE VERY PROUD TO HAVE COMPLETED CONSTRUCTION WORKS FOR THE OFFSHORE WELLS, THE OFFSHORE JACKET, TOPSIDES AND PIPELINES AND THE ONSHORE PLANT AND TO HAVE STARTED THE PRE-COMMISSIONING WORK ON THE ZORA GAS FIELD PROJECT."

and 7 billion barrels of oil. These estimates confirms Dana Gas' belief that the Khor Mor and Chemchemal Fields have the potential to be the largest gas fields in the KRI and indeed in the whole of Iraq and thus makes them world class assets.

To date more than 148 million boe have been produced from the Khor Mor Field. Based upon production data from only 1 of the 12 defined compartments in the Khor Mor Field, Proven plus Probable Reserves (2P) are expected to amount to 8.5 Tscf of gas and 191 MM barrels of condensate. Proven plus Probable Reserves (2P) of gas in the Chemchemal Field are expected to amount to 6.6 Tscf of gas and 119 MM barrels of condensate. The Company's 35% share of the total Proven plus Probable Reserves (2P) in both fields equates to 5.3 Tscf of gas and 109 MM barrels of condensate or 990 MMboe.

Production

Our average group net production was 63,900 barrels of oil equivalent per day (boepd), a decrease of 7% on 2014, principally due to natural declines in our Egyptian fields onshore the Nile Delta. Our aim in 2016 is to exceed previous historical production highs of 70,000 boepd. This is ambitious but with additional production coming on-stream from both the UAE's Zora and Egypt's Balsam fields, we believe we will be able to achieve this target.

Investments

I have previously highlighted the Company's financial results with increases in both net profit and year end cash balances. This positive outcome has been achieved in the context of significantly lower oil prices and at a time when the Company has continued with its capital expenditure programme, spending US$ 234 million during the year. Of this total US$ 150 million was spent on developing the Zora Gas Field, and US$ 84 million on the GPEA capital investment programme in Egypt. Our investment program is focused on developing opportunities that will generate cash flow as quickly as possible and in executing a disciplined and efficient exploration and appraisal programme to further grow production and revenues. We continue to prioritise the collection of our outstanding receivables and by year end we managed to realise US$ 125 million in cash and offset payments in Egypt and US$ 43 million in KRI. This left us with a trade receivable balance in Egypt of US$ 221 million and in KRI our share of the trade receivable balance was US$ 727 million, making a total of US$ 948 million. The Board and management of Dana Gas are both strongly engaged in working to reduce the receivables in both countries, which is a high priority for the Company.

Dana Gas has exited 2015 in a stronger, more liquid financial position and is far better placed to ride out the current oil price cycle than it was this time last year.

Safety

I am also very proud of the environmental and safety performance that Dana Gas has delivered in 2015. In Egypt we have made material progress in improving safety awareness and in asset integrity management. And for the Zora project in the UAE we achieved an outstanding safety performance through the construction phase with over 2 million man hours of activity without a Lost Time Incident (Alhamdulilah). That is a truly significant achievement and testament to the hard work of the project management team, the contracting companies and their management but particularly of all the staff working on the project. They have focused not only on keeping themselves safe but also on keeping their work mates safe with the ultimate objective of zero accidents and zero incidents. What is important is that we continue to deliver that level of performance both this project and on all of the other projects which we operate throughout their life cycles, including the operational phase.

Corporate Social Responsibility

We remain strongly committed to our corporate social responsibility efforts. Dana Gas will continue to be involved in providing support for higher education here in the UAE to help develop the youth in the country. In Egypt and KRI, we have and will continue to contribute in enhancing healthcare facilities, better educational services and teaching tools. In Egypt, we have provided small businesses with seed money to support local businesses and employment opportunities; whilst in the KRI, we have contributed to the provision of social support for orphans. We will continue to be involved in enhancing infrastructure and providing potable water supplies, electricity generation and access roads for local communities in which we operate.

Conclusion

In 2015 we have demonstrated a strong track-record of operational delivery including our first offshore project, as well as an excellent HSSE record across all the assets we operate. Despite the challenges faced in 2015, Dana Gas has continued to deliver strong operating and healthy financial results. Cost discipline has been maintained. I am proud of the progress we have made over the year and I believe our efforts will create compelling opportunities in 2016 that will enable the Company to deliver even greater value to our partners, shareholders and investors. Our success is strongly underpinned by the skills, experience and efforts of our employees. I take this opportunity to thank the Board, the employees, the service providers and the entire Dana Gas family for their hard work and commitment under difficult circumstances in 2015. We look forward to achieving the strong growth potential of the Company as we begin its second decade.

BOARD MEMBERS - SUMMARY

HH Sheikh Ahmed Bin Sultan Al-Qasimi
Honorary Chairman

H.H. Sheikh Ahmed Bin Sultan Al-Qasimi Honorary Chairman of Dana Gas PJSC, Deputy Ruler of Sharjah and Chairman of the Sharjah Petroleum Council.

Mr. Hamid Jafar
Chairman

Mr. Hamid Jafar is the Chairman of the Board of Crescent Group. He supports higher education including the American University of Sharjah and at Cambridge University, and has commercial including container terminal operations, logistics, and private equity.

Mr. Rashid Al-Jarwan
Vice Chairman

Mr. Rashid Al-Jarwan is a Director of Dana Gas. He has held various executive and technical position in the ADNOC Group. He is also on the boards of various government, public, and private companies.

Mr. Majid Jafar
Board Managing Director

Mr. Majid Jafar is the CEO of Crescent Petroleum and Vice-Chairman of Crescent Group. His previous experience was with Shell International.

Mr. Abdullah Al-Majdouie
Director

Mr. Abdullah Al-Majdouie is the Group President and Vice Chairman of Almajdouie Group. He is also Director on the Board of different government bodies and private business councils in Saudi Arabia.

Ms. Fatima Al-Jaber
Director

Mrs. Fatima Al Jaber is a leader in the construction industry in the GCC area. She is currently on the Board of Directors of the Al Jaber Group and former Group COO.

Mr. Hani Hussain
Director

Mr. Hani Hussain is the former Chief Executive Officer of Kuwait Petroleum Corporation from 2004-2007 and served as Oil Minister in Kuwait until 2013.

* For full profile details go to page 51.

Mr. Nasser Al-Nowais
Director

Mr. Nasser Al-Nowais is the Chairman of Rotana Hotel Management Corp. Ltd. and Aswaq Management & Services. He is also the Managing Director of Abu Dhabi Trade Center.

Dr. Patrick Allman-Ward
CEO & Director

Dr. Patrick Allman-Ward has been the CEO of Dana Gas since 2013. He previously serves as General Manager of Dana Egypt, and had a career of 30 years previously with Shell International.

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

HE Sheikh Sultan Al-Qasimi is the Deputy Chairman of the Sharjah Petroleum Council and Chairman of Sharjah Media Corporation. He also founded Al Majaz Amphitheatre, Al Sharqiya TV and Sharjah24.ae.

Mr. Said Arrata
Director

Mr. Said Arrata is the CEO and Chairman of Delta Oil and Gas in the UK. He is also the former Chairman and CEO of Sea Dragon Energy in Canada, and was the founder of Centurion Energy.

Mr. Varouj Nerguizian
Director

Mr. Varouj Nerguizian is the Executive Director and General Manager of Bank of Sharjah. He is also the Chairman and General Manager of Emirates Lebanon Bank SAL, Lebanon.

Mr. Ziad Galadari
Director

Mr. Ziad Galadari is the Founder and Chairman of Galadari Advocates & Legal Consultants and Board Member of Du telecommunications and Dubai World Trade Center.

INTERNATIONAL ADVISORY BOARD

International Advisory Board

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

International Advisory Board
(Left to Right)

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

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

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

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

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

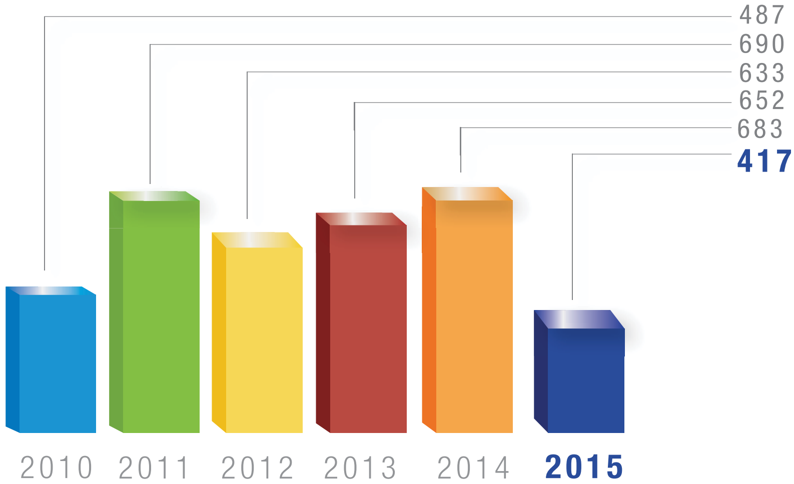
Mr. Kai Hietarinta
Former Vice-Chairman of Neste Oy of Finland

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

in UAE

SAJGAS Processing Plant

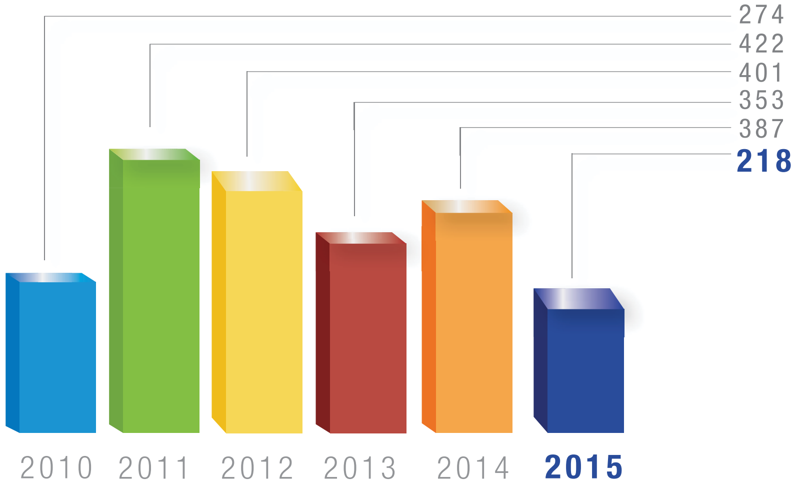
GROUP 2015 PERFORMANCE HIGHLIGHTS (Financials in US$ million)



GROSS REVENUE

US$ 417 million

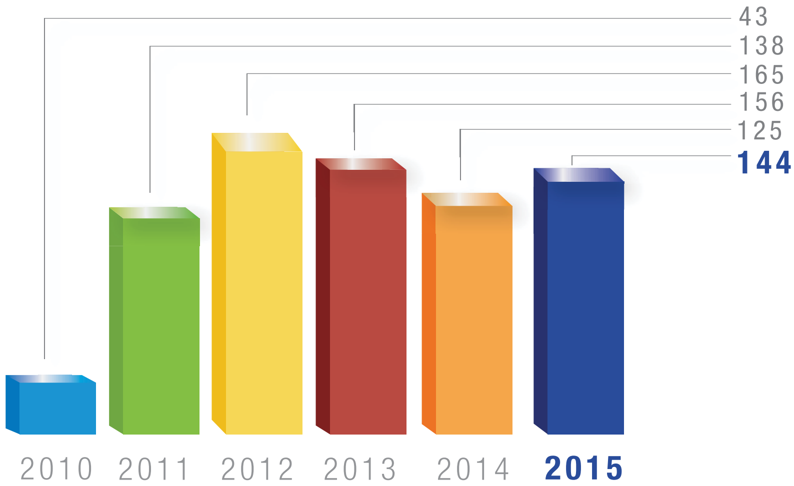
2014 US$ 683 million



EBITDA

US$ 218 million

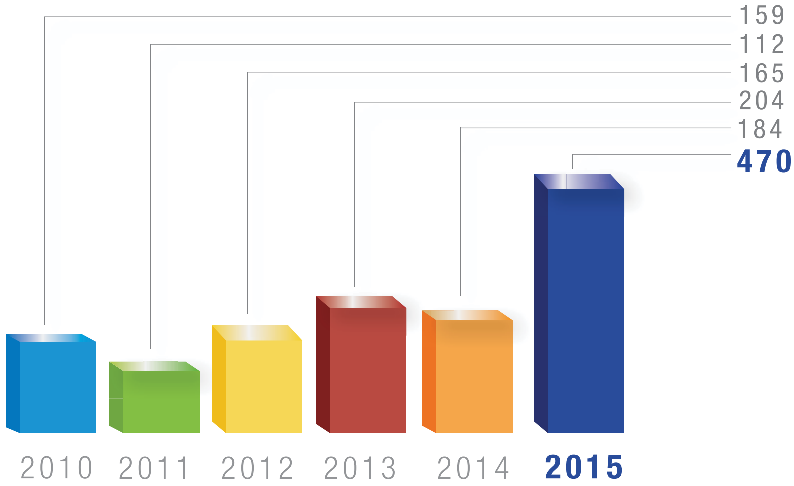
2014 US$ 387 million



NET PROFIT

US$ 144 million

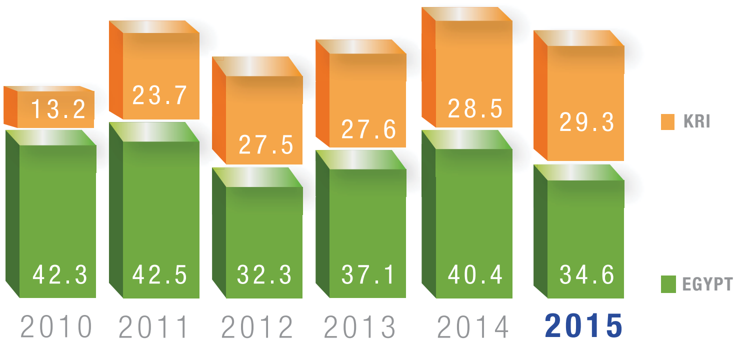
2014 US$ 125 million



CASH BALANCE

US$ 470 million

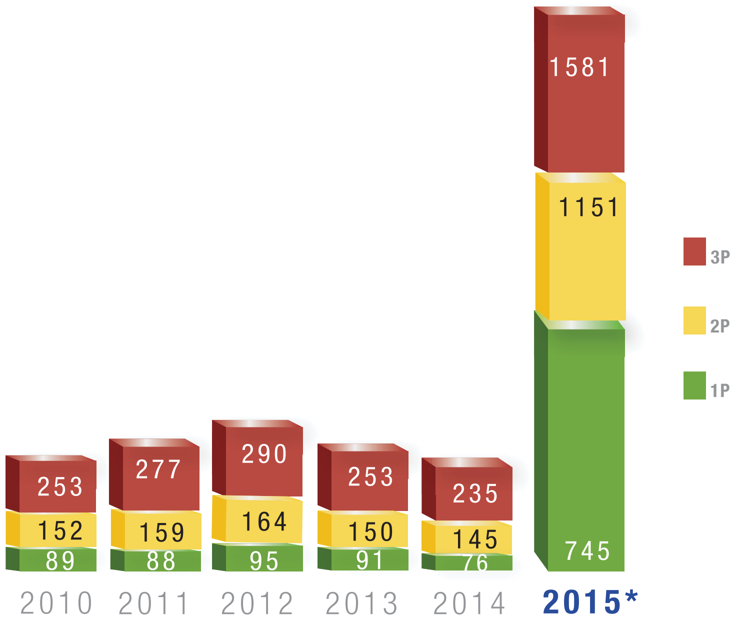
2014 US$ 184 million



PRODUCTION

63,900 boepd

2014 - 68,900 boepd



* Including KRI for the first time

2P RESERVES

1151 MMboe

2014 - 1P - 76
2P - 145
3P - 235

GROUP OPERATIONAL FOOTPRINT

in UAE

Zora Gas Plant

UAE (Zora) Offshore Concession

Dana Gas is the 100% operator of the Sharjah Western Offshore Concession. The Zora Field is located in the concession, which straddles the offshore waters of the Emirates of Sharjah and Ajman, and has been developed to supply gas to Sharjah Government power stations. The Zora Project consists of two wells, which were drilled in 1999 and 2002. One well has been re-entered and brought on line with an unmanned platform installed in 24 m of water. This is connected by a 35 km, 12 inch pipeline to an onshore gas processing facility in the Hamriyah Free Zone for processing 40 MMscfd of gas, along with some condensate.

Project startup was achieved on 14th January 2016 with early gas supplies being intermittent as the gas plant was being fully commissioned. Continuous sales gas production commenced on 28th February 2016.

