ANNUAL REPORT & ACCOUNTS - 2014

Steady Progress

دانة غاز
DANAGAS

ANNUAL REPORT & ACCOUNTS - 2014

OUR VISION

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

OUR 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.

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.

ZORA Drilling Rig

in UAE

Khor Mor LPG Plant

in IRAQ

Al Wastani Plant

in EGYPT

GROUP OPERATIONAL FOOTPRINT

UAE (Zora) Offshore Concession

Dana Gas is the 100% operator of the Sharjah Western Offshore Concession. The Zora Field in the concession, which straddles the offshore waters of the Emirates of Sharjah and Ajman, will be developed to bring much needed gas reserves onshore.

The Zora Project consists of two wells, which we will re-enter. These wells were drilled in 1999 and 2002. An unmanned platform being fabricated by Adyard of Abu Dhabi will be installed in 24 m of water and connected to onshore facilities by a 35 km, 12 inch pipeline. The jacket for the platform has already been installed and the pipeline laid. The onshore gas processing facility in the Hamriyah Free Zone for which all civil work is complete, equipment installation started and will process 40 MMscfd of gas, along with some hydrocarbon condensate. Production is scheduled to commence in 2015.

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.

Kurdistan Region of Iraq (KRI)

In the Kurdistan Region of Iraq, Dana Gas holds a 40% interest in Pearl Petroleum Company Ltd. (PPCL) jointly with Crescent Petroleum (40%), OMV (10%) and MOL (10%). PPCL holds the rights to the Khor Mor and Chemchemal Fields. Currently, Dana Gas and Crescent Petroleum jointly operate the Khor Mor Field on behalf of PPCL. During 2014, the operations at Khor Mor produced gas at a daily average rate of 310 MMscf, condensate at an average daily rate of 14,000 bbls, and LPG at a daily average rate of 498 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 Kms pipeline.

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

Dana Gas Egypt

Dana Gas Egypt is 100% operator of four Concessions, three onshore and one offshore, and produces from 12 fields located in 14 Development Leases in the Nile Delta. During 2014, the Company produced 70.9 bcf of gas and 2.8 mmbbls of liquids, for an average rate of 39.9 kboed.

In September 2014, Dana Gas Egypt was awarded a 100% working interest in the North El Salhiya onshore (Block-1) Concession and a 50% non-operated working interest in the El Matariya onshore (Block-3) Concession. Block-3 is held jointly with BP who will also be the operator of the Block. Both blocks are located in the Nile Delta onshore nearby Dana Gas existing facilities and have potential in both shallow conventional plays (Mio-Pliocene) and deep underexplored targets (Oligocene).

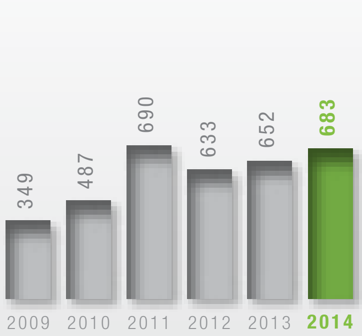
The focus for 2015 will be to increase the throughput of El Wastani plant to 250 MMscfd of gas and complete the Balsam Field tie-in. In order to achieve the increased production targets, an extremely active development plan consisting of a 3 rig drilling programme will commence in Q2 2015 and will continue for the rest of the year. For the offshore Concession ratified in 2014, called North El Arish, an exploration programme consisting of seismic acquisition, to be acquired in 2015, and the drilling of one exploration well has commenced.

EBGDCo

In the Gulf of Suez, Dana Gas holds a 26.4% interest in a LPG recovery plant with capability to extract up to 130,000 tons per annum of LPG from a gas stream of 150 MMscfd. During summer 2014 the plant reached for the first time its maximum gas throughput capacity of 150 MMscfd with the highest LPG extraction since plant start-up.

GROUP 2014 PERFORMANCE HIGHLIGHTS

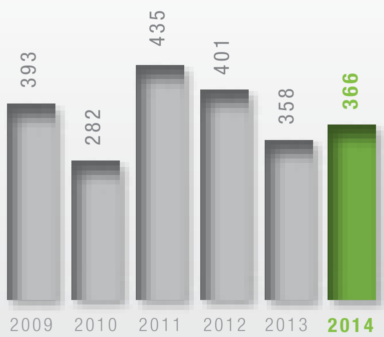
(Financials in US$ million)



GROSS REVENUE

US$ 683 million

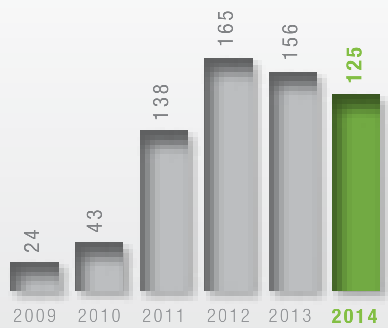
2013 US$ 652 million



EBITDAX

US$ 366 million

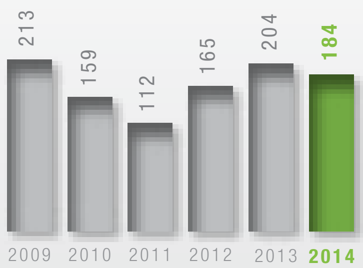
2013 US$ 358 million



NET PROFIT

US$ 125 million

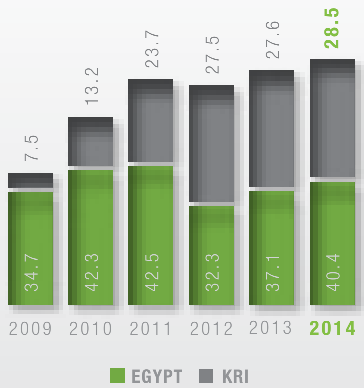
2013 US$ 156 million



CASH BALANCE

US$ 184 million

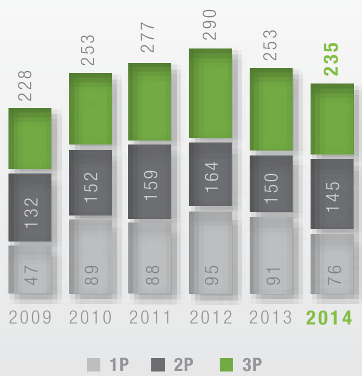
2013 US$ 204 million



PRODUCTION

68,900 boepd

2013 - 64,700 boepd



2P RESERVES

145 MMboe

2013 - 150 MMboe

(excluding KRI)

GROUP STRUCTURE

DANA GAS EGYPT
100%

UGTC
100%

PEARL PETROLEUM
40%

GAS CITIES
50%

DANA GAS PJSC

SAJ GAS
100%

CNGCL
35%

Danagaz
66%

EBGDCO
40%

Diagram shows a simplified group structure

SAJGAS Processing Plant - UAE

CHAIRMAN'S STATEMENT 2014

2014 was a challenging year against the background of a sharp drop in oil prices, the difficult macroeconomic environment in Egypt and the unpredictable security environment in Iraq. Despite these challenges, Dana Gas delivered a strong performance in all three geographic areas of its business; Egypt, Kurdistan Region of Iraq (KRI) and the United Arab Emirates (UAE) with increases in production across its operations.

Natural gas is the fastest growing energy source worldwide and more than half of the global reserves are in the MENA region, Dana Gas' core market. As a company, we have achieved positive results financially and operationally, whilst always putting the safety of our employees first and respecting the environment and the communities in which we operate.

Egypt remains a core area of the Company's growth strategy and, through new investments, we plan to increase production and exploration activity in the country. One of the significant achievements in 2014 was the Gas Production Enhancement Agreement (GPEA) agreement signed with the Egyptian Government in August 2014 which will enable Dana Gas to reduce outstanding receivables over time. We were also very pleased to be awarded three new blocks onshore and offshore Nile Delta.

During 2015, Dana Gas looks forward to first gas production from the Zora gas field development project in UAE. Natural gas produced from the field will provide the much needed source of clean energy for the benefit of the Northern Emirates of UAE. The Zora Gas Field, which spans the territorial waters of Sharjah and Ajman, will provide an additional source of gas for local power generation in the region. This is significant achievement for Dana Gas as this is the first gas development project for Dana Gas in the Gulf Co-operative Council (GCC) countries.

In 2014, Dana Gas reinvested a significant portion of outstanding receivables it collected into existing project and production facilities in Egypt throughout the year. The balance will be ring-fenced to pay for commitments made under the Gas Production Enhancement Agreement. Further in 2014, the Company was permitted to commence direct, local sale of condensate and LPG in the KRI which facilitated collections.

In 2014, the strong level of voluntary early conversion notices for the convertible Sukuk that Dana Gas received demonstrated an encouraging level of investor confidence in the Company.

Dr. ADEL KHALID AL SABEEH
Chairman of the Board

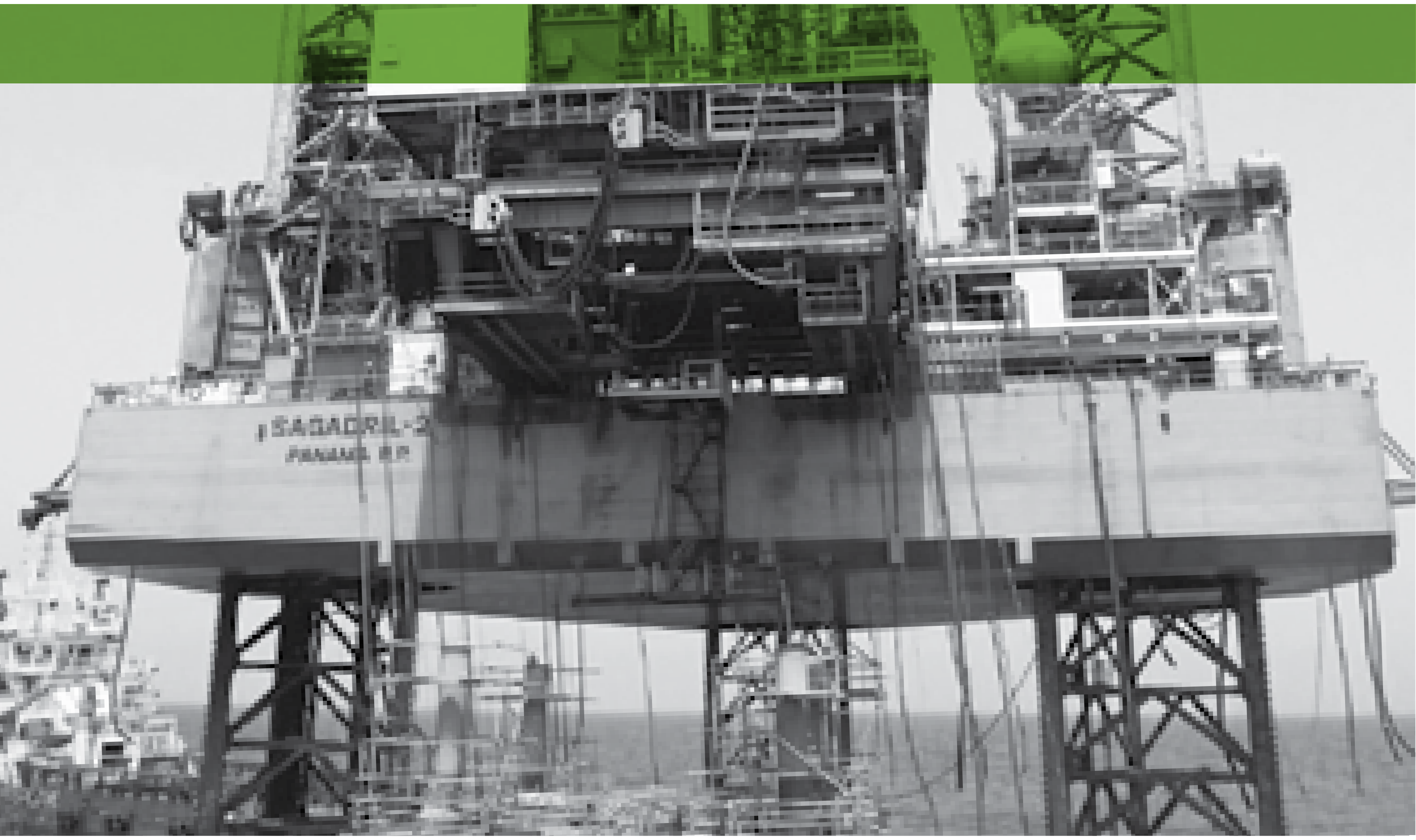
MENASA region
When looking at the broader macro-economic environment, the Middle East and North Africa will remain important supply sources for global oil and gas demand. Furthermore, the region is also now one of the world's fastest growing oil and gas markets. These strong underlying market characteristics provide the ideal platform for Dana Gas to implement its growth strategy and maintain its position as the region's leading private sector and publicly-listed Oil and Gas Company. We are proud to be actively engaged in helping to address the energy needs of the region.

The economic dynamics and demographics of the region support the long term investment case and growth strategy of Dana Gas. The growing population, wealth and size of the region means that North Africa is turning into a key energy consumer market and that augurs well for sustained growth in annual oil and gas demand of the region. Similarly, the Middle East is one of the fastest growing regions globally with a population expected to grow to around 300 million by the year 2040. Growing populations need energy, hence the energy requirements of the region are also expected to nearly double in the same period.

Egypt is recovering economically and economic growth is a priority of the Egyptian government, supported by significant investments and aid from the UAE and the GCC. Dana Gas is proud to be a long term investor in Egypt since its entry in 2007. In this period, the Egyptian economy has expanded by 2.5 times in GDP terms and the energy demands of the country have also grown dramatically. Egypt's economic growth has been underpinned by wide spread use of gas in the country. Gas demand growth in Egypt has outpaced domestic production and as a result Egypt is currently experiencing a gas deficit, representing growth opportunities for competitively placed domestic producers.

UAE gas demand has grown significantly over the last 5 years. As a regional independent, Dana Gas is focused on enabling development of local gas resources for the local market. Dana Gas's Zora gas field development is a domestic project to help address the gas needs of the local market in the Northern Emirates.

Dana Gas' operations in the KRI have continued despite events in Iraq. Gross production has been maintained at 310 million cubic feet of gas per day in addition to 13,840 barrels of condensate and 498 tonnes LPG capacity per day.



Arbitration Cases

With respect to the international arbitration with the KRG, the London Court of International Arbitration (LCIA) Tribunal ordered the KRG (the “Respondent”) in July 2014 to resume payments to Crescent Petroleum Company International Limited, Dana Gas PJSC and the Pearl Petroleum Company Limited (the “Claimants”) with an interim award of US$100 million in October.

A one week hearing which started on 20th April 2015 considered selected issues in the arbitration. Dana Gas reiterates its continued commitment to the Contract, the KRI and all of Iraq, and sincerely hope that all outstanding contractual matters with the KRG can still be resolved, amicably and in good faith in the shortest possible time, within the contractual framework.

In December 2010, Dana Gas PJSC and Crescent Petroleum Company International Limited (the "Claimants") initiated international 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. The quantum of damages will be heard and determined during a second quantum stage expected to commence during the second half of 2015.

The Gas Sales & Purchase Contract between Dana Gas’ partner Crescent Petroleum and the National Iranian Oil Company (NIOC) for the supply of gas to the UAE has been the subject of international arbitration since June 2009. In August 2014, Dana Gas was notified by Crescent Petroleum that the Arbitration Tribunal has issued a Final Award on the merits, determining that the 25-year Contract between it and NIOC is valid and binding upon the parties, and that NIOC has been obligated to deliver gas under the Contract since December 2005. Crescent Petroleum has expressed its hope that all matters can now be amicably resolved through constructive discussions with NIOC. In the meantime, the damages quantification phase of the arbitration process has already commenced.

Board and Management

I would also like to take the opportunity to express our gratitude to the continued support of our Honorary Chairman, His Highness Sheikh Ahmed Bin Sultan Al-Qasimi.

On behalf of the Board and the Management of Dana Gas, I would like to thank our esteemed shareholders for their confidence in Dana Gas and its growth potential.

Without the hard work, dedication, commitment and expertise of Dana Gas’ management team and employees none of these achievements would have been possible. I would like to thank them all. They have been vital to the success of Dana Gas in achieving another year of sustained good performance.

Zora Project Platform - UAE

"DANA GAS DELIVERED A ROBUST FINANCIAL AND OPERATIONAL PERFORMANCE IN 2014 WITH CONTINUED PROFITABILITY, A REDUCTION IN OUTSTANDING RECEIVABLES IN EGYPT, INCREASES IN PRODUCTION AND A CONTINUED FOCUS ON OPERATIONAL EXCELLENCE AND COST DISCIPLINE."

