KUWAIT ENERGY PLC GROUP

CONDENSED CONSOLIDATED FINANCIAL STATEMENTS AND INDEPENDENT REVIEW REPORT FOR THE SIX MONTHS ENDED 30 JUNE 2015

Contents

STATEMENT OF DIRECTORS' RESPONSIBILITIES

We confirm that to the best of our knowledge the condensed set of financial statements in the half-yearly report for the six months ended 30 June 2015 has been prepared in accordance with IAS 34 'Interim Financial Reporting'.

For and on behalf of the board

Manssour Aboukhamseen
Chairman & Managing Director

5 November 2015

INDEPENDENT REVIEW REPORT TO KUWAIT ENERGY plc

We have been engaged by the company to review the condensed set of financial statements in the half-yearly financial report for the six months ended 30 June 2015 which comprises the condensed consolidated income statement, the condensed consolidated statement of comprehensive income, the condensed consolidated balance sheet, the condensed consolidated statement of changes in equity, the condensed consolidated cash flow statement and related notes 1 to 19. We have read the other information contained in the half-yearly financial report and considered whether it contains any apparent misstatements or material inconsistencies with the information in the condensed set of financial statements.

This report is made solely to the company in accordance with the terms of our engagement letter dated 5 November 2015 and in accordance with International Standard on Review Engagements 2410 “Review of Interim Financial Information Performed by the Independent Auditor of the Entity” issued by the International Auditing and Assurance Standards Board Our work has been undertaken so that we might state to the company those matters we are required to state to it in an independent review report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company, for our review work, for this report, or for the conclusions we have formed.

Directors’ responsibilities

The half-yearly financial report is the responsibility of, and has been approved by, the directors.

As disclosed in note 2, the annual financial statements of the group are prepared in accordance with IFRSs as adopted by the European Union. The condensed set of financial statements included in this half-yearly financial report has been prepared in accordance with International Accounting Standard 34, “Interim Financial Reporting,” as adopted by the European Union.

Our responsibility

Our responsibility is to express to the Company a conclusion on the condensed set of financial statements in the half-yearly financial report based on our review.

Scope of review

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

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the condensed set of financial statements in the half-yearly financial report for the six months ended 30 June 2015 is not prepared, in all material respects, in accordance with International Accounting Standard 34 as adopted by the European Union.

Deloitte SA

Mark Valentin — Partner

Peter Quigley — Partner

Geneva, Switzerland
5 November 2015

KUWAIT ENERGY PLC

CONDENSED CONSOLIDATED INCOME STATEMENT
Six months ended 30 June 2015

	Notes	Six months ended 30 June 2015 Unaudited USD 000's	Six months ended 30 June 2014 Unaudited (Restated see note 17) USD 000's	Year ended 31 December 2014 Audited USD 000's
Continuing Operations				
Revenue		89,103	131,004	270,759
Cost of sales		(73,517)	(53,803)	(140,504)
Gross profit		15,586	77,201	130,255
Exploration expenditure written off	7	(2,519)	-	(1,513)
Impairment of oil and gas assets	8	-	-	(19,247)
General and administrative expenses		(9,170)	(11,883)	(32,669)
Operating profit		3,897	65,318	76,826
Share of results of Joint Venture	9	1,731	2,571	1,040
Fair value loss on convertible loans	13	(8,730)	(6,712)	(9,931)
Other income		818	269	653
Foreign exchange loss		(1,663)	(41)	(273)
Finance costs		(4,750)	(3,552)	(12,773)
(Loss)/profit before tax		(8,697)	57,853	55,542
Taxation charge	4	(1,168)	(5,455)	(8,800)
(Loss)/profit for the period from continuing operations		(9,865)	52,398	46,742
Discontinued operations				
Loss for the period from discontinued operations	5	-	(2,600)	(4,039)
(Loss)/profit for the period		(9,865)	49,798	42,703
Attributable to:				
Owners of the Company		(9,863)	49,798	42,711
Non-controlling interests		(2)	-	(8)
		(9,865)	49,798	42,703
Earnings/(loss) per share from continuing operations attributable to owners of the Company				
- Basic (cents)	6	(3.0)	16.0	14.2
- Diluted (cents)	6	(3.0)	16.0	14.2
Earnings/(loss) per share from continuing and discontinued operations attributable to owners of the Company				
- Basic (cents)	6	(3.0)	15.2	13.0
- Diluted (cents)	6	(3.0)	15.2	13.0

KUWAIT ENERGY PLC

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
Six months ended 30 June 2015

	Six months ended 30 June		Year ended
	2015 Unaudited	2014 Unaudited (Restated see note 17)	31 December 2014 Audited
	USD 000's	USD 000's	USD 000's
(Loss)/profit for the period	(9,865)	49,798	42,703
Items that will not be reclassified subsequently to profit or loss			
Re-measurement of retirement benefit obligation	-	101	812
Other comprehensive income for the period	-	101	812
Total comprehensive (loss)/income for the period	(9,865)	49,899	43,515
Attributable to:			
Owners of the Company	(9,863)	49,899	43,523
Non-controlling interests	(2)	-	(8)
	(9,865)	49,899	43,515

No taxation charge arose on any item of other comprehensive income and there was no other comprehensive income from Joint Venture in either the current or prior periods.