UAE Gas Project

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

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

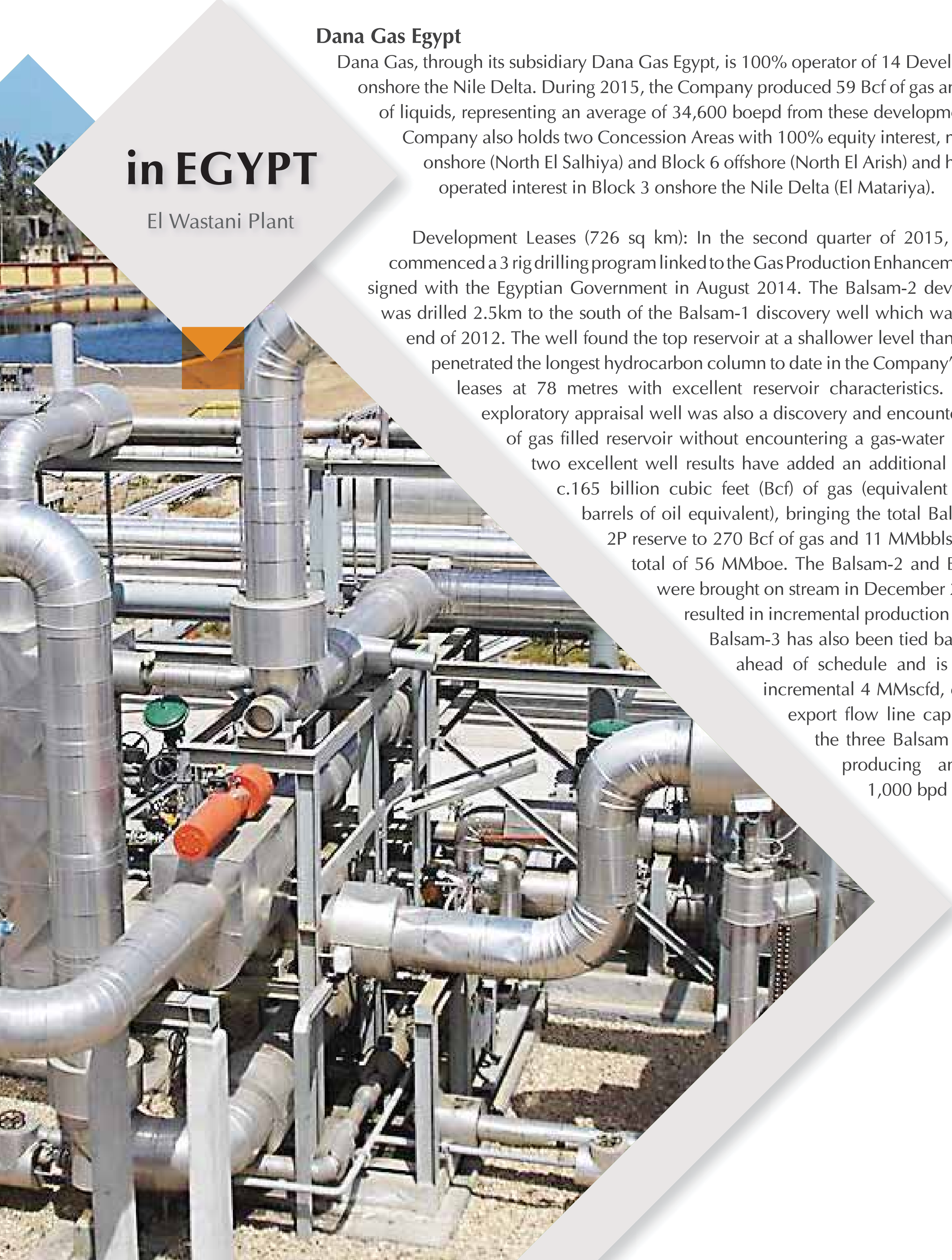
in UAE

Zora Offshore Platform

GROUP OPERATIONAL FOOTPRINT

in EGYPT

El Wastani Plant



Dana Gas Egypt

Dana Gas, through its subsidiary Dana Gas Egypt, is 100% operator of 14 Development Leases onshore the Nile Delta. During 2015, the Company produced 59 Bcf of gas and 2.5 MMbbls of liquids, representing an average of 34,600 boepd from these development leases. The Company also holds two Concession Areas with 100% equity interest, namely Block 1 onshore (North El Salhiya) and Block 6 offshore (North El Arish) and has a 50% non-operated interest in Block 3 onshore the Nile Delta (El Matariya).

Development Leases (726 sq km): In the second quarter of 2015, the Company commenced a 3 rig drilling program linked to the Gas Production Enhancement Agreement signed with the Egyptian Government in August 2014. The Balsam-2 development well was drilled 2.5km to the south of the Balsam-1 discovery well which was drilled at the end of 2012. The well found the top reservoir at a shallower level than Balsam-1 and penetrated the longest hydrocarbon column to date in the Company's development leases at 78 metres with excellent reservoir characteristics. The Balsam-3 exploratory appraisal well was also a discovery and encountered 44 metres of gas filled reservoir without encountering a gas-water contact. These two excellent well results have added an additional 2P reserves of c.165 billion cubic feet (Bcf) of gas (equivalent to 28 million barrels of oil equivalent), bringing the total Balsam Gas Field 2P reserve to 270 Bcf of gas and 11 MMbbls condensate, a total of 56 MMboe. The Balsam-2 and Balsam-1 wells were brought on stream in December 2015 and have resulted in incremental production of 20 MMscfd. Balsam-3 has also been tied back, six months ahead of schedule and is producing an incremental 4 MMscfd, constrained by export flow line capacity. Together the three Balsam wells are also producing an incremental 1,000 bpd of condensate.

The Balsam field is therefore currently producing 5,000 boe/d including condensate. This has partly offset the natural field declines of 15% observed during the course of 2015.

Based on the Balsam-2 and Balsam-3 well results, a further 2 exploration wells and 1 development well are planned to be drilled within the Balsam development lease in 2016 to capture the full potential and secure the largest possible lease area. The GPEA activity plan will continue with a series of projects in the Nile Delta to increase production and to de-bottleneck the processing capacity of rich gas to 250 MMscfd before the end of the year. A key objective in 2016 is to also implement a permanent Asset Integrity system for the Nile Delta facilities to protect our investments, minimize the risk of accidents, reduce unplanned maintenance events (reducing costs and increasing production) and extend the remaining life of the asset.

North El Salhiya (Block-1) Nile Delta Onshore Exploration Acreage (1,527 sq km): The reprocessing of circa 800 line km of 2D vintage seismic data is scheduled during the first half of 2016 and 4 exploration wells are planned in 2017.

El Matariya (Block-3) Nile Delta Onshore Exploration Acreage (960 sq km): In May 2015, the Company completed an agreement with BP for the drilling of the first deep target exploration well (Mocha-1). Under the terms of the agreement, BP as operator will carry the Company for its 50% share of the cost of the well, subject to an agreed cap of US$ 39 million (Dana Gas share). The expected spud date for the Mocha-1 exploration well is beginning of May.

North El Arish (Block-6) Offshore Exploration Acreage (2,980 sq km): In October 2015, circa 1,800 sq km of full fold 3D seismic was acquired with seismic processing taking place in the first quarter of 2016. The drilling of the first exploration well in Block-6 is scheduled to take place in the first quarter of 2018.

Gas Production Enhancement Agreement (“GPEA”): During 2015, the Company finalized all the ancillary agreement to the GPEA (Transportation, Joint Marketing and Accounting Procedures) with the Egyptian General Petroleum Company (“EGPC”) and the Egyptian Holding Company for Natural Gas (“EGAS”). The GPEA entitles the Company to export all of the incremental condensate production including its own as well as the EGPC/EGAS shares beyond the No-Further-Action production profile. The Company is starting export activities in January 2016 with a plan to ship three condensate cargos before the end of the year.

EBGDCO

In the Gulf of Suez, the Company holds a 26.4% interest in an LPG recovery plant with capacity to extract up to 130,000 tons per annum of LPG from a gas stream of 150 MMscfd. The plant has processed up to its full feedstock gas processing capacity during the year.

GROUP OPERATIONAL FOOTPRINT

in KRI

Khor Mor Gas Processing Plant

Kurdistan Region of Iraq (KRI)

In The Kurdistan Region of Iraq, Dana Gas holds a 35% interest in Pearl Petroleum Company Ltd. (PPCL) jointly with Crescent Petroleum (35%), OMV (10%), MOL (10%) and RWE (10%). PPCL holds the rights to appraise and develop the Khor Mor and Chemchemal Fields and market and sell the resultant petroleum products.

Currently, Dana Gas and Crescent Petroleum jointly operate the Khor Mor Field on behalf of PPCL. During 2015, the operations at Khor Mor produced gas at a daily average rate of 311 MMscf, condensate at an average daily rate of 13,578 bbls, and LPG at a daily average rate of 729 MT. The gas produced and processed at Khor Mor plant is being supplied to the two power stations at Bazian and Erbil through a 180 Km pipeline.

PPCL has put in place long term plans to complete the appraisal and initiate a major development plan for the Khor Mor and Chemchemal Fields to increase production capacity to meet local hydrocarbon consumption requirements and for export into international markets.

Total investment in the project so far of over US$ 1.1 billion for the Khor Mor and Chemchemal Fields represents one of the largest private sector investments in Iraq's oil and gas sector enabling 1,750 MW of affordable electricity supply for millions of people in the Kurdistan Region. It is also achieving over US$ 3.4 billion of recurring annual savings in fuel costs for the KRG for power generation, calculated to total close to US$ 16 billion in savings from the start of

production in 2008 until the end of 2014.
From an environmental perspective as well, the reduction of greenhouse gas emissions as a result of using cleaner natural gas at the power stations is valued at about US$ 300 million per year.
As reported previously, Dana Gas and Crescent Petroleum, joint operators of Pearl Petroleum Company Limited ("PPCL") estimates that P50 total Geologically risked resources of petroleum initially in-place (PIIP) of the Khor Mor and Chemchemal 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 31st December 2015 based on a comprehensive data set comprising ca. 1200 km 2D seismic, the 11 wells drilled in the two fields to date plus field production data over a period of seven years.

In their report dated April 2016, GCA provide the following reserves estimates for both fields:

· Proved plus Probable (2P) gas and condensate reserves for Khor Mor are 8.5 Tscf and 191 MMbbl respectively of which Dana Gas' 35% share equates to 3 Tscf of dry gas and 67 MMbbl of condensate.
· For Chemchemal, Proved plus Probable (2P) gas and condensate reserves are 6.6 Tscf and 119 MMbbl respectively, with Dana Gas' 35% share being 2.3 Tscf of dry gas and 42 MMbbl of condensate.

The above figures are based on data from 2 of the 12 defined compartments in the Khor Mor Field and 1 of the 3 compartments in the Chemchemal Field. Total Dana Gas share of the Khor Mor and Chemchemal 2P reserves is therefore 5.3 Tcf gas and 109 MMbbls condensate, equivalent to 990 MMboe.

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 and Prospective Resources.

GCA's report confirms Dana Gas' and Crescent Petroleum's belief that Khor Mor and Chemchemal have the potential to be the largest gas fields in the KRI and indeed in the whole of Iraq and thus makes them world class assets.

FINANCIAL REVIEW - 2015

Key Financial Metrics

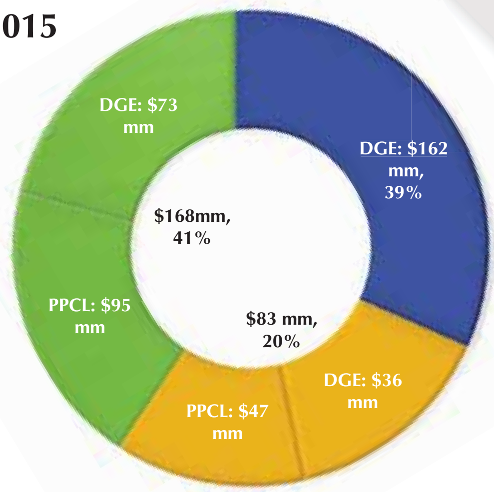
	2015 (US$ million)	2014 (US$ million)	% Change
Gross Revenue	417	683	(39)
Gross Profit	126	303	(58)
Profit After Tax	144	125	15
EBITDA	218	387	(44)
Cash From Operations	203	101	101

In a very challenging year for the Oil and Gas Industry the Group managed to achieve a net profit of US$ 144 million as compared to US$ 125 million in 2014, an increase of 15%. Sharp fall in oil prices impacted the top line which declined by 39%, however, the mutually satisfactory settlement of the arbitration with RWE Supply & Trading GmbH (RWEST) including the sale of a 5% interest in Pearl Petroleum Company Limited (PPCL) to RWEST Middle East Holding BV, provided a boost to profitability in quarter 4 of 2015. The Company continued with its cost optimization drive during 2015 which included job cuts and aims to further cut G&A costs in 2016.

GROSS REVENUE

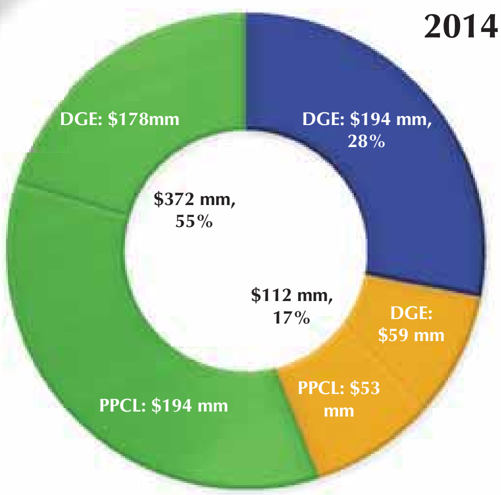
Revenue contribution by product

2015



Gas LPG Condensate

2014



Gas LPG Condensate

GROSS REVENUE

During the year the Company earned gross revenues of US$ 417 million as compared to US$ 683 million in 2014, a decline of 39% reflecting sharp decline in hydrocarbon prices coupled with lower production in Egypt. Revenue decrease was primarily due to lower realized hydrocarbon prices during 2015 following reduction in global oil prices. Realised prices were down by almost 50% in 2015 and averaged US$ 50/bbl for condensate and US$ 37/boe for LPG compared to US$ 97/bbl and US$ 64/boe respectively in 2014. This eroded approximately US$ 222 million off the top line. Production in Egypt was also lower by 15% to 12.4 million barrels of oil equivalent (boe) as compared to 14.6 million boe in 2014. The decrease followed a steady and predictable downward curve associated with normal field production decline and was partially reversed when two of the Balsam Field wells were brought into production in Q4 2015. Egypt contributed US$ 271 million to gross revenue as compared to US$ 432 million in 2014. Our share of revenue from the joint operations in KRI stood at US$ 142 million lower by 43% as compared to US$ 247 million in 2014. The ratio of net revenue in US$ supplied by Dana Gas Egypt gas production thus increased to 39% in 2015 compared to 28% in 2014, provides a natural hedge against declining hydrocarbon prices.

GROSS PROFIT

Gross profit for the year stood at US$ 126 million, a decrease of 58% over the previous year. This decrease was mainly due to lower hydrocarbon prices realised during 2015 which eroded US$ 222 million and lower production in Egypt which eroded a further US$ 44 million. Royalty, in Egypt, on the other hand declined by US$ 61 million in line with decline in prices and production in Egypt. Depletion, depreciation and amortization (DD&A), which is calculated on unit of production basis, also declined during the year in line with production decline in Egypt.

GENERAL & ADMINISTRATION EXPENSES

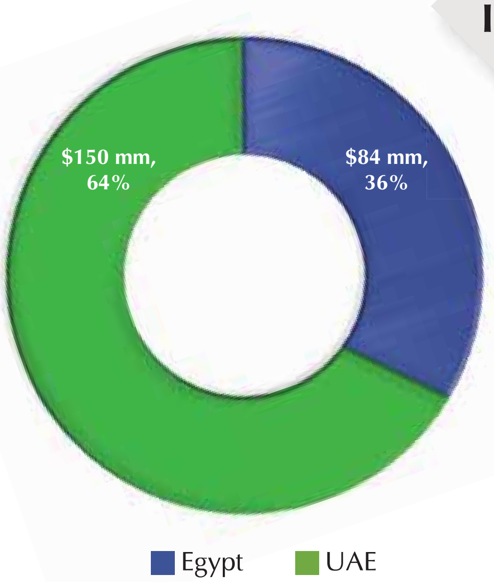
Cost optimisations including job cuts carried out in 2015 resulted in an 18% decline in G&A cost. For the year, G&A costs were US$ 23 million compared to US$ 28 million in 2014. Costs optimisations continue and will result in further reduction in 2016.

BALANCE SHEET

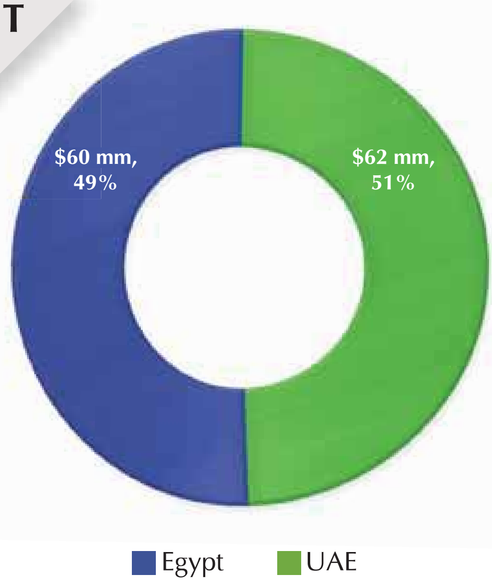
Equity attributable to shareholder's stood at US$ 2.87 billion; an increase of 6% from last year's equity of US$ 2.70 billion. Accordingly the book value per share at the end of 2015 was AED 1.51 (2014: AED 1.48 per share). Total assets at the year-end increased to US$ 3.9 billion from last year's total assets of US$ 3.6 billion. This increase was largely due to increase in cash and bank balance and trade receivables at the year end.