CHIEF EXECUTIVE OFFICER'S STATEMENT & OPERATING REVIEW

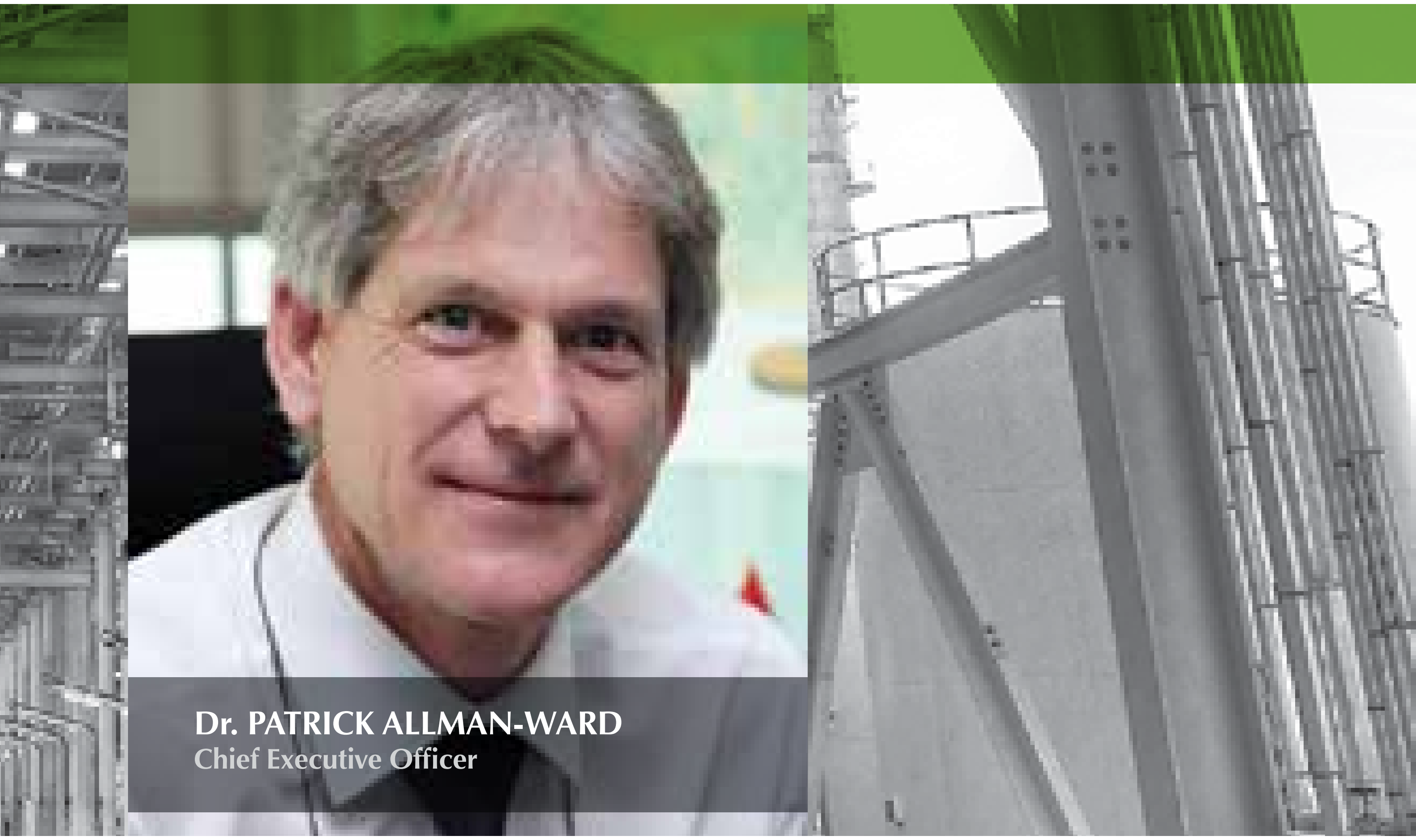
I am pleased to say that despite the difficult operating environment in a number of the Company's core markets, Dana Gas delivered a robust financial and operational performance in 2014 with continued profitability, a reduction in outstanding receivables in Egypt, increases in production and a continued focus on operational excellence and cost discipline.

We are also proud of our health, safety, security and environmental record for the year and our sustainable development achievements, and this is an area that we are going to focus on in the present year and going forwards.

Egypt remains an important country for the Company with new investments planned to increase production and exploration activity. One of the significant achievements in 2014 was the Gas Production Enhancement Agreement (GPEA) agreement signed with the Egyptian Government in August 2014. Under the GPEA, Dana Gas expects to deliver incremental production in the region of 270 billion cubic feet of natural gas, 9 million barrels of condensate and 450,000 tons of LPG. The revenues generated from the Government's share of the incremental condensate sales will be used to pay-down the outstanding receivables held by the Egyptian Government to normal levels by 2018 at the latest. In the new bidding rounds that took place last year, the Company has been awarded three new exploration blocks in promising areas onshore and offshore the Nile Delta. Block 1 and Block 6 are 100% owned and operated by Dana Gas and Block 3 is 50% owned by Dana Gas and BP as the operator.

For 2015, Dana Gas looks forward to first gas production from the Zora gas field development project in the UAE. Natural gas produced from the field will provide a much needed source of clean energy for the benefit of the Northern Emirates of UAE. The Zora Gas Field, which spans the territorial waters of Sharjah and Ajman, will provide an additional source of gas for local power generation in the region. This is a significant milestone for Dana Gas as this is the first gas development project for Dana Gas in the Gulf Co-operative Council (GCC) countries and also the first offshore operation for the company. In 2014 Dana Gas secured through its wholly owned subsidiary Dana Gas Explorations FZE, a US$ 100 million financial facility for the Zora Field Development Project. This term facility will contribute the debt component of the financing needed to complete the project and bring the Zora gas field on-stream in mid-2015. The financing agreement demonstrates the confidence the region's leading banks and financers have towards both Dana Gas and the Zora project.

Overall, Dana Gas has made solid progress in production levels across its operations. The Company's Net Production averaged 68,900 barrels of oil equivalent per day (boepd) from its interests in Egypt and the Kurdistan Region of Iraq. The production



Dr. PATRICK ALLMAN-WARD
Chief Executive Officer

increase of 9% in Egypt was a significant achievement as this new level was reached despite there being no new wells drilled in 2014 and this was mainly achieved through production optimisation from existing fields.

Despite the difficult operating environment and the ongoing arbitration, Dana Gas and its Consortium partners continue to produce an average of over 71,300 barrels of oil equivalent (boe) per day, including 310 million cubic feet per day of gas that enables affordable electrical power generation in the Kurdistan Region of Iraq. Dana Gas and its Consortium partners are proud to be the largest oil and gas sector investors and cumulative producers in the Region, having invested over US$ 1.2 billion and produced approximately 130 million boe of natural gas and petroleum liquids over the past six years, thereby enabling electricity provision and an economic and social transformation for the Kurdistan Region and its people.

The Kurdistan operations at Khor Mor produced at a daily average rate of 51,667 boepd of natural gas with 13,840 barrels of condensate and 498 tons of LPG (Dana Gas share being a daily average of 20,667 boepd of natural gas, 5,536 barrels of condensate and 199 tons of LPG). As a result of the replacement of ageing reagents in the molecular sieves in the plant in October 2014 the LPG production increased by up to around 34%. Dana Gas and the Consortium partners plan major gas exports to Turkey and Europe following the resolution of the ongoing arbitration and prevailing geopolitical circumstances.

The Company continues to prioritise the collection of outstanding receivables and is making every effort possible in this regard. In Egypt, Dana Gas achieved a significant amount of progress with the collection of US$ 163 million (AED 597 million) in 2014 as compared to US$ 134 million (AED 491 million) in 2013, an improvement of US$ 29 million as the Egyptian authorities implemented their long-standing agreement to pay down receivables owed to oil and gas producers. This excludes a total of US$ 47 million comprising the offset of the Block-6 signature bonus of US$ 20 million (AED 73 million) to EGAS and US$ 27 million (AED 99 million) payable to government owned contractors against the amount due to the Company. All of the money received in Egypt will be ring-fenced for committed current and future investments. As of 31 December 2014, trade receivables in Egypt stood at US$ 233 million (AED 854 million) compared to US$ 274million (AED 1 billion) in 2013.

In the KRI, the Company and its partners were permitted to commence direct sale of condensate and LPG to the local market for the first time. As a result, Dana Gas' KRI operations, in which it has a 40% share, collected US$ 34 million (AED 125 million) in 2014, down significantly from US$ 69 million (AED 253 million) in 2013. Included in the collection was

US$ 18 million (AED 66 million) received as a guarantee against future lifting of product. As of 31 December 2014, the trade receivable balance stood at US$ 746 million (AED 2.73 billion) compared to US$ 515 million (AED 1.88 billion).

With regards to the convertible Sukuk, Dana Gas received voluntary early conversion notices in the first half of 2014 amounting to about US$ 73 million (AED 267 million), which demonstrates positive investor sentiment towards the Company. Accordingly about 357 million ordinary shares calculated at a conversion price of AED 0.75 (nominal value of AED 1.0) were issued to satisfy the notice. The difference in value between the conversion price and the paid-up value of the shares was accounted for by appropriation from the capital reserves of the Company. These conversions are expected to result in Sukuk profit saving of c. US$ 5 million in 2015.

Looking forward

In 2014, we have demonstrated a strong track record of project delivery, as well as an excellent health, safety, security and environmental record across our entire asset base in all the areas we operate.

Despite the challenges faced in 2014, Dana Gas continued to deliver strong operating and financial results - a testament to the quality of our assets, both in respect of the geology and the physical footprint of those assets on surface, and most importantly the quality of our staff who operate those assets.

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 the Nile Delta in Egypt and the Kurdistan Region of Iraq, we have and will continue to contribute in enhancing healthcare facilities, better educational services and teaching tools. We recognize the importance of providing small and medium-sized enterprise with seed money to support local businesses and provide opportunities for local employment in Egypt. And in the KRI, we have contributed to provision of social support for orphans who have been the innocent victims from the years of conflict that have characterized the region. 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.

Our success is strongly underpinned by the skills, experience and efforts of our employees. I take this opportunity to thank the entire Dana Gas family for their hard work and commitment under difficult circumstances in 2014. We continue to focus our efforts in development of skills and capabilities of the team as we pursue our strategy and goals across the MENASA region.

Finally, I would like to thank our Honorary Chairman, His Highness Sheikh Ahmed Bin Sultan Al-Qasimi, our Chairman Dr. Adel Khalid Al-Sabeeh, our Vice-Chairman Dr. Tawfeeq Almoayed, and all of the members of the Board of Directors who have provided such dedicated and unswerving support to the Management Team in our efforts to serve our Shareholders and further the business interests of the Company.

Khor Mor LPG Plant - KRI

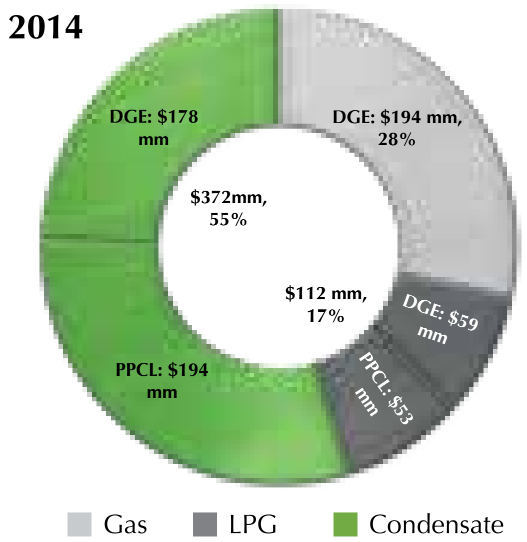
FINANCIAL REVIEW - 2014

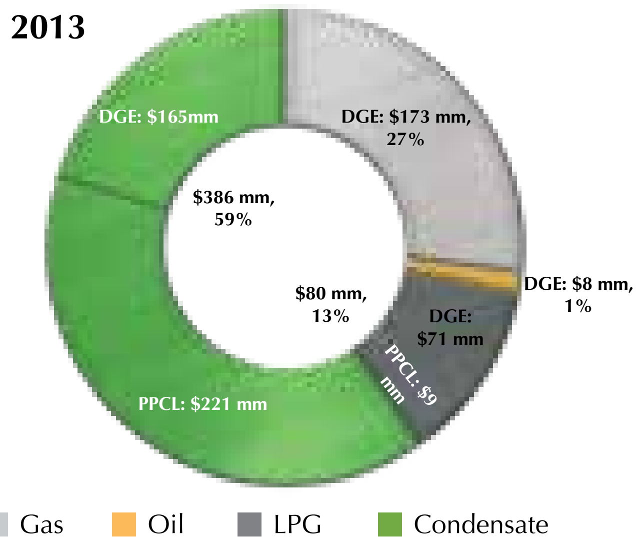
Key Financial Metrics

	2014 (US$ million)	2014 (AED million)	2013 (US$ million)	2013 (AED million)	% Change
Gross Revenue	683	2,504	652	2,390	5
Gross Profit	303	1,110	288	1,055	5
Profit After Tax	125	457	156	571	(20)
EBITDAX	366	1,341	358	1,312	2
Cash From Operations	102	374	125	459	(18)

GROSS REVENUE

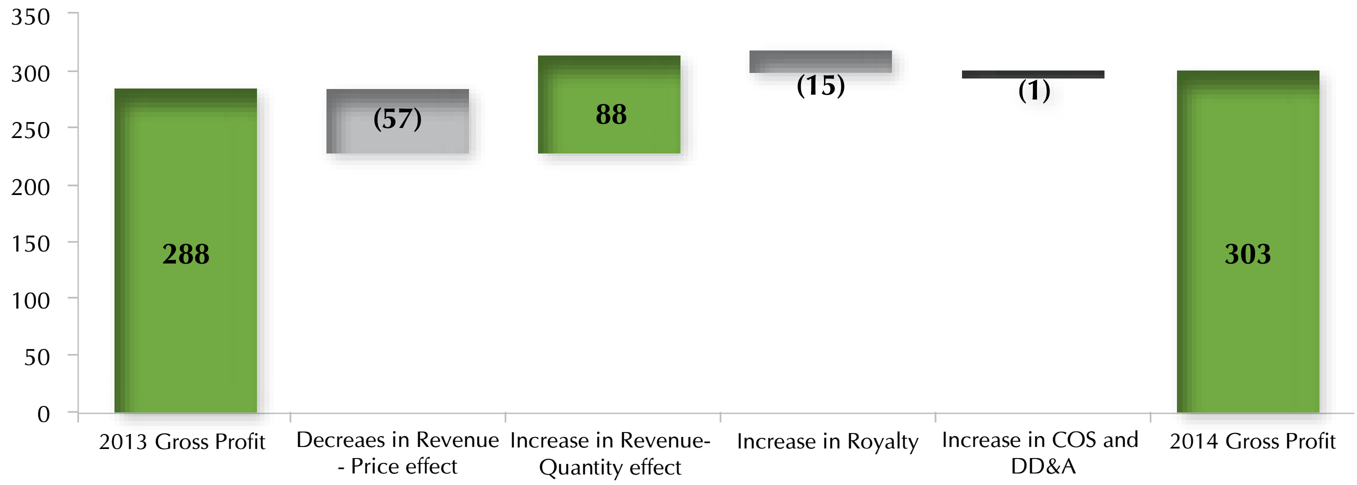
Revenue contribution by product





During the year the Company earned revenues of US$ 683 million as compared to US$ 652 million in 2013, a 5% increase despite a sharp fall in oil price during last quarter of 2014. This revenue increase was predominantly due to production growth in both Egypt and KRI. Production in Egypt rose 9% to 14.6 million boe and KRI production increased 3% to 10.4 million boe, boosting overall Group production by 6% to 25.1 million boe in 2014. This increase in revenue was partially offset by lower hydrocarbon prices during 2014, especially during last quarter of 2014. The Group realized an average price US$ 97/boe (2013: US$ 107/boe) and US$ 64/boe (2013: US$ 69/boe) for Condensate and LPG, respectively.

GROSS PROFIT BRIDGE



Egypt production was higher by 9% as compared to last year and contributed US$ 432 million to Gross revenue as compared to US$ 417 million in 2013. Our share of revenue from the joint operations in KRI stood at US$ 247 million higher by 8% as compared to US$ 230 million in 2013. In summary, increased production contributed US$ 88 million to the topline which was partially offset by US$ 57 million decrease due to lower hydrocarbon prices.

Gross Profit

Gross profit for year stood at US$ 303 million, an increase of 5% over the previous year. This increase was due to higher production in Egypt and KRI, as discussed earlier, which was partially offset by lower realised hydrocarbon prices during the fourth quarter of 2014 and higher royalty to the Egyptian government.

Net Profit After Tax

Dana Gas Group (the Group) achieved a net profit after tax of US$ 125 million as compared to US$ 156 million in 2013, a decline of 20%. The net profit was impacted by an impairment of US$ 22 million of oil and gas assets in Egypt during Quarter 4, 2014 due to fall in oil prices and a one off gain of US$ 39 million recognised on sale of a portion of MOL shares held by the Company in 2013. Excluding this one off gain in 2013, profit from operations in 2014 was 9% higher as compared to that achieved in 2013 resulting from improved production performance and a sharp focus on reducing costs.

