KUWAIT ENERGY plc GROUP

CONSOLIDATED FINANCIAL STATEMENTS AND INDEPENDENT AUDITOR'S REPORT FOR THE SIX MONTHS ENDED 30 JUNE 2014

CONTENTS

INDEX	**Page**
Statement of directors' responsibilities	3
Independent auditor's report	4
Consolidated income statement	5
Consolidated statement of comprehensive income	6
Consolidated balance sheet	7
Consolidated statement of changes in equity	8-9
Consolidated statement of cash flows	10-11
Notes to the consolidated financial statements	12-65

STATEMENT OF DIRECTORS' RESPONSIBILITIES

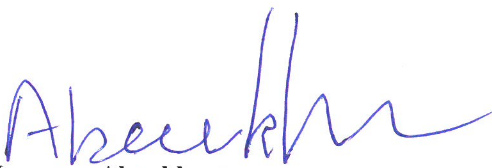
The Directors are responsible for preparing and approving the non-statutory financial statements for the six months ended 30 June 2014 in accordance with applicable law and regulations.

The Directors have elected to prepare the non-statutory financial statements in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union. The Directors have elected to not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Group and of its profit or loss for that period. In preparing these financial statements, International Accounting Standard 1 requires that Directors:

- properly select and apply accounting policies
- present information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information
- provide additional disclosures when compliance with the specific requirements in IFRS are insufficient to enable users to understand the impact of particular transactions, other events and conditions on the entity's financial position and financial performance and
- make an assessment of the Group's ability to continue as a going concern.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Group's transactions and disclose with reasonable accuracy at any time the financial position of the Group and enable them to ensure that the financial statements comply with IFRS as adopted by the European Union. They are also responsible for the system of internal control, for safeguarding the assets of the Group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

For and on behalf of the board



Manssour Aboukhamseen
Chairman and Managing Director

12 November 2014

INDEPENDENT AUDITOR'S REPORT TO THE DIRECTORS OF KUWAIT ENERGY plc

We have audited the group financial statements of Kuwait Energy plc for the period ended 30 June 2014 which comprise the Consolidated Income Statement, Consolidated Statement of Comprehensive Income, Consolidated Balance Sheet, Consolidated Cash Flow Statement, Consolidated Statement of Changes in Equity and the related notes 1 to 35. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union.

This report is made solely to the company's directors in accordance with our engagement letter dated 31 October 2014 for the purpose of showing the results of management's stewardship of the resources entrusted to it. Our audit work has been undertaken so that we might state to the company's directors those matters we are required to state to them in an auditor's 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 audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditor

As explained more fully in the directors' responsibilities statement, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the group's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the directors; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the annual report to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect, based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the group's affairs as at 30 June 2014 and of the group's profit for the period then ended; and
- have been properly prepared in accordance with IFRSs as adopted by the European Union.