CAPITAL INVESTMENT

Geographical Analysis – 2015



Geographical Analysis - 2014



CAPITAL INVESTMENT

Despite the low oil price environment prevalent in 2015, the Group continued with its capital investment program both in Egypt and U.A.E. and spent a total of US$ 234 million in 2015 as compared to US$ 122 million in 2014. In Egypt, the Company expended US$ 84 million on drilling 1 exploratory/appraisal and 6 development/recompletion wells together with various field development activities to grow production. In addition US$ 13 million was paid as signature bonus for Block-1 and Block-3 which was offset against the trade receivable. In Sharjah, an amount of US$ 150 million was spent on the Zora field development project. The project included construction and installation of an unmanned offshore platform, drilling of Sharjah well with two laterals, 12″ subsea and onshore pipelines and the onshore gas processing plant. The project's final commissioning and start up are on going with the first gas delivered on 14th January 2016.

TRADE RECEIVABLES

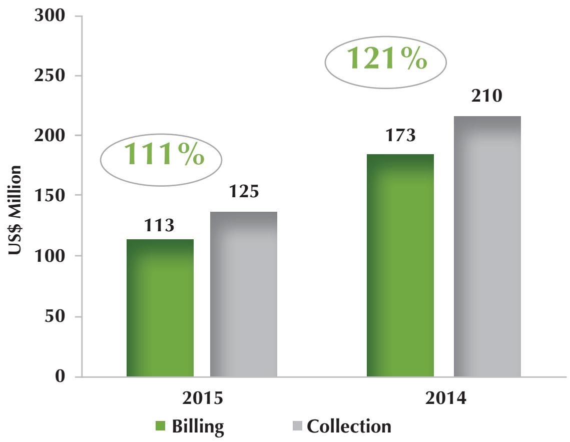
The Group's trade receivables at the end of the year stood at US$ 950 million as compared to US$ 992 million in 2014. The decrease in receivable was due to higher rate of collections in Egypt, as compared to revenue billed and disposal of 5% interest in Pearl Petroleum. Receivables in Egypt constitute 23% of the total and the balance mainly relates to receivables in KRI.

In 2015, the Company's total collections stood at US$ 168 million. In Egypt the Company collected US$ 125 million or 111% of net revenue invoiced for the year. Out of the total collection, US$ 109 million was collected in cash and there were offsets agreed with EGAS and EGPC of another US$ 16 million, of which US$ 13 million was against the Block-1 and Block-3 signature bonus and the balance of US$ 3 million was offset against the payables to government related entities. At the year-end receivable balance stood at US$ 221 million of which US$ 165 Million was overdue.

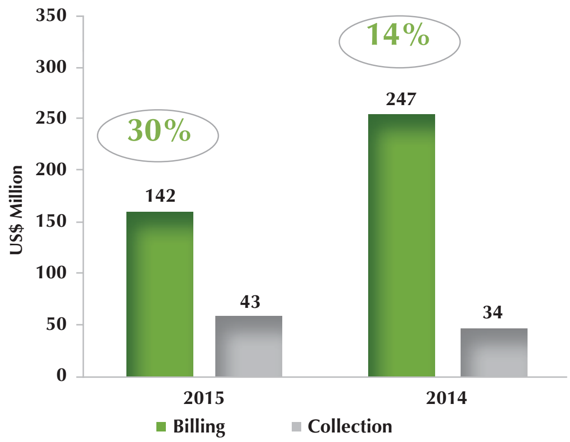
In KRI, Dana Gas share of collections for the year 2015 stood at US$ 43 million compared to US$ 34 million in 2014. Upon expiry of the direct local sales contract, KRG has commenced direct lifting of LPG and Condensate from 20 September and 7 October 2015, respectively from the Khor Mor plant through a nominated local contractor. At year end the trade receivable balance stood at US$ 727 million as compared to US$ 746 million in 2014.

TRADE RECEIVABLES

Dana Gas Egypt



Pearl Petroleum



Note: (%) age calculated as collections divided by net revenue

CASH FLOW

	2015 (US$ million)	2014 (US$ million)
Net cash from operating activities	203	101
Net cash from/(used in) investing activities	41	(54)
Net cash from/(used in) financing activities	13	(67)
Net cash flow/(out flow) during the year	257	(20)

Cash flow from operations increased from US$ 101 million in 2014 to US$ 203 million in 2015. The key contributor to this increase was the cash received from RWE in November in consideration of the agreed settlement of arbitration. Cash from investing activities also increased from an outflow of US$ (54) million in 2014 to an inflow of US$ 41 million in 2015. This was mainly due to proceeds from sale of 5% interest in PPCL and disposal of MOL shares through which the Group realised an amount of US$ 54 million.

Under financing activities, cash flow increased from an outflow of US$ (67) million to a cash inflow of US$ 13 million in 2015. This was mainly due to proceeds from borrowings for the Zora field development project of US$ 100 million, the sale and lease back arrangement in Egypt of US$ 18 million and the Murabaha facility to fund Egypt operations/investment program of US$ 25 million. This was partly offset by payment of profit on borrowings of US$ 69 million and repurchase of sukuk of US$ 24 million during 2015. Based on the above the Group ended the year with a cash and bank balance of US$ 470 million, an increase of 155% compared to US$ 184 million at the end of 2014. Included in the cash balance is US$ 54 million held in equivalent Egyptian pounds in Egypt.

HEALTH, SAFETY, SECURITY AND ENVIRONMENT

Throughout 2015, Dana Gas leadership has continued to be committed and proactive in its drive to protect our employees and contractors, the communities we interact with, the environment and our assets from potential risks. 2015 saw significant improvements in HSSE performance and results, along with risk reductions related to conditions, operations and processes. There was a significant decrease in injuries and uncontrolled releases, and continued improvement in quality of incident reporting and safety observations. During the year work was done to be more efficient and timely in closing out of incident investigations, and applying lessons learned to take a more proactive approach for incident prevention. The management leadership team made more site visits and safety inspections throughout the operations and the constant message was of encouragement, improvement, management commitment and employee involvement. Continued progress was made on safety critical elements including HAZID, HAZOP and Major Accident Hazard Management, to ensure reliability of critical operation's safety devices. HSSE training and development programs for employees and contractors across the Group were conducted. The focus of these training programs was on safety leadership and values, safety behaviors, risk reduction, hazard identification, incident investigation, root cause analysis, offshore survival, H2S awareness, defensive driving, and process safety.

In 2015 we prepared the steps to introduce a defined and structured Asset Integrity System for the Egypt and UAE operations. Utilizing the guidelines and standards of the corporate Operating Risk Management Systems (ORMS), asset integrity was implemented into the operating and maintenance system for the Zora Operations. The foundation for the asset integrity system and structure was defined and laid out for Dana Gas Egypt, and plans made to implement the formal management system in 2016. The HSE Management System based on the international recognized standard OSHAS 18001 was prepared for the Group during the year. Dana Gas Egypt in 2015 achieved the re-certification of their HSE Management System, meeting the standard and certification requirements of OHSAS 18001 and ISO 14001.

Performance

We remain committed to open reporting of incidents (major and minor) across the company enabling us to learn and improve. We strive to work with our operater and joint venture partners to promote full reporting of incidents and we are achieving further reliability in the data we gather. In Q1 2015 the Safety Observation System (SOS) was implemented by the Group and was well accepted so that employees are now more comfortable to make safety observations and comments on conditions, behaviors and activities.

Key Metric	2015	2014	2013	Benchmark	Comment
Fatalities	0	0	0	3*	*2013 OGP Global Average
Man Hours Worked (Million Man Hours)	7.9	5.40	5.84	N/A	Contractors and employees
Recordable Injury Cases	7	10	11	32*	*2013 OGP Global Average
Total Recordable Injury Frequency	0.18	0.36	0.37	0.35*	*2013 OGP Global Average
High Potential Incidents	14	7	8		
Loss of Primary Containment Incidents	13	18	17		
Major road accidents	1	0	2	8*	2013 OGP global average
Kilometers Driven	5.3 mm	8.0 mm	6.18 mm		With increased field, drilling and project activity, more driving

Personal Safety

Seven of our colleagues suffered recordable injuries throughout the year. This is a reduction from 11 in 2014. KRI and Egypt combined medical treatment injuries were at four in 2014 and again four in 2015. There were three lost time injuries in 2015, with two drilling contractors in Egypt and one employee in KRI having injuries which caused them to lose some days of work each. The Total Recordable Injury Frequency (TRIF) in 2015 was 0.18 against the target of 0.30 and was 0.36 for 2014 against the target of 0.50. The 2015 TRIF improvement demonstrates that we are improving performance due to on-going focus on safety behaviors and influencing and leadership activities related to building the safety culture and more visible leadership. In parallel, there has been improved reporting of observations and close-out of actions, and increased site inspections and risk assessments. The increase in drilling and construction activities associated with the Zora Project and the drilling program in Egypt (more hazardous and at risk activities) in 2015 corresponds with an increase of employee and contractor man hours. One million man hours was achieved incident free by the contractor that was in charge of the onshore Zora Gas Plant construction. This is a significant achievement for 2015. The offshore drilling contractor for the Zora drilling program achieved 200 days of drilling time incident free, with 250,000 man hours worked.

High Potential Incidents

This increase in reported High Potential Incidents is a result of improved reporting and the significant increase in 2015 of high risk activities related to construction, operations and drilling. Further work needs to be done to reduce these incidents, and for 2016 the focus will continue with assessing and reviewing hazardous tasks and conditions, with a proactive approach to prevention of such incidents, in particular in drilling and transport activities. 2015 saw a more comprehensive and analytical approach to investigations of incidents, with more reliable and accurate root-cause analysis and follow-up on corrective actions and lessons learned.

Fourteen high potential incidents have been reported in 2015, compared to 7 reported in 2014.

High Potential Incidents	Production Intervention	Drilling and Well	Security	Transport	TOTAL
Egypt	5	3	3	1	12
KRI	1	0	0	0	1
UAE	0	0	0	1	1

Safety Observations

There has been a significant increase from 6,289 observations in 2014 to 21,667 in 2015. This increase was due to increased construction, drilling and project activities in the UAE and Egypt. We will maintain our focus on this leading metric into 2016, challenging the organization to make positive and improvement related observations, with the emphasis on open communication and improved safety behaviors. More work will continue on closing out the observations with an appropriate action or communication.

Process Safety

Managing the integrity of our assets (Asset Integrity Management) ensures that our facilities operate as designed and in a way that hazardous gases and liquids produced remain within the pipelines and vessels they are generated or transported in. Several initiatives were taken to improve asset reliability including more of a focus on integrity measurement and testing, corrosion inhibitor programs and condition monitoring, timely repairs and preventive maintenance. In 2015 the main focus was on improved loss of containment actions at the facilities. The loss of primary containment incidents in 2015 was reduced to 13 from 18 in 2014.

Dana Gas continued with safety case studies for major hazard facilities to ensure that risks are managed to appropriate levels and to ALARP. The safety case process made progress in 2015 with the completion of HAZOP Studies for drilling locations, well sites, and modifications to production facilities. In addition there were several Major Accident Hazard (MAH) studies completed, Environment and Social Impact Assessments initiated and studies on thermal radiation from flaring and gas release modelling.

Environment

There were fewer significant reported releases (more than 1 barrel) of hydrocarbon in the environment in 2015, with minor leaks resulting from pin hole pipe leaks, flange and gasket leaks and pipe and hose connection leakages. Flow line releases in our Egypt and KRI assets have seen a major improvement due to the focus on asset integrity and improved environmental controls for handling and transporting hazardous materials. In 2015 we completed the requirements for the Khormor Operations ESIA. This reflects the environment and social management impacts of the operations in the Khormor region of KRI. In 2015 Dana Gas Egypt prepared the 2009 – 2014 Social Investment Report. This is the first report of its type for the Company. It reflects our commitment and responsibility towards the communities in which we operate in, with focus on stakeholder social and environmental concerns.

Health

Emphasis on health management continued in 2015, with ongoing focus to fitness for work, ergonomics, vaccination programs, medical fitness, and health monitoring campaigns. In 2015 there were no recordable illnesses in the group.

Security

Security management in 2015 was a critical part of the integrated HSSE management system for the group. There was three reported security incidents in our activities in 2015, the same as in 2014. Three incidents occurred in Egypt related to communities where local farmers were burning crop wastes and the fires came close to production facilities. Security was maintained around the facilities near to communities in Egypt with emphasis on effective communications, and visible presence and vigilance. In 2015 the Journey Management Programs of KRI and Egypt proved to be extremely effective in controlling the movement of people and materials, maintaining safety and security for all concerned.

In 2015 the strong and proactive security management approach continued in the Kurdish Region of Iraq to ensure the protection of the workforce and facilities, working and cooperating closely with the National Oil Field Police. In KRI and also in Egypt, our relationship with the communities surrounding the operations continues to play a key role in our ability to prevent serious security incidents.

HSSE Risks

Throughout 2015 there continued to be emphasis on reduction of HSSE risks, achieving positive progress. These risks are built up from asset and Business Unit risk matrices which have become a key discussion item on the agenda of Senior Management and Board of Director meetings held on a quarterly basis.

Risk Theme	Controls In Place in 2015 (highlights)
Developing a consistent safety culture across the Group	· The continued use of the Group Operating Risk Management System as the guideline for risk control. · Safety Leadership Program. · Improved incident reporting and root cause analysis. · Fit-for-purpose HSSE and Asset Integrity KPI's included on the Group Scorecard, and in the annual performance reviews, as a mix of leading and lagging indicators.
Consistency in assessment of HSSE risks across the Group	· High priority on asset integrity risks through objective investigation of integrity failures, based on root cause evidence. · Focus on Risk Assessments, Hazard Identification, ALARP and Permit to Work, Management of Change along with strengthened competency in technical authorities. · Lessons learned and improvements.
Project HSSE risk and assurance	· The Zora Project in the UAE is managed in compliance with the ORMS and the required HSE management systems and controls. · Focus on Contractor HSE Management · Conduct Risk Assessments and Peer Reviews · Having fit-for-purpose Technical Authority for project oversight · Alignment of Egypt JV and Dana Gas HSSE in Projects.
Ensuring identification and management of major accident hazards	· Process safety training, competency and authority development continues. · Major accident hazard reviews conducted for operating facilities. · Safety critical element lists developed for operating facilities. · High level investigations of all high potential incidents. · Emphasis on lessons learned and continuous improvements.
Consistency in HSSE Standards of Contractors	· Issue of the Project requirements for HSSE Management Technical Practice. · Continued effort to reduce incidents related to driving requirements with contractors in Egypt. · HSSE standards and requirements for drilling and construction contractors.

RISK MANAGEMENT

The ability of Dana Gas to protect and grow shareholder value depends on the successful delivery of the Group's business objectives. In turn, this depends on the extent to which the Group is effective in identifying, assessing and managing risk across the business.