KUWAIT ENERGY PLC

CONDENSED CONSOLIDATED BALANCE SHEET
As at 30 June 2015

	Notes	30 June 2015 Unaudited USD 000's	31 December 2014 Audited USD 000's
ASSETS			
Non-current assets			
Intangible exploration and evaluation assets	7	42,631	46,488
Property, plant and equipment	8	613,648	522,537
Investment in Joint Venture	9	7,869	8,138
Other non-current assets		4,102	5,141
		668,250	582,304
Current assets			
Inventories		23,678	21,642
Trade and other receivables	10	95,318	115,589
Liquid investments	11	50,000	-
Cash and cash equivalents	11	113,063	215,992
		282,059	353,223
Total assets		950,309	935,527
EQUITY AND LIABILITIES			
Equity			
Share capital		559,835	557,808
Share premium		205,491	204,760
Other reserves		(106,389)	(106,609)
Retained deficit		(258,080)	(248,217)
Equity attributable to owners of the Company		400,857	407,742
Non-controlling interest		5,790	8,770
Total equity		406,647	416,512
Non-current liabilities			
Borrowings	12	242,457	242,459
Convertible loans	13	121,229	111,740
Long-term provisions		15,784	15,697
		379,470	369,896
Current liabilities			
Trade and other payables	14	161,531	133,653
Current tax payable		921	9,377
Current portion of convertible loans	13	1,740	6,089
		164,192	149,119
Total liabilities		543,662	519,015
Total equity and liabilities		950,309	935,527

The condensed set of financial statements were approved by the board of directors and authorised for issue on 5 November 2015. They were signed on its behalf by:

Abouhkhamseen

Manssour Aboukhamseen
Chairman & Managing Director

KUWAIT ENERGY PLC
CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
Six months ended 30 June 2015

	Share capital	Share premium	Other reserves	Retained deficit	Total	Non-controlling interest	Total equity
	USD 000's	USD 000's	USD 000's	USD 000's	USD 000's	USD 000's	USD 000's
Balance at 1 January 2014 (Audited)	507,832	189,309	(36,003)	(290,928)	370,210	-	370,210
Profit/(loss) for the year	-	-	-	42,711	42,711	(8)	42,703
Other comprehensive income for the year	-	-	812	-	812	-	812
Total comprehensive income for the year	-	-	812	42,711	43,523	(8)	43,515
Acquisition of subsidiary	46,785	14,057	(69,669)	-	(8,827)	8,778	(49)
Purchase of treasury shares	-	-	(1,749)	-	(1,749)	-	(1,749)
Issue of shares for prior year business combination	822	604	-	-	1,426	-	1,426
Issue of shares under incentive scheme	2,369	790	-	-	3,159	-	3,159
Balance at 31 December 2014 (Audited)	557,808	204,760	(106,609)	(248,217)	407,742	8,770	416,512
Loss for the period	-	-	-	(9,863)	(9,863)	(2)	(9,865)
Total comprehensive loss for the period	-	-	-	(9,863)	(9,863)	(2)	(9,865)
Issue of shares*	2,027	731	220	-	2,978	(2,978)	-
Balance at 30 June 2015 (Unaudited)	559,835	205,491	(106,389)	(258,080)	400,857	5,790	406,647

* The issue of shares in the period relates to the 2014 restructuring of the Group and acquisition of Kuwait Energy Company K.S.C (Closed) ("KEC") shares, as set out in detail in note 15 of the 31 December 2014 Group financial statements, available on the Group's website. At December 2014, 87.8% of the shares in KEC had been exchanged for shares in the Company. In the period, a further 4.1% of KEC shares have been exchanged and accounted for in line with year end.

KUWAIT ENERGY PLC

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS
Six months ended 30 June 2015