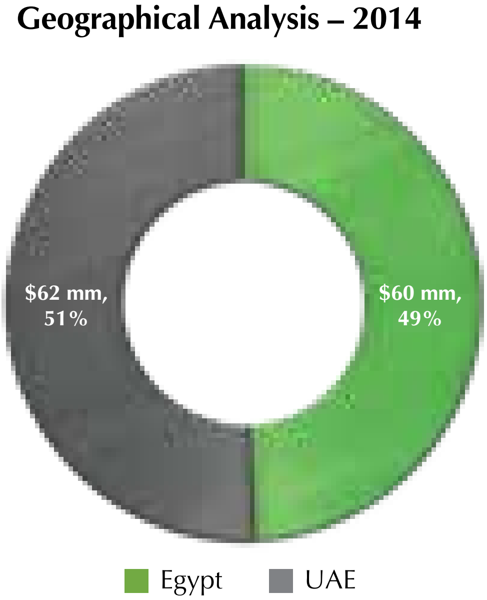
Comprehensive Income

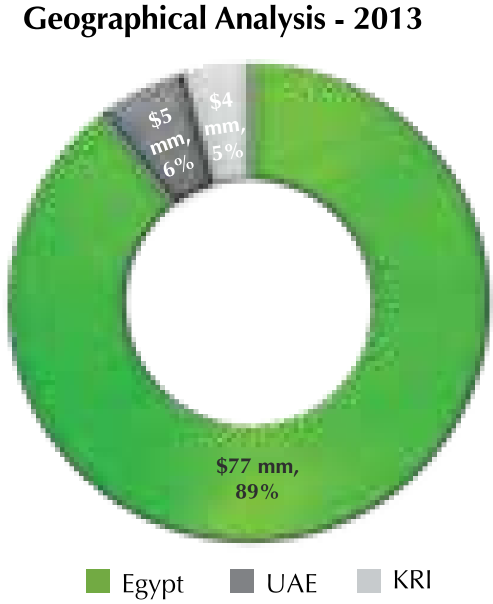
Total comprehensive income for the year stood at US$ 99 million compared to US$ 136 million in 2013. The comprehensive income for 2014 includes an unrealised loss of US$ 26 million (2013: loss of US$ 20 million) on Dana Gas's 1.09% shareholding (2013: 1.4%) in MOL, a partner in Dana Gas's KRI operations. MOL's share price at end of 2014 was lower than that of end 2013 together with the HUF/US$ exchange rate. The unrealized loss is booked directly to equity in line with the Company's published accounting policy.

Balance Sheet

Equity attributable to shareholder's stood at US$ 2.7 billion; an increase of 6.6% from last year's equity of US$ 2.5 billion. Accordingly the book value per share at the end of 2014 was AED 1.42 (2013: AED 1.41 per share). Total assets at the year-end increased slightly to US$ 3.61 billion from last year's total assets of US$ 3.52 billion. This increase was largely due to increase in trade receivables at the year end.

CAPITAL INVESTMENT



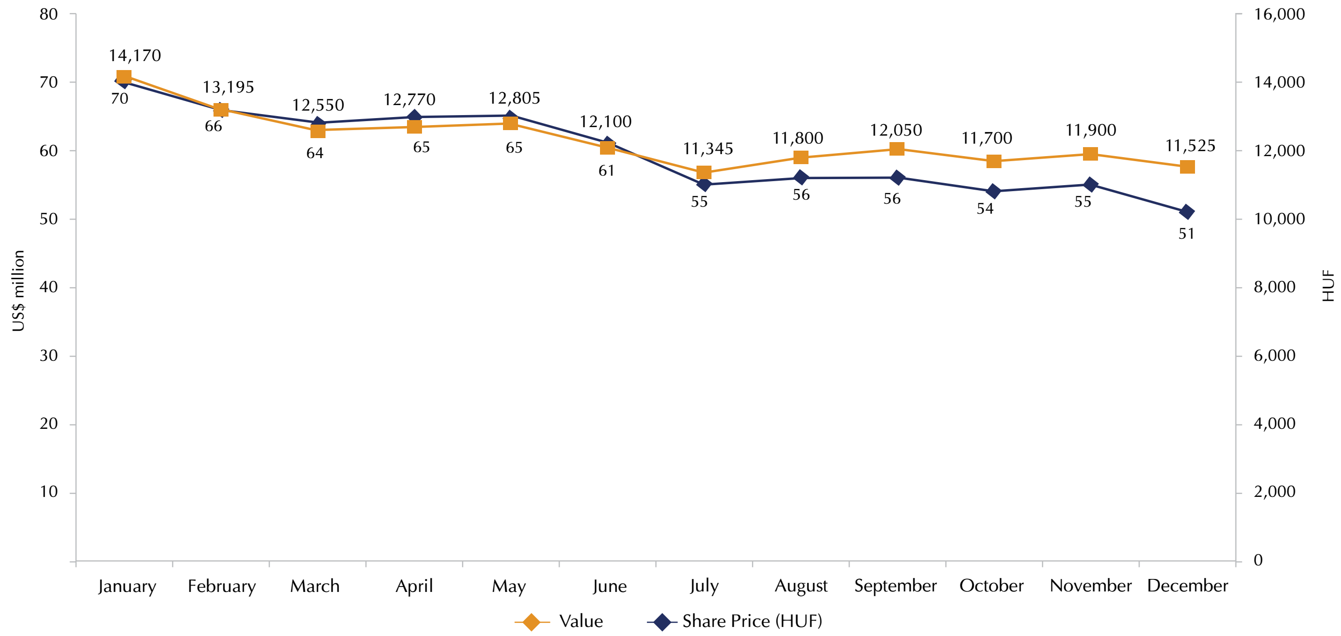


In line with its outlined strategy, the Company continues to balance its capital expenditure with the available sources of cash to ensure that it maintains a robust financial position. Capital investment in 2014 was US$ 122 million compared to US$ 86 million in 2013. In Egypt, the Company expended US$ 60 million on various field development activities to grow production and included US$ 20 million relating to Block-6 signature bonus which was offset against the trade receivable. In UAE, the company continues to make progress on the Zora field development project and expended an amount of US$ 62 million on field development.

AVAILABLE FOR SALE FINANCIAL ASSETS

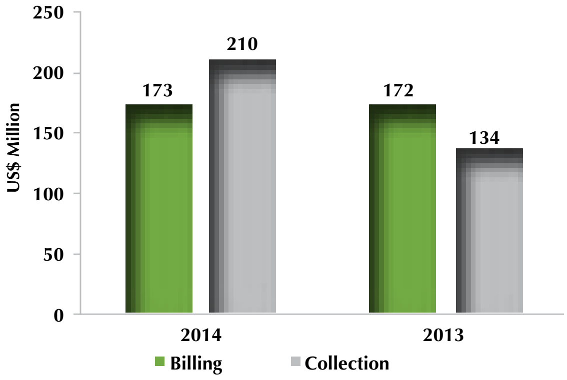
Mark to Market – January 2014 to December 2014

The Group holds 1,136,116 ordinary shares in MOL (31 December 2013: 1,486,116 shares) received as consideration for the disposal of an interest in Pearl Petroleum in 2009. These shares are listed on the Budapest Stock Exchange and have been fair valued with reference to published price quotation at 31 December 2014. On 22 September 2014, the Group sold 350,000 shares out of its total shareholding of 1,486,116 shares in MOL, at an average price of US$ 51.27 per share (US$ 18 million) through a private placement.

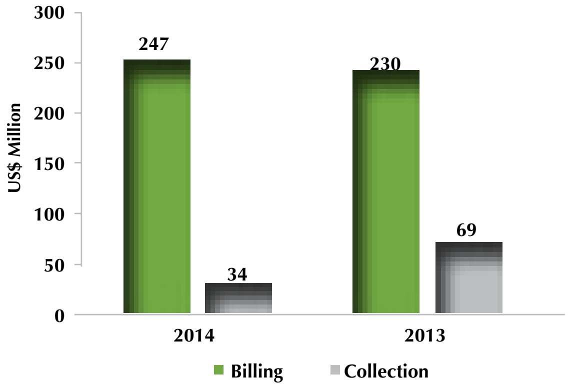


TRADE RECEIVABLES

Dana Gas Egypt



Pearl Petroleum



The Group's trade receivables at the end of the year stood at US$ 992 million as compared to US$ 795 million in 2013. This increase was due to the slow rate of collections in KRI, as compared to revenue billed. Receivables in Egypt constitute 23% of the total and the balance mainly relates to receivables in KRI.

In 2014, the Company's total collections stood at US$ 244 million. In Egypt the Company collected US$ 210 million or 121% of net revenue invoiced for the year. Out of the total collection, US$ 163 million was collected in cash and there were offsets agreed with EGAS and EGPC of another US$ 47 million, of which US$ 20 million was against the Block-6 signature bonus and the balance of US$ 27 million was offset against the payables to government related entities. At the year-end receivable balance stood at US$ 233 million of which US$ 154 Million was overdue.

In KRI, following commencement of local sales of condensate and LPG in September 2014, Dana Gas share of collections for the year 2014 stood at US$ 34 million compared to US$ 69 million in 2013. This included a cash advance of US$ 18 million received as a guarantee against future lifting of the products. At year end the trade receivable balance stood at US$ 746 million (AED 2.7 billion) as compared to US$ 515 million (AED 1.9 billion) in 2013.

Cash Flow

(US$ million)	2014	2013
Net cash from operating activities	102	125
Net cash used / (from) in investing activities	(55)	56
Net cash used in financing activities	(67)	(141)
Net cash flow during the year	(20)	40

Cash flow from operations, in 2014, reduced by 18% to US$ 102 million from US$ 125 million in 2013. This decrease was due to the lower level of collections in KRI when compared to 2013. Cash from investing activities reduced from an inflow of US$ 56 million in 2013 to an outflow of US$ 55 million in 2014. The decline was due to the fact that in 2013, the Group sold 1,675,000 MOL shares and realized US$ 134 million, whereas in 2014, the Group sold 350,00 of MOL share and realized US$ 18 million.

Under financing activities, cash out flow reduced from US$ 141 million to US$ 67 million in 2014. This decline was mainly due to partial payment of US$ 70 million to sukuk holders in 2013. Based on the above the Group ended the year with a cash balance of US$ 184 million, as compared to US$ 204 million in 2013. At year the cash balance was boosted by a collection of $ 60 million in Egypt out of the industry payment made by EGPC / EGAS. As a result net cash movement for the year was $ 20 million confirming the Company's tight control on managing spend in line with cash collections.

HEALTH, SAFETY, SECURITY AND ENVIRONMENT

Throughout 2014, 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. 2014 experienced some marked improvements in HSSE risk mitigation related to conditions, operations and processes. There was a decrease in injuries and uncontrolled releases, and a significant improvement in reporting and observations of near miss incidents. During the year further work was done to improve the quality of and close out of incident investigations, with lesson learned applied as part of continuous improvements and taking a more proactive approach for incident prevention. The quality and quantity of reporting improved, with more site visits and inspections. Continued progress was made on safety critical elements, ensuring reliability of critical operation's safety devices. In 2014 two additional senior HSSE field positions were created and filled as a need for further competency development at the Egypt operations. 2014 saw an increased number of HSSE training and development programs for employees across the Group. The primary focus of these training programs was on improved behaviors, risk reduction, hazard identification, incident investigation and process safety.

In 2014 we conducted several gap assessments to determine what improvements we could make to further improve aspects of HSE management, Asset Integrity Management and Crisis and Security Management. Plans are in place to introduce a defined and structured Asset Integrity System for the Egypt and UAE operations in 2015. Utilizing the guidelines and standards of the corporate Operating Risk Management Systems (ORMS), the plan is to initiate the development of HSE management systems based on international recognized standards such as ISO 14001 and OSHAS 18001.

Performance

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

Key Metric	2014	2013	2012	Benchmark	Comment
Fatalities	0	0	5	3*	*2013 OGP Global Average
Man Hours Worked (Million Man Hours)	5.40	5.84	5.0		Contractors and employees
Recordable Injury Cases 2013 OGP Global Average	10	11	19	32*	(2012 includes 5 fatalities)
Total Recordable Injury Frequency	0.36	0.37	0.76	0.35 *	2013 OGP global average
High Potential Incidents	7	8	4		
Loss of Primary Containment Incidents	18	17	67		
Major road accidents	1	2	0	8*	2013 OGP global average
Kilometers driven	8.0 mm	6.18 mm	5 mm		With increased field and project activity, more driving

Personal Safety

Ten of our colleagues (6 employees and 4 contractors) suffered recordable injuries throughout the year. However, there has been a decrease in injuries in both KRI and Egypt and a significant drop in medical treatment injuries from nine in 2013 to four in 2014. The Total Recordable Injury Frequency was 0.36 against our target of 0.50 and 0.60 for 2013. This 72% improvement demonstrates that we are improving performance due to on-going activities related to building the safety culture, more visible leadership, improved reporting of observations and close-out of actions, and increased site inspections and risk assessments. The increase in drilling and construction activities (more hazardous activities) in 2015 corresponds with an increase for employees and contractors man hours.

High Potential Incidents

Seven high potential incidents have been reported in 2014, compared to 8 reported in 2013.

This slight decrease in reported High Potential Incidents is a result of improved and more consistent risk assessments and Job Safety Analysis. Further work needs to be done to reduce these incidents, and for 2015 the focus will continue with assessing and reviewing hazardous tasks and conditions, with a proactive approach to prevention of such incidents. 2014 saw a more comprehensive and analytical approach to investigations of incidents, more accurate root-cause analysis and follow-up on corrective actions and lessons learned.

High Potential Incidents	Production Intervention	Drilling and Well	Security	Transport	TOTAL
Egypt	2	1	2	1	6
KRI	0	0	1	0	1
UAE	0	0	0	0	0

Safety Observations

There has been a significant increase from 4960 observations in 2013 to 6289 in 2014. This increase was partly due to increased construction and project activities. We will maintain our focus on this leading metric into 2015, 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 studies and solutions implemented, condition monitoring, timely repairs, preventive maintenance in 2015. In 2014 the main focus was on release prevention from the facilities. We maintained the loss of primary containment incidents in 2014 at 18, similar to 17 for 2013.

The Group is committed to develop safety case studies for major hazard facilities to enable the understanding and demonstration that risks are managed to appropriate levels and to ALARP. The safety case process made progress in 2014 with the completion of the HAZOP Study at El Wastani, as well as the Asset Integrity Gap Assessment and El Wastani Maintenance Shutdown Lesson Learned Study.

Environment

There were no significant reported releases (more than 1 barrel) of hydrocarbon in the environment in 2014, a drop from 3 in 2013. Flow line releases in our Egypt and KRI assets have seen a major improvement due to the focus on pipeline integrity and improved environmental controls in the plants.

Health

Emphasis on health management launched in 2012 and 2013, has continued in 2014. More focus was given on fitness for work, ergonomics, vaccination programs, medical fitness, and health monitoring campaigns. In 2014 there were no recordable illnesses in the Group.

Security

Security management in 2014 was a critical part of the integrated HSSE management system for the Group. There was three reported security incidents in our activities in 2014, a slight drop from five in 2013. Two incidents occurred

in Egypt, with one being a carjacking and the other related to community unrest. There was a steady drop in security incidents observed in the communities near the field activities in Egypt due to more communications, presence and vigilance. In Q4 2014 the Journey Management Program was revised with stricter travel and security measures implemented to ensure more protection for personnel.

In 2014 a robust 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 but also in Egypt, our relationship with the community surrounding our fields continues to be play a key role in our ability to prevent serious incidents.

Risk Theme	Controls In Place in 2014 (highlights)
Developing a consistent safety culture across the Group	• The issue of Version 3 of the Group Operating Risk Management System incorporating lessons learned in 2013. • Progress on close out of the Group ORMs Audit of Egypt JV facilities. • Safety Leadership Program. • Improved incident reporting and root cause investigations. • Fit-for-purpose HSSE and Asset Integrity SMART KPI's included on the Group Scorecard, 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, along with strengthened competency in technical authorities. • Lessons learned and improvements for major plant maintenance shutdowns.

HSSE Risks

Throughout 2014 there continued to be emphasis on reduction of HSSE risks as in 2013, 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 2014 (highlights)
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. • Alignment of Wasco and Dana Gas HSSE in projects technical practices conducted.
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. • Preparing the HSSE standards and requirements for drilling contractors for the GPEA project in 2015.

RISK MANAGEMENT

Risk Management

Early identification, assessment and mitigation of the principal risks are all integral to the management and governance processes operating within Dana Gas. Effective business risk management processes are essential to the efficient operation of projects, business units, central functions and the Group. Dana Gas has fully adopted best practice in Enterprise Risk Management (ERM), based on ISO 31000, covering strategic, operational, project, financial, compliance and HSSE risks, in order to maximise opportunity and safeguard shareholder value.

Risk Management Accountability and Framework

The Dana Gas Board is ultimately responsible for Dana Gas's risk management and internal control systems. It determines the nature and extent of the significant risks considered appropriate in pursuit of the Group's strategic objectives. Accountability for identifying and managing business risks lies with business unit line management, with oversight by the Executive Risk Committee and the Board. To assist the Board in meeting its corporate governance responsibilities, Executive Management has established the Group's Enterprise Risk Management Framework to identify, evaluate and manage the risks faced by the Group. The process operates on a mandatory basis across the Group and provides the Board and Managment with assurance that the major risks faced by the Group have been identified and are regularly assessed, and that wherever possible, there are controls in place to manage these risks. The Board receives regular reports on the key short, long term and emerging risks facing the Group that could impact the Group's objectives or reputation.

Risk assessments and evaluations are incorporated at all levels of the Group including country and business unit levels and key business processes such as strategy and business planning, business development, project management and HSSE management processes. At the management level, a Risk Committee composed of key members of the executive team and Group Risk Reviews are carried out on a regular basis. The terms of reference of the Risk Committee include oversight and monitoring of the significant risks facing the business and review of the proposed mitigation strategies.

Risk Factors and Uncertainties

Dana Gas businesses in the MENASA 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

Khor Mor LPG Plant - KRI

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.