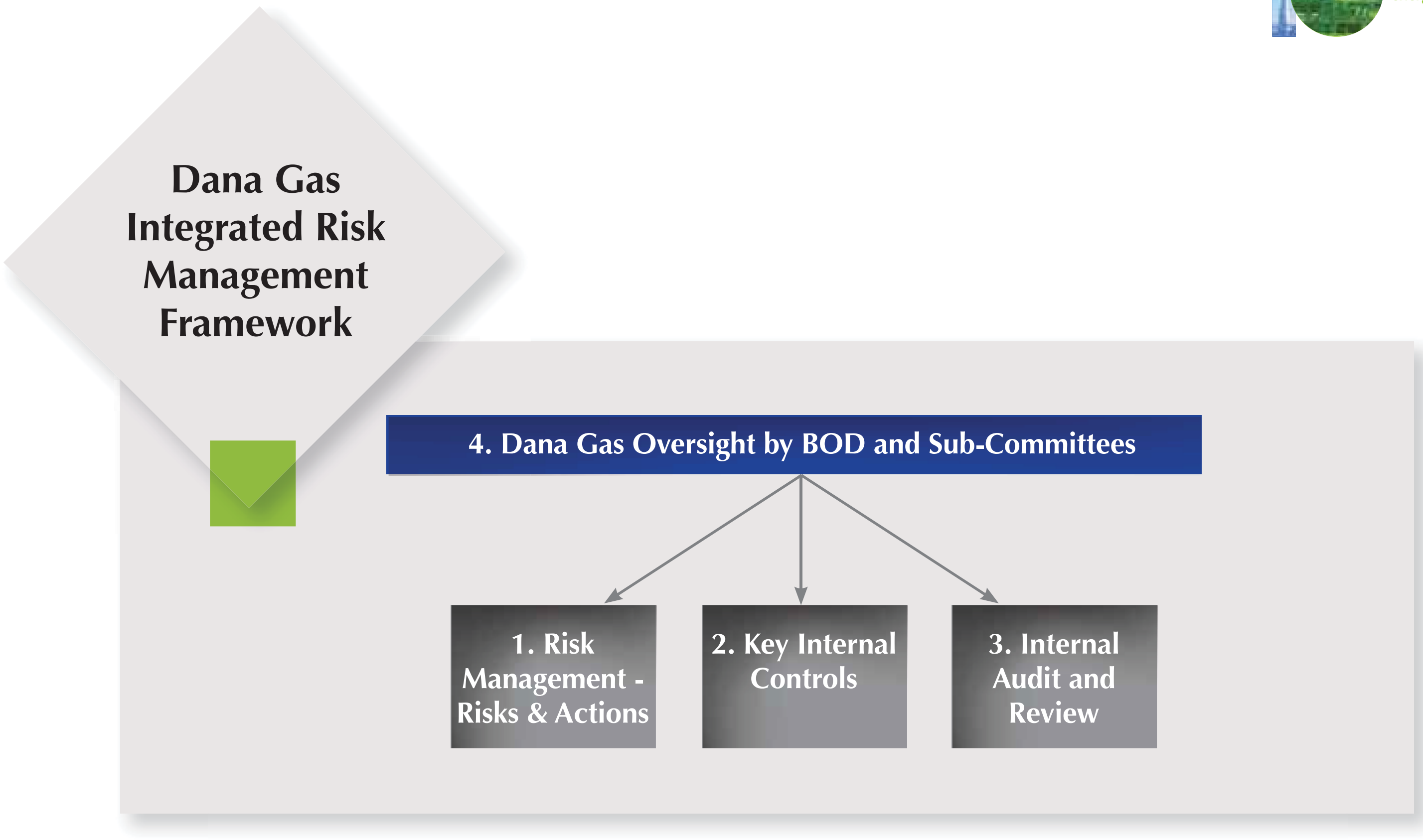
Dana Gas strongly believes that effective business risk management is essential to the efficient operation of its assets, projects, central functions and the Group. Dana Gas therefore has fully adopted best practice in risk management, following the principles set in the international risk management standard, ISO 31000, to protect the Group from strategic and operational risk, maximise opportunity and safeguard shareholder value. Dana Gas recognises that it has a responsibility to manage risks, which in turn will protect our reputation, people, environment, communities, as well as the interests of all our stakeholders.

Risk Management Oversight

The Dana Gas Board is ultimately responsible for risk management as part of its role in providing strategic oversight and stewardship of the Group. This includes evaluating risks to the delivery of the business and strategic plan and oversight on mitigating strategies. Key strategic risks and opportunities are reviewed quarterly by the Board and the Audit & Compliance Committee. Accountability for identifying and managing business risks lies with business unit line management, with oversight by the Executive Risk Committee and the Board.

Dana Gas seeks to continually improve its risk management capability. Following the annual corporate risk assessment exercise of 2014, the Board initiated a review of its Corporate Governance process with the output submitted in November 2015. During 2016, the Board and the CGRNC will oversee the roll-out of an enhanced integrated Governance, risk management and audit process, with strengthening of the internal controls. The process will improve the identification, measurement and monitoring of risk, as well as effective risk assurance.

The Executive Team actively reviewed risks to the business plan throughout the year and also brought greater focus on action planning to the Group risk register. The quarterly risk and audit review sessions created a platform in which new risks and opportunities are discussed and risk-informed decisions about optimal courses of action are made. In addition to the short-to-medium term risks associated with the delivery of our business plan, the Board also considered the long-term risks and opportunities we face in a wide range of business activities.



Risk Factors and Uncertainties

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

1. Joint Ventures

A significant part of the Group's operations are conducted with joint venture partners and Dana Gas is not the operator or does not have full operational control. Dana Gas has to rely on the JV partners to achieve its business objectives in a safe manner and on time and budget. Dana Gas may have limited influence over these ventures and how they are managed. Management of these non-controlled joint ventures (NCJVs) may vary from Dana Gas own standards including those related to risk assessments, health, safety and environmental risks, and technical and operational matters. Dana Gas endeavours to influence these joint ventures and stakeholders to adopt improved standards, controls and procedures equivalent to the Group's own.

2. Projects

The Group's future gas and oil production is to a significant extent dependent upon the successful completion of development projects within budget, cost and specifications. The delivery of these projects is subject to technical, HSSE, commercial, legal, contractor and economic risks. Development projects may be delayed or unsuccessful for many reasons, including: cost and time overruns of projects under construction; reduced production volumes; efficiency and productivity of reservoir; failure to comply with legal and regulatory requirements; equipment shortages; availability, competence and capability of human resources and contractors; unscheduled outages; mechanical and technical difficulties; and gas pipeline system constraints and customer delays in receiving gas.

3. Liquidity and Credit

Dana Gas exposure to receivables, credit and liquidity risk takes the form of a loss that would be recognised if counterparties (including sovereign entities) failed or were unable to meet their payment or performance obligations. These risks may arise in certain agreements in relation to amounts owed for physical product sales. Dana Gas is also exposed to liquidity risks, including risks associated with refinancing borrowings as they mature, and the risk that financial assets cannot readily be converted to cash without loss of value and governments unable to pay in US$ and inability to export profits. The Group is also exposed to country risk event, causing non-payment of foreign currency obligations. Management of receivables is fundamental not only to Dana Gas financial value but also to the Group's ability to deliver its core business.

4. Asset Integrity and HSSE

Exploration, Production and Transmission activities carry significant inherent risks relating to asset integrity failure (leading to loss of containment of hydrocarbons), major accident hazards, marine incidents and wells out of control. Major accidents or incidents and the failure to manage these risks could result in injury or loss of life, delay in completion of projects, cancellation of exploration, damage to the environment, or loss of certain facilities with an associated loss or deferment of production and revenues. There are other occupational safety hazards including driving. With a focus on the MENA region, Dana Gas is exposed to political and social security risk including acts of terrorism, civil unrest, criminality and safety of personnel.

5. Political

The success of the Group depends in part upon understanding and managing the political, economic and market conditions in the many diverse economies around the world in which it does business. Specific country risks that could have an effect on the Group's business and reputation include: volatility of national currencies; unexpected changes in local laws, regulations and standards; aggressive re-interpretation of existing tax laws; regional and governmental instability; government intervention in license awards; increased royalty payments or taxes mandated by governments; expropriation of assets; cancellation, variation or breach of contractual rights; and political obstacles to key project delivery.

6. Commodity Prices

Dana Gas revenues and profits are sensitive to crude oil prices, which are have been very volatile over the last 12 months and on a downwards trend. While industry costs tend to rise or fall with commodity prices in the long term, there is no guarantee that movements in sales prices and costs will align in any year. This can put pressure on investment and project economics which depend in part upon the degree and timing of commitments in line with particular cost structures. The exposure to short-term changes in commodity prices is mitigated by the predominance of gas in the Group's portfolio and the use of long-term gas contracts, which are not directly or immediately linked to short-term changes in oil prices.

7. Capital Requirements

The Group's capital requirements depend on a broad range of factors, including revenue and cash flow generated from our operations, variations in the planned level of capital expenditure, servicing the sukuk, success with new development leases, proceeds realised from any asset disposals, hydrocarbon prices and new agreements with governments for production increase. Dana Gas ability to access finance on attractive terms may be constrained. In addition the Group may be required to record asset impairment charges as a result of events beyond the Group's control that would adversely impact its ability to raise funds.

8. Portfolio Concentration

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

9. Operations

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

10. Reserves

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

11. Insurance

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

OUR PEOPLE

Equality, Diversity and Development

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

Our people are recruited and compensated in line with our strategy to attract, retain and reward the best talent to strengthen and support the successful delivery of our corporate targets and objectives as approved by our Board of Directors. We are certain this is the key aspect for Dana Gas Group to ultimately enhance Shareholder value.

Talent Attraction and Retention Philosophies

Our success derives from the competence and dedication of our Employees.

Dana Gas is able to continue its success in building capacity and capability at all levels, combining global and regional searches to identify and attract skilled people. It is part of our evolving culture to value expertise in a way that will generate the necessary proficiency that we require across the Group now and for the future.

Our compensation and remuneration philosophy continues to recognize, reward and incentivise performance while aligning Employees to Shareholders' interests.

Diversity

Dana Gas strives to create a collaborative workplace from various backgrounds and experiences. We respect and value everyone, and embrace diversity which brings understanding and connection to the communities in which we operate. It helps us better understand the needs of our partners, customers, clients and shareholders. Dana Gas is committed to equal opportunities and does not condone discrimination of any kind. These values have helped us to build and maintain the diverse and robust community that is Dana Gas today.

Talent Development

Developing our people and helping them to reach their full potential are key elements to deliver our Group's business strategy. This continues to be one of our main priorities. We recognize that the success of our strategy depends on the success of our Employees, and we therefore provide individual attention and team training and development activities. In 2015 we spent 278 person days in learning and development activities across all disciplines.

Dana Gas believes in training, coaching, mentoring and encourages employees to develop, both personally as well as professionally. Where it is beneficial to the Employee and the organization, we encourage transfers between Business Units in the Group to share technical skills, build broad experience across the group, and develop people to increase and broaden their competencies and skill sets.

Performance Management and Evaluation

In order to accomplish the Group objectives, Dana Gas firstly defines the criteria by which to measure success. Then goals are set, performance reviewed periodically, results assessed and employees assessed for their delivery and recognized for their contributions. Dana Gas understands that motivating employees is essential and teamwork and spirit drive our delivery and progress; accordingly, we recognize achievement and support each other to accomplish our shared goals.

As we look ahead to 2016 and beyond, Dana Gas continues its journey towards developing a catalogue of capabilities and behaviors needed to deliver broader and more complex services. This will help Dana Gas to continue resourcing, developing and retaining highly qualified and motivated people. We are also continuing to enhance our internal communications across the Group and encourage an open and honest dialogue among Employees, Operating Units and Asset Management Teams.

Operational and Behavioral Change

Sharpening individual as well as operational performance continues to be a top priority for our Executive Management. We are focused on building a lean and efficient organization with clear responsibilities and accountabilities enabling faster decision making while enhancing control and delivery.

Dana Gas has a strong shared focus on maintaining a healthy and safe working environment. In order to ensure highest compliance with highest HSSE standards and levels, Dana Gas encourages all Employees to report any incidents that affect their health and safety, with the goal of causing no accidents nor harm to people and minimizing any adverse effect on the environment.

Employee Engagement, Communication and Feedback

Dana Gas believes in open dialogue and values employees' feedback and suggestions. Our Quarterly Performance Reviews serve in communicating our operational as well as financial results and by keeping everyone informed about changes and progress that affect them as well as the Group.

Head Count, Net to Company's Interest, as of the 31st of December 2015

Dana Gas PJSC Head Count Master Report (FTE Equivalent) as on 31 December 2015	Dana Gas Employees	Dana Gas Contractors	JV Employees	JV Contractors	Subtotal
DG UAE (100%)	39	1	0	0	**40**
Saj Gas (UAE) (100%)	15	10	0	0	**25**
UGTC (UAE) (100%)	2	1	0	0	**3**
DG KRI (100%)	3	0	0	0	**3**
CREDAN (KRI) (40%)	0	0	194	0	**194**
DG Egypt (100%)	116	21	0	0	**137**
WASCO (Egypt) (100%)	5	0	411	327	**743**
EBGDCO (Egypt) (26%)	0	0	15	10	**25**
Subtotal	**180**	**33**	**620**	**338**	
Grand Total					**1171**

NOTE: WASCO JV Employees are, for the great majority, EGAS Employees

in KRI

Khor Mor Gas Processing Plant

CORPORATE SOCIAL RESPONSIBILITY

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

Dana Gas is working towards changing in the way it carries out its business whereby CSR is no longer managed as a separate discipline, but as part of the way we do our business. Dana Gas fully understands its role in fostering an environment that embeds a CSR ethic into its activities and business practices. Dana Gas has undertaken this effort since its establishment, and it prides itself on continuing to pursue this path despite the difficult financial circumstances the Petroleum Sector as a whole and the Company experienced.

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

This year, Dana Gas has continued to address multiple community needs through a set of integrated solutions with a focus on sustainability and local empowerment, allowing for increased community engagement and partnership. The Company has engaged in three programs throughout the year, focused on supporting ambulatory services, local education, and Stakeholder Engagement and Consultation.

Sharjah Tatweer Forum

In the United Arab Emirates (UAE), Dana Gas has introduced a leadership program for young nationals in the Government and the private sector in collaboration with the Sharjah Tatweer Forum (STF). The program aims to encourage and enable the entrepreneurial capacity of young leaders to establish and successfully manage their projects. It works to implement projects that support sustainable development and promote partnerships between the different sectors of society.

Sharjah Tatweer Forum is a membership organization with over 800 active members and encourages its members to contribute suggestions, ideas, projects, initiatives, activities and voluntary social outreach programs for Sharjah. STF's focus includes promoting innovation and the knowledge economy, facilitating the implementation of viable projects that support sustainable development, fostering partnerships between civil society and the public and private sectors and initiating public awareness and outreach programs that advance volunteerism and corporate social responsibility.

Egyptian Ambulatory Services

By supporting the National Ambulatory Authority in Egypt with much needed equipment and ambulatory units, the NAA has been able to expand its services to include communities near the areas of Dana Gas' operations that had formerly been out of reach for ambulatory services. In 2015 Dana Gas donated two ambulance units that will be used in the area.

Educational Enhancement Program in Egypt

The Educational Enhancement Program aims to help the poorest and most vulnerable members of society in Egypt that due to their remote location and lack of means, often do not have access to teacher-led education. Dana Gas has worked with local schools in the area to bring a technological solution in order to enhance students' educational experience. Intel class mate PC system and mobile labs were given to three schools including: Ezbet Sherbeen (Dakahlia), El Gamalia (Dakahlia) and Genema (Damiatta). In addition, Dana Gas given the top five performers in every year in each school laptops in order to further support their learning and individual development.

Networking and Stakeholder Engagement

Dana Gas is working actively to spread awareness of how to operate sustainably in an area and engage with local stakeholders, and thereby, provide a best practice example for businesses in the sector. In Egypt, Dana Gas launched Egypt's first Social Investment Report outlining the Company's impact on and support for local communities. The report aims to keep investors, employees and other stakeholders informed on the measures Dana Gas is taking to make a positive contribution to the communities in which the Company is active. It also conducted a community satisfaction consultation survey close to its operational site in Sharkia, Egypt. The survey aimed to collect feedback from the community following the projects that were completed at the end of 2014. The comments and thoughts provided during the consultation process fed into the annual stakeholder engagement plan that was developed for 2016.

Social and Economic Impact

Dana Gas makes long-term economic impact and generates significant direct benefits to the KRI region. It is estimated that through the Erbil and Chemchemal power plants that it supplies with cheap gas, Dana Gas and Crescent Petroleum have provided a boost to long-run GDP estimated to be US$ 6.2-15.5bn. It has also increased the reliability of electricity supplies to an average of 22 hours per day of electricity compared to 8 hours in 2006, in an area that is fundamentally short of power. This has resulting in an estimated $9.6-21.2bn in avoided business costs. In addition, Dana Gas contributes to the provision of cheap natural gas and supports the generation of electricity at internationally and nationally competitive rates.

This directly impacts the local community by securing low cost energy supply to 4 million Iraqis and saving the regional government US$ 3.4 billion per annum in gas-for-diesel substitution. Dana Gas has also contributed to the creation of 40,000 jobs as a result of the direct, indirect or induced impacts of the Dana Gas and Crescent Petroleum operations thereby providing employment for 18 percent of the KRI population. Since project inception in 2008, the total avoided Greenhouse Gas emissions amounts to US$ 1.43 billion due to the switch from diesel to gas supplied power generation.

Other engagements

Dana Gas engages with the local communities on a daily basis in the areas in which it operates and this means that the Company often assists both individuals and communities on an ad-hoc basis outside of the formal programs. In 2015, Dana Gas helped the nearby villages and their inhabitants through some of the following projects:

- Supplying a number of NGOs with office material to conduct educational training for the community.
- Renovating a primary school in Khor Mor village.
- Buying a new water pump for Khor Mor primary school.
- Providing the Qadir Karam intermediate school with a new printer.
- Purchased a small generator for a village near KRI operations.
- Providing the firefighting trucks in Qadir Karam with new tires.

Dana Gas introduced a number of new projects and initiatives in 2015, which it will continue to develop in 2016. Due to the sometimes unstable nature of the regions in which the Company operates, we strongly believe that our efforts and continued social contributions make a difference to both communities as well as individuals. We remain strongly committed to our CSR efforts, whether it is by helping to improve healthcare, education or community engagement standards across the areas where the Company's concessions are located. We therefore seek to continue offering as much assistance as we can, conscious of our responsibility to contribute towards making the world a better place to live.