	Notes	Six months ended 30 June 2015 Unaudited	Six months ended 30 June 2014 Unaudited (Restated see note 17)	Year ended 31 December 2014 Audited
		USD 000's	USD 000's	USD 000's
OPERATING ACTIVITIES				
(Loss)/profit for the period		(9,865)	49,798	42,703
Adjustments for:				
Share of results of Joint Venture		(1,731)	(2,571)	(1,040)
Depreciation, depletion and amortisation		44,594	36,983	83,505
Exploration expenditure written off		2,519	-	1,513
Impairment of oil and gas assets		-	-	19,247
Impairment charge on discontinued operations		-	1,700	3,126
Tax charges		1,168	5,455	8,800
Share based expense		-	-	1,066
Foreign exchange loss		1,663	-	-
Fair value loss on convertible loans		8,730	6,712	9,931
Finance costs		4,750	3,552	12,773
Interest income		(700)	(213)	(568)
Provision for retirement benefit obligation		470	297	1,066
Operating cash flow before movement in working capital		51,448	101,713	182,122
Decrease/(increase) in trade and other receivables		8,838	(24,100)	48,277
(Decrease)/increase in trade and other payables		(32,574)	54,019	29,954
Decrease/(increase) in inventories		653	(7,896)	1,223
Tax paid		(9,624)	(4,163)	(8,521)
Net cash generated by operating activities		18,891	119,573	253,055
INVESTING ACTIVITIES				
Purchase of intangible exploration and evaluation assets		(8,988)	(33,912)	(49,797)
Purchase of property, plant and equipment		(76,359)	(75,536)	(186,093)
Purchase of other fixed assets		(7,509)	(511)	(1,110)
(Increase)/decrease in capital inventory stores		(2,690)	(1,033)	1,284
Advance against farm-out of working interests		43,190	-	-
Withdrawal from/(additions to) decommission and retirement benefit obligation fund		1,050	-	(5,141)
Proceeds from disposal of assets classified as held for sale		-	5,000	13,300
Net cash (outflow)/inflow from acquisition of assets/subsidiary	8	(3,857)	-	451
Increase in liquid investments		(50,000)	-	-
Dividend received from Joint Venture		2,000	3,500	3,500
Interest received		575	213	568
Net cash used in investing activities		(102,588)	(102,279)	(223,038)
FINANCING ACTIVITIES				
Proceeds from borrowings		-	15,019	127,054
Repayment of borrowings		-	(25,649)	(48,735)
Purchase of treasury shares		-	-	(1,749)
Finance costs paid		(17,719)	(8,909)	(18,189)
Net cash (used)/generated by financing activities		(17,719)	(19,539)	58,381
Net (decrease)/increase in cash and cash equivalents		(101,416)	(2,245)	88,398
Cash and cash equivalents at beginning of the period		215,992	127,594	127,594
Effect of foreign exchange rate changes on cash and cash equivalents		(1,513)	-	-
Cash and cash equivalents at end of the period	11	113,063	125,349	215,992

1. INCORPORATION AND ACTIVITIES

Kuwait Energy plc ("Company") is a company incorporated on 12 September 2011 in Jersey in accordance with the Commercial Companies Law in the Bailiwick of Jersey.

The Company and its subsidiaries (together referred to as "the Group") have been established with the objective of exploration, production and commercialisation of crude oil and natural gas. The Company's registered address is Queensway House, Hilgrove Street, St Helier, Jersey, JE1 1ES.

The condensed financial statements represent a 'condensed set of financial statements'. Accordingly, they do not include all of the information required for a full annual financial report and are to be read in conjunction with the Group's financial statements for the year ended 31 December 2014, which were prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union (EU). The financial information for the year ended 31 December 2014 in this report does not constitute statutory accounts. This information has been derived from the statutory accounts for the year ended 31 December 2014, a copy of which has been filed with the Jersey Registrar of Companies. The auditor's report on these accounts was unqualified and did not draw attention to any matters by way of emphasis.

2. ACCOUNTING POLICIES

Basis of preparation
The annual financial statements of the Group are prepared in accordance with IFRS as adopted by the European Union. The condensed set of financial statements included in this half-yearly financial report has been prepared in accordance with International Accounting Standard 34 'Interim Financial Reporting', as adopted by the European Union.

Going concern
As at 30 June 2015, the Group was funded principally by a combination of its cash balances, equity, borrowings and convertible loans. The Group has significant levels of planned capital expenditure during the next 12 months, although the majority of this is discretionary. It also continued to focus on collecting the amount owed from its major customer in Egypt, Egyptian General Petroleum Corporation ("EGPC"), and is actively pursuing collection of these balances, as evidenced by the significant amounts collected during 2015 (note 10).

The Group's projections, taking into account reasonably possible changes in trading conditions, indicate that it should have enough cash flows to meet its minimum commitments, including loan repayments, and continue its operations for at least 12 months from the date of approval of these condensed financial statements. Accordingly the Directors have, at the time of approving these condensed financial statements, a reasonable expectation that the Company and the Group have adequate resources to continue in operational existence for the foreseeable future. Thus the Directors continue to adopt the going concern basis of accounting in preparing these condensed set of financial statements.

Changes in accounting policy and disclosures
The accounting policies used in the preparation of these condensed set of financial statements are consistent with those used in the preparation of the annual consolidated financial statement for the year ended 31 December 2014, except for the following new and revised standards that became effective in the EU in 2015:

- IFRS 2 Share-based Payment – Definition of vesting conditions
- IFRS 3 Business Combinations – Accounting for contingent consideration in a business combination
- IFRS 8 Operating Segments – Aggregation of operating segments
- IFRS 8 Operating Segments – Reconciliation of the total reportable segments assets to the entity's assets
- IFRS 13 Fair Value Measurement – Scope of paragraph 52 (portfolio exemption)
- IAS 16 Property, Plant and Equipment and IAS 38 Intangible Assets – Revaluation method – proportionate restatement of accumulated depreciation/amortisation
- Amendments to IAS 19 - Defined Benefit Plans: Employee Contributions
- IAS 24 Related Party Disclosures – Key management personnel
- IAS 40 Investment Property – Interrelationship between IFRS 3 and IAS 40 (ancillary services)
- IFRIC 21 – Levies

2. ACCOUNTING POLICIES (CONTINUED)

In addition, the Group implemented a change in accounting policy for intangible Exploration and Evaluation assets in the 31 December 2014 financial statements. The impact of this change in accounting policy is explained fully in note 2 of the 31 December 2014 Group financial statements which are available on the Group's website. In line with this change in accounting policy, the comparative information for 30 June 2014 has been restated where needed to reflect this change. Note 17 of these interim financial statements describes the financial impact of this restatement.