Projects

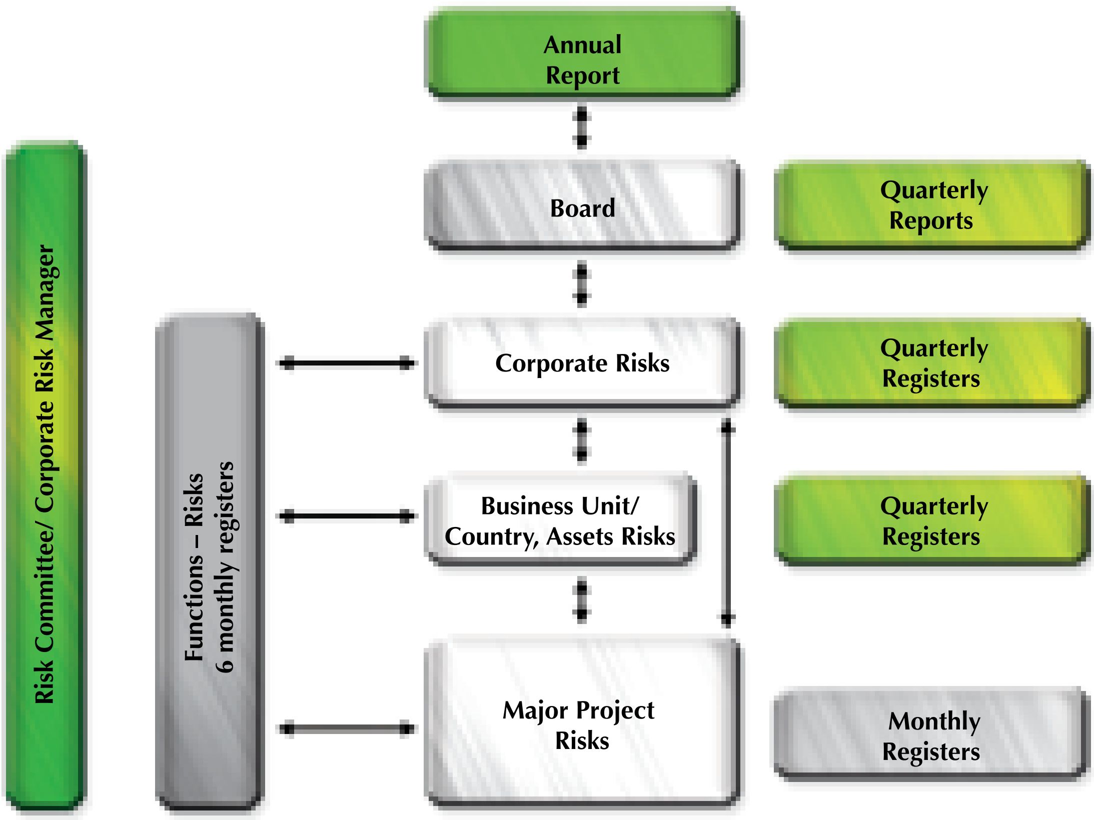
The Group's future gas and oil production is, to a significant extent, dependent upon successful completion of development projects within budgeted costs, time and technical requirements. The successful delivery of projects may be subject to availability of funding, delay in completing agreements, performance of joint venture partners, weather downtime, sub-surface uncertainties, legal and regulatory compliance, availability and performance of contractors, inadequate insurance coverage and availability of critical equipment and material.

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 well 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 MENASA region, Dana Gas is exposed to political and social security risk including acts of terrorism, civil unrest, criminality and safety of personnel.

Liquidity

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



Oganisation For Risk Management

Commodity Prices

Dana Gas revenues and profits are sensitive to crude oil and natural gas prices, which have been very volatile over the last few 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 its portfolio and the use of long-term gas contracts, which are not directly or immediately linked to short-term changes in commodity prices. The Group's exposure to commodity prices also varies according to a number of factors, including the mix of production and sales.

Capital Requirements

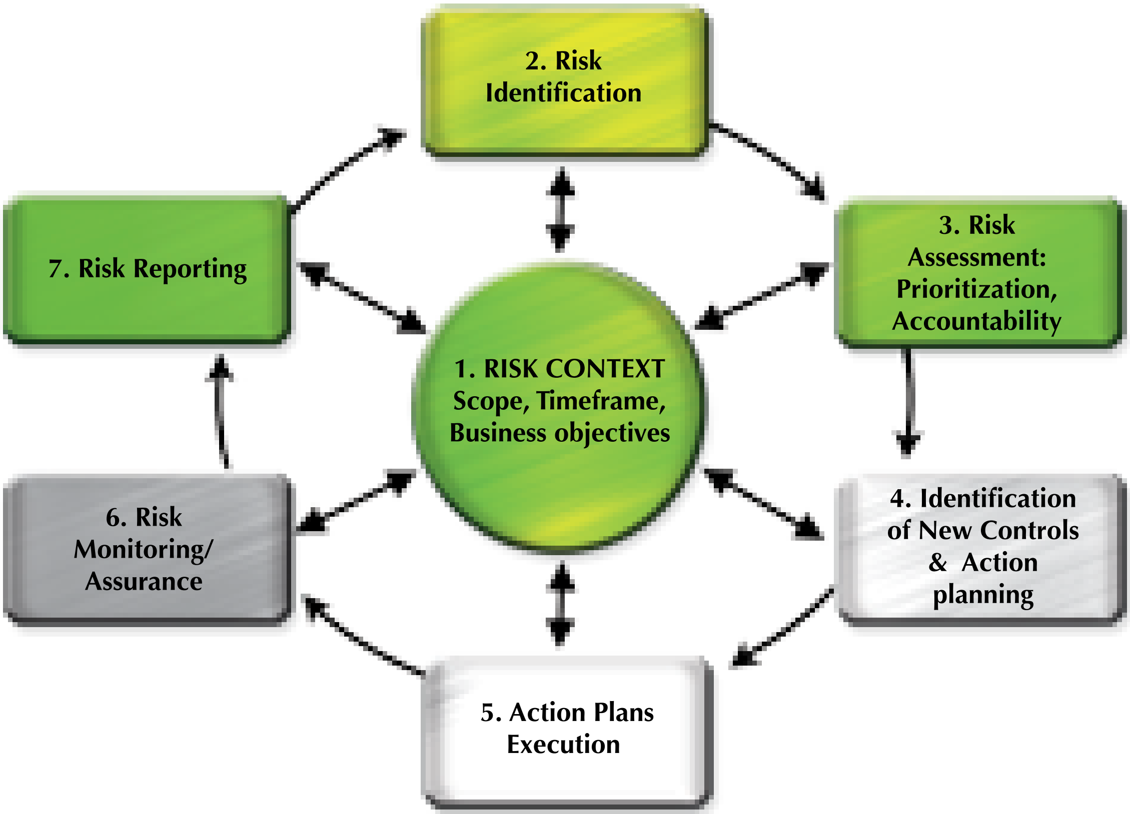
The Group's capital requirements depend on a broad range of factors, including revenue and cash flow generated from our operations, variations in the planned level of capital expenditure, servicing the sukuk, success with new development leases, proceeds realised from any asset disposals, hydrocarbon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

Political

Adverse changes in the political and economic environments in the MENASA countries where the Group operates could have an effect on the Group's business and reputation. Governments or regulators may act or intervene in a way that diminishes or destroys value for Dana Gas or its partners, through expropriation of assets or property, or by altering fiscal or other commercial terms governing oil and gas for the industry generally or Dana Gas JVs specifically. These may include the imposition of higher taxes, royalties or local content or domestic market requirements, especially where such government or regulatory bodies face financial pressures. Governments may also act in a way that delays project schedules or increases costs, thus eroding value. Specific country risks that could impact Dana Gas business include political violence and uprisings, regional and governmental instability. As a result of these risks, the Group may face legal and arbitration challenges, the outcome of which may be beyond the control of the Group.

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



Dana Gas Risk Management Process

factors including segmental weighting, geographical weighting, political risk, and gas/oil mix could impact the performance of the business.

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.

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 ventures to adopt improved standards, controls and procedures equivalent to the Group's own.

Reserves

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

Governance and Regulation

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

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.

CORPORATE GOVERNANCE

1. Dana Gas: Early Corporate Governance Vision

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

The second step was 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 control standards at all levels. At the level of the Board of Directors, the Corporate Governance Committee and the Audit Committee are committed to ensuring compliance with applicable regulations. The Corporate Governance Committee presents reports on corporate governance matters periodically to the Board of Directors. Further, the Head of Internal Control and Audit and the Compliance Officer oversee commitment and adherence to corporate governance standards by employees, departments, subsidiaries and counterparties.

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

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

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

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

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

There were two (2) dealings by Board of Directors in the Securities of the Company during the year 2014.

Board Member	Investor No.	Exchange Type	Amount	Date
Mr. Nasser Al-Nowais	UAE101001453603	Buying	75,000	15/5/2014
Dr. Patrick Allman-Ward	GBR000761218408	Buying	550,000	14/9/2014

3. The Board of Directors

Powers of the Board of Directors:

According to the Company's Articles of Association the management of the Company vests in its Board of Directors. The Board of Directors all the powers necessary for the management of the Company and accomplishing its goals.

Responsibilities of the Board of Directors:

The main responsibilities of the Board of Directors include:

1. Establishment and approval of the Company's strategy and business plans;
2. Approval of the annual budget and the allocation of resources;
3. Establishing investment priorities and approving business opportunities;
4. Entering into contracts with any person, authority or corporation in matters concerning the gas and oil business as per the objects of the Company;
5. Establishing the responsibility and accountability matrix with appropriate powers;
6. Supervising soundness of financial results and reports and effectiveness of internal control;
7. Development and assessment of executive management performance;
8. Laying down the bye-laws and regulation, policies and procedures in connection with the Company's administration, financial matters and personnel affairs;
9. Deciding on the appointment and succession of senior executives;
10. Concluding loan agreements for any period of time;
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 settling them.

The Role of the Chairman of the Board:

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

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

1. Ensuring the effective and smooth functioning of the Board and the timely discussion of important business presented to the Board;
2. Approving the agenda of the meetings of the Board of Directors taking into consideration matters proposed by the other Directors. The Chairman may delegate this responsibility under his supervision to a Director or to the Corporate Secretary;
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 measures to ensure efficient participation by the Directors particularly Non-Executive Directors and to promote constructive working relationship between Executive and Non-Executive Directors, and;
5. Taking appropriate action to ensure regular interaction with Shareholders and prompt communication of their views to the Board of Directors.

A. Composition of the Board of Directors

While the Board of Directors consists of 20 seats. The actual number of directors during 2014 was 18 members. The Board is elected by the General Assembly every 3 years. The current Directors, most of whom have been on the Board since the incorporation of the Company in November 2005, were elected in June 2012. The Board of Directors comprises leading businessmen from the GCC countries, and others with considerable experience in the oil and gas sector.

Currently the Board is composed of 12 Independent Directors, 5 Non-Executive Directors and 1 Executive Director.

The Directors are:

SN	Directors	Category	Experience	Qualifications	Years of membership since first Date of election
1	Dr. Adel Khalid Al-Sabeeh, Chairman	Non-Executive Independent	Dr. Al-Sabeeh is the Vice Chairman and CEO of National Industries Company (NIC) in Kuwait. He is also the Chairman of the Board of Directors of Dana Gas. He also held several ministerial posts like Ministry of Oil, Electricity and Water, Housing Affairs and Health. In addition, he held high esteemed positions at Kuwait University as Vice President for research.	PhD in Mechanical Engineering *"North Carolina State University"* USA	9
2	Dr. Tawfeeq Abdulrahman Almoayed, Vice Chairman	Non-Executive Independent	Dr. Almoayed is the Chairman of T.A. Almoayed and Sons WLL and Chairman of Almoayed Wilhelmsen Ltd. In addition he is the Vice Chairman of the Board of Directors of Dana Gas. Through numerous positions in his professional career, he has developed extensive expertise in the intricacies of successfully doing business in the Middle East. His working experience ranges from petrochemical to telecom and consultancy to shipping. He was the Founding Chairman and Managing Director of Gulf Petro-Chemical Industries Company (GPIC) in Bahrain and Founding First Deputy Chairman of Bahrain Telecommunication Company (BATELCO).	Bachelor's Degree in Electrical Engineering With 1st Class Honors PHD in Telecommunications *"London University"* Fellow of the Institute of Engineering and Technology UK	9
3	Mr. Hamid Dhiya Jafar	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	9

SN	Directors	Category	Experience	Qualifications	Years of membership since first Date of election
4	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 member of the Sharjah Executive Council. HE Sheikh Al-Qasimi has extensive experience and accomplishments in the areas of media, culture, trade development, tourism, and oil in Sharjah as well as in the commercial and real estate sectors. He hold the position of Deputy Chairman of Sharjah Equestrian and Racing Club previously.	B.Sc. in Business Administration *"Arkansas State University"*, USA Master's in Computer Information Systems *"University of Detroit Mercy"* USA	9
5	Mr. Varouj 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	9
6	Mr. Ziad Abdulla Galadari	Non-Executive Independent	Mr. Ziad Abdulla Galadari is the Founder and Principal 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 Organizing Committee for Dubai International Arabian Horse Championship, Board Member of the Emirates Equestrian Federation and Chairman of the Jebel Ali Racecourse Council.	Bachelor's of Laws (LLB) *"UAE University"*	9

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	9
8	Mr. Khalid Abdulrahman Al-Rajhi	Non-Executive Independent	Mr. Al-Rajhi is the Chairman of Saudi Cement Company and the Chief Executive Officer of Abdul Rahman Saleh Al Rajhi & Partners Co. Ltd (General Investments) in KSA. In addition, he serves as a Board Member of several companies. He is a Founding Member of "Pearl Initiative" in United Nations. He is also a Founding Member of the Special Fund to support research at King Fahd University of Petroleum and Minerals.	Bachelor's Degree in Finance *"King Fahd University for Petroleum & Minerals"* *(KFUPM)* KSA	9
9	Mr. Abdulaziz Hamad Al-Jomaih	Non-Executive Independent	Mr. Al-Jomaih is the Managing Director of International Investments at Aljomaih Group.	Master's Degree in Public Administration *"University of Southern California"* USA Bachelor's Degree in Engineering *"King Saud University"* Saudi Arabia	9

SN	Directors	Category	Experience	Qualifications	Years of membership since first Date of election
10	Mr. Ahmed Rashid Al-Arbeed	Non-Executive Independent	Mr. Al-Arbeed is the General Manager of Seven Sisters Company in Kuwait. He served as a former Chief Executive Officer of Dana Gas. He is a former Chairman & Managing Director of Kuwait Oil Company (KOC) and also for Kuwait Foreign Petroleum Exploration Co. (KUFPEC). He established the Oil Development Company (ODC), a subsidiary of KPC.	Bachelor's Degree in Petroleum & Natural Gas Engineering *"Pennsylvania State University"* USA	9
11	Mr. Rashad Muhammad Al-Zubair	Non-Executive Independent	Mr. Al-Zubair is the Chairman of The Zubair Corporation (Z-Corp) in Sultanate of Oman. He is also the Chairman of Oman Arab Bank and Vice Chairman of Barr Al Jissah Resort Co. operated by Shangri-La. He is a former Deputy Chairman of the Oman Business Council and member of its founding Directors and also a former Director of Oman International Development and Investment Company SAOG (OMNIVEST) and was also a Director of the Capital Market Authority.	Bachelor's Degree in Business Administration *"University of Colorado"* USA	9
12	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	6
13	Mr. Said Youssef Arrata	Non-Executive Non-Independent	Mr. Arrata is the Chairman and CEO of Sea Dragon Energy in Canada, a public Company involved in exploration and production of oil and gas concessions 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	7

SN	Directors	Category	Experience	Qualifications	Years of membership since first Date of election
14	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 of 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	5
15	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	5
16	Mr. Ahmed Mohammed Al-Midfa	Non-Executive Independent	Mr. Al-Midfa is the Chairman of Al Manarah Investment Centre in Sharjah. Mr. Ahmed Al-Midfa is a prominent businessman with private investment in the real estate industry. He previously held several positions such as Director General of Sharjah Ports and Customs. He also served as Chairman of Sharjah Chamber of Commerce & Industry as well as Expo Centre in Sharjah.	Bachelor's Degree in Business Administration *"Cairo University"* Egypt	2
17	Mr. Salah Abdul Hadi Al-Qahtani	Non-Executive Independent	Mr. Al-Qahtani is the Vice Chairman of Abdel Hadi Abdullah Al-Qahtani & Sons Group of Companies in Dammam, and the Chairman of Young Arab Leaders in Saudi Arabia. He serves on the Board of several companies.	Bachelor's Degree in Business Administration *"Houston University"* USA	2
18	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 DGE 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 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	1

B. Membership of Boards of Directors in other companies

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

SN	Directors	Directorship in other companies
1	Dr. Adel Khalid Al-Sabeeh, Chairman	-Vice Chairman and CEO of National Industries Company (NIC), Kuwait. -Chairman, Proclad Group International Ltd. (subsidiary of National Industry Group), Kuwait -Chairman, Saudi Lime Industries, Saudi Arabia -Chairman, Saudi Insulated Blocks, Saudi Arabia -Deputy Chairman, Ikarus Petroleum Industries Company, Kuwait -Board Member, Kuwait Foundations of Advancement of Science
2	Dr. Tawfeeq Abdulrahman Almoayed, Vice Chairman	-Chairman, TA Almoayed and Sons WLL, Bahrain -Board Member, Kimberly Clark Holdings Company, Bahrain -Chairman, Dar Alistishara -Chairman, Almoayed Wilhelmsen Ltd., Bahrain
3	Mr. Hamid Dhiya Jafar	-Chairman, Crescent Group of companies -Chairman, Gulftainer Ltd. -Founding Shareholder, URUK Group -Founding Shareholder, Abraaj Capital -Founder, UAE Chapters of the Young Presidents Organization and the World Presidents Organization -Member, International Chief Executives Organization -Chairman of the Finance Committee, American University of Sharjah -Member of the Board of Trustees, American University of Sharjah
4	HE Sheikh Sultan Bin Ahmed Al-Qasimi	-Chairman, Sharjah Media Corporation -Chairman, Tilal Properties -Chairman, Sharjah General Services Company "Khadamat" -Deputy Chairman, Sharjah Petroleum Council -Chairman, Sharjah Pipeline Company (Anabeeb) -Chairman, Sharjah National Oil Company -Chairman, Green Planet LLC -Chairman, Medical Waste Co. (WEKAYA) LLC -Chairman, Sharjah Commerce and Tourism Development Authority -Chairman, Executive Committee for Sharjah Celebrations -Member of Sharjah Executive Council
5	Mr. Varouj Abraham Nerguizian	-Executive Director and General Manager, Bank of Sharjah -Chairman and General Manager, Emirates Lebanon Bank SAL, Lebanon -Board Member, Growthgate PEF -Founding Member and Chairman, Lebanese Educational Fund SA -Founding Member and Chairman, Lycee' Libanais Francophone Prive', Dubai (non-profit educational institution)
6	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 -Board Member, Emirates Equestrian Federation & Chairman of Jebel Ali Racecourse Council