1. PWC "Assessment of Societal Benefits", Dana Gas and Crecent Pretroleum Gas Projects in Kurdistan, December 2014.

in UAE

SAJGAS Processing Plant

CORPORATE GOVERNANCE

in UAE

SAJGAS Processing Plant

1. Dana Gas: Pioneering Corporate Governance

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

The second milestone came in 2010 when the Company amended its Articles of Association to be consistent with the provisions of the Ministerial Resolution No. 518/2009 Concerning Governance Rules and Corporate Discipline Standards. Since that time the Company has diligently implemented the prescribed norms of institutional governance standards. At the level of the Board of Directors, the Corporate Governance Committee and the Audit Committee oversee and supervise compliance with applicable governance regulations. The Corporate Governance Committee presents reports on corporate governance matters periodically to the Board of Directors. Further, at the management level the Head of Internal Control and Audit and the Company's Compliance Officer oversee adherence to corporate governance standards by employees, divisions, subsidiaries and counterparties.

In 2010 the IFC published a report on "Corporate Governance Success Stories", demonstrating the business case for good corporate governance in MENA. It shared the experience of 11 companies that have made governance improvements and the impact they made. According to the IFC, the impact scorecard for Dana Gas was substantial access to capital ($1.5 billion in debt over 24 months); substantial reputation enhancement; substantial sustainability and substantial board effectiveness and management control.

In September 2012, the Company was given an award in recognition of its leading good corporate practices by the Securities and Commodities Authority.

The efforts of the Board of Directors and executive management of Dana Gas to achieve the Company's strategy in realizing sustained growth and long term value for Shareholders is predicated on a firm commitment to corporate governance standards and practices, compliance with which is considered instrumental in ensuring transparency, effective control and high performance necessary to translate the Company's strategies and plans into viable business ventures and projects, and, ultimately, into value to the Shareholders, whilst at the same time serving the interests of its other stakeholders.

2. Dealings of Directors and Employees and their Relatives in the Securities of the Company

With respect to the matter of insider dealings, and in furtherance of Dana Gas' goal to ensure transparency, the Company adopted in June 2011 the Rules Governing Dealings by Directors and Employees in the Securities of the Company (the "Rules"). The Rules comprise relevant provisions in the regulations issued by the Securities and Commodities Authority and Abu Dhabi Securities Exchange which reflects international best practice.

The Rules define the periods during which Directors and Employees are not permitted to deal in the Company's Securities. No Director or employee had traded in the Securities of the Company during ban periods set out in the Rules or the Securities and Commodities Authority Resolution No. 2/2001.

Only one Director traded in the Securities of the Company during the year 2015.

Board Member	Investor No.	Exchange Type	Amount	Date
Dr. Patrick Allman-Ward	GBR000761218408	Buying	355,000	11/05/2015
		Buying	560,000	15/06/2015
		Buying	280,000	17/09/2015

2. The Board of Directors
Powers of the Board of Directors:

Pursuant to the Company's Articles of Association the management of the Company vests in its Board of Directors, which exercises all the powers necessary for the management of the affairs of Company and for accomplishing its objects.

Responsibilities of the Board of Directors:

The responsibilities of the Board of Directors include:

1. Formulating and approving the Company's strategy and business plans;
2. Approval of the annual budget and the allocation of resources;
3. Setting investment priorities and approving business opportunities;
4. Entering into contracts with any person, authority or corporation in the gas and oil business;
5. Overseeing the accuracy of the financial statements and financial reporting and the effectiveness of internal control;
6. Assessment of executive management performance;
7. Establishing the responsibility and accountability matrix with appropriate powers;
8. Laying down bye-laws and regulations, policies and procedures in connection with the Company's administration, financial matters and personnel affairs;
9. Appointment and succession of senior executives;
10. Concluding loan agreements;
11. Selling or mortgaging the Company's real estate or other assets;
12. Absolving the Company's debtors from liability; and
13. Conducting conciliation and arbitration and filing lawsuits and approving settlement of disputes.

The Role of the Chairman of the Board:

The Chairman (as a non-executive) presides over the meetings of the Board of Directors, ensures effectiveness of its deliberations and availability of the information necessary to enable Directors to discharge their duties.

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

1. Approving the agenda of the meetings of the Board of Directors taking into consideration matters proposed by other Directors;
2. Ensuring the effective and smooth functioning of the Board including timely discussion of important business presented to the Board;
3. Encouraging Directors to participate actively in the deliberations of the Board to enable the Board to benefit from their knowledge and experience;
4. Establishing appropriate facilities for efficient participation by the Directors particularly Non-Executive Directors, and to promote good working relationship between Executive and Non-Executive Directors, and;
5. Taking appropriate measures to secure regular interaction with Shareholders and prompt communication of their views to the Board of Directors.

A. Composition of the Board of Directors

The Board is elected by the General Assembly every 3 years. Prior to the April 2015 AGM the number of Board of Directors was 18 members and this was reduced to 12 members thereafter. Ten of the incumbent Directors, most of whom have been on the Board since the incorporation of the Company in November 2005, were re-elected in April 2015. Two entirely new members were also elected to the Board at this time. The Board of Directors continues to be comprised of leading businessmen from the GCC countries, and others with considerable experience in the oil and gas business.

Currently out of the 12 members of the Board, 7 are Independent Directors, 4 Non-Executive Directors and 1 Executive Director.

The current Directors are:

SN	Directors	Category	Experience	Qualifications	Years of membership since first Date of election
1	Mr. Hamid Dhiya Jafar, Chairman	Non-Executive Non-Independent	Mr. Hamid Jafar is the Chairman of the Board of the Crescent Group of companies. In addition to his primary business in oil and gas, Mr. Hamid has a variety of global commercial interests including container shipping, terminal operations, transport and logistics, real estate, power generation and private equity. Mr. Hamid has also promoted important projects in higher education at Cambridge University. He is also an active supporter of many charities.	Master's Degree in Engineering (Thermodynamics and Fluid Flow) *"Cambridge University"* UK	10
2	Mr. Rashid Saif Al-Jarwan	Non-Executive Non - Independent	Mr. Al-Jarwan held the position of the Executive Director of the Board of Dana Gas previously. He was acting CEO of Dana Gas for one year and the General Manager for 3 years. He held various executive and technical positions in the ADNOC Group of companies for 28 years in Abu Dhabi, of which he was GM of ADGAS for the last 8 years.	Bachelor's Degree in Petroleum & Natural Gas Engineering *"Pennsylvania State University"* USA	7
3	HE Sheikh Sultan Bin Ahmed Al-Qasimi	Non-Executive Non - Independent	HE Sheikh Al-Qasimi is the Deputy Chairman of the Sharjah Petroleum Council and Chairman of Sharjah Media Corporation. HE Sheikh Al-Qasimi has key achievements in the media sector including establishing Al Majaz Amphitheatre and Al Sharqiya TV and establishing Sharjah24.ae. He held the position of Deputy Chairman of Sharjah Equestrian and Racing Club, Chairman of Sharjah Commerce and Tourism Development Authority and contributed to the inauguration of Sharjah Light Festival.	B.Sc. in Business Administration *"Arkansas State University"*, USA Master's in Computer Information Systems *"University of Detroit Mercy"* USA	10

SN	Directors	Category	Experience	Qualifications	Years of membership since first Date of election
4	Mr. Varoujan Abraham Nerguizian	Non-Executive Independent	Mr. Nerguizian is the Executive Director and General Manager of Bank of Sharjah since 1992. He is the Chairman and General Manager of Emirates Lebanon Bank SAL, Lebanon (member of Bank of Sharjah Group) since 2008. He is also a Founding Member and Chairman of the Lebanese Educational Fund SA and of the Lycee' Libanais Francophone Prive, Dubai a non-profit educational initiative that caters to the needs of the Lebanese and Francophone communities of the UAE since 2003.	Sciences Economiques *"Universite' Saint Joseph"* Lebanon *"Universite' Lyon Lumiere"* France	10
5	Mr. Said Youssef Arrata	Non-Executive Non-Independent	Mr. Arrata is the CEO and Chairman of Delta Oil and Gas in the United Kingdom. He is a former Chairman and CEO of Sea Dragon Energy in Canada, a public Company involved in exploration and production of oil and gas concessions operating and producing in Egypt. He is a Board Member at Deep Well Oil and Gas Incorporation. He is a former CEO of Centurion Energy International, and served in senior management positions in major global oil companies in Canada and around the world.	B.Sc. in Petroleum Engineering *"Cairo University"* Several post-graduate accreditations at various universities in North America	8
6	Mr. Abdullah Ali Al-Majdouie	Non-Executive Independent	Mr. Al-Majdouie is the Group President and Vice Chairman of Almajdouie Group since 1986. Apart from being a Director on the Board of different government bodies and private business councils in Saudi Arabia, Mr. Al-Majdouie also holds Chairmanship of the Board with several companies based in the GCC Region.	Bachelor's and Master's Degree in Science College of Industrial Management, *King Fahd University for Petroleum & Mineral (KFUPM)*, KSA	6

SN	Directors	Category	Experience	Qualifications	Years of membership since first Date of election
7	Mr. Majid Hamid Jafar, Board Managing Director	Non-Executive Non-Independent	Mr. Majid Jafar is the CEO of Crescent Petroleum, the Middle East's oldest private oil & gas Company, and Vice-Chairman of the Crescent Group of companies. In addition, he is the Board Managing Director of Dana Gas. His previous experience was with Shell International's Exploration & Production and Gas & Power Divisions. Mr. Majid Jafar is also an active member of the World Economic Forum Global Agenda Council for Youth Unemployment, the Royal Institute for International Affairs in London, the Young Presidents Organization and the Young Arab Leaders Organization, and is an accredited Director of the Institute of Directors (IoD Mudara) in Dubai.	Bachelor's and Master's Degree in Engineering (Fluid Mechanics and Thermodynamics) *"Cambridge University, Churchill College"* UK MA (with distinction) in International Studies and Diplomacy from *"University of London's School"* of Oriental & African Studies MBA (with distinction) from *"Harvard Business School"* USA	10
8	Mr. Ziad Abdulla Galadari	Non-Executive Independent	Mr. Ziad Abdulla Galadari is the Founder and Chairman of Galadari Advocates & Legal Consultants and has been practicing as Advocate, Legal Advisor and Arbitrator since 1983. He is the Chairman of Galadari Investments Group and a member of the Board of Directors of Dubai World Trade Centre and Emirates Integrated Telecommunications Company PJSC (DU). In addition to this, he serves as a Chairman of the Higher Committee for Dubai's International Arabian Horse Championship and Chairman of Jebel Ali Racecourse Council.	Bachelor's of Laws (LLB) *"UAE University"*	10

SN	Directors	Category	Experience	Qualifications	Years of membership since first Date of election
9	Mr. Nasser Mohamed Al-Nowais	Non-Executive Independent	Mr. Al-Nowais is the Chairman of Rotana Hotel Management Corp. Ltd. and Aswaq Management & Services. In addition, he is the Managing Director of Abu Dhabi Trade Center. He served as Former Under-Secretary of UAE Ministry of Finance, and a Former Chairman of Arab Insurance Group.	Bachelor's Degree in Business & Public Administration *"New York University"* USA	6
10	Mr. Hani Hussain	Non-Executive Independent	Mr. Hani Hussain has been the Chief Executive Officer of Kuwait Petroleum Corporation from 2004-2007. He served also as Oil Minister in Kuwait before retiring in 2013. He also held various executive positions in several oil and petrochemical companies in Kuwait. In addition, he served on the board of several companies in Kuwait and overseas. Currently he serves on the Board of Dana Gas PJSC. Mr. Hussain is a member of the Council of the Graduate School of Kuwait University.	Bachelor's Degree in Chemical Engineering *"University of Tulsa"* USA	9 months
11	Mrs. Fatima Obaid Al Jaber	Non-Executive Independent	Mrs. Fatima Al Jaber is a prominent leader in the GCC area construction industry and is currently a member of the Board of Directors of the Al Jaber Group and former Group Chief Operating Officer for the years (2007 – 2014). Prior to this Mrs. Fatima worked with the Abu Dhabi Government in various technical and managerial positions, including her role as Assistant Undersecretary for Projects & Technical Services at Abu Dhabi Public Works Department and Abu Dhabi Municipality. Concerned with how women operate in the economic fields, Mrs. Fatima founded Al Bashayer Investment Company, as a wealth management service provider for female investors and acts as the Chairman of this Company.	Bachelor's Degree in Architecture *"United Arab Emirates University"*	9 months

SN	Directors	Category	Experience	Qualifications	Years of membership since first Date of election
12	Dr. Patrick Allman-Ward	Executive Non-Independent	Dr. Patrick Allman Ward has been the CEO of Dana Gas since 2013, preceding which he served as General Manager of Dana Gas Egypt for a year. Prior to this he held several senior management positions in Shell International where he gained extensive experience over more than 30 years in the field of Upstream oil and gas.	Bachelor's Degree in Geology *"Durham University"*, UK Master's Degree in Mineral Exploration & Mining Geology *"Leicester University"* UK PhD Degree Mining Geology *"Imperial College, University of London"*, UK	2

B. Board Membership in other companies:

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

SN	Directors	Directorship in other companies
1	Mr. Hamid Dhiya Jafar, Chairman	- Chairman, Crescent Group of companies - Chairman, Gulftainer Ltd. - Founding Shareholder, URUK Group - Founding Shareholder, Abraaj Capital - Founder, UAE Chapters of the Young Presidents Organization and the World Presidents Organization - Member, International Chief Executives Organization - Member of the Board of Trustees, American University of Sharjah
2	Mr. Rashid Saif Al-Jarwan, Vice Chairman	- Board Member, Emirates General Petroleum Corporation (EMARAT) & EMOIL - Board Member, Oman Insurance Company - Board Member, Dubai International Financial Centre (DIFC) - Board Member, Mashreq Bank - Board Member, Al Ghurair Holding Ltd

SN	Directors	Directorship in other companies
3	HE Sheikh Sultan Bin Ahmed Al-Qasimi	- Deputy Chairman, Sharjah Petroleum Council - Chairman, Sharjah Media Corporation - Chairman, Tilal Properties - Chairman, Sharjah General Services Company "Khadamat" - Chairman, Sharjah Pipeline Company (Anabeeb) - Chairman, Sharjah National Oil Company - Chairman, Green Planet LLC - Chairman, Medical Waste Co. (WEKAYA) LLC - Chairman, Basma Group - Chairman, Sharjah Media Centre
4	Mr. Varoujan Abraham Nerguizian	- Executive Director and General Manager, Bank of Sharjah - Chairman and General Manager, Emirates Lebanon Bank SAL, Lebanon - Board Member, Growthgate PEF - Founding Member and Chairman, Lebanese Educational Fund SA - Founding Member and Chairman, Lycee' Libanais Francophone Prive', Dubai (non-profit educational institution)
5	Mr. Said Youssef Arrata	- Chairman, Delta Oil and Gas, UK - Board Member, Deep Well Oil and Gas Incorporation, Canada
6	Mr. Abdullah Ali Al-Majdouie	- Chairman, Almajdouie De Rijke Logistic Co., KSA - Chairman, Star Marines Services, Dubai - Chairman, Arab Union of Land Transport, Jordan - Chairman, Petrology LLC, Bahrain - Board Member, Saudi Commission for Tourism and National Heritage - Board Member, United Electronics Co. (eXtra) - Board Member, Dhahran International Exhibitions Co. - Board Member, Prince Mohammed Bin Fahd University, KSA - Board Member, Al Baha Tourism Council - Board Member, Al Ahsa Development Co. - Counseling Member, Tharawat, Dubai - Board Member of several social and charitable institutions
7	Mr. Majid Hamid Jafar, Board Managing Director	- CEO, Crescent Petroleum Company, UAE - Vice Chairman, Crescent Group of companies - Board Member, Arab Forum for Environment and Development (AFED) - Board Member, Carnegie Middle East Center - Board Member, Iraq Energy Institute - Board Member, Queen Rania Foundation (QRF) - Board Member, Higher Colleges of Technology (HCT) - Active Member, the International Institute for Strategic Studies (IISS)

SN	Directors	Directorship in other companies
8	Mr. Ziad Abdulla Galadari	- Founder & Chairman, Galadari Advocates & Legal Consultants, UAE - Chairman, Galadari Investments Group, UAE - Board Member, Dubai World Trade Centre - Board Member, Emirates Integrated Telecommunications Company (DU) - Chairman, Dubai International Arabian Horse Championship - Chairman of Jebel Ali Racecourse Council
9	Mr. Nasser Mohamed Al-Nowais	- Chairman, Rotana Hotel Management Corp Ltd. PJSC, UAE - Chairman, Aswaq Management & Services LLC, UAE - Managing Director, Abu Dhabi Trade Center
10	Mr. Hani Abdulaziz Hussain	- Board Member, Advanced Petrochemical Company, KSA - Board Member, Kuwait Foundation for the Advancement of Science
11	Mrs. Fatima Obaid Al Jaber	- Board Member & Head of Projects Committee – Al Jaber Group - Chairperson – Al Bashayer Investment Company - Board Member & Managing Director – Qaryat Al Beri Resort Development Co. LLC - Board Member – The National Investor PJSC - Board Member – Arabian Gulf State Institute – Washington, DC (AGSIW). - Chapter Chair – Woman Corporate Director GCC Chapter - Board Member - The Future Centre for Special Needs
12	Dr. Patrick Allman-Ward	- Board Member, Allman-Ward Ltd, UK - Board Member, IGZACT FZE, UAE - Board Member, Comme Je Fus B.V., NL

B. Female Representation in the Board of Directors

The Board of Directors consists of 12 members, with Mrs. Fatima Obaid Al Jaber, Chief Operating Officer at Al Jaber Group and CEO of the Group in Abu Dhabi, as the only female member.