The adoption of these standards has not had a material impact on the financial statements of the Group.

3. SEGMENTAL INFORMATION

Information reported to the Group's Chief Executive Officer for the purposes of resource allocation and assessment of segment performance is focused on the three geographical regions within which the Group operates. The Group has one class of business, being the exploration, development, production and sale of crude oil and natural gas. The Group's reportable segments under IFRS 8 are therefore Egypt, Yemen and Iraq.

Other operations include discontinued operations, unallocated expenditure and net liabilities of corporate nature. The liabilities comprise the Company's external debt and other non-attributable corporate liabilities. The unallocated capital expenditure for the period comprises the acquisition of non-attributable corporate assets.

There has been no change in the basis of segmentation or in the basis of measurement of segment profit or loss in the period.

The following is an analysis of the Group's revenue and results by reportable segments:

	Egypt	Yemen	Iraq	Others	Total
	USD 000's	USD 000's	USD 000's	USD 000's	USD 000's
30 June 2015(Unaudited)					
Segment revenues	80,235	8,868	-	-	89,103
Segment operating profit / (loss)	16,592	(7,150)	-	(5,545)	3,897
Share of results of Joint Venture					1,731
Fair value loss on convertible loans					(8,730)
Other income					818
Foreign exchange loss					(1,663)
Finance costs					(4,750)
Loss before tax					(8,697)
Taxation charges					(1,168)
Loss for the period from continuing operations					(9,865)
Loss for the period					(9,865)
Segment assets	335,208	100,476	361,157	153,468	950,309
E&E assets	10,737	31,894	-	-	42,631
PP&E	232,667	53,124	325,861	1,996	613,648
Segment liabilities	38,933	21,052	53,311	430,366	543,662
Other information					
Exploration expenditure written off	2,519	-	-	-	2,519
Additions to E&E	7,062	2,099	-	-	9,161
Additions to PP&E	27,656	122	80,659	-	108,437
Depreciation, Depletion and Amortisation	37,091	6,929	-	574	44,594

3. SEGMENTAL INFORMATION (CONTINUED)

	Egypt	Yemen	Iraq	Others	(Restated see note 17) Total
	USD 000's	USD 000's	USD 000's	USD 000's	USD 000's
30 June 2014 (Unaudited)					
Segment revenues	108,888	22,116	-	-	131,004
Segment operating profit / (loss)	69,508	4,135	-	(8,325)	65,318
Share of results of Joint Venture					2,571
Gain on held for trading derivative					(6,712)
Other income					269
Foreign exchange loss					(41)
Finance costs					(3,552)
Profit before tax					57,853
Taxation charges					(5,455)
Profit for the period from continuing operations					52,398
Loss from discontinued operations					(2,600)
Profit for the period					49,798
Segment assets	398,313	148,339	202,932	127,217	876,801
E&E assets	19,455	26,615	39,214	-	85,284
PP&E	199,658	98,408	116,471	3,221	417,758
Segment liabilities	63,392	19,564	69,806	300,769	453,531
Other information					
Additions to E&E	13,691	8,805	11,886	-	34,382
Additions to PP&E	29,025	9,895	59,039	510	98,496
Depreciation, Depletion and Amortisation	21,189	15,111	-	683	36,983

3. SEGMENTAL INFORMATION (CONTINUED)

	Egypt	Yemen	Iraq	Others	Total
	USD 000's	USD 000's	USD 000's	USD 000's	USD 000's
31 December 2014(Audited)					
Segment revenues	213,612	57,147	-	-	270,759
Segment operating profit / (loss)	124,454	(22,086)	-	(25,542)	76,826
Share of results of Joint Venture	-	-	-	1,040	1,040
Fair value loss on convertible loans					(9,931)
Other income					653
Foreign exchange loss					(273)
Finance costs					(12,773)
Profit before tax					55,542
Taxation charges					(8,800)
Profit for the year from continuing operations					46,742
Loss from discontinued operations					(4,039)
Profit for the year					42,703
Segment assets	396,606	114,065	259,712	165,144	935,527
E&E assets	16,694	29,794	-	-	46,488
PP&E	214,841	59,932	245,202	2,562	522,537
Segment liabilities	49,799	22,448	63,103	383,665	519,015
Other information					
Exploration expenditure written off	1,513	-	-	-	1,513
Impairment of oil and gas assets	-	19,247	-	-	19,247
Additions to E&E	15,452	11,984	29,383	-	56,819
Additions to PP&E	66,019	11,080	131,100	1,127	209,326
Depreciation, Depletion and Amortisation	46,627	35,526	-	1,352	83,505

4. TAXATION

	Six months ended 30 June 2015 Unaudited	Six months ended 30 June 2014 Unaudited	Year ended 31 December 2014 Audited
	USD 000's	USD 000's	USD 000's
Tax on profit on ordinary activities			
Current tax:			
UK (Jersey) tax	-	-	-
Foreign tax	1,168	5,455	8,800
Total Corporation tax	1,168	5,455	8,800

5. DISCONTINUED OPERATIONS

During 2014 the Group completed the disposal of its assets in Russia and Ukraine as a part of its strategy to focus on Middle East and North Africa (MENA) region operations. This disposal was accounted for in 2014 and the results of those operations in that period were classified as discontinued in that period.