SN	Directors	Directorship in other companies
7	Mr. Majid Hamid Jafar, Board Managing Director	-CEO, Crescent Petroleum, UAE -Vice Chairman, Crescent Group of companies -Chairman, Middle East-North Africa Business Council -Chairman, Oil & Gas Independent Community at the World Economic Forum -Vice Chairman, Global Energy Initiative (GEI) -Board Member, Arab Forum for Environment and Development (AFED) -Board Member, Carnegie Middle East Center -Board Member, Iraq Energy Institute
8	Mr. Abdulaziz Hamad Al-Jomaih	- Managing Director, International Investments of Aljomaih Group, KSA - Chairman, Arcapita Investment, Bahrain - Board Member, Etihad Etisalat Company (Mobily), KSA - Board Member, Pearl Initiative (A United Nations Initiative), UAE
9	Mr. Ahmed Rashid Al-Arbeed	-Member, Kuwait Engineering Society -Member, Society of Petroleum Engineers in USA -Member, Association of International Petroleum Negotiators
10	Mr. Khalid Abdulrahman Al-Rajhi	-Chairman, Saudi Cement Company -Chairman, Al-Salam Schools, Al Khobar -Chairman, Procare Hospitals, Al Khobar -CEO, Abdul Rahman Saleh Al Rajhi & Partners Co. Ltd (General Investments) -Board Member, Tanami -Board Member, Bank Al Bilad -Board Member, Saudi United Cooperative Insurance -Board Member, Takween Advanced Industries -Chairman, Nomination and Remuneration Committee, Takween Advanced Industries -Chairman, Investment Committee, Saudi United Cooperative Insurance -Member, Investment Committee, Bank Al Bilad -Member, Executive Committee, Saudi United Cooperative Insurance -Founding Member, "Pearl Initiative" – United Nations
11	Mr. Rashad Muhammad Al-Zubair	-Chairman, The Zubair Corporation ("Z-Corp"), Sultanate of Oman -Chairman, Oman Arab Bank, Sultanate of Oman -Vice Chairman, Barr Al Jissah Resort Co. SAOC, Sultanate of Oman
12	Mr. Rashid Saif Al-Jarwan	- Board Member, Emirates General Petroleum Corporation (EMARAT)& EMOIL - Board Member, Oman Insurance Company - Board Member, Dubai International Financial Centre (DIFC) - Board Member, Mashreq Bank - Board Member, Al Ghurair Holding Ltd

SN	Directors	Directorship in other companies
13	Mr. Said Youssef Arrata	Chairman and Chief Executive Officer, Sea Dragon Energy, Canada -Board Member, Deep Well Oil and Gas Incorporation, Canada
14	Mr. Abdullah Ali Al-Majdouie	-Chairman, Almajdouie De Rijke Logistic Co. -Chairman, Star Marines Services, Dubai -Chairman, Arab Union of Land Transport, Jordan -Chairman, Petrology LLC, Bahrain -Board Member, Saudi Commission for Tourism and Antiquities -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
15	Mr. Nasser Mohamed Al-Nowais	-Chairman, Rotana Hotel Management Corp Ltd. -Chairman, Aswaq Management & Services, UAE -Managing Director, Abu Dhabi Trade Center
16	Mr. Ahmed Mohammed Al-Midfa	-Chairman, Al Manarah Investment Centre -Chairman, Ruwad Establishment at Sharjah -Board Member, United Arab Bank -Board Member, Sharjah Insurance Company -Board Member, Italian-Arab Chamber of Commerce -Board Member, National US-Arab Chamber of Commerce -Board Member, Egyptian-UAE Business Council -Board Member, Oman-UAE Business Council
17	Mr. Salah Abdul Hadi Al-Qahtani	-Vice Chairman, Abdel Hadi Abdullah Al-Qahtani & Sons Group of Companies, KSA -Chairman, Young Arab Leaders in Saudi Arabia -Founder and Director, United Gas Technology Company Ltd. -Board Member, Evolvence Capital -Board Member, Merchant Bridge & Company -Board Member, "Business Owner Union" (Islamic Chamber of Commerce & Industry), Jeddah -Board Member, Strategic Planning Committee of FFA Private Bank -Board Member, National Committee for Saudi Red Crescent
18	Dr. Patrick Allman-Ward	- Member of the American Association of Petroleum Geology (AAPG) - Member of the European Association of Geoscientists and Engineers (EAGE) - Member of the Society of Petroleum Engineers (SPE) - Member of the South-East Asia Petroleum Exploration Society (SEAPEX)

B. Directors' Remuneration

The Directors' annual remuneration for the financial year is approved by the Annual General Assembly considering that the Company is exempted in accordance with the provisions of Federal Law No. 15 of 1998, the Company may pay Directors a fixed annual remuneration, or an additional fee or compensation to any member as recommended by the Board and approved by the Annual General Assembly. Executive Directors are not eligible to Directors' remuneration.

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

1. Remuneration of the Board of Directors for the Year 2013:

The following table shows the total remuneration of Directors for the financial year 2013, which was approved by the Annual General Assembly in April 2014.

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

2. Proposed remuneration of the Board of Directors for the Year 2014:

The Board of Directors has approved in its meeting held on 26 March, 2015 the recommendation presented to it by the Remuneration & Nominations Committee that the Directors' remuneration for the year 2014 be similar to the previous year 2013 (as shown in the table above). However, the Securities and Commodities Authority requested to delete the item to consider the Board's remuneration from the Agenda of the Annual General Assembly meeting which will be held on 30th April 2015 for approval.

3. Remuneration for Committees' Meetings and Attendance for the Year 2014:

The Committees' membership allowances are disclosed in the Company's financial statements. Allowances are fixed amount paid to Committee Members where the amount of AED 100,000 is paid to Committee Chair and AED 75,000 is paid to Committee Member.

UAE non-resident Directors get attendance allowance of AED 15,000 to cover travel, accommodation and other expenses. The allowance is not granted in case of non-attendance.

The table below shows the committees' remuneration prescribed for 2014.

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

C. Directors' Attendance of Board of Directors' 2014 Meetings

According to the Company's Articles of Association, the Board of Directors meets every 3 months. The Board of Directors held six (6) meetings during the year 2014, which is consistent with best corporate governance standards laid down by the Ministerial Resolution No. (518) of 2009.

The table below reflects the personal attendance for the Directors.

Board of Directors' Meetings during 2014

Board Members	5 February	5 March	23 April	11 June	3 Sept.	20 Nov.
Dr. Adel Al-Sabeeh, Chairman	✓	✓	✓	Concall	x	x
Dr. Tawfeeq Almoayed, Vice Chairman	✓	x	✓	✓	✓	✓
Mr. Hamid Jafar	✓	x	✓	✓	Concall	✓
HE Sheikh Sultan Bin Ahmed Al-Qasimi	✓	✓	✓	✓	x	x
Mr. Varouj Nerguizian	✓	✓	✓	Concall	x	✓
Mr. Ziad Galadari	✓	✓	✓	Concall	✓	✓
Mr. Majid Jafar, Board Managing Director	✓	x	Concall	Concall	Concall	✓
Mr. Abdulaziz Al-Jomaih	x	x	✓	✓	✓	✓
Mr. Ahmed Al-Arbeed	✓	✓	x	✓	x	✓
Mr. Khalid Al-Rajhi	Concall	✓	✓	Concall	x	✓
Mr. Rashad Al-Zubair	✓	✓	x	✓	x	x
Mr. Rashid Al-Jarwan	x	✓	✓	x	✓	✓
Mr. Said Arrata	✓	x	✓	✓	x	✓
Mr. Abdullah Al-Majdouie	✓	✓	✓	x	✓	✓
Mr. Nasser Al-Nowais	✓	✓	✓	x	✓	✓
Mr. Ahmed Al-Midfa	x	✓	✓	x	✓	✓
Mr. Salah Al-Qahtani	✓	x	✓	x	✓	x
Dr. Patrick Allman-Ward, CEO Since April 2014	(N/A)	(N/A)	✓	✓	Concall	✓

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

D. Responsibilities and Authority of the Executive Management

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

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

E. Details of Related Parties' Transactions

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

	2014		2013	
	Revenues US$ mm	Fees for Mgmt Svcs US$ mm	Revenues US$ mm	Fees for Mgmt Svcs US$ mm
Joint ventures	1	2	1	2
Major Shareholders	-	1	-	1
	1	3	1	3

F. Senior Executives of the Company

The following table shows the names of the Senior Executives of the Company with their designations, appointment dates and total remuneration and bonus paid to them for 2014.

Name	Job Title	Date of Appointment	Total remuneration for 2014 (Salary + Allowances) (AED)	Total Bonuses Paid in 2014 (AED)
Dr. Patrick Allman-Ward	Chief Executive Officer	Sept. 2013	2,552,912	1,428,002

3. External Auditors

a. Brief Summary on External Auditors

The Company's external auditors, Ernst & Young, is one of the top tier 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 this period to become one of the largest four companies for accounting services in the world. The firm's areas of work include oil and gas, banks, financial institutions, technology and commerce, health care, infrastructure, industrial, leisure in addition to consumer products and allied sectors.

b. External Auditors' Fees

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

In April 23rd, 2014 the Annual General Assembly re-appointed Ernst & Young as external auditors for the Company's financial accounts for the year 2015. No other external auditors other than E&Y provided any other services during 2014. Their audit fees for the annual Financial Statements for 2014 amounts to AED 350,000 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.

Name of External Auditors	E&Y
Years of appointment	9 years
Total fees for 2014 (AED)	AED 1.2 Million
Fees for other services beside auditing Financial Statements (AED)" : Issuance of financial certificates to SCA for the Company's increase of share capital	AED 29,000

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. Varouj Nerguizian	Chair-Independent Director
Mr. Majid Jafar	Non-Executive Director
Mr. Abdulaziz Al-Jomaih	Independent Director
Mr. Nasser Al-Nowais	Independent Director
Mr. Salah Al-Qahtani	Independent Director

Most of the Members of the Audit Committee come from a financial, business or banking background and are familiar with financial, accounting, banking and business 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. Supervision of the preparation and compiling of the Company's financial statements and preparation of financial reports;
2. Reviewing the 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 affairs;
4. Reviewing risk management and internal control procedures;
5. Recommending fees for the Company's external auditors;
6. Review and recommend Internal Audit Department's plans and activities.

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

b. The table below shows the number and dates of meetings held by A&C Committee during 2014

Members of the A&C Committee	Dates of meetings: 28 January	4 March	1 May	4 August	11 November
Mr. Varouj Nerguizian, Chair	✓	✓	Concall	Concall	Concall
Mr. Majid Jafar	X	Concall	Proxy	Concall	X
Mr. Abdulaziz Al-Jomaih	Proxy	X	Concall	Proxy	Concall
Mr. Nasser Al-Nowais	Concall	Concall	X	X	Concall
Mr. Salah Al-Qahtani	X	X	X	X	Concall

(✓) Attend (x) Absent

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

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

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

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

The Committee oversees the compliance of the governing bodies of the Company, the General Assembly, the Board of Directors and executive management with corporate governance best practice. The Committee also assists the Board in relation to the appointment of senior executives, appraisal of management performance, succession plans, remuneration policies and nominations to the Board of Directors membership.

To achieve its objectives the Committee exercises the following functions:

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

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 2014:

Members of the CGR&N Committee	Dates of meetings 4 February	4 March	10 June	2 Sept.	18 Nov.
Mr. Ziad Galadari, Chair	✓	✓	Concall	✓	✓
Mr. Hamid Jafar	✓	x	x	x	✓
Mr. Said Arrata	✓	x	✓	x	✓
Mr. Rashad Al-Zubair	✓	x	Concall	x	x
Mr. Abdulla Al-Majdouie	Concall	✓	x	Concall	✓
Mr. Ahmed Al-Midfa	x	Concall	x	✓	✓

(✓) Attend (x) Absent

6. Internal Control System

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

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

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

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

The Head of Internal Control & Audit prepares an annual audit plan and submits it to the Board of Directors for approval. The plan involves a comprehensive assessment of the risks facing the Company.

The Head of Internal Control & Audit reports all major issues with respect to internal control deficiencies identified during its review and audit to Dana Gas Board of Directors, besides also informing the CEO for corrective actions. The audit reports were shared with the external auditors while they were engaged in auditing the Company's annual financial statements. However, during 2014, no major issues were identified that could require a disclosure in the annual financial reports for the year.

The Head of Internal Control & Audit, Mr. Muhammed Ali Baig, was appointed in December 2010. He has 26 years of experience working with multinational organizations in Pakistan, Middle East, United States and in the GCC countries with "Arthur Andersen" Company for 6 years and with "Qatar Gas" for 4 years.

c. Whistle Blowing Mechanism:

The Internal Control department has the mandate from the Board to investigate and form an independent opinion on all matters concerning deficiencies or breakdown in internal control environment. One such tool is the Whistleblowing mechanism whereby employees can anonymously raise a concern pertaining to such matters. The Head of Internal Control & Audit leads the Business Ethics Committee – that is responsible to address all complaints raised by this system.

Since the Head of Internal Control department 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. Compliance Officer:

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

7. Compliance During 2014

The Company did not commit any regulatory violations during the fiscal year 2014 and consequently no fines or penalties were imposed on the Company.

8. Corporate Contributions Towards Community and Environment

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

The table on the following page shows some of the Company's social contributions during the year 2014:

The Company's Corporate Social Responsibility during the year 2014		
Institution	**Purposet**	**Activity**
	UAE	
The University of Cambridge, The American University of Sharjah	Education	Supporting the "Dana Gas Chemical Engineer" program
University of Sharjah	Education	Dana Gas Award for top graduates with honors
Tareek Al Zuhur Community	Community	Sponsoring charity events
Awladouna Center for Learning and Rehabilitation, Sharjah	Education	Supply stationary materials for students with special needs
	Egypt	
Dakahlia, Sharkia and Damietta Governorates	Health	Renovation of a local health clinic serving a population of 3,000 villagers. The renovation included facilities upgrade, new medical equipment, addition of medical equipment, in addition to medical waste disposal system, enhancement of doctors' housing on site and training of the local medical staff.
Local Community Development Authority	Community	Construction and equipping a local village bakery and providing two local communities with bakery products on a daily basis.
Schools in areas where the Company operates	Education	Financing the integration of a mobile IT classes on Personal Computers labs in two primary schools serving a total of 1,500 students. The IT lab integration program also featured the distribution of 30 laptops to the top students. The laptops were distributed during a community ceremony attended by local government officials and Dana Gas' senior management.
Several major Oil and Gas Companies	Energy Conservation	Supporting the national campaign for efficient use of energy resources in Egypt. The campaign included TV, radio and outdoor media release raising the awareness to ensure efficiency of the usage of energy at the household level.

The Company's Corporate Social Responsibility during the year 2014		
Institution	**Purposet**	**Activity**
	Iraq	
Directorate of Education – KRI	Education	Hiring 13 vehicles to transport around 145 students from remote villages to their schools on a regular basis
Directorate of Agriculture in Qader Karam	Health	Hiring machineries to open access roads to remote villages at the area of Dana Gas' operations in Qader Karma Sub-District.
Qader Karam Municipality	Community	Construction and renovation works for public lavatories in Kader Karam
Mayoralty of Chamchamal	Community	Provision of prefab cabins to different public offices in Chamchamal
District of Qader Karam	Health	Contributions to help families to get proper health services
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

9. General Information

a. Schedule of share price in the market at the end of each month of the fiscal year of 2014

Date	Month-End	High	Low
30 January	0.94	0.95	0.93
27 February	0.87	0.90	0.84
31 March	0.82	0.84	0.81
30 April	0.86	0.86	0.84
29 May	0.84	0.84	0.81
30 June	0.60	0.63	0.59
31 July	0.72	0.73	0.71
29 August	0.72	0.72	0.70
30 September	0.69	0.71	0.68
31 October	0.60	0.61	0.60
28 November	0.59	0.59	0.57
31 December	0.50	0.53	0.45

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

Date	DG Price	ADX Index	Energy Index
1 January	0.90	4359.20	2075.30
1 February	0.92	4692.88	2080.88
1 March	0.88	4944.16	2025.54
1 April	0.82	4954.22	1881.30
1 May	0.85	5058.44	1898.45
1 June	0.85	5157.66	1948.30
1 July	0.59	4579.40	1416.56
1 August	0.71	4992.52	1614.15
1 September	0.73	5128.57	1668.09
1 October	0.71	5130.23	1609.49
1 November	0.60	4927.43	1385.09
1 December	0.59	4666.01	1299.82

c. Statement of Shareholders' ownership as of 31/12/2014

Type	UAE	GCC	Arab	Others
Individuals	1,566,573,002	1,078,181,997	302,679,476	171,081,972
Companies	1,007,978,416	752,470,090	19,148,909	2,027,854,301
Governments	21,813,025	13,200,000	-	2,198,936,273
TOTAL	**2,596,364,443**	**1,843,852,087**	**321,828,385**	**-**
		6,960,981,188		

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

Investor Name	Citizenship	Quantity	%
Crescent Petroleum Co. Ltd.	GBR	1,328,108,236	19.08%

e. Major events encountered by the Company during 2014

1. In February 2014, the Company signed the North El Arish offshore (Block 6) concession, Mediterranean Sea.

2. In February 2014, the Company carried out an upgrade and maintenance work and tie-in work program in El Wastani Gas Plant in Egypt to enable increase the production output capacity by 40 mmscfd to reach 200 mmscfd which represents 25% (equivalent to 6,650 barrels of boepd per day).