C. Directors' Remuneration

1. Directors Annual Remuneration for 2014:

No Directors annual remuneration was awarded for 2014.

2. Directors Proposed Annual Remuneration for 2015:

The Board of Directors has approved in its meeting held on 24 February 2016 the recommendation presented to it by the Remuneration & Nominations Committee that the total Directors' remuneration for the year 2015 be AED 8 million. The proposed Directors remuneration will be submitted to the Annual General Assembly on 28 April 2016 for consideration and approval.

3. Board and Committees Attendance Allowances for the Year 2015:

Committees' membership allowances are disclosed in the Company's financial statements. AED 100,000 is paid to each Committee Chair and AED 75,000 is paid to each Committee Member.

Only UAE non-resident Directors get attendance allowance of AED 15,000 to cover board, accommodation, transportation and other expenses. The allowance is not granted in case of non-attendance. Directors are also rewarded for other work they carry out for the Company.

The table below shows the Board and Committees Attendance Allowances paid to the Directors during 2015.

Board Member	Board Meetings Allowances	Committee Meetings Allowances
Mr. Hamid D. Jafar, Chairman	-	-
Mr. Rashid Al-Jarwan, Vice Chairman	-	100,000
HE Sheikh Sultan Bin Ahmed Al-Qasimi	-	-
Mr. Varoujan Nerguizian	-	175,000
Mr. Said Arrata	75,000	75,000
Mr. Abdullah Al-Majdouie	75,000	175,000
Mr. Majid Jafar, Board Managing Director	-	150,000
Mr. Ziad Galadari	-	-
Mr. Nasser Al Nowais	-	75,000
Mr. Hani Hussain (since April 2015)	75,000	75,000
Mrs. Fatima Al-Jaber (since April 2015)	-	150,000
Dr. Patrick Allman-Ward, CEO	-	-
Total	225,000	1,000,000

D. Attendance of Board of Directors Meetings

According to the Company's Articles of Association, the Board of Directors meets at least once every 3 months. The Board of Directors held seven (7) meetings during the year 2015, which is consistent with best corporate governance standards laid down by the Ministerial Resolution No. (518) of 2009.

The table below shows attendance of Board meetings by the Directors during 2015:

Board of Directors' Meetings during 2015

Board Member	4 February	26 March	30 April (before AGM meeting)	30 April (after AGM Meeting)	24 June	30 Sept	26 Nov.
Mr. Hamid Jafar, Chairman	✓	✓	✓	✓	✓	✓	✓
Mr. Rashid Al-Jarwan, Vice Chairman	✓	✓	✓	✓	✓	✓	✓
HE Sheikh Sultan Bin Ahmed Al-Qasimi	x	x	x	x	x	✓	x
Mr. Varoujan Nerguizian	✓	✓	✓	✓	✓	✓	✓
Mr. Said Arrata	✓	✓	✓	✓	✓	x	✓
Mr. Abdullah Al-Majdouie	x	✓	✓	✓	✓	✓	✓
Mr. Majid Jafar, Board Managing Director	✓	✓	✓	✓	✓	✓	✓
Mr. Ziad Galadari	✓	✓	✓	✓	Concall	✓	✓
Mr. Nasser Al-Nowais	x	✓	✓	✓	✓	✓	✓
Mr. Hani Hussain (since April 2015)	N/A	N/A	N/A	N/A	✓	✓	✓
Mrs. Fatima Al-Jaber (since April 2015)	N/A	N/A	N/A	N/A	✓	Concall	Concall
Dr. Patrick Allman-Ward, CEO	✓	✓	✓	✓	✓	✓	✓
Dr. Adel Khalid Al-Sabeeh (till April 2015)	x	x	x	N/A	N/A	N/A	N/A
Dr. Tawfeeq Almoayed (till April 2015)	✓	✓	✓	N/A	N/A	N/A	N/A
Mr. Abdulaziz Al-Jomaih (till April 2015)	x	✓	x	N/A	N/A	N/A	N/A
Mr. Ahmed Al-Arbeed (till April 2015)	✓	✓	✓	N/A	N/A	N/A	N/A
Mr. Khalid Al-Rajhi (till April 2015)	Concall	x	x	N/A	N/A	N/A	N/A
Mr. Rashad Al-Zubair (till April 2015)	x	x	x	N/A	N/A	N/A	N/A
Mr. Ahmed Al-Midfa (till April 2015)	✓	x	x	N/A	N/A	N/A	N/A
Mr. Salah Al-Qahtani (April 2015)	✓	✓	x	N/A	N/A	N/A	N/A

(✓) Attend (x) Absent (N/A) Not Applicable (Concall) By Conference Call

Delegation of Responsibilities to the Executive Management

The Board of Directors has delegated the Company's executive management the following responsibilities:

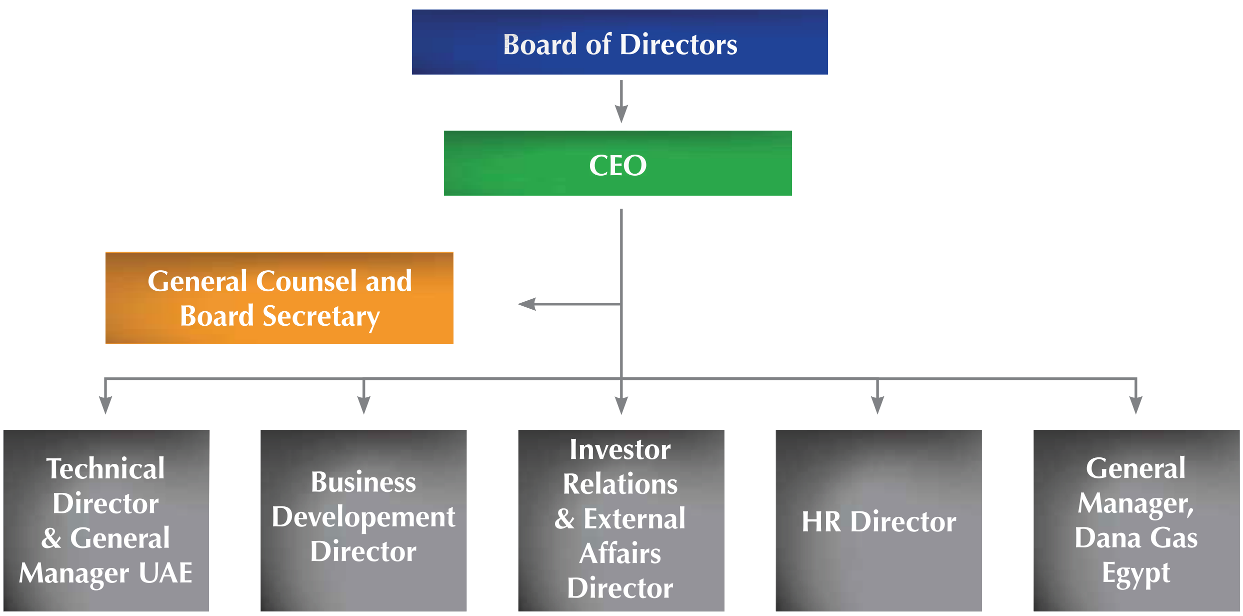
1. To implement the strategies, plans and policies laid down by the Board of Directors for achieving Company's objectives;
2. To manage the day to day affairs and business of the Company;
3. To identify, pursue and submit studies and proposals relating to business development and new investment opportunities;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

E. Details of Related Parties' Transactions

Related Parties include joint ventures, major shareholders, Directors and Senior Executives management personnel of the Company, their relatives to the first degree, and entities owned, controlled, jointly controlled or significantly influenced by such Parties.

	2015		2014	
	Revenues *USD mm*	Fees for Mgmt Svcs *USD mm*	Revenues *USD mm*	Fees for Mgmt Svcs *USD mm*
Joint ventures	1	2	1	2
Major Shareholders	-	1	-	1
	1	3	1	3

F. Organization Chart of the Company



G. Senior Executives of the Company

The following table shows the Senior Executives of the Company with their designations, appointment dates and total remuneration including bonus paid to them for 2015.

Job Title	Date of Appointment	Total remuneration for 2015 (Salary + Allowances) (AED)	Total Bonuses Paid in 2015 (AED)
Chief Executive Officer	Sept. 2013	2,460,708	1,864,611
General Counsel and Board Secretary	February 2006	1,734,258	778,787
Technical Director and General Manager UAE	September 2015	576,732	-
Business Development Director	March 2014	1,546,583	879,046
Investor Relations & External Affairs Director	April 2013	1,531,015	666,225
HR Director	January 2015 (till October 2015)	1,287,215	-
General Manager, Dana Gas Egypt	October 2013 (till October 2015)	1,923,533	796,696

The Branch Manager in Kurdistan Iraq Region and the General Manager of UGTC and Sajaa are not direct reports to the CEO as they report to the Technical Director and the GM UAE. The title of Business Development Director has been changed to Legal and Commercial Director by beginning of 2016.

3. Company's External Auditors

a. Ernst & Young-

The Company's external auditors, Ernst & Young, is one of the top tier international audit firms with a network of 167,000 employees in more than 140 countries. It is an independent professional firm, which has been in the region since 1923 and has evolved during that period to become one of the big four audit firms in the world. The firm's areas of work include oil and gas, banks, financial institutions, technology and commerce, health care, infrastructure, industrial, leisure in addition to consumer products and allied sectors.

b. Appointment and Fees of External Auditors

The Company's external auditors are appointed by the Annual General Assembly of Shareholders for a one year renewable term. E&Y were first appointed as the Company's external auditors in 2005. They have been re-appointed as external auditors for the past ten years.

On April 30th, 2015 the Annual General Assembly re-appointed Ernst & Young as external auditors for the Company's financial accounts for the year 2015. Their audit fees for the annual Financial Statements for Dana Gas for 2015 amounts to AED 323,750 as approved by AGM and the total fees for auditing the group is AED 1.2 Million. The external auditors' fees are disclosed in the Company's Annual Financial Statements. No other external auditors other than E&Y provided any other services during 2015.

Name of External Auditors	E&Y
Years of appointment	10 years
Total fees for 2015 (AED)	AED 1.2 Million
Fees for other services beside auditing Financial Statements (AED)	None

4. The Audit and Compliance Committee (A&C)

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

Members of the Committee	Title
Mr. Varoujan Nerguizian, Chair	Chair-Independent Director
Mr. Majid Jafar	Non-Executive Director
Mr. Nasser Al-Nowais	Independent Director
Mr. Ziad Galadari	Independent Director
Mr. Abdulaziz Al-Jomaih (till April 2015)	Independent Director
Mr. Salah Al-Qahtani (till April 2015)	Independent Director

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

The Audit and Compliance Committee assists the Board of Directors in performing functions of supervision and control of the financial affairs of the Company and ensuring compliance with applicable financial and accounting policies and regulations.

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

1. Overseeing the preparation and particulars of the Company's financial statements and financial reporting;
2. Reviewing annual and quarterly financial statements;
3. Ensuring that the Company's financial statements and reports represent a true and authentic statement of the Company's financial position;
4. Reviewing risk management and internal control procedures;
5. Recommending appointment and fees of the Company's external auditors;
6. Recommending internal audit plans and necessary audit activities.

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

b. The table below shows the number and dates of meetings held by A&C Committee during 2015

Members of the A&C Committee	Dates of meetings				
	3 February	25 March	4 May	13 August	11 November
Mr. Varoujan Nerguizian, Chair	✓	Concall	Concall	Concall	Concall
Mr. Majid Jafar	X	Concall	Concall	Concall	Concall
Mr. Nasser Al-Nowais	Proxy	Concall	X	X	X
Mr. Ziad Galadari	N/A	N/A	N/A	N/A	X
Mr. Abdulaziz Al-Jomaih (till April 2015)	Concall	Concall	N/A	N/A	N/A
Mr. Salah Al-Qahtani (till April 2015)	Proxy	✓	N/A	N/A	N/A

(✓) Attend (x) Absent (N/A) Not Applicable (Concall) By Conference Call

5. **Corporate Governance, Remuneration & Nominations Committee (CGR&NC)**

a. The Corporate Governance, Remuneration & Nominations Committee is composed of the following Members:

Members of the Committee	Title
Mr. Abdullah Al-Majdouie, Chair	Independent Director
Mr. Hani Hussain, (since April 2015)	Independent Director
Mrs. Fatima Al-Jaber (since April 2015)	Independent Director
Mr. Ziad Galadari (till April 2015)	Independent Director
Mr. Hamid Jafar (till April 2015)	Non-Executive Director
Mr. Said Arrata (till April 2015)	Non-Executive Director
Mr. Rashad Al-Zubair (till April 2015)	Independent Director
Mr. Ahmed Al-Midfa (till April 2015)	Independent Director

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

The Committee oversees compliance by the governing bodies of the Company; the General Assembly, the Board of Directors and executive management with established corporate governance standards. The Committee assists the Board in relation to the appointment of senior executives, appraisal of management performance, succession planning and remuneration policies. The Committee is responsible for nominations and election to the Board of Directors membership.

To achieve its objectives the Committee carries out the following functions:

1. Proposing remuneration, salary, benefits and incentives policies;
2. Proposing human resources policies aimed at promoting improved performance and a healthier work environment;
3. Recommending appropriate corporate governance standards;
4. Overseeing Board of Directors' procedures and performance;
5. Reviewing non-financial disclosure standards;
6. Reviewing Directors' remuneration and making appropriate recommendations to the Board;
7. Reviewing and approving employees' succession plans;
8. Maintaining good relationships with Shareholders, investors and regulators;
9. Supervising nominations and election to the Board of Directors.

In addition, the Committee performs the other functions ascribed to it by the Ministerial Resolution No. 518/2009.

b. The table below shows the number and dates of meetings held by CGR&N Committee during 2015:

Members of the CGR&N Committee	3 February	25 March	23 June	29 Sept.	24 Nov.
	Dates of Meetings				
Mr. Abdullah Al-Majdouie, Chair	x	✓	Concall	✓	✓
Mr. Hani Hussain (since April 2015)	N/A	N/A	✓	✓	✓
Mrs. Fatima Al-Jaber (since April 2015)	N/A	N/A	Concall	x	✓
Mr. Ziad Galadari, Chair (till April 2015)	✓	✓	N/A	N/A	N/A
Mr. Hamid Jafar (till April 2015)	✓	x	N/A	N/A	N/A
Mr. Said Arrata (till April 2015)	✓	✓	N/A	N/A	N/A
Mr. Rashad Al-Zubair (till April 2015)	x	x	N/A	N/A	N/A
Mr. Ahmed Al-Midfa (till April 2015)	x	x	N/A	N/A	N/A

(✓) Attend (x) Absent (N/A) Not Applicable (Concall) By Conference Call

6. Internal Control

a. In 2011 the Board of Directors established an Internal Control Department and defined its functions which include:

1. Assessment of the risks facing the Company;
2. Preparing the risks register and updating it quarterly and annually;
3. Preparing audit plans for the risks and the register in accordance with the directions of the Board of Directors and the Audit and Compliance Committee;
4. Ensuring availability of resources to carry out audit work and internal audit plan;
5. Implementing the audit plan and submitting periodical reports to the Board of Directors and to the Audit and Compliance Committee with observations on the actions taken by executive management with respect to them.

b. Independence of the Internal Control Department:

The Internal Control Department enjoys independence in performing its functions. It reports to the Board of Directors, which is responsible for the efficiency of the internal control system. The Internal Control Manager is authorized to take the necessary action to implement the directives of the Board of Directors, and to report violations of the Company's regulations, policies and Board's directives to the Board of Directors and the Audit Committee identified during the audit process. The department is mandated by the Board to investigate and form an independent opinion on any matter which obstructs, delays or challenges internal control work. The Manager also advises the CEO for corrective actions. During 2015, no major issues were identified that warranted disclosure in the annual financial statements for the year.

The Internal Control Manager submits an annual audit plan to the Board of Directors for approval, which includes a comprehensive assessment of the risks facing the Company.

The Internal Control Department audits the internal control systems of the Company, its subsidiaries and the affiliates in which the Company holds a significant stake. The Department has full authority to obtain information on those companies from employees and departments at the Group level.