6. EARNINGS PER SHARE

The calculation of basic earnings per share is based on the loss for the period after taxation attributable to owners of the Company from continuing operation of USD 9,863 thousand (31 December 2014: profit of USD 46,750 thousand, 30 June 2014 restated: profit of USD 52,398 thousand), the loss for the period after taxation attributable to owners of the Company from continuing and discontinued operation of USD 9,863 thousand (31 December 2014: profit of USD 42,711 thousand, 30 June 2014 restated: profit of USD 49,798 thousand) and a weighted average number of shares, net of treasury shares, of 326,137 thousand (31 December 2014: 328,609 thousand, 30 June 2014: 328,494 thousand).

There was no difference between basic and diluted earnings per share for any of the periods shown. The only potential dilutive instruments were the convertible loans. However, the related impact on dilutive earnings per share is not included in the calculation as the number of shares that could be exercised is dependent on certain future events.

7. INTANGIBLE EXPLORATION AND EVALUATION ('E&E') ASSETS

	E&E assets
	USD 000's
As at 1 January 2014	58,178
Additions	56,819
Exploration expenditure written off	(1,513)
Transfer to Property, plant and equipment	(66,996)
As at 31 December 2014	46,488
Additions	9,161
Exploration expenditure written off	(2,519)
Transfer to Property, plant and equipment	(10,499)
As at 30 June 2015	42,631

As at 30 June 2015, exploration costs include USD 31,894 thousand (31 December 2014: USD 29,794 thousand) relating to Block 49 and 82 in Yemen where in 2015, the political and security situation has become unstable. The work of operations on site has been put on hold and force majeure has been declared on both blocks during the period. There has been no incursion at either site and control of assets has been maintained. Management believes that in the longer term the situation will be resolved and that no exploration write-off is required.

During the period ended 30 June 2015, the Company has written off unsuccessful exploration expenditure amounting to USD 2,519 thousand related to Area A field in Egypt (31 December 2014: USD 1,513 thousand related to BEA field in Egypt).

During the period ended 30 June 2015 exploration cost associated with proven commercial reserves amounting USD 10,499 thousand relating to Abu Sennan in Egypt (2014: USD 56,712 thousand relating to Block 9 in Iraq and USD 10,284 thousand to BEA and Abu Sennan in Egypt) were transferred to property, plant and equipment.

8. PROPERTY PLANT AND EQUIPMENT

	Oil and gas assets	Other fixed assets	Total
Cost	USD 000's	USD 000's	USD 000's
As at 1 January 2014 (audited)	585,008	17,309	602,317
Additions	208,196	1,130	209,326
Disposal	-	(15)	(15)
Transfer from Intangible Exploration and Evaluation	66,996	-	66,996
As at 31 December 2014 (audited)	860,200	18,424	878,624
Additions	100,928	7,509	108,437
Acquisition of asset	16,769	-	16,769
Disposal	(24,874)	-	(24,874)
Transfer from Intangible Exploration and Evaluation	10,499	-	10,499
As at 30 June 2015 (unaudited)	963,522	25,933	989,455
Accumulated Depreciation, depletion, amortisation and impairment			
As at 1 January 2014 (audited)	246,664	6,686	253,350
Charge for the period	81,853	1,652	83,505
Impairment	19,247	-	19,247
Disposal	-	(15)	(15)
As at 31 December 2014 (audited)	347,764	8,323	356,087
Charge for the period	43,920	674	44,594
Disposal	(24,874)	-	(24,874)
As at 30 June 2015 (unaudited)	366,810	8,997	375,807
Carrying amount			
As at 30 June 2015 (unaudited)	596,712	16,936	613,648
As at 31 December 2014 (audited)	512,436	10,101	522,537

8. PROPERTY PLANT AND EQUIPMENT (CONTINUED)

Acquisition of asset

The Group completed the acquisition of an additional 25% working interest effective 15 January 2015 in the Burg El Arab (BEA) field in Egypt from Gharib Oil Fields (‘Gharib’) for a purchase consideration of USD 21,361 thousand. The purchase was accounted for as an asset acquisition rather than a business combination. The net cash outflow arising on the acquisition was USD 3,984 thousand, which excludes USD 127 thousand cash acquired. The remaining consideration was settled with receivables due from Gharib. Property, plant and equipment (PP&E) assets with a gross cost of USD 22,204 thousand were acquired, however the net PP&E additions from the transaction were USD 16,769 thousand as USD 5,435 thousand had been capitalised in prior periods under the terms of a carry arrangement with Gharib.

Disposal

The Board approved an exit from Yemen Block 43 effective 30 June 2015. As at 30 June 2015, the carrying value of Yemen Block 43 was nil (31 December 2014: nil) and following the disposal the associated costs and accumulated depreciation have been removed with no income statement impact.