3. In April 2014, the Company was awarded for the best Sukuk restructuring deal of the year which amounts to $1 Billion Dollars.

4. In April 2014 the Company participated in and sponsored the "Trade UAE-Iraq" 2014 Forum in Erbil, KRI by joining the UAE trade delegation which involved more than 70 UAE companies.

5. During the period from January to June 2014 the company issued shares worth $ 72 Million which resulted in reduction of the convertible Sukuk from $ 425 Million to $ 353 Million.

6. In August 2014, the Company signed a Gas Production Enhancement Agreement with the Egyptian Government through a 7-year work program. The generated of the sales of the condensate will eventually allow reduction of the Company's Egyptian outstanding receivables.

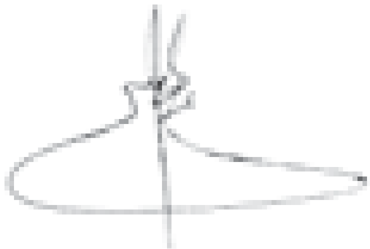
7. In September 2014, the Company secured a $100 Million Term Facility Agreement to finance production in the Zora Western Offshore Concession which is a joint project between Sharjah and Ajman.

8. In September 2014, the Company was awarded El Matariya (Block 3) onshore concession in Nile Delta on 50% basis with BP.
9. In September 2014, the Company was awarded the North El Salhiya (Block 1) onshore concession in Nile Delta.

10. On 18th September 2014, sales of petroleum products were resumed in the local market within KRI which enabled Dana Gas and its partners to realize revenues from their operations in the region.

Communication with Shareholders, Investors and Media:

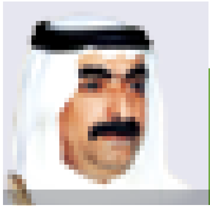
Dana Gas is keen to maintain regular contacts with its Shareholders, investors and financial analysts to inform them on the Company's business activities and financial position through regular direct meetings with financials, press and Shareholders through the Annual General Assembly Meetings in addition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

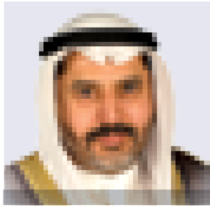


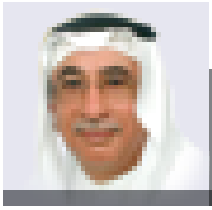
Dr. Adel Khalid Al-Sabeeh
Chairman of the Board

19th April 2015

BOARD MEMBERS


HH Sheikh Ahmed Bin Sultan Al-Qasimi
Honorary Chairman


Dr. Adel Al-Sabeeh
Chairman


Dr. Tawfeeq Almoayed
Vice Chaiman


Mr. Hamid Jafar
Director


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


Dr. Patrick Allman-Ward
CEO & Director

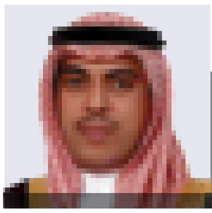

Mr. Ahmed Al-Arbeed
Director


Mr. Said Arrata
Director


Mr. Ziad Galadari
Director


Mr. Majid Jafar
Director


Mr. Rashid Al-Jarwan
Director

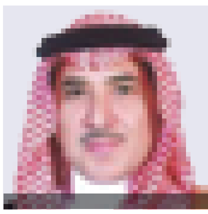

Mr. Abdulaziz Al-Jomaih
Director


Mr. Abdullah Al-Majdouie
Director

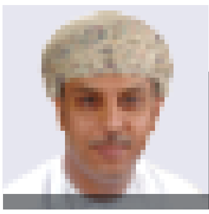

Mr. Ahmed Al-Midfa
Director


Mr. Varouj Nerguizian
Director


Mr. Nasser Al-Nowais
Director


Mr. Salah Al-Qahtani
Director


Mr. Khalid Al-Rajhi
Director


Mr. Rashad Al-Zubair
Director

INTERNATIONAL ADVISORY BOARD

International Advisory Board

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

International Advisory Board
(Left to Right)

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

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

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

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

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

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

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

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 2014 we spent 402 person days in learning and development activities across all disciplines.


Team at Site in Egypt

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 2015 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 2014

Dana Gas PJSC
Head Count Master Report (Net to the Company's Interest) as on 31 December 2014

	Dana Gas Employees	Dana Gas Contractors	JV Employees	JV Contractors	Subtotal
DG Corporate (100%)	31	2	0	0	33
DG UAE (100%)	13	3	0	0	16
Saj Gas (UAE) (100%)	15	10	0	0	25
UGTC (UAE) (100%)	3	0	0	0	3
DG KRI (100%)	7	0	0	0	7
CREDAN (KRI) (40%)	0	0	201	2	202
DG Egypt (100%)	117	11	0	0	128
WASCO (Egypt) (100%)	6	0	392	322	720
EBGDCO (Egypt) (26%)	1	0	15	9	25
Subtotal	193	26	608	333	
Grand Total	1160				

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

Distributing learning aids to school children in Egypt

CORPORATE SOCIAL RESPONSIBILITY

Dana Gas strives to maintain its role as an active agent of change by considerably contributing to the development of communities and the region in which it operates.

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

Dana Gas is working towards undergoing transformation in the way we do business whereby CSR is no longer managed as a separate discipline, but as part of the experience of being a responsible employee in an organization that has values and lives up to them. Whether it is an environmental awareness project, supporting entrepreneurs, promoting humanitarian efforts, or sponsoring a sporting activities, Dana Gas fully understands its role in sustainability and CSR, and recognizes its role in fostering an environment that embeds a CSR ethic in its activities and business practices. This is an effort that Dana Gas has undertaken since its establishment, and it prides itself in pursuing along this path despite the tough financial times the world and the Company have gone through.

We remain strongly committed to our CSR efforts, whether by helping improve healthcare standards for individuals in rural areas where the Company's concessions are located, or through promoting knowledge sharing. The Company seeks to continue offering as much assistance as possible, conscious of its responsibility in making the world a better place to live.

We endeavor to make a positive and lasting contribution to society and its people. We believe that the ideal way to achieve our goal is by empowering communities with the best sustainable development tools we have at our disposal.

In 2014 DGE embarked on an aggressive community engagement plan to ensure creating immediate relief for the troubled communities around our operational sites, which was severely impacted because of the previous period of instability that Egypt witnessed. To this end, by the end of 2014, DGE delivered 4 projects for enhancing service delivery in the area of education, health care and basic food supply.

DGE's efforts in Dakahlia, Sharkia and Damietta governorates, resulted in the renovation of a local health clinic serving a population of 3,000 villagers. The renovation included

physical upgrade, new media equipment, the addition of medical waste disposal system, enhancement of doctors' housing on site and training of the local medical staff. In addition, DGE, in cooperation with a local CDA, constructed and fully equipped a local village bakery to serve local communities which suffered from the shortage of bread. Also, DGE financed the integration of a mobile IT class on PC labs in two primary schools serving a total of 1,500 students. The IT labs integration program featured the distribution of 30 laptop PCs to the top students in both schools through a community ceremonial event attended by DG's senior management.

In addition to the local community engagement plan DGE, in partnership with several major Oil and gas companies, supported the national campaign for efficient use of energy resources to face the energy crisis in Egypt. The campaign included TV, radio and outdoor media release raising the population awareness to ensure efficiency in the usage of energy at the household level.

In the KRI region Dana Gas remained strongly committed to its CSR initiatives aiming at improving education opportunities, upgrade infrastructure in areas surrounding its footprint and providing support to the underprivileged with other charity institutions. The Company maintained its position as the largest employer in local areas providing direct employment to over 200 workers from nearby villages constituting over 50% of total local national employees.

At the national level, the Company provided donations to 1,000 orphans through "Barzani Orphanage Charity" as an annual life support. Donations were made to a local specialty hospital for subsidized treatment of underprivileged patients with advanced medical conditions. The Company has also maintained its supply of books, furniture and other stationary items to nearby schools as well as provision of light and heavy equipment to villages to rehabilitate roads and water ponds.

Several water wells were drilled and handed over to local villages to ensure round the year availability of potable water. During the summer months tankers of potable waters were continuously provided to villages located far off from natural water bodies or wells. Transportation arrangements were provided for teachers to reach remotely located schools thereby benefitting the students. Students in remote villages were also provided with transportation arrangements to attend the nearest high schools and continue their education. Air conditioned Caravans were donated to the maternity ward of a local hospital.

AUDITORS REPORT & FINANCIAL STATEMENTS 2014

دانة غاز
DANAGAS

INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS OF DANA GAS PJSC

Report on the financial statements

We have audited the accompanying consolidated financial statements of Dana Gas PJSC and its subsidiaries (the "Group"), which comprise the consolidated statement of financial position as at 31 December 2014, 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 the applicable provisions of the articles of association of Dana Gas PJSC and the UAE Commercial Companies Law of 1984 (as amended), and for such internal control as the Directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

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

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

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

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the Group as at 31 December 2014, and its financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards.

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

Emphasis of matters

(i) We draw attention to note 10 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 13 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.

Report on Other Legal and Regulatory Requirements

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

Ernst & Young

Signed by
Thodla Hari Gopal
Registration No. 689
For Ernst & Young

26 / March / 2015

Sharjah, United Arab Emirates

Dana Gas PJSC and Subsidiaries

CONSOLIDATED INCOME STATEMENT

For the year ended 31 December 2014

	Notes	2014 USD mm	2014 AED mm	2013 USD mm	2013 AED mm
Revenue	5	**683**	**2,504**	652	2,390
Royalties	5	**(207)**	**(759)**	(192)	(704)
Net revenue	5	**476**	**1,745**	460	1,686
Operating costs		**(55)**	**(202)**	(66)	(242)
Depreciation and depletion	9	**(118)**	**(433)**	(106)	(389)
Gross profit		**303**	**1,110**	288	1,055
Investment and finance income	6	**3**	**11**	44	161
Impairment of oil and gas assets	9/10	**(22)**	**(81)**	(3)	(11)
Change in fair value of investment property	11	**(1)**	**(4)**	(1)	(4)
General and administration expenses		**(28)**	**(102)**	(32)	(117)
Other expenses		**(4)**	**(15)**	-	-
Share of loss of a joint venture	12	**(1)**	**(4)**	(1)	(4)
Exploration cost written-off	9	**(1)**	**(4)**	(8)	(29)
Finance cost		**(73)**	**(267)**	(78)	(286)
PROFIT BEFORE INCOME TAX		**176**	**644**	209	765
Income tax expense	7	**(51)**	**(187)**	(53)	(194)
PROFIT FOR THE YEAR		**125**	**457**	156	571
PROFIT ATTRIBUTABLE TO:					
- Equity holders of the parent		**125**	**457**	156	571
- Non-controlling interest		-	-	-	
		125	**457**	156	571
EARNINGS PER SHARE:					
- Basic earnings per share (USD/AED per share)	8	**0.018**	**0.066**	0.024	0.086
- Diluted earnings per share (USD/AED per share)	8	**0.017**	**0.064**	0.021	0.078

The attached notes 1 to 30 form part of these consolidated financial statements.

Dana Gas PJSC and Subsidiaries

CONSOLIDATED STATEMENT OF OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2014

	2014 USD mm	2014 AED mm	2013 USD mm	2013 AED mm
Profit for the year	**125**	**457**	**156**	**571**
Other comprehensive income:				
Other comprehensive income to be classified to income statement in subsequent periods:				
Fair value loss on available-for-sale financial asset (note 16)	**(26)**	**(94)**	(20)	(73)
Other comprehensive loss for the year	**(26)**	**(94)**	(20)	(73)
Total comprehensive income for the year	**99**	**363**	136	498
ATTRIBUTABLE TO:				
- Equity holders of the parent	**99**	**363**	136	498
- Non-controlling interest	**-**	**-**	-	-
	99	**363**	136	498

Dana Gas PJSC and Subsidiaries

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2014

	Notes	2014 USD mm	2014 AED mm	2013 USD mm	2013 AED mm
ASSETS					
Non-current assets					
Property, plant and equipment	9	**948**	**3,474**	960	3,519
Intangible assets	10	**728**	**2,669**	738	2,705
Investment property	11	**26**	**95**	27	99
Interest in joint ventures	12	**566**	**2,074**	567	2,078
		2,268	**8,312**	2,292	8,401
Current assets					
Inventories	14	**51**	**187**	59	217
Trade and other receivables	15	**1,049**	**3,844**	845	3,098
Available-for-sale financial asset	16	**51**	**187**	100	367
Financial assets at fair value through profit or loss	17	**9**	**33**	8	29
Cash and cash equivalents	18	**184**	**674**	204	748
		1,344	**4,925**	1,216	4,459
Assets classified as held for sale		**-**	**-**	13	47
TOTAL ASSETS		**3,612**	**13,237**	3,521	12,907
EQUITY AND LIABILITIES					
Capital and reserves attributable to equity holders of the Parent					
Share capital	19	**1,899**	**6,961**	1,801	6,602
Statutory reserve	20	**93**	**340**	80	293
Legal reserve	20	**93**	**340**	80	293
Retained earnings		**578**	**2,119**	482	1,767
Other reserves	21	**(14)**	**(51)**	16	58
Exchangeable bonds- equity component	22	**58**	**212**	81	297
Attributable to equity holders of the Parent		**2,707**	**9,921**	2,540	9,310
Non-controlling interest		**3**	**11**	3	11
Total equity		**2,710**	**9,932**	2,543	9,321
Non-current liabilities					
Borrowings	22	**748**	**2,741**	815	2,988
Provisions	23	**19**	**69**	17	62
		767	**2,810**	832	3,050
Current liabilities					
Trade payables and accruals	24	**135**	**495**	141	518
		135	**495**	141	518
Total liabilities		**902**	**3,305**	973	3,568
Liabilities directly associated with the assets classified as held for sale		-	-	5	18
TOTAL EQUITY AND LIABILITIES		**3,612**	**13,237**	3,521	12,907

Director
26th March 2015

Director
26th March 2015

The attached notes 1 to 30 form part of these consolidated financial statements.

Dana Gas PJSC and Subsidiaries

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2014

	Notes	2014 USD mm	2014 AED mm	2013 USD mm	2013 AED mm
OPERATING ACTIVITIES					
Profit before income tax		**176**	**644**	209	765
Adjustments for:					
Depreciation and depletion	9	**118**	**433**	106	389
Investment and finance income	6	**(3)**	**(11)**	(44)	(161)
Change in fair value of investment property	11	**1**	**4**	1	4
Finance costs		**73**	**267**	78	286
Exploration cost write-off	9	**1**	**4**	8	29
Impairment of oil and gas assets	9	**22**	**81**	3	11
Share of loss of a joint venture	12	**1**	**4**	-	-
Board compensation		**(3)**	**(11)**	(3)	(11)
		386	**1,415**	358	1,312
Changes in working capital:					
Trade and other receivables		**(244)**	**(895)**	(194)	(711)
Inventories		**10**	**37**	(7)	(26)
Trade payables and accruals		**1**	**4**	21	78
Net cash generated from operating activities		**153**	**561**	178	653
Income tax paid	7	**(51)**	**(187)**	(53)	(194)
Net cash flows from operating activities		**102**	**374**	125	459
INVESTING ACTIVITIES					
Purchase of property, plant and equipment		**(85)**	**(312)**	(64)	(234)
Expenditure on intangible assets		**-**	**-**	(22)	(81)
Proceeds from sale of Komombo		**3**	**11**	-	-
Un-claimed acquisition cost - Centurion		**3**	**11**	-	-
Proceeds from partial disposal of available-for-sale financial asset		**18**	**66**	134	491
Investment and finance income received		**6**	**22**	6	22
Investment redeemed during the year		**-**	**-**	2	7
Net cash flows (used in)/from investing activities		**(55)**	**(202)**	56	205
FINANCING ACTIVITIES					
Sukuk repayment		**-**	**-**	(70)	(257)
Finance costs paid		**(67)**	**(246)**	(71)	(260)
Net cash flows used in financing activities		**(67)**	**(246)**	(141)	(517)
NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS		**(20)**	**(74)**	40	147
Cash and cash equivalents at the beginning of the year	18	**204**	**748**	164	601
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	18	**184**	**674**	204	748

The attached notes 1 to 30 form part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2014

	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 2013	**1,801**	**6,602**	**65**	**238**	**65**	**238**	**349**	**1,280**
Profit for the year	-	-	-	-	-	-	156	571
Other comprehensive income	-	-	-	-	-	-	-	-
Share based reserve	-	-	-	-	-	-	10	37
Total comprehensive income for the year	-	-	-	-	-	-	166	608
Transfer to reserves	-	-	15	55	15	55	(30)	(110)
Gain on disposal of available for sale financial asset (note 6)	-	-	-	-	-	-	-	-
Equity component of Exchangeable sukuk	-	-	-	-	-	-	-	-
Loss to non-controlling interest	-	-	-	-	-	-	-	-
Board compensation	-	-	-	-	-	-	(3)	(11)
As at 31 December 2013	**1,801**	**6,602**	**80**	**293**	**80**	**293**	**482**	**1,767**
Profit for the year	-	-	-	-	-	-	125	457
Other comprehensive income	-	-	-	-	-	-	-	-
Total comprehensive income for the year	-	-	-	-	-	-	125	457
Transfer to reserves	-	-	13	47	13	47	(26)	(94)
Reclassification of previously recognised gain on disposed available-for-sale financial asset	-	-	-	-	-	-	-	-
Conversion of Sukuk (note 22)	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**

The attached notes 1 to 30 form part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2014

Attributable to the equity holders of the parent

Other reserves		Exchangeable sukuk-equity component		Non-controlling interest		Total	
USD mm	AED mm	USD mm	AED mm	USD mm	AED mm	USD mm	AED mm
85	**310**	**48**	**176**	**4**	**15**	**2,417**	**8,859**
-	-	-	-	-	-	156	571
(20)	(73)	-	-	-	-	(20)	(73)
(10)	(37)	-	-	-	-	-	-
(30)	(110)	-	-	-	-	136	498
-	-	-	-	-	-	-	-
(39)	(142)	-	-	-	-	(39)	(142)
-	-	33	121	-	-	33	121
-	-	-	-	(1)	(4)	(1)	(4)
-	-	-	-	-	-	(3)	(11)
16	**58**	**81**	**297**	**3**	**11**	**2,543**	**9,321**
-	-	-	-	-	-	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**

The attached notes 1 to 30 form part of these consolidated financial statements.