The audit reports are shared with the Company's external auditors when auditing the Company's annual financial statements.

c. **Whistle Blowing Mechanism:**

The Company has established a whistleblowing mechanism whereby employees can anonymously make complaints pertaining to mal-administration, fraud or corruption. The Internal Control Manager leads the Business Ethics Committee which is responsible for addressing complaints made through this procedure.

Since the Internal Control Manager reports directly to the Board of Directors, any major problems with respect to internal control or incidence of fraudulent activities would also be promptly communicated to the Board.

d. **The Internal Control & Risk Manager:**

Mr. Bobby P. S. Sehmi was appointed Corporate Internal Controls & Risk Manager in July 2015. He has over 29 years of experience working with multinational organizations listed in the London, New York and Frankfurt Stock exchanges and the Abu Dhabi Securities Exchange. Mr. Sehmi is a Fellow of the Chartered Institute of Management Accountants (FCMA), Member of the Institute of Risk Management (MIRM), MBA, Member of the Institution of Civil Engineers (MICE) and Member of the Institution of Structural Engineers (MIStructE).

e. **Compliance Officer:**

Dr. Mohamed Nour Eldin Eltahir has been appointed as Compliance Officer for the Company by Board Resolution No. 25/2012 dated 18 November 2012, to carry on the duties and functions prescribed in the Ministerial Resolution No. 518/2009 and the regulations issued by the Securities and Commodities Authority from time to time.

Dr. Mohamed is a holder of a LLB and PhD degree in Law from the University of Cambridge with over thirty (30) years of experience in legal practice.

7. Compliance during 2015

The Company did not commit any regulatory violations during 2015 and no fines or penalties were imposed on the Company.

8. Company's Social Responsibility

Dana Gas' corporate social responsibility activities cover the countries where it operates. The Company's objective has been to play a prominent role in supporting local communities situated within its vicinity. Dana Gas has implemented a number of projects and programs covering education, health and social activities in accordance with its annual corporate social responsibility plan approved by the Board of Directors.

The table below shows some of the Company's social responsibility activities during the year 2015:

The Company's Corporate Social Responsibility during the year 2015		
Institution	**Purpose**	**Activity**
UAE		
Sharjah Tatweer Forum	Education	Leadership program for young nationals in Government & Private sectors.
EGYPT		
Dakahlia and Sharkia Governorates	Health	Provide two Intensive Care Ambulatory Units.
Dakahlia and Sharkia Governorates	Education	Physical Renovation of Ezbet El Bat Primary School.
Sherbeen, Dakahlia, Gamalia, Genema, Damietta and San El Hagar Governorates	Education	Integrating IT Labs at four schools: Ezbet El Bat Primary School, Shehata Khafagy Primary School, Gamal Nasir Primary School and San El Hagar Primary School.
Dakahlia Governorate	Health	Renovation of Haga Ratiba Health Unit.
Dakahlia, Sharkia & Damietta	Education	Provide tablets for best academically performing students in schools supported by DGE.
Social Institutes	Community	Social Investment Report for 2009-2014
Sharkia Governorate	Community	Field Consultation & Reporting (feedback from local community regarding social intervention).
CSR Annual Forum	Community	Dana Gas successfully sponsored the biggest CSR Event for the Year of 2015 with regards to the role of the private sector in development projects. The event was attended by the Ministry of Petroleum, Ministry of Investment, Ministry of Industry, Ministry of Trade and Supplies, Ministry of Local Development and Ministry of Social Solidarity as well as the Head of the Financial Regulatory Authority. The Company managed to demonstrate leadership and strong presence in front of the Egyptian cabinet and the leadership of the petroleum sector and private sector in Egypt generally. In addition to Dana Gas as the patron the event was sponsored by other companies.

The Company's Corporate Social Responsibility during the year 2015		
Institution	**Purpose**	**Activity**
IRAQ		
Directorate of Education–Kurdistan Region of Iraq	Education	Hiring 13 vehicles to transport around 160 students from remote villages to their schools on a regular basis
Directorate of Agriculture in Qader Karam	Education	Renovation works for schools in Qader Karam
Qader Karam Municipality	Health	Contributions to help families to get proper health services
Mayoralty of Chemchemal	Community	Providing financial support for temporary community employment arrangement proposal submitted by QK Mayor to hire 10 local persons from QK, who were unemployed and were demanding jobs. The arrangement is between Mayor's office and these persons with company providing only financial support.
District of Qader Karam	Community	Fuel to power generators of 12 villages.
Directorate of Electricity in Qader Karam	Community	Supplying 24/7 electricity power to Qader Karam town and five small villages in the area.
Directorate of Water in Qader Karam	Health	Provided portable drinking water to three villages.
Directorate of Municipality - Chemchemal	Community	Cleaning campaign of CC city via funding works of 105 cleaning Labors.

9. General Information

a. Schedule of share price in the market at the end of each month of the fiscal year of 2015

Date	Month-End	High	Low
29 January	0.46	0.48	0.45
26 February	0.46	0.46	0.45
31 March	0.40	0.41	0.39
30 April	0.51	0.54	0.51
31 May	0.42	0.44	0.42
30 June	0.46	0.46	0.45
30 July	0.55	0.55	0.53
31 August	0.54	0.55	0.53
30 September	0.55	0.56	0.54
29 October	0.47	0.48	0.47
30 November	0.48	0.52	0.47
31 December	0.51	0.52	0.48

b. Statement on Company's shares performance with the market index

Date	DG Price	ADX Index	Energy Index
1 January	0.49	4456.82	1076.68
1 February	0.47	4686.19	1053.96
1 March	0.46	4467.93	983.64
1 April	0.40	4647.12	1126.95
1 May	0.50	4527.63	982.85
1 June	0.42	4723.23	1031.25
1 July	0.49	4834.22	1166.63
1 August	0.53	4493.93	1091.48
1 September	0.53	4502.79	1103.24
1 October	0.55	4322.04	962.67
1 November	0.46	4236.39	957.53
1 December	0.48	4307.26	1013.94

c. Statement of Shareholders' ownership as of 31/12/2015

Type	UAE	GCC	Arab	Others
Individuals	1,632,522,490	1,090,630,667	226,738,069	205,195,326
Companies	1,010,934,843	652,341,858	14,079,772	2,106,116,965
Governments	16,856,124	13,200,000	-	-
TOTAL	**2,660,313,457**	**1,756,172,525**	**240,817,841**	**2,311,312,291**
		6,968,616,114		

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

Investor Name	Citizenship	Quantity	%
Crescent Petroleum Co. Int'l	Bermuda	1,328,108,236	19.058%

a. Details of shares ownership as of 31/12/2015, in accordance to the following schedule:

Shares Ownership	Number of shareholders	Number of shares	% of shares compared to capital
Less than 50,000	238,916	589,027,149	8.45%
From 50,000 to less than 500,000	3,209	470,245,397	6.75%
From 500,000 to less than 5,000,000	781	1,130,347,375	16.22%
Higher than 5,000,000	180	4,778,996,193	68.58%
Total	**243,086**	**6,968,616,114**	**100%**

b. Major events encountered by the Company during 2015

1. In January 2015, the Company received from the Egyptian Government a payment of AED 220 million. This represents 28% of the total overdue receivables of AED 778 million at the time.

2. In April 2015, the Company reported election of its new Board of directors during the Annual General Assembly Meeting for 2015. The new Board of Directors consists of 12 members. The new Board of Directors elected Mr. Hamid Jafar a Chairman and Mr. Rashid Al-Jarwan a Vice Chairman. Mr. Hani Abdulaziz Hussain, former Oil Minister of Kuwait and Mrs. Fatima Obaid Al-Jaber, Chief Operating Officer of Al-Jaber Group in Abu Dhabi joined as new members to the board.

b. Major events encountered by the Company during 2015

3. In June 2015, the Company completed a participation agreement with BP, whereby BP will carry Dana Gas for drilling of a first exploration well in El Matariya onshore concession area, Nile Delta in Egypt which was awarded to BP and Dana Gas.

4. In June 2015, the Company commenced drilling the Balsam-2 development well in the Balsam Development lease onshore Nile Delta. It is the first in a major drilling campaign of some 30 wells, and a large number of work-overs that will be drilled in the next 3 years.

5. On 2 July 2015, the LCIA Tribunal handed down its Partial Final Award ruling confirming the Consortium's contractual rights in the arbitration with the KRG and confirming:

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

6. In August 2015, the Company announced the buyback of Ordinary and Exchangeable Sukuk of AED 99.34 million.

7. In November 2015, the Company announced of a significant gas discovery at Balsam-3, and that it has proved up additional 2P reserves with the Balsam-2 development well.

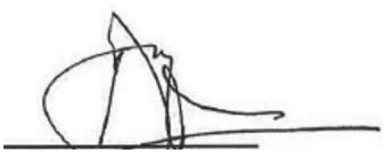
8. On 27 November 2015, London Court of International Arbitration issued a Partial Final Award ordering that the Kurdistan Regional Government of Iraq (KRG) pay to Dana Gas Company, Crescent Petroleum Company and Pearl Petroleum Company the sum of $1.96 billion within 28 days for the outstanding unpaid invoices for the condensates and LPG delivered to the KRG up to 30 June 2015, as per the pricing methodology already determined previously by the Tribunal.

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

<u>Communication with Shareholders, Investors and Media:</u>

Dana Gas maintains regular contacts with its Shareholders, investors and financial analysts to inform them on the Company's business activities and financial position through regular meetings with financials, analysts, media in press conferences and investors' calls and regular press releases on important developments and activities. All information about the Company's activities and its financial affairs are also available at the Company's website www.danagas.com .

Shareholders are encouraged to contact the Company in respect to any inquiries about the affairs of the Company.



Mr. Hamid D. Jafar
Chairman of the Board
April 18th, 2016

in UAE

SAJGAS Processing Plant

AUDITORS REPORT & FINANCIAL STATEMENTS 2015

INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS OF DANA GAS PJSC

Report on the consolidated financial statements

We have audited the accompanying consolidated financial statements of Dana Gas PJSC and its subsidiaries (the "Group"), which comprise the consolidated statement of financial position as at 31 December 2015, and the consolidated income statement, consolidated statement of other comprehensive income, consolidated statement of cash flows and consolidated statement of changes in equity for the year then ended, and a summary of significant accounting policies and other explanatory information.

Directors' responsibility for the consolidated financial statements

The Directors are responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards, as issued by the International Accounting Standards Board (IASB), and in compliance with the applicable provisions of the articles of association of Dana Gas PJSC and the UAE Federal Law No. (2) of 2015, and for such internal control as the Directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

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

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

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

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the Group as at 31 December 2015, and its financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards.

Emphasis of matters

(i) We draw attention to notes 12 (b) and 14 to the consolidated financial statements which discloses that the continued delay in commencement of gas supplies has prompted a key supplier of the Group to initiate arbitration proceedings against its ultimate supplier; and

(ii) We also draw attention to note 15 to the consolidated financial statements which discloses arbitration proceedings entered into with the Kurdistan Regional Government of Iraq.

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

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

Report on Other Legal and Regulatory Requirements

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

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

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

iii) the Company has maintained proper books of account;

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

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

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

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

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

Signed by
Thodla Hari Gopal
Partner
Registration No. 689

23 March 2016
Sharjah, United Arab Emirates

CONSOLIDATED INCOME STATEMENT

For the year ended 31 December 2015

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

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

CONSOLIDATED STATEMENT OF OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2015

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

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

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2015

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

Director
23 March 2016

Director
23 March 2016

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

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2015

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

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

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
As at 31 December 2015

	Attributable to the equity holders of the parent							
	Share capital		Statutory reserve		Legal reserve		Retained earnings	
	USD mm	AED mm	USD mm	AED mm	USD mm	AED mm	USD mm	AED mm
As at 1 January 2014	1,801	6,602	80	293	80	293	482	1,767
Profit for the year	-	-	-	-	-	-	125	457
Other comprehensive income	-	-	-	-	-	-	-	-
Total comprehensive income for the year	-	-	-	-	-	-	125	457
Transfer to reserves (note 22)	-	-	13	47	13	47	(26)	(94)
Reclassification of previously recognised gain on disposal of available-for-sale financial asset	-	-	-	-	-	-	-	-
Conversion of Sukuk (note 25)	97	355	-	-	-	-	-	-
Issuance of shares to employees	1	4	-	-	-	-	-	-
Board compensation	-	-	-	-	-	-	(3)	(11)
As at 31 December 2014	1,899	6,961	93	340	93	340	578	2,119
Profit for the year	-	-	-	-	-	-	146	535
Other comprehensive income	-	-	-	-	-	-	-	-
Total comprehensive income for the year	-	-	-	-	-	-	146	535
Transfer to reserves (note 22)	-	-	15	55	15	55	(30)	(110)
Transfer	-	-	-	-	-	-	(1)	(4)
Share based payment	-	-	-	-	-	-	-	-
Issuance of shares to employees	2	8	-	-	-	-	-	-
As at 31 December 2015	**1,901**	**6,969**	**108**	**395**	**108**	**395**	**693**	**2,540**

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

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2015

Attributable to the equity holders of the parent							
Other reserves		Convertible bonds-equity component		Non-controlling interest		Total	
USD mm	AED mm	USD mm	AED mm	USD mm	AED mm	USD mm	AED mm
16	58	81	297	3	11	2,543	9,321
-	-	-	-	-	-	125	457
(26)	(94)	-	-	-	-	(26)	(94)
(26)	(94)	-	-	-	-	99	363
-	-	-	-	-	-	-	-
(3)	(11)	-	-	-	-	(3)	(11)
-	-	(23)	(85)	-	-	74	270
(1)	(4)	-	-	-	-	-	-
-	-	-	-	-	-	(3)	(11)
(14)	(51)	58	212	3	11	2,710	9,932
-	-	-	-	(2)	(7)	144	528
15	55	-	-	-	-	15	55
15	55	-	-	(2)	(7)	159	583
-	-	-	-	-	-	-	-
1	4	-	-	-	-	-	-
2	7	-	-	-	-	2	7
(2)	(8)	-	-	-	-	-	-
2	**7**	**58**	**212**	**1**	**4**	**2,871**	**10,522**

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
As at 31 December 2015

1 CORPORATE INFORMATION

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

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

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

The UAE Federal Law No. 2 of 2015 ("Companies Law") has come into force on 1 July 2015. The Company has twelve months from the effective date of the Companies Law to comply with its provisions (the "transitional provisions") and the Company has availed these transitional provisions.

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

Subsidiaries	%	*Country of incorporation*	*Principal activities*
Dana Gas LNG Ventures Limited	100	British Virgin Islands	Oil and Gas exploration & production
Dana Gas Egypt	100	Barbados	Oil and Gas exploration & production
Dana Gas Exploration FZE	100	UAE	Oil and Gas exploration & production
Sajaa Gas Private Limited Company ("SajGas")	100	UAE	Gas Sweetening
United Gas Transmissions Company Limited ("UGTC")	100	UAE	Gas Transmission
Danagaz (Bahrain) WLL	66	Bahrain	Gas Processing
Joint Operations	**%**	***Area of operation***	***Principal activities***
Pearl Petroleum Company Limited ("Pearl Petroleum")	35	Kurdistan Region of Iraq	Oil and Gas exploration & production
UGTC/ Emarat JV	50	Emirate of Sharjah	Gas Transmission
Joint Ventures	**%**	***Country/Area of operation***	***Principal activities***
Egyptian Bahraini Gas Derivative Company ("EBGDCO")	26.4	Egypt	Gas Processing
Crescent National Gas Corporation Limited ("CNGCL")	35	Emirate of Sharjah	Gas Marketing
GASCITIES Ltd	50	MENASA	Gas Cities

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

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

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

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

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

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

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

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

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

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

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

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

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

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

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

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

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

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
As at 31 December 2015

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

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

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

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

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

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Basis of consolidation (continued)

(a) Subsidiaries (Continued)

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

When the Group has less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:
- The contractual arrangement with the other vote holders of the investee
- Rights arising from other contractual arrangements
- The Group's voting rights and potential voting rights

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

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

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

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

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

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Basis of consolidation (continued)

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

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

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

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

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

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

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Basis of consolidation (continued)

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

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

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

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

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

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

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

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

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

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Basis of consolidation (continued)

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

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

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

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

Foreign currency translation

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

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

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

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Foreign currency translation (continued)

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

a) assets and liabilities for each items of financial position presented are translated at the closing rate at the date of statement of financial position;
b) income and expenses for each income statement are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the rate on the dates of the transactions); and
c) all resulting exchange differences are recognised in other comprehensive income.

Property, plant and equipment

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

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

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

Other assets:

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

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

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

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

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Oil and gas assets

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

Costs directly associated with an exploration well are capitalised as an intangible asset until the drilling of the well is complete and the results have been evaluated. If hydrocarbons are not found, the exploration expenditure is written off as a dry hole. If hydrocarbons are found and, subject to further appraisal activity which may include the drilling of further wells (exploration or exploratory-type stratigraphic test wells), are likely to be capable of commercial development, the costs continue to be carried as an asset. All such carried costs are subject to a technical, commercial and management review at least once a year to confirm the continued intent to develop or otherwise extract value from the discovery. When this is no longer the case, the costs are written off. When proven reserves of oil and natural gas are determined and development is sanctioned, capitalisation is made within property, plant and equipment or intangible assets according to the nature of the expenditure. Expenditure on the construction, installation or completion of infrastructure facilities such as platforms, pipelines and the drilling of development wells, including unsuccessful development or delineation wells, is capitalised within oil and gas properties.