Impairment considerations

Primarily due to the fall in prevailing oil prices, the Group carried out a review of the recoverable amount of its assets in accordance with according to IAS 36 *Impairment of assets*. Based on the review, the Group believes no impairment is required at 30 June 2015. Several key assumptions and judgements were required in performing the impairment review, including estimates of oil and gas reserves, estimates of future oil prices and applicable discount rates in addition to other asset specific factors, each of which are discussed separately below.

Oil and gas reserves estimates

Where the value in use of an asset has been estimated using a discounted cash flow model, the Group has used the proven and probable (2P) net entitlement reserves externally certified by Gaffney, Cline & Associates (GCA) for the 2014 year end, adjusted for production in the period. Since GCA’s last certification exercise, drilling at the Abu Sennan block in Egypt in the ASA and Al Jahraa structures has led to updated structure maps, static and dynamic models. The Group believes that the updated maps and models are significant and management’s best estimate of the associated 2P reserves has been included in the reserves base for the impairment test on this asset. The updated maps and models will be subject to GCA certification at the 2015 year end.

Oil price assumptions

The Group have assumed a Brent oil price of USD 62/bbl in 2015, USD 75/bbl in 2016, USD 78/bbl in 2017, and USD 83/bbl in 2018 inflated at 2% per annum thereafter. The oil price assumptions are the Group’s best estimate based on conditions prevailing at the balance sheet date and take into consideration the views of a reputed third party broker.

Discount rate assumptions

IAS 36 requires that when using discounted cash flows to estimate the value in use of an asset, the discount rate used should reflect the current market assessment of the time value of money and the risks specific to the assets that are not factored into the cash flows. The post-tax discount rate applied by management is derived from the Group’s post-tax weighted average cost of capital (WACC) and is adjusted, where applicable, to take into account any specific risks relating to the country where the asset is located. The calculation and adjustment of WACC is a highly subjective area where significant management judgements are required. The Group has determined that a post-tax discount rate of 10% (2014: 10%) is most appropriate to apply to all assets. Recognising the subjectivity of such judgements, the group has performed a sensitivity analysis that shows that if higher post-tax discount rates of 12%, 15% and 15% were used in Iraq, Egypt and Yemen respectively and all other assumptions remained the same, the Siba field in Iraq would be impaired by approximately USD 18,100 thousand, the BEA field would be impaired by approximately USD 5,800 thousand and Block 5 in Yemen would be impaired by approximately USD 4,600 thousand.

8. PROPERTY PLANT AND EQUIPMENT (CONTINUED)

Yemen – Block 5

The Block 5 Production Sharing Agreement (PSA) expired on 8 June 2015 however as a result of lost production days, mainly due to disruptions to the main oil export pipeline in Yemen, the Group has filed a number of notices of force majeure to the Yemeni Government, represented by YICOM. YICOM has granted a license extension of 400 days to settle force majeure claims prior to 19 March 2015. Post 19 March 2015, production was shut in from 6 April 2015 due to tankers being unable to enter the port and export the oil due to the political and security situation. In addition to the agreed 400 days the Group filed for additional days of force majeure suffered from 19 March 2015 to commence after the date of resuming production. The Yemeni Government has neither refused nor agreed to the Group's additional force majeure days as of the date of approval of these condensed consolidated financial statements.

The Group has prepared an impairment test that assumes production commences on 1 January 2016, that the Group will be compensated for 670 days of lost production for the period of shut in post 19 March to 31 December 2015, and that the PSA will expire on 1 November 2017. The 670 days of lost production includes 400 days of force majeure agreed by YICOM, 72 days additional force majeure claimed to 8 June 2015 and 198 days of compensating production to the assumed startup date of 1 January 2016.

If the Group is unable to obtain the additional days of lost production accumulated post 8 June 2015 from the Yemeni government, the Group will lose up to 198 days of anticipated production from Block 5 which would trigger an impairment charge of up to USD 11,800 thousand. No such impairment charge has been recorded as the Group believes additional force majeure days will be granted by the Yemeni Government. Non-Yemeni employees have been withdrawn for their safety and security and the Sana'a office is currently closed, however the Block 5 field facility remains available for the use of the Group and essential Yemeni employees remain on site.

Iraq - Mansuriya

At 30 June 2015 the Group held property, plant and equipment with a carrying value of USD 27,851 thousand in relation to the Mansuriya field located in North East Iraq where in 2014, the political and security situation became unstable. On-site operations at the Mansuriya field have been put on hold, however, management believes that in the longer term the situation will be resolved and that no impairment is required.

9. INVESTMENT IN JOINT VENTURE

	30 June 2015 Audited	31 December 2014 Audited
	USD 000's	USD 000's
As at 1 January	8,138	10,598
Share of profit of Medco	1,731	1,040
Dividend received from Medco	(2,000)	(3,500)
As at 30 June/ 31 December	7,869	8,138

The Investment in Joint Venture represents a 20% equity interest in Medco L.L.C. ("Medco"), a jointly controlled entity incorporated in Oman, engaged as operator for Karim Small fields ("KSF") in Oman and are entitled to a 75% working interest in production. On 28 April 2015, Medco signed a new 25 year service contract for KSF, commencing on 1st June 2015. The Group has provided a bank guarantee of USD 7.5 million to perform obligations under the new service contract (see note 11).