Deloitte LLP
Chartered Accountants
London, UK

12 November 2014

KUWAIT ENERGY plc

Kuwait Energy

CONSOLIDATED INCOME STATEMENT
For the six months ended 30 June 2014

		For the six months period ended 30 June		For the year ended 31 December		
		2014	2013	2013	2012	2011
		Audited	Unaudited (Restated) (1)	Audited (Restated) (1)	Audited (Restated) (1)	Audited (Restated) (1)
	Notes	USD 000's	USD 000's	USD 000's	USD 000's	USD 000's
Continuing Operations						
Revenue	6	131,004	117,102	262,494	182,976	138,518
Cost of sales	8	(55,304)	(64,632)	(132,226)	(75,816)	(52,989)
Gross profit		75,700	52,470	130,268	107,160	85,529
Exploration expenditure written off	16	-	(43,852)	(73,255)	(14,304)	(18,053)
Net impairment losses	9	-	(815)	(1,801)	-	-
General and administrative expenses		(11,883)	(13,938)	(26,261)	(20,791)	(17,903)
Operating profit/(loss)		63,817	(6,135)	28,951	72,065	49,573
Share in results of joint venture	18	2,571	728	1,543	3,052	1,119
Gain/(loss) on held for trading derivative	28	-	158	322	266	(75)
Fair value loss on convertible loans	25	(6,712)	(5,799)	(12,071)	(4,528)	-
Other income	10	269	412	599	223	384
Foreign exchange (loss)/gain		(41)	(3,637)	(3,762)	320	683
Finance costs (net)	11	(3,552)	(4,728)	(10,068)	(1,157)	(7,508)
Profit/(loss) before tax		56,352	(19,001)	5,514	70,241	44,176
Taxation charge	12	(5,455)	(3,858)	(8,097)	(8,272)	(8,731)
Profit/(loss) for the period/year from continuing operations		50,897	(22,859)	(2,583)	61,969	35,445
Discontinued operations						
Loss for the period/year from discontinued operations	13	(2,600)	(27,681)	(278,787)	(24,401)	(16,960)
Profit /(loss) for the period/year		48,297	(50,540)	(281,370)	37,568	18,485
Earnings/(loss) per share from continuing operations						
- Basic (cents)	14	15.5	(7.1)	(0.8)	19.4	11.3
- Diluted (cents)	14	15.5	(7.1)	(0.8)	19.4	11.3
Earnings/(loss) per share from continuing and discontinued operations						
- Basic (cents)	14	14.7	(15.6)	(86.6)	11.8	5.9
- Diluted (cents)	14	14.7	(15.6)	(86.6)	11.8	5.9

(1) Restated to show the investment and results from the Group's joint venture in Oman using the equity method following adoption of IFRS 11 on 1 January 2014 and to reflect the Group changing its accounting policy for oil and gas exploration and evaluation expenditure from the "modified full cost method" to the "successful efforts" method. Further details are provided in note 2. Equivalent restatements have also been made to the consolidated balance sheet, consolidated cash flow statement and related supporting notes.

KUWAIT ENERGY plc

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
For the six months ended 30 June 2014

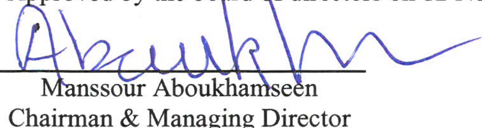
		For the six months period ended 30 June		For the year ended 31 December		
		2014 Audited	2013 Unaudited (Restated)	2013 Audited (Restated)	2012 Audited (Restated)	2011 Audited (Restated)
	Note	USD 000's	USD 000's	USD 000's	USD 000's	USD 000's
Profit /(loss) for the period/year		48,297	(50,540)	(281,370)	37,568	18,485
Items that will not be reclassified subsequently to profit or loss						
Re-measurement of retirement benefit obligation	26	101	-	137	-	-
Share of other comprehensive income from joint venture		-	-	-	-	-
Items that may be reclassified subsequently to profit and loss						
Exchange differences on translation of foreign operations		-	(1,100)	(1,100)	8	(142)
Cash flow hedge – net change in fair value	23	-	-	-	-	3,662
Recycling of exchange differences on classification as held for sale		-	-	9,866	-	-
Other comprehensive (loss)/income for the period/year		101	(1,100)	8,903	8	3520
Total comprehensive income/(loss) for the period/year		48,398	(51,640)	(272,467)	37,576	22,005