(a) Depletion

Oil and gas properties are depleted using the unit-of-production method. Unit-of-production rates are based on proved reserves, which are oil, gas and other mineral reserves estimated to be recovered from existing facilities using current operating methods.

(b) Impairment – exploration and evaluation assets

Exploration and evaluation assets are tested for impairment when reclassified to development tangible or intangible assets, or whenever facts and circumstances indicate impairment. An impairment loss is recognised for the amount by which the exploration and evaluation assets' carrying amount exceeds their recoverable amount. The recoverable amount is the higher of the exploration and evaluation assets' fair value less cost to sell and their value in use. For the purpose of assessing impairment, the exploration and evaluation assets subject to testing are grouped with existing cash-generating units of production fields that are located in the same geographical region.

Intangible assets

Intangible assets acquired as part of a business combination relating to oil and gas properties are recognised separately from goodwill if the asset is separable or arises from contractual or legal rights and its fair value can be measured reliably.

Following initial recognition, intangible assets are carried at cost less any accumulated amortisation and any accumulated impairment losses. Internally generated intangible assets, excluding capitalised development costs, are not capitalised and expenditure is reflected in the income statement.

The useful lives of intangible assets are assessed to be either finite or indefinite. Intangible assets with finite lives are amortised over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at least at each financial year-end. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset are accounted for by changing the amortisation period or method, as appropriate, and treated as a change in accounting estimate.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Intangible assets (continued)

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

Goodwill

Goodwill arises on the acquisition of subsidiaries and represents the excess of the consideration transferred over Group's interest in net fair value of the net identifiable assets, liabilities and contingent liabilities of the acquire and the fair value of the non-controlling interest in the acquire.

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

Impairment of non-financial assets

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

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

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 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial assets

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

Financial assets at fair value through profit or loss

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

Loans and receivables

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

Available-for-sale financial assets

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

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

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

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

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Impairment of financial assets

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

Investment properties

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

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

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

Inventories

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

Trade and other receivables

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

Cash and cash equivalents

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

Trade payable and accruals

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Provisions

General

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

Decommissioning liability

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

Employees' end of service benefits

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

Income Taxes

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

Borrowing costs

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

Leases

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

Profit-bearing loans and borrowings

All profit-bearing loans and borrowings are initially recognised at the fair value of the consideration received net of issue costs directly attributable to the borrowing. The effective profit rate is the rate that exactly discounts estimated future cash payments through the expected life of the financial instrument.

After initial recognition, profit-bearing loans and borrowings are subsequently measured at amortised cost using the effective profit rate method. Amortised cost is calculated by taking into account any issue costs, and any discount or premium on settlement.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Convertible bonds

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

Share based payment transactions

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

Restricted shares

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

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

Current versus non-current classification

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

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

Or

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

All other assets are classified as non-current.

A liability is current when:

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

Or

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

The Group classifies all other liabilities as non-current.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Cash flow hedges

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

Revenue recognition

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

Revenue from sale of hydrocarbons

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

Finance income

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

3 SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS

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

Judgements

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

As at 31 December 2015

3 SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS (continued)

Estimates and assumptions

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

- Impairment of goodwill: The Group determines whether goodwill is impaired on an annual basis. This requires an estimation of the value in use of the cash-generating units to which the goodwill is allocated. Estimating the value in use requires the Group to make an estimate of the expected future cash flows from each cash-generating unit and also to determine a suitable discount rate in order to calculate the present value of those cash flows. The carrying amount of goodwill at 31 December 2015 was USD 308 million (2014: USD 308 million).

- Recoverability of intangible oil and gas assets: The Group assesses at each statement of financial position date whether there is any evidence of impairment in the carrying value of its intangible oil and gas assets. This requires management to estimate the recoverable value of its intangible oil and gas assets using estimates and assumptions such as long term oil prices, discount rates, operating costs, future capital requirements, decommissioning costs, explorations potentials, reserves and operating performance uncertainty. These estimates and assumptions are subject to risk and uncertainty. The carrying amount of such intangibles at 31 December 2015 was USD 151 million (2014: USD 124 million).

- The Group is entitled to further compensations and considerations, however as of the reporting date these cannot be reasonably ascertained.

- The Group carries its investment property at fair value, with changes in fair values being recognised in the consolidated income statement. The Group engaged a firm of qualified independent property consultant to determine fair value reflecting market conditions at 31 December 2015.

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

- Units of production depreciation of oil and gas properties: Oil and gas properties are depreciated using the units of production (UOP) method over total proved reserves. This results in a depreciation/amortisation charge proportional to the depletion of the anticipated remaining production from the field. Each items' life, which is assessed annually, has regard to both its physical life limitations and to present assessments of economically recoverable reserves of the field at which the asset is located. These calculations require the use of estimates and assumptions, including the amount of recoverable reserves and estimates of future capital expenditure. The calculation of the UOP rate of depreciation could be impacted to the extent that actual production in the future is different from current forecast production based on total proved reserves, or future capital expenditure estimates changes. Changes to prove reserves could arise due to changes in the factors or assumptions used in estimating reserves and are accounted for prospectively.

3 SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS (continued)

Estimates and assumptions (continued)

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

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

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

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

4 SEGMENTAL INFORMATION

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

Year ended 31 December 2015

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

4 SEGMENTAL INFORMATION (continued)

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

Year ended 31 December 2014

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

4 SEGMENTAL INFORMATION (continued)

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

5 REVENUE

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

Royalties relate to Government share of production in Egypt.

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

6 OTHER INCOME

a) Settlement of RWE arbitration

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

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7 INVESTMENT AND FINANCE INCOME

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

a) Interest on receivable

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

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

8 FINANCE COST

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

9 INCOME TAX EXPENSE

a) UAE

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

b) Egypt

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

c) Kurdistan Region of Iraq

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

10 EARNINGS PER SHARE

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

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

(b) Diluted earnings per share is calculated by adjusting the weighted average number of ordinary shares outstanding assuming conversion of all dilutive potential ordinary shares. The Company has two categories of dilutive potential ordinary shares: convertible sukuk and restricted shares. The convertible sukuk is assumed to have been converted into ordinary shares and the net profit is adjusted to eliminate the finance cost effect. For the restricted shares the total numbers of shares which will vest over the period are considered to calculate dilution.

10 EARNINGS PER SHARE (continued)

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

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

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11 PROPERTY, PLANT AND EQUIPMENT

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

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

11 PROPERTY, PLANT AND EQUIPMENT (continued)

	Freehold land USD mm	Building USD mm	Oil and Gas interests USD mm	Plant and equipment USD mm	Other assets USD mm	Pipeline & related facilities USD mm	Capital work-in-progress USD mm	Total USD mm
Cost:								
At 1 January 2014	14	12	817	354	32	119	230	1,578
Additions	-	-	25	12	2	-	62	101
Transfer from intangible assets (note 12)	-	-	28	-	-	-	-	28
	-	-	(22)	-	-	-	-	(22)
Exploration cost	-	-	(1)	-	-	-	-	(1)
At 31 December 2014	14	12	847	366	34	119	292	1,684
Depreciation/ Depletion:								
At 1 January 2014	-	1	510	70	15	22	-	618
Depreciation/ depletion charge for the year	-	1	93	19	1	4	-	118
At 31 December 2014	-	2	603	89	16	26	-	736
Net carrying amount:								
At 31 December 2014	14	10	244	277	18	93	292	948

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

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

12 INTANGIBLE ASSETS

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

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

(a) Oil and Gas Interests

Oil and gas interests of USD 151 million relates to Dana Gas Egypt which has a number of concessions and development leases in Egypt as described below in more detail:

- El Wastani Development Lease – This development lease is held with a 100% working interest and represents approximately 10% of current production in Dana Gas Egypt. El Wastani production includes both gas and associated gas liquids. This lease has 13,017 acres of land included within its boundary and is located in the Nile Delta of Egypt.

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

- West El Manzala Development Leases (West El Manzala Concession) – These development leases are held with a 100% working interest. These development leases have 146,039 acres of land included within their boundaries and are located in the Nile Delta of Egypt. To date, eleven development leases are producing both natural gas and associated

12 INTANGIBLE ASSETS (continued)

(a) Oil and Gas Interests (continued)

liquids representing approximately 75% of Dana Gas Egypt current production. The Egyptian Natural Gas Holding Company ("EGAS") approved new development lease for Balsam and Allium 1 in February 2014. EGAS initially approved the scope of new development lease for Begonia discovery during the second half of 2013 with formal approval in March 2015.

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

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

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

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

(b) Transmission and sweetening rights

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

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

12 INTANGIBLE ASSETS (continued)

(b) Transmission and sweetening rights (continued)

In accordance with IAS 36 requirement relating to intangible assets not yet available for use, management had undertaken an impairment review of the intangible assets as at 31 December 2015. Management has reviewed the various inputs into the original valuation model and believes that the inputs into the original valuation model have not materially changed.

(c) Goodwill

Goodwill of USD 308 million relates to the acquisition of Dana Gas Egypt (previously known as Centurion) in January 2007 which enabled Dana Gas to acquire the upstream business qualification and therefore the rights to development. The recoverable amount of the above cash generating unit has been determined based on value in use calculation using cash flow projections approved by senior management up to a 20 year period or the economic limit of the producing field. The pre-tax discount rate applied to cash flow projections is 10% (2014: 10%). Cash flows are generated using forecasted production, capital and operating cost data over the expected life of each accumulation. Management believes that currently there is no reasonable change in assumptions used which would impact Goodwill.

Key assumptions used in value in use calculations

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

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

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

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

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

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

Sensitivity to changes in assumptions

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

- Discount rate

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

- Crude oil price

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

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

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13 INVESTMENT PROPERTY

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

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

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

Investment property is stated at fair value which has been determined based on a valuation performed by an independent firm of qualified property consultants, with reference to comparable market transactions. This valuation has resulted in a decrease in the fair value by USD 1 million (31 December 2014: decrease of USD 1 million) which was charged to the consolidated income statement.

14 INTEREST IN JOINT VENTURES

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

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

14 INTEREST IN JOINT VENTURES (continued)

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

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

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

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

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

14 INTEREST IN JOINT VENTURES (continued)

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

	EBGDCO USD mm	*Gas Cities USD mm*	*CNGCL USD mm*	*Total USD mm*
Revenue	27	-	-	27
Loss before tax	-	-	(3)	(3)
Loss for the year	-	-	(3)	(3)
Other comprehensive income	-	-	-	-
Total comprehensive income for the year	-	-	(3)	(3)
Group's share of loss for the year	-	-	(1)	(1)

Reconciliation of summarised financial information				
Opening net investment as of 1 January 2014	8	(3)	562	567
Loss for the year	-	-	(1)	(1)
Net investment as of 31 December 2014	8	(3)	561	566
Loss for the year	(6)	-	(1)	(7)
Net investment as of 31 December 2015	**2**	**(3)**	**560**	**559**

Out of the total investment of USD 559 million, investment of USD 560 million relates to interest in CNGCL which represents the fair value of the rights for the purchase and sale of gas and related products acquired by the Company through its 35% interest in CNGCL. The fair value of the rights acquired in 2005 was determined by reference to valuation exercises undertaken by professionally qualified independent third parties based on the expected future cash flows arising from the underlying contractual relationships.

Commercial activity in CNGCL has not yet commenced. In July 2010, NIOC introduced gas into its completed transmission network and Dana Gas' UGTC pipeline and SajGas processing facilities in Sharjah for commissioning purposes. However, subsequently as it pressured up, NIOC discovered significant leaks in its offshore gas transmission system which needs rectification. Notwithstanding this, Crescent Petroleum is continuing with international arbitration to seek a ruling on its binding 25 years gas supply contract with NIOC.

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

15 INTEREST IN JOINT OPERATIONS

(a) Kurdistan Region of Iraq Project

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

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

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

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

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

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

15 INTEREST IN JOINT OPERATIONS (continued)

(a) Kurdistan Region of Iraq Project (continued)

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

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

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

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

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

(b) UGTC/ Emarat Joint Venture

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

15 INTEREST IN JOINT OPERATIONS (continued)

(b) UGTC/ Emarat Joint Venture (continued)

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

16 INVENTORIES

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

17 TRADE AND OTHER RECEIVABLES

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

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

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

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

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17 TRADE AND OTHER RECEIVABLES (continued)

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

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

18 AVAILABLE-FOR-SALE FINANCIAL ASSET

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

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

19 FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

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

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

20 CASH AND BANK BALANCE

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

20 CASH AND BANK BALANCE (continued)

Cash at bank earns profit at floating rates based on daily bank deposit rates. Short-term deposits are made for varying periods of between one week and three months, depending on the immediate cash requirements of the Group, and earn profit at the respective short-term deposit rates. The fair value of cash and bank balance including short-term deposits is USD 470 million (2014: USD 184 million). The effective profit rate earned on short term deposits ranged 0.3% to 8% (2014: 0.45% to 2.0%) per annum. As at 31 December 2015, 87 % (31 December 2014: 56%) of cash and bank balance were held with UAE banks and the balance held outside UAE. Out of the total cash and bank balance of USD 470 million, 11% of the amount was held in Egyptian pounds (31 December 2014: 42%).

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

21 SHARE CAPITAL

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

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

22 STATUTORY AND LEGAL RESERVE

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

22 STATUTORY AND LEGAL RESERVE (continued)

a) Statutory Reserve

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

b) Legal Reserve

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

23 OTHER RESERVES

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

24 SHARE BASED PAYMENT

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

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

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

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

25 BORROWINGS

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

a) EXCHANGEABLE SUKUK

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

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

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

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

25 BORROWINGS (continued)

a) EXCHANGEABLE SUKUK (continued)

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

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

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

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

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

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

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

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

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

25 BORROWINGS (continued)

b) BANK BORROWINGS – ZORA GAS FIELD PROJECT FINANCE

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

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

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

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

c) EQUIPMENT LOAN

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

25 BORROWINGS (continued)

d) EGYPT BUILDING LOAN

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

e) MURABAHA FACILITY

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

26 PROVISIONS

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

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

27 TRADE PAYABLES AND ACCRUALS

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

28 PROVISION FOR SURPLUS OVER ENTITLEMENTS

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

a) Surplus over Entitlements

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

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

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

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

29 CONTINGENCIES AND COMMITMENTS

a) Dana Gas Egypt

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

As at 31 December 2015

29 CONTINGENCIES AND COMMITMENTS (continued)

a) Dana Gas Egypt (continued)

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

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

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

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

b) Sharjah Western Offshore

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

30 DISPOSAL OF INTEREST IN JOINT OPERATIONS

Disposal of Interest in Pearl Petroleum Company Limited

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
As at 31 December 2015

31 RELATED PARTY DISCLOSURES

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

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

During 2015, an amount of USD 2.4 million was paid to the Directors as compensation for Committee work, special assignments and additional duties undertaken during the year. The remuneration to the Board of Directors for the year 2014 has been disclosed in the consolidated statement of changes in equity.

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

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

32 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

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

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

32 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

(a) Foreign currency risk

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

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

(b) Profit rate risk

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

(c) Commodity price risk

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

(d) Credit risk

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

(i) Trade receivables

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

(ii) Bank balances

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

(e) Liquidity risk

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

32 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Financial risk factors (continued)

Year ended 31 December 2015

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

Year ended 31 December 2014

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

Capital risk management

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

The Group manages its capital structure and makes adjustments to it in light of changes in business conditions. No changes were made in the objectives, policies or processes during the years ended 31 December 2015 and 31 December 2014. Capital comprises share capital, retained earnings, other reserves and equity component of convertible bonds, and is measured at USD 2,656 million as at 31 December 2015 (2014: USD 2,521 million).

33 FAIR VALUE ESTIMATION

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

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

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

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

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

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

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

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33 FAIR VALUE ESTIMATION (continued)

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

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

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

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

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

34 FINANCIAL INSTRUMENTS BY CATEGORY

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

34 FINANCIAL INSTRUMENTS BY CATEGORY (continued)

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

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

34 FINANCIAL INSTRUMENTS BY CATEGORY (continued)

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

35 SOCIAL CONTRIBUTIONS

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

in UAE

SAJGAS Processing Plant

GLOSSARY

US$	United States of America Dollars
AED	United Arab Emirates Dirham
Bcf	Billion Standard Cubic Feet
MMboe	Millions of Barrels of Oil Equivalent
bpd	Barrels per Day
boepd	Barrels of Oil Equivalent per Day
MMBbl	Millions of Barrels
kboepd	Thousand Barrels of Oil Equivalent per Day
Tcf	Trillion Cubic Feet
MMscfd	Millions of Standard Cubic Feet per Day
Tpd	Tonnes Per Day
KRG	Kurdistan Regional Government
KRI	Kurdistan Region of Iraq
DGE	Dana Gas Egypt

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

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