10. TRADE AND OTHER RECEIVABLES

	30 June 2015 Unaudited	31 December 2014 Audited
	USD 000's	USD 000's
Trade receivables	43,068	73,604
Advances to joint ventures partners	33,656	31,081
Other receivables	4,529	3,634
Prepayments, deposits and advances	11,465	7,270
Amount due from a related party	2,600	-
	95,318	115,589

The average credit period on sales is 60 days. No interest is charged on the overdue trade receivables.

Included in the Group's trade receivables balance are debtors arising in Egypt which are past due at the reporting date for which the Group has not made any provision as there has not been a significant change in credit quality and the amounts are still considered recoverable. As at 31 December 2014 the majority of the overdue trade receivables were debtors arising in Egypt which have subsequently been collected.

Ageing of past due but not impaired	30 June 2015 Unaudited	31 December 2014 Audited
	USD 000's	USD 000's
61 – 90 days	1,001	13,159
91 – 120 days	-	-
121 – 180 days	-	14,144
> 180 days	-	12,100
Total	1,001	39,403

Amount due from a related party represents the amount lent to the Deputy Chief Executive Officer (Dy. CEO) of the Group so that he could meet his obligations under a historic agreement with a third party on behalf of the Group and purchase 806,451 shares of the Company held by that third party, until such time as the Dy. CEO is able to sell those shares and repay the loan to the Company. During the period the Dy. CEO has purchased a number of shares on behalf of the Company, and subject to shareholder approval, the Company anticipates that it will purchase them from the Dy. CEO and hold them as treasury shares.

During the period receivables from Gharib amounting to USD 11,941 thousand settled against payable purchase consideration for additional 25% working interest in BEA field in Egypt (see note 8).

In determining the recoverability of a trade receivable, the Group considers any change in the credit quality of the trade receivable from the date credit was initially granted up to the reporting date. Management believes that there is no credit provision required as all the trade receivables are fully collectible. The maximum exposure to credit risk at the reporting date is the carrying amount of each class of receivable mentioned above. The directors consider that the carrying amount of trade and other receivables is approximately equal to their fair value.

11. CASH AND CASH EQUIVALENTS

	30 June 2015 Unaudited	31 December 2014 Audited
	USD 000's	USD 000's
Cash and bank balances	163,063	215,992
Less:		
Liquid investments (bank deposits with an original maturity of over 3 months)	(50,000)	-
	113,063	215,992

Bank balances amounting to USD 7,500 thousand (31 December 2014: USD 500 thousand) are restricted against issue of letters of guarantee for the life of the guarantee, which shall remain valid for the exploration period plus six months.

12. BORROWINGS

During 2014, the Group issued USD 250 million aggregate principal amount of 9.5% Senior guaranteed notes due 2019 (the "Notes"). Interest on the Notes is paid semi-annually in arrears on 4 February and 4 August, commencing on 4 February 2015. The Notes have been admitted by the Irish Stock Exchange for listing and trading on the Global Exchange Market. The proceeds received from the Notes were net of amounts used to repay the outstanding balances under the Reserve Based Facilities and the Arab Bank Facility. The remaining proceeds, after fees, are being used to fund capital expenditure of the Group, particularly in respect of the Group's assets in Iraq and for general corporate purposes.

The Notes are callable in whole, or, in part, at the option of the Group prior to maturity (subject to certain conditions being satisfied).

Movement in carrying value of the Notes:

	30 June 2015 Unaudited	31 December 2014 Audited
	USD 000's	USD 000's
Par value payable on maturity	250,000	250,000
Unamortised initial transaction fees	(7,543)	(7,541)
Non-current portion of the Notes	**242,457**	**242,459**
Interest accrued and payable within 12 months (included in trade and other payables)	9,698	9,896
Carrying value as at end of period	252,155	252,355

13. CONVERTIBLE LOANS

	30 June 2015 Unaudited	31 December 2014 Audited
	USD 000's	USD 000's
Non-current portion	121,229	111,740
Current portion	1,740	6,089
	122,969	117,829
Movement in convertible loan		
As at 1 January	117,829	112,551
Change in fair value	9,794	13,747
Payment of coupon interest	(4,654)	(8,469)
As at end of the period	122,969	117,829

The change in fair value since the prior period arises as a result of changes in the forecasted cash flows, likelihood and timing of an equity offering. Of this amount during the period ended 30 June 2015 USD 1,064 thousand (31 December 2014: USD 3,816 thousand) has been capitalised to qualifying assets in the period, resulting in a net charge to the income statement of USD 8,730 thousand (31 December 2014: USD 9,931 thousand).

The convertible loans are classified as Level 3 in the fair value hierarchy in all the periods presented. Level 3 fair value measurements are those derived from inputs that are not based on observable market data (unobservable inputs). The group uses a discounted cash flow technique to determine the fair value of the loans. The significant inputs considered in the valuation are likelihood and timing of an equity offering and the discount rate. The discount rate used was in the range of 15-16%. Changing the likelihood and timing assumptions in the fair value measurement could have a maximum impact of increasing the liability by USD 12,045 thousand or reducing the liability by USD 18,605 thousand.