KUWAIT ENERGY plc

CONSOLIDATED BALANCE SHEET
As at 30 June 2014

	Notes	As at 30 June 2014 Audited USD 000's	As at 30 June 2013 Unaudited (Restated) USD 000's	As at 31 December 2013 Audited (Restated) USD 000's	As at 31 December 2012 Audited (Restated) USD 000's	As at 31 December 2011 Audited (Restated) USD 000's
ASSETS						
Non-current assets						
Intangible exploration and evaluation assets	16	175,757	149,036	141,375	154,324	131,181
Property, plant and equipment	17	403,824	578,464	343,812	464,022	472,417
Advance for acquisition of subsidiary	15	-	-	-	30,000	-
Investment in joint venture	18	9,669	9,783	10,598	9,055	11,003
Other non-current assets	24	5,461	6,883	6,455	7,647	-
Deferred tax asset	12	-	9,733	-	8,404	8,970
		594,711	753,899	502,240	673,452	623,571
Current assets						
Inventories	19	33,077	25,108	24,149	19,865	16,240
Trade and other receivables	20	184,089	200,004	163,853	213,836	169,953
Cash and bank balances	21	125,349	29,049	127,594	46,766	38,762
Assets classified as held for sale	13	16,114	-	51,274	-	-
		358,629	254,161	366,870	280,467	224,955
Total assets		953,340	1,008,060	869,110	953,919	848,526
EQUITY AND LIABILITIES						
Equity						
Share capital	22	510,201	507,781	507,832	500,857	492,373
Share premium		190,099	189,291	189,309	188,526	181,737
Merger reserve	22	(36,140)	(36,140)	(36,140)	(36,140)	(36,140)
Other reserves	23	101	(9,866)	-	(8,766)	5,757
Retained (deficit)/earnings		(164,452)	17,944	(212,749)	73,465	58,960
Total equity		499,809	669,010	448,252	717,942	702,687
Non-current liabilities						
Long-term loans	24	114,608	-	88,867	60,000	45,000
Convertible loans	25	114,400	101,786	105,807	83,213	-
Long-term provisions	26	15,473	4,170	6,256	3,471	2,694
Deferred tax liability	12	-	20,663	-	24,053	31,379
		244,481	126,619	200,930	170,737	79,073
Current liabilities						
Trade and other payables	27	148,846	71,408	92,001	52,228	49,218
Current tax payable		10,390	8,940	9,098	8,497	8,798
Derivative financial instruments	28	-	327	162	484	750
Current portion of long-term loans	24	39,278	125,000	75,649	-	8,000
Current portion of convertible loans	25	2,722	6,756	6,744	4,031	-
Liabilities directly associated with assets classified as held for sale	13	7,814	-	36,274	-	-
		209,050	212,431	219,928	65,240	66,766
Total liabilities		453,531	339,050	420,858	235,977	145,839
Total equity and liabilities		953,340	1,008,060	869,110	953,919	848,526

Approved by the board of directors on 12 November 2014 and signed on its behalf by:



Manssour Aboukhamseen
Chairman & Managing Director

KUWAIT ENERGY plc

Kuwait Energy

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2014

	Share capital	Share premium	Merger reserve	Other reserves	Retained earnings/ (deficit)	Total (Restated)
	USD 000's	USD 000's	USD 000's	USD 000's	USD 000's	USD 000's
Balance at 1 January 2011 (Audited)	438,648	157,163	(32,196)	(11,201)	63,561	615,975
Profit for the year	-	-	-	-	18,485	18,485
Other comprehensive income for the year	-	-	-	3,520	-	3,520
Total comprehensive income for the year	-	-	-	3,520	18,485	22,005
Issue of share capital	53,330	27,178	(3,915)	-	-	76,593
Share issue costs	-	(2,897)	-	-	-	(2,897)
Recognition of share-based payments (note 29)	-	-	-	1,229	-	1,229
Issue of shares under employee incentive scheme	356	293	(26)	(623)	-	-
Issue of shares – Joining bonus	39	-	(3)	-	-	36
Dividend	-	-	-	-	(23,086)	(23,086)
Shares to be issued for business combination	-	-	-	12,832	-	12,832
Balance at 31 December 2011 (Audited)	492,373	181,737	(36,140)	5,757	58,960	702,687
Profit for the year	-	-	-	-	37,568	37,568
Other comprehensive income for the year	-	-	-	8	-	8
Total comprehensive income for the year	-	-	-	8	37,568	37,576
Issue of shares for business combination	7,174	5,658	-	(12,832)	-	-
Recognition of share-based payments (note 29)	-	-	-	742	-	742
Issue of shares under employee incentive scheme	1,310	1,131	-	(2,441)	-	-
Dividend	-	-	-	-	(23,063)	(23,063)
Balance at 31 December 2012 (Audited)	500,857	188,526	(36,140)	(8,766)	73,465	717,942
Loss for the year	-	-	-	-	(281,370)	(281,370)
Other comprehensive income for the year	-	-	-	8,766	137	8,903
Total comprehensive income/(loss) for the year	-	-	-	8,766	(281,233)	(272,467)
Shares issued to IFC (note 22)	4,981	-	-	-	(4,981)	-
Issue of shares under employee incentive scheme (note 22)	1,994	783	-	-	-	2,777
Balance at 31 December 2013 (Audited)	507,832	189,309	(36,140)	-	(212,749)	448,252