1 CORPORATE INFORMATION

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

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

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

Principal subsidiaries and joint arrangements of the Group at 31 December 2014 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")	40	Kurdistan Region of Iraq	Oil and Gas exploration & production
UGTC/ Emarat JV	50	Emirate of Sharjah	Gas Transmission
Joint Ventures	**%**	**Country/Area of operation**	**Principal activities**
Egyptian Bahraini Gas Derivative Company ("EBGDCO")	26.4	Egypt	Gas Processing
Crescent National Gas Corporation Limited ("CNGCL")	35	Emirate of Sharjah	Gas Marketing
GASCITIES Ltd	50	MENASA	Gas Cities

2 SUMMARY OF SIGNIFICANT 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 2014. The nature and the impact of each new standard and amendment are described below. Several other amendments apply for the first time in 2014, however, they do not impact the consolidated financial statements of the Group. Other than the changes described below, accounting policies adopted are consistent with those of the previous financial year:

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

These amendments provide an exception to the consolidation requirement for entities that meet the definition of an investment entity under IFRS 10 Consolidated Financial Statements and must be applied retrospectively, subject to certain transition relief. The exception to consolidation requires investment entities to account for subsidiaries at fair value through profit or loss. These amendments have no impact on the Group, since none of the entities in the Group qualifies to be an investment entity under IFRS 10.

Offsetting Financial Assets and Financial Liabilities – Amendments to IAS 32

These amendments clarify the meaning of 'currently has a legally enforceable right to set-off' and the criteria for non-simultaneous settlement mechanisms of clearing houses to qualify for offsetting and is applied retrospectively. These amendments have no impact on the Group, since none of the entities in the Group has any offsetting arrangement.

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

These amendments provide relief from discontinuing hedge accounting when novation of a derivative designated as a hedging instrument meets certain criteria and retrospective application is required. These amendments have no impact on the Group.

Annual Improvements 2010-2012 Cycle

In the 2010-2012 annual improvements cycle, the IASB issued seven amendments to six standards, which included an amendment to IFRS 13 Fair Value Measurement. The amendment to IFRS 13 is effective immediately and, thus, for periods beginning at 1 January 2014, and it clarifies in the Basis for Conclusions that short-term receivables and payables with no stated interest rates can be measured at invoice amounts when the effect of discounting is immaterial. This amendment to IFRS 13 has no impact on the Group.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Annual Improvements 2011-2013 Cycle

In the 2011-2013 annual improvements cycle, the IASB issued four amendments to four standards, which included an amendment to IFRS 1 First-time Adoption of International Financial Reporting Standards. The amendment to IFRS 1 is effective immediately and, thus, for periods beginning at 1 January 2014, and clarifies in the Basis for Conclusions that an entity may choose to apply either a current standard or a new standard that is not yet mandatory, but permits early application, provided either standard is applied consistently throughout the periods presented in the entity's first IFRS financial statements. This amendment to IFRS 1 has no impact on the Group, since the Group is an existing IFRS preparer.

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

The standards and interpretations that are issued but not yet effective up to the date of issuance of the Group's financial statements are disclosed below. These are the changes that the Group reasonably expects will have an impact on its disclosures, financial position or financial performance when applied at a future date. The Group intends to adopt these standards and interpretations, if applicable, when they become effective.

IFRS 9 Financial Instruments

In July 2014, the IASB issued the final version of IFRS 9 *Financial Instruments* which reflects all phases of the financial instruments project and replaces IAS 39 *Financial Instruments: Recognition and Measurement* and all previous versions of IFRS 9. The standard introduces new requirements for classification and measurement, impairment, and hedge accounting. IFRS 9 is effective for annual periods beginning on or after 1 January 2018, with early application permitted. Retrospective application is required, but comparative information is not compulsory. Early application of previous versions of IFRS 9 (2009, 2010 and 2013) is permitted if the date of initial application is before 1 February 2015. The adoption of IFRS 9 will have an impact on the classification and measurement of the Group's financial assets and liabilities.

Annual improvements *2010-2012 Cycle*

These improvements are effective from 1 July 2014 and are not expected to have a material impact on the Group. 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

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).

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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.

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.

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.

Annual improvements *2011-2013 Cycle*

These improvements are effective from 1 July 2014 and are not expected to have a material impact on the Group. 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).

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.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

IFRS 15 *Revenue from Contracts with Customers*

IFRS 15 was issued in May 2014 and establishes a new five-step model that will apply to revenue arising from contracts with customers. Under IFRS 15 revenue is recognised at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer. The principles in IFRS 15 provide a more structured approach to measuring and recognising revenue. The new revenue standard is applicable to all entities and will supersede all current revenue recognition requirements under IFRS. Either a full or modified retrospective application is required for annual periods beginning on or after 1 January 2017 with early adoption permitted. The Group is currently assessing the impact of IFRS 15 and plans to adopt the new standard on the required effective date.

Amendments to IFRS 11 *Joint Arrangements: Accounting for Acquisitions of Interests*

The amendments to IFRS 11 require that a joint operator accounting for the acquisition of an interest in a joint operation, in which the activity of the joint operation constitutes a business must apply the relevant IFRS 3 principles for business combinations accounting. The amendments also clarify that a previously held interest in a joint operation is not re-measured on the acquisition of an additional interest in the same joint operation while joint control is retained. In addition, a scope exclusion has been added to IFRS 11 to specify that the amendments do not apply when the parties sharing joint control, including the reporting entity, are under common control of the same ultimate controlling party. The amendments apply to both the acquisition of the initial interest in a joint operation and the acquisition of any additional interests in the same joint operation and are prospectively effective for annual periods beginning on or after 1 January 2016, with early adoption permitted. These amendments are not expected to have any impact to the Group.

Amendments to IAS 16 and IAS 38: *Clarification of Acceptable Methods of Depreciation and Amortisation*

The amendments clarify the principle in IAS 16 and IAS 38 that revenue reflects a pattern of economic benefits that are generated from operating a business (of which the asset is part) rather than the economic benefits that are consumed through use of the asset. As a result, a revenue-based method cannot be used to depreciate property, plant and equipment and may only be used in very limited circumstances to amortise intangible assets. The amendments are effective prospectively for annual periods beginning on or after 1 January 2016, with early adoption permitted. These amendments are not expected to have any impact to the Group given that the Group has not used a revenue-based method to depreciate its non-current assets.

Basis of consolidation

The consolidated financial statements comprise the financial statements of the Group and its subsidiaries as at 31 December 2014.

(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)

- 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 acquiree and the acquisition-date fair value of any previous equity interest in the acquiree 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)

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 re-measured 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	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-licence costs are expensed in the period in which they are incurred. License costs paid in connection with a right to explore in an existing exploration area are capitalised and amortised over the term of the permit. Exploration license and leasehold property acquisition costs are capitalised in intangible assets. Geological and geophysical costs are recognised in the income statement, as incurred.

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

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

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.

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

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

(b) Loans and receivables

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

(c) Available-for-sale financial assets

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

Equity-settled transaction

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

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

Restricted shares

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

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

Current versus non-current classification

The Group presents assets and liabilities in the 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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Current versus non-current classification (continued)

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.

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

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

3 SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS

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

Judgements

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

Estimates and assumptions

The Group has identified the following areas where significant estimates and assumptions are required, and where if actual results were to differ, may materially affect the financial position or financial results reported in future periods. 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 2014 was USD 308 million (2013: 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 2014 was USD 124 million (2013: USD 134 million).

- The Group carries its investment properties 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 2014.

3 SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS (continued)

Estimates and assumptions (continued)

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

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

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

- Hydrocarbon reserve and resource estimates: Oil and gas properties are depreciated on a units UOP basis at a rate calculated by reference to total proved reserves determined in accordance with the Society of Petroleum Engineers' rules and incorporating the estimated future cost of developing those reserves. The Group estimates its commercial reserves based on information compiled by appropriately qualified persons relating to the geological and technical data on the size, depth, shape and grade of the hydrocarbon body and suitable production techniques and recovery rates. Commercial reserves are determined using estimates of oil and gas in place, recovery factors and future commodity prices, the latter having an impact on the total amount of recoverable reserves and the proportion of the gross reserves which are attributable to the host government under the terms of the relevant commercial arrangements. Future development costs are estimated using assumptions as to the number of wells required to produce the commercial reserves, the cost of such wells and associated production facilities, and other capital costs. The carrying amount of oil and gas properties at 31 December 2014 is shown in Note 10.

3 SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS (continued)

Estimates and assumptions (continued)

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 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**
Investment and finance income				**3**
Impairment of oil and gas assets				**(22)**
Change in fair value of investment property				**(1)**
General and administration expenses				**(28)**
Other expenses				**(4)**
Share of loss of a joint venture				**(1)**
Exploration expenses				**(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**
Impairment	**-**	**22**	**-**	**22**
Exploration expenses	**-**	**1**	**-**	**1**

Year ended 31 December 2013

	United Arab Emirates USD mm	Egypt USD mm	Kurdistan Region of Iraq USD mm	Total USD mm
Revenue net of royalties	5	225	230	460
Gross profit				288
Investment and finance income				44
Impairments				(3)
Change in fair value of investment property				(1)
General and administration expenses				(32)
Share of loss of a joint venture				(1)
Exploration expenses				(8)
Finance costs				(78)
Profit before income tax				209
Income tax expense				(53)
PROFIT FOR THE YEAR				156
Segment assets as at 31 December 2013	1,485	1,164	872	3,521
Segment liabilities as at 31 December 2013	844	116	18	978

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	-	22	-	22
Property, plant and equipment	5	55	4	64
Total	5	77	4	86
Depreciation, depletion & amortisation	2	91	13	106
Change in fair value of investment property	1	-	-	1
Impairment	-	3	-	3
Exploration expenses	-	8	-	8

5 REVENUE

	2014 USD mm	2013 USD mm
Gross revenue	**679**	647
Less: royalties	**(207)**	(192)
Net revenue	**472**	455
Tariff/ management fee	**4**	5
	476	460

Royalties relate to Government share of production in Egypt.

Tariff/management fees relates to fixed pipeline capacity fees charged by UGTC/Emarat.

6 INVESTMENT AND FINANCE INCOME

	2014 USD mm	2013 USD mm
(Loss)/gain on disposal of available for sale financial asset	**(2)**	39
Loss on disposal of Komombo interest	**(1)**	-
Dividend income	**4**	3
Profit share from bank deposits	**1**	2
Fair value gain on financial assets at fair value through profit or loss (note 17)	**1**	-
	3	44

7 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% (2013: 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. The effective tax rate was 29 % (2013: 25 %).

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.

8 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.

	2014	*2013*
Earnings:		
Net profit for the year - USD mm	**125**	156
Shares:		
Weighted average number of shares outstanding for calculating basic EPS- million	**6,888**	6,602
EPS (Basic) – USD:	**0.018**	0.024

(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.

8 EARNINGS PER SHARE (continued)

	2014	2013
Earnings:		
Net profit for the year - USD mm	**125**	156
Finance cost on Exchangeable sukuk - USD mm	**25**	30
	150	186
Shares:		
Weighted average number of shares outstanding for calculating basic EPS- million	**6,888**	6,602
Adjustments for:		
Restricted shares (million)	**2**	14
Assumed conversion of Exchangeable sukuk (million)*	**1,724**	2,081
Weighted average number of ordinary shares for diluted earnings per share (million)	**8,614**	8,697
EPS (Diluted) – USD:	**0.017**	0.021

* 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).

9 PROPERTY, PLANT AND EQUIPMENTS

	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 10)	-	-	28	-	-	-	-	28
Impairment	-	-	(22)	-	-	-	-	(22)
Exploration cost write-off	-	-	(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

9 PROPERTY, PLANT AND EQUIPMENTS (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 2013	14	12	738	345	30	119	213	1,471
Additions	-	-	47	5	2	-	10	64
Transfer from intangible assets (note 10)	-	-	66	-	-	-	-	66
Transfer from capital work-in-progress	-	-	1	9	-	-	(10)	-
Assets held for sale	-	-	(27)	-	-	-	-	(27)
Exploration costs write-off	-	-	(8)	-	-	-	-	(8)
Transfer of interest*	-	-	-	-	-	-	17	17
Write off	-	-	-	(5)	-	-	-	(5)
At 31 December 2013	14	12	817	354	32	119	230	1,578
Depreciation/ Depletion: At 1 January 2013	-	1	450	54	11	17	-	533
Depreciation/ depletion charge for the year	-	-	81	16	4	5	-	106
Assets held for sale	-	-	(21)	-	-	-	-	(21)
At 31 December 2013	-	1	510	70	15	22	-	618
Net carrying amount: At 31 December 2013	14	11	307	284	17	97	230	960

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

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

9 PROPERTY, PLANT AND EQUIPMENT (continued)

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

PPCL awarded the contract to an EPC Contractor for the reconstruction of the damaged loading bay facility and formally derecognised the cost of damaged assets amounting US$ 12.8 million (Dana Gas share: US$ 5 million) based on early cost estimates from the EPC contractor. The reconstruction of the facilities were completed and commissioned in Q3, 2013. In accordance with the terms and conditions of the insurance policies, PPCL's insurers have completed the review, through their loss adjusters, of the total reconstruction costs incurred by the Company. Consequently, the insurers have formally acknowledged the total insurance claim settlement amount of US$10.96 million – 100% (net of insurance deductible of US$ 1million) towards the reimbursement of the costs incurred for the restoration of the damaged LPG loading facility on a 'like for like basis'. The insurers made an interim on-account settlement of US$ 6 million in Q2 2013 against the total insurance claim and the balance amount (which was shown as receivable at 31 December 2013) was subsequently received in Q1, 2014.

In Q4 2013, upon the formal acknowledgement of the final settlement amount by the insurers, PPCL charged the unrecoverable cost of assets damaged amounting to US$2.1 million (Dana Gas share: US$ 0.8 million) in the statement of comprehensive income.

Impairment charge of USD 22 million recognised during Quarter 4 2014 relates to oil and gas assets in Egypt.

10 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 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 9)	**(28)**	**-**	**-**	**-**	**-**	**(28)**
At 31 December 2014	**124**	**289**	**7**	**-**	**308**	**728**

10 INTANGIBLE ASSETS (continued)

	Oil and gas interests USD mm	*Transmission & sweetening rights USD mm*	*Gas processing rights USD mm*	*Development cost USD mm*	*Goodwill USD mm*	*Total USD mm*
Cost at 1 January 2013	277	289	7	2	308	883
Less: impairment	(96)	-	-	(2)	-	(98)
At 1 January 2013	181	289	7	-	308	785
Additions - net	22	-	-	-	-	22
Transfer to property, plant and equipment (note 9)	(66)					(66)
Impairment	(3)	-	-	-	-	(3)
At 31 December 2013	134	289	7	-	308	738

(a) Oil and Gas Interests

Oil and gas interests of USD 124 million relates to Dana Gas Egypt which has a number of concessions and development leases in Egypt as described below in more detail:

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

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

- West El Manzala Development Leases (West El Manzala Concession) – These development leases are held with a 100% working interest. These development leases have 146,039 acres of land included within their boundaries and are located in the Nile Delta of Egypt. To date, eleven development leases are producing both natural gas and associated liquids representing approximately 76% 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 14% of Dana Gas Egypt current production.