14. TRADE AND OTHER PAYABLES

	30 June 2015 Unaudited	31 December 2014 Audited
	USD 000's	USD 000's
Trade Payables	96,497	86,911
Advance against farm-out of working interest	43,190	-
Accruals and joint venture partners payables	10,981	31,150
Accrued interest payable	9,793	10,388
Salaries and bonus payables	1,070	5,204
	161,531	133,653

During the period ended 30 June 2015, USD 43,190 thousand was received from Egyptian General Petroleum Corporation ("EGPC") as per a farm-out agreement to assign to EGPC a 10% working interest share in the Block 9 exploration, development and production service contract in Iraq, which has been accounted for as an advance against farm-out of working interest (note 19).

15. CONTINGENT LIABILITIES AND CAPITAL COMMITMENTS

As at 30 June 2015, the Group's contingent liabilities relating to a letter of guarantee were USD 7,500 Thousand (31 December 2014: USD 500 thousand) and capital commitments, other than covered by letters of guarantee, were USD 57,271 thousand (31 December 2014: USD 58,531 thousand). Capital commitments include committed exploration drilling and seismic expenditures as specified in the licences.

16. FAIR VALUE OF FINANCIAL INSTRUMENTS

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Financial instruments comprise of financial assets and financial liabilities.

The Group uses the following hierarchy for determining and disclosing the fair value of financial instruments by valuation technique:

Level 1: quoted (unadjusted) prices in active markets for identical assets or liabilities;

Level 2: inputs other than quoted prices that are observable for assets or liabilities either directly (as prices) or indirectly (derived from prices); and

Level 3: inputs for assets or liabilities that are not based on observable market data.

Fair value measurement hierarchy for financial assets and financial liabilities that are carried at fair value is as follows:

30 June 2015	Level 1 USD 000's	Level 2 USD 000's	Level 3 USD 000's	Total USD 000's
Financial liabilities measured at fair value				
Financial liabilities at fair value through profit and loss account (FVTPL):				
- Convertible loans	-	-	122,969	122,969
31 December 2014				
Financial assets measured at fair value				
Financial liabilities at fair value through profit and loss account (FVTPL):				
- Convertible loans	-	-	117,829	117,829

There were no transfers between Level 1, Level 2 and Level 3 fair value measurements during the period.

The following table shows a reconciliation of all movements in the fair value of financial instruments categorised within Level 3 between the beginning and the end of the reporting period.

	2015		2014	
	Asset classified as held for sale (net) USD 000's	Convertible loans USD 000's	Asset classified as held for sale (net) USD 000's	Convertible loans USD 000's
Asset/(liability) at 1 January	-	(117,829)	15,000	(112,551)
Additions/repayment	-	4,654	2,339	8,469
Losses arising in the period/change in fair value	-	(9,794)	(4,039)	(13,747)
Proceeds from disposal	-	-	(13,300)	-
Asset/(liability) at 30 June/ 31 December	-	(122,969)	-	(117,829)
Total losses for the period included in profit or loss for assets held at the end of the reporting period	-	8,730*	4,039	9,931*

*Net of amounts capitalised within finance costs of USD 1,064 thousand (31 December 2014: USD 3,816 thousand) (see note 13).

17. RETROSPECTIVE RESTATEMENT

As described in note 2 of the financial statements for the year ended 31 December 2014, the Group voluntarily changed their accounting policy for the intangible exploration and evaluation assets from "modified full cost method" to the "successful efforts method". The impact of this change in accounting policy on the annual financial statements is explained fully in note 2 of the 31 December 2014 Group financial statements which are available on the Group's website. The impact of this change in accounting policy to the results for the 6 months ended 30 June 2014 has resulted in an increase in profit by USD 1,501 thousand and EPS by 0.5 cents for the corresponding reported period due to a decrease in the 'depletion and amortisation of oil and gas assets' by USD 1,501 thousand. The decrease in the 'depletion and amortisation of oil and gas assets' charge relates to the fact that these assets, which were previously being depleted in 2014, were retrospectively written off in a previous period as a result of the adoption of the successful efforts method, resulting in a reduction of the depletion and amortisation charge in 2014.

18. OTHER INFORMATION

a) Annual General Meeting

The Annual General Meeting of the Parent Company for approval of the annual audited consolidated financial statements of the Group for the year ended 31 December 2014 to be held on 1 December 2015.

b) Treasury shares

In 2015, the Company purchased 31.75 million KE plc shares at a price of Kuwaiti Dinar 0.620 per share from its subsidiary Kuwait Energy Company K.S.C. (Closed) ("KEC") at a book value of USD 72.0 million which are now being directly held as treasury shares. Treasury shares have been included under 'other reserves' in equity. There was no impact in the consolidated equity, as in the consolidated financial statements of 2014, these shares were already classified under treasury shares on the acquisition of KEC.

19. SUBSEQUENT EVENTS

On 30 September 2015, the Group completed the assignment of 10% participating interest in Block 9 exploration, development and production service contract in Iraq to EGPC, with an effective date of 1 July 2013. The Deed of Assignment signed by all relevant parties (EGPC, KE, Dragon Oil and SOC). The Group now has a 60% share in Block 9.