KUWAIT ENERGY plc

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2014

	Share capital	Share premium	Merger reserve	Other reserve	Retained earnings	Total (Restated)
	USD 000's	USD 000's	USD 000's	USD 000's	USD 000's	USD 000's
Balance at 1 January 2013 (Audited)	500,857	188,526	(36,140)	(8,766)	73,465	717,942
Loss for the period	-	-	-	-	(50,540)	(50,540)
Other comprehensive loss for the period	-	-	-	(1,100)	-	(1,100)
Total comprehensive loss for the period	-	-	-	(1,100)	(50,540)	(51,640)
Shares issued to IFC (note 22)	4,981	-	-	-	(4,981)	-
Issue of shares under employee incentive scheme (note 22)	1,943	765	-	-	-	2,708
Balance at 30 June 2013 (Unaudited)	507,781	189,291	(36,140)	(9,866)	17,944	669,010

	Share capital	Share premium	Merger reserve	Other reserve	Retained deficit	Total
	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	(36,140)	-	(212,749)	448,252
Profit for the period	-	-	-	-	48,297	48,297
Other comprehensive income for the period	-	-	-	101	-	101
Total comprehensive income for the period	-	-	-	101	48,297	48,398
Issue of shares under employee incentive scheme (note 22)	2,369	790	-	-	-	3,159
Balance at 30 June 2014 (Audited)	510,201	190,099	(36,140)	101	(164,452)	499,809

KUWAIT ENERGY plc

CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 June 2014

	For the six months period ended 30 June		For the year ended 31 December		
	2014 Audited	2013 Unaudited (Restated)	2013 Audited (Restated)	2012 Audited (Restated)	2011 Audited (Restated)
	USD 000's	USD 000's	USD 000's	USD 000's	USD 000's
OPERATING ACTIVITIES					
Profit/(loss) for the year/ period	48,297	(50,540)	(281,370)	37,568	18,485
Adjustments for:					
Share of results of joint venture	(2,571)	(728)	(1,543)	(3,052)	(1,119)
Depreciation, depletion and amortisation	38,484	41,891	79,963	45,355	27,566
Exploration expenditure written off	-	43,852	73,255	14,304	18,053
Net impairment losses	-	815	1,801	-	-
Exploration expenditure written off on discontinued operations	-	11,121	18,622	-	-
Impairment charge on discontinued operations	1,700	16,157	236,940	26,032	8,520
Other non-cash items included in discontinued operations	-	(2,285)	32,048	(3,889)	5,590
Tax charges	5,455	3,858	8,097	8,272	8,731
(Gain)/loss on held for trading derivative	-	(158)	(322)	(266)	75
Fair value loss on convertible loans	6,712	5,799	12,071	4,528	-
Loss on sale of other assets	-	-	-	295	1
Loss on disposal of oil & gas assets	-	-	-	120	55
Net finance costs	3,339	4,344	9,541	1,019	7,552
Share-based compensation expense	-	-	-	742	1,230
Provision for retirement benefit obligation	297	349	826	364	413
Operating cash flow before movement in working capital	101,713	74,475	189,929	131,392	95,152
(Increase)/decrease in trade and other receivables	(24,100)	11,985	36,400	(38,569)	(86,134)
Increase/(decrease) in trade and other payables	54,019	15,360	17,905	5,007	2,439
(Increase)/decrease in inventories	(7,896)	(760)	3,024	(372)	-
Tax paid	(4,163)	(3,415)	(7,496)	(8,573)	(499)
Net cash generated by operating activities	119,573	97,645	239,762	88,885	10,958
INVESTING ACTIVITIES					
Purchase of intangible exploration and evaluation assets	(33,912)	(46,888)	(78,358)	(35,248)	(31,677)
Purchase of property, plant and equipment	(75,536)	(42,222)	(83,712)	(62,301)	(52,448)
Purchase of other fixed assets	(511)	(789)	(2,869)	(3,254)	(2,893)
(Increase)/decrease in capital inventory stores	(1,033)	4,092	790	(3,252)	1,435
Proceeds from farm out of working interests	-	-	-	-	19,464
Proceeds from disposal of other assets	-	-	-	8	9

KUWAIT ENERGY plc

Kuwait Energy

CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 June 2014

	Notes	For the six months period ended 30 June		For the year ended 31 December		
		2014 Audited	2013 Unaudited (Restated)	2013 Audited (Restated)	2012 Audited (Restated)	2011 Audited (Restated)
		USD 000's	USD 000's	USD 000's	USD 000's	USD 000's
INVESTING ACTIVITIES (continued)						
Proceeds from disposal of assets classified as held for sale		5,000	-	-		-
Acquisition of subsidiary, net of cash acquired	15	-	(102,765)	(102,414)	(30,000)	-
Prepayment for capital expenditure		-	-	-	(5,000)	-
Dividend received from joint venture	18	3,500	-	-	5,000	-
Interest received		213	385	527	138	197
Net cash used in investing activities		(102,279)	(188,187)	(266,036)	(133,909)	(65,913)
FINANCING ACTIVITIES						
Proceeds from issue of share capital		-	-	-	-	73,696
Proceeds from short term loans		-	40,000	40,000	-	-
Repayment of short term loans		-	(25,000)	(40,000)	-	-
Proceeds from long term loans		15,019	50,000	110,000	57,353	-
Repayment of long term loans		(25,649)	-	(5,484)	(58,000)	-
Proceeds from Convertible loan		-	17,000	17,000	83,000	-
Dividend paid		-	-	(6)	(23,279)	(22,799)
Finance costs paid		(8,909)	(9,175)	(14,408)	(6,053)	(12,782)
Net cash (used)/generated by financing activities		(19,539)	72,825	107,102	53,021	38,115
Effect of foreign currency translation					7	(142)
Net (decrease)/ increase in cash and bank balances		(2,245)	(17,717)	80,828	8,004	(16,982)
Cash and bank balances at beginning of the period/year		127,594	46,766	46,766	38,762	55,744
Cash and bank balances at end of the period/year	21	125,349	29,049	127,594	46,766	38,762

1. INCORPORATION AND ACTIVITIES

Kuwait Energy plc ("the Company") is a company incorporated on 12 September 2011 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.

GENERAL INFORMATION AND RESTRUCTURING

The Company is incorporated in Jersey, and is the ultimate parent company of the Kuwait Energy Group and owner of all the assets and liabilities previously held by Kuwait Energy Company K.S.C.C. (KEC), a Kuwaiti company, following a restructuring of the ownership interests in KEC in December 2011 (the "Restructuring"). During 2011, all of KEC's material assets and subsidiaries were transferred to the Company (which was a wholly-owned subsidiary of KEC at that time) in consideration for the issue to KEC of 317,500,000 new ordinary shares of £1 in the Company. The share capital of KEC was subsequently reduced to 2.5% of the existing share capital and 90% of the shares in the Company (being