10 INTANGIBLE ASSETS (continued)

(a) Oil and Gas Interests (Continued)

- North Al Arish Offshore (Block-6) - In April 2013, Dana Gas Egypt was awarded a 100% working interest in the North El Arish Offshore (Block 6) concession area. The area is located offshore Nile Delta, in the eastern part of the Mediterranean Sea. As per the concession agreement, Dana Gas Egypt had to pay a signature bonus of USD 20 million to the Egyptian Natural Gas Holdings. This amount payable was offset against the outstanding receivables in January 2015.

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

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

- Kom Ombo Concession – On 30 December 2013, Dana Gas Egypt, entered into a Farmout Agreement with Mediterra Energy Ltd to farmout its entire 50% interest in the concession. All the necessary approvals from regulatory authorities were received in Quarter 3, 2014. Accordingly all the assets and liabilities relating to the concession have been de-recognised.

(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.

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 2014. 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.

10 INTANGIBLE ASSETS (continued)

Key assumptions used in value in use calculations

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

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

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

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

Oil prices: management has used an oil price assumption based on 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 cashflow model. The future cash flows are discounted to their present value using a pre-tax discount rate of 10% (2013: 10%) that reflects current market assessments of the time value of money and the risks specific to the asset. Management believes that currently, there is no reasonable possible change in discount rate which would reduce the Group's excess of recoverable amount over the carrying amount of the individual assets/CGU to Zero.

(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% (2013: 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.

11 INVESTMENT PROPERTY

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

	2014 USD mm	2013 USD mm
Balance at 1 January	**27**	28
Change in fair value	**(1)**	(1)
Balance at 31 December	**26**	27

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 the 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 1million (31 December 2013: decrease of USD 1 million) which was charged to the consolidated income statement.

12 INTEREST IN JOINT VENTURES

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)**

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

	EBGDCO USD mm	*Gas Cities USD mm*	*CNGCL USD mm*	*Total USD mm*
Revenue	27	-	-	27
Profit before tax	0	-	(3)	(3)
Loss for the year	**0**	**-**	**(3)**	**(3)**
Other comprehensive income	**0**	**-**	**-**	**-**
Total comprehensive income for the year	**0**	**-**	**(3)**	**(3)**
Group's share of loss for the year	**0**	**-**	**(1)**	**(1)**

The Joint ventures had no contingent liabilities or capital commitments as at 31 December 2014 and 2013 except as disclosed in note 25.

12 INTEREST IN JOINT VENTURES (continued)

The following table summarises the statement of financial position of the joint ventures as at 31 December 2013:

	EBGDCO USD mm	*Gas Cities USD mm*	*CNGCL USD mm*	*Total USD mm*
Current assets	8	1	-	9
Non-current assets	117	-	1	118
Current liabilities	27	7	28	62
Non-current liabilities	78	-	-	78
Equity	20	(6)	(27)	(13)
Group's share of net assets	8	(3)	(9)	(4)

The following table summarises the income statement of the joint ventures for the year ended 31 December 2013:

	EBGDCO USD mm	*Gas Cities USD mm*	*CNGCL USD mm*	*Total USD mm*
Revenue	22	-	-	22
Profit before tax	(1)	-	(3)	(4)
Loss for the year	(1)	-	(3)	(4)
Other comprehensive income	-	-	-	-
Total comprehensive income for the year	(1)	-	(3)	(4)
Group's share of loss for the year	(0.4)	-	(1)	(1.4)

Reconciliation of summarized financial information

	EBGDCO USD mm	*Gas Cities USD mm*	*CNGCL USD mm*	*Total USD mm*
Opening net investment as of 1 January 2013	8	(3)	563	568
Loss for the year	-	-	(1)	(1)
Net investment as of 31 December 2013	8	(3)	562	567
Loss for the year	-	-	(1)	(1)
Net investment as of 31 December 2014	**8**	**(3)**	**561**	**566**

Out of the total investment of USD 566 million, investment of USD 561 million relates to interest in CNGCL which represents the fair value of the rights for the purhase 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 form the underlying contractual relationships.

12 INTEREST IN JOINT VENTURES (continued)

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

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.

13 INTEREST IN JOINT OPERATIONS

(a) Kurdistan Region of Iraq Project

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

Dana Gas, along with Crescent Petroleum and Pearl Petroleum (which holds petroleum rights in the Kurdistan Region of Iraq), commenced arbitration proceedings on 21 October 2013 at the London Court of International Arbitration (LCIA), in accordance with the Authorisation which was signed in April 2007 and is governed by English Law. The objective of the arbitration is to obtain confirmation of the long-term contractual rights for the development and marketing in respect of the Khor Mor and Chemchemal fields including the outstanding receivables owed by the MNR of the KRI.

On 21 March 2014, Dana Gas, along with Crescent Petroleum and Pearl Petroleum filed an interim measures application to the Tribunal. The companies were successful in their application to the Tribunal for interim measures and the Tribunal made an order on 10 July 2014 for the KRG to restore the previous regular payments to the companies as of 21 March 2014, the date of the application, and until the case is concluded. The KRG failed to comply with and challenged the tribunal's order, although since September 2014 the Company has been permitted to commence local sales of condensate and LPG to third parties. On 17 October 2014, the Tribunal dismissed the KRG's challenge and reaffirmed its order for interim measures of 10 July 2014. In addition, the Tribunal also ordered the KRG to pay the Consortium US$ 100 million within a timeframe of 30 days.

In default of its legal obligations, the KRG failed to make payment by the stipulated deadline of 17 November 2014 and as a consequence, the Tribunal's order became peremptory in nature, enabling its enforcement by the English Court. With the Tribunal's permission, on 12th December 2014, an application to the English Court was made for the enforcement of the order, with the prospect of sanctions being imposed on the KRG for non-compliance. A hearing on the merits before the Tribunal is scheduled to take place in the week of 20 April 2015.

13 INTEREST IN JOINT OPERATIONS (continued)

(a) Kurdistan Region of Iraq Project (continued)

The ultimate outcome of any arbitration process is uncertain. The final outcome of the arbitration process 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 the 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. Accordingly, they believe that there should not be a material adverse impact on the state of the Company or the carrying values of its assets or liabilities.

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

	2014 USD mm	*2013 USD mm*
Assets:		
Non-current assets	**316**	329
Current assets	**780**	543
Total Assets	**1,096**	872
Liabilities:		
Current liabilities	**40**	18
Net Assets	**1,056**	854
Income	**247**	230
Operating cost	**(22)**	(29)
Depreciation	**(13)**	(13)
Gross profit	**212**	188

13 INTEREST IN JOINT OPERATIONS (continued)

(b) UGTC/ Emarat Joint Venture

The Group has a 50% interest in the UGTC/ Emarat jointly controlled operations which own one of the largest gas pipelines in the UAE (48 inch diameter) with an installed capacity of 1000 mmscfd, to transport gas in 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:

	2014 USD mm	2013 USD mm
Assets:		
Non-current assets	**20**	21
Current assets	**21**	18
Total Assets	**41**	39
Liabilities:		
Current liabilities	**-**	-
Net Assets	**41**	39
Income	**4**	5
Operating cost	**(1)**	(1)
Depreciation	**(1)**	(1)
Gross profit	**2**	3

14 INVENTORIES

	2014 USD mm	2013 USD mm
Spares and consumables	**63**	71
Less: provision for impairment of inventory	**(12)**	(12)
	51	59

15 TRADE AND OTHER RECEIVABLES

	2014 USD mm	2013 USD mm
Trade receivables	**992**	795
Prepaid expenses	**2**	1
Due from joint ventures	**15**	11
Other receivables	**46**	44
Less: provision for impairment of other receivables	**(6)**	(6)
	1,049	845

The Group's share of trade receivables in Pearl Petroleum is in respect of condensate and LPG deliveries amounting to USD 746 million (2013: USD 515 million). The above does not include amounts invoiced by Pearl Petroleum to the KRG in respect of Excess Gas deliveries. Such amounts have not been included pending mutual agreement with the KRG regarding the commercial terms of such Excess Gas deliveries

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

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

			Past due but not impaired				
	Total USD mm	Neither past due nor impaired USD mm	<30 days USD mm	30-60 days USD mm	61-90 days USD mm	91-120 days USD mm	>120 days USD mm
2014	**992**	**113**	**17**	**51**	**64**	**52**	**695**
2013	795	125	20	41	56	24	529

16 AVAILABLE-FOR-SALE FINANCIAL ASSET

	2014 USD mm	2013 USD mm
At 1 January	**100**	255
Disposal	**(23)**	(135)
Change in fair value for the year (note 21)	**(26)**	(20)
	51	100

The Group holds 1,136,116 ordinary shares in MOL (31 December 2013: 1,486,116 shares) received as consideration for the disposal of an interest in Pearl Petroleum in 2009. These shares are listed on the Budapest Stock Exchange and have been fair valued with reference to published price quotation at 31 December 2014. On 22 September 2014, the Group sold 350,000 shares out of its total shareholding of 1,486,116 shares in MOL, at an average price of USD 51.27 per share (USD 18 million) through a private placement with settlement taking place on 2October 2014.

17 FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	2014 USD mm	2013 USD mm
Balance at 1 January	**8**	10
Investment redeemed during the year	**-**	(2)
Change in fair value	**1**	-
Balance at 31 December	**9**	8

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 2014.

18 CASH AND CASH EQUIVALENTS

	2014 USD mm	2013 USD mm
Cash at bank and on hand		
- Local Banks within UAE	**28**	9
- Foreign Banks outside UAE	**6**	20
Short term deposits		
- Local Banks within UAE	**76**	175
- Foreign Banks outside UAE	**74**	-
	184	204

Cash at bank earns profit at floating rates based on daily bank deposit rates. Short-term deposits are made for varying periods of between one week and three months, depending on the immediate cash requirements of the Group, and earn profit at the respective short-term deposit rates. The fair value of cash and short-term deposits is USD 184 million (2013: USD 204 million). The effective profit rate earned on short term deposits ranged 0.45% to 2.0% (2013: 1.25% to 2.5%) per annum. As at 31 December 2014, 56% (2013: 90%) of cash and cash equivalents were held with UAE banks and 42% was held in Egyptian pounds.

19 SHARE CAPITAL

	2014 USD mm	2013 USD mm
Authorised:		
6,960,981,188 (2013: 6,602,001,300) common shares of AED 1 each (USD 0.2728 each)		
Issued and fully paid up:		
6,960,981,188 (2013: 6,602,001,300) common shares of AED 1 each (USD 0.2728 each)	**1,899**	1,801

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. As of 31 December 2014, all the required ordinary shares of the Company were issued to satisfy the notices.

The difference between the conversion price of AED 0.75 and nominal value of AED 1 calculated on ordinary shares issued up to 31 December 2014 was debited to Exchangeable bonds – equity component reserve.

20 STATUTORY AND LEGAL RESERVE

	Statutory reserve USD mm	Legal reserve USD mm
At 1 January 2013	65	65
Transfer from net profit for the year	15	15
At 31 December 2013	80	80
Transfer from net profit for the year	13	13
At 31 December 2014	**93**	**93**

a) LEGAL RESERVE

In accordance with the Articles of Association of the Company and U.A.E. Federal Commercial Companies Law Number 8 of 1984, as amended, the Group has established a legal reserve by appropriation of 10% of the Group's net profit for each year. The allocation will cease when the reserve equals 50% of the Company's paid up capital.

b) STATUTORY RESERVE

As per the Article of Association of the Company, 10% of the Group's net profit for each year will be allocated to Statutory reserve. Such allocation will cease by the decision of the Ordinary General Assembly as recommended by the Board of Directors or when the total reserve equals 50% of the Company's paid up capital.

21 OTHER RESERVES

	Share based reserve USD mm	Fair value reserve USD mm	Total reserve USD mm
At 1 January 2013	12	73	85
Disposal of available-for-sale financial asset (note 16)	-	(39)	(39)
Change in fair value of available-for-sale financial asset (note 16)	-	(20)	(20)
Transfer to retained earnings (note 26)	(10)	-	(10)
At 31 December 2013	2	14	16
Disposal of available-for-sale financial asset (note 16)	-	(3)	(3)
Change in fair value of available-for-sale financial asset (note 16)	-	(26)	(26)
Shares issued to employees (note 26)	(1)	-	(1)
At 31 December 2014	**1**	**(15)**	**(14)**

22 BORROWINGS

	2014 USD mm	2013 USD mm
Non-current		
Ordinary Sukuk	**425**	425
Exchangeable Sukuk	**323**	390
Total borrowings	**748**	815

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 7May 2013 amounting to USD 38.4 million. Following this, the Company also perfected the required securities and issued a compliance certificate dated 10 July 2013.

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

The Ordinary and 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.

22 BORROWINGS (continued)

a) EXCHANGEABLE SUKUK (continued)

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 the period from 1 January 2014 to 31 December 2014, the Company received conversion notices for the Exchangeable sukuk amounting to USD 72.9 million (please refer note 19 for details).

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

	2014 USD mm
Liability component as of 1 January 2014	**390**
Exchangeable sukuk converted into shares	**(73)**
Finance expense for Exchangeable sukuk	**32**
Profit paid	**(22)**
	327
Current portion of profit classified under trade payables and accruals	**(4)**
Liability component at 31 December 2014	**323**

The conversion option embedded in the convertible instrument is valued at the issuance of the Exchangeable sukuk and disclosed separately under Equity.

23 PROVISIONS

	2014 USD mm	*2013 USD mm*
Asset decommissioning obligation	**17**	15
Employee's end of service benefits	**2**	2
	19	17

The movement in asset decommissioning obligation during the year relates to Unwinding of discount.

24 TRADE PAYABLES AND ACCRUALS

	2014 USD mm	2013 USD mm
Trade payables	33	59
Accrued expenses and other payables	73	70
Profit accrued on Sukuk	11	12
Advance against local sales in KRI (40% share)	18	-
	135	141

25 CONTINGENCIES AND COMMITMENTS

(a) Dana Gas Egypt

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

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

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 under finalisation 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 2014 but not yet accrued amounted to USD 3 million.

(b) Sharjah Western Offshore

Capital expenditure contracted for at 31 December 2014 but not yet accrued amounted to USD 61 million (2013: USD 14 million).

26 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 units granted and the grant date fair value. The Group has made no restricted share awards to key employees during the year and the charge relates to restricted shares issued in lieu of previously held options and previously issued restricted shares.

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

	2014 USD mm	2013 USD mm
Expense arising from share-based payment transactions	-	4

27 RELATED PARTY DISCLOSURES

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

	2014		2013	
	Revenues USD mm	Fees for management services USD mm	Revenues USD mm	Fees for management services USD mm
Joint ventures	1	2	1	2
Major shareholders	-	1	-	1
	1	3	1	3

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

Compensation of key management personnel

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

	2014 USD mm	2013 USD mm
Short-term benefits	4	4
Restricted Shares	-	2
	4	6

28 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

Financial risk factors

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

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

(a) Foreign currency risk

The Group is exposed to material foreign currency risks in relation to available for sale financial assets which are denominated in Hungarian Forint (HUF) and its cash balance in Egyptian pounds held in Egypt with local banks.

At 31 December 2014, if the HUF had strengthened/weakened by 10% against the USD with all other variables held constant, total comprehensive income for the year would have been USD 5 million higher/lower (2013: USD 10 million), as a result of foreign exchange gains/losses on translation of HUF denominated available-for-sale financial asset.

At 31 December 2014, 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 8 million higher/ lower, 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) Equity price risk

The Group is exposed to equity securities price risk in relation to the investments held by the Group and classified as available-for-sale financial assets. The Group's investment is in equity of an entity which is publicly traded on Budapest Stock exchange. As at 31 December 2014, if the equity price had increased/decreased by 10% with all other variables held constant the Group's comprehensive income for the year would have been USD 5 million higher/lower (2013: USD 10 million).

(d) 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 28% of the Group's revenue. At 31 December 2014, 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 US$ 34 million higher/lower (2013: US$ 33 million).

(e) 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.

28 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Financial risk factors (continued)

***(e) Credit risk* (continued)**

(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 receivables 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 15.

(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 2014 is the carrying amount as illustrated in note 18.

(f) Liquidity risk

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

Year ended 31 December 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**

Year ended 31 December 2013

	On demand USD mm	Less than 3 months USD mm	3 to 12 months USD mm	1 to 5 years USD mm	>5 years USD mm	Total USD mm
Borrowings (including profit)	-	5	51	1,037	-	1,093
Trade payables and accruals	-	141	-	-	-	141
Provisions	3	-	-	3	22	28
	3	146	51	1,040	22	1,262

28 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Capital risk management

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

The Group manages its capital structure and makes adjustments to it in light of changes in business conditions. No changes were made in the objectives, policies or processes during the years ended 31 December 2014 and 31 December 2013. Capital comprises share capital, retained earnings, other reserves and equity component of convertible bonds, and is measured at USD 2,521 million as at 31 December 2014 (2013: USD 2,380 million).

29 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 2014 USD mm	***Fair value 2014 USD mm***	*Carrying amount 2013 USD mm*	*Fair value 2013 USD mm*
Financial assets				
Available for sale financial asset	**51**	**51**	100	100
Trade and other receivables	**1,049**	**1,049**	845	845
Cash and short term deposits	**184**	**184**	204	204
Financial liabilities				
Borrowings	**748**	**748**	815	815
Trade payables and accruals	**135**	**135**	141	141

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).

29 FAIR VALUE ESTIMATION (continued)

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

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

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

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

There have been no transfers between Level 1 and Level 2 during the years 2014 and 2013.

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.

30 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 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 cash equivalents	**184**	**-**	**-**	**184**
Total	**1,231**	**9**	**51**	**1,291**

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

30 FINANCIAL INSTRUMENTS BY CATEGORY (continued)

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

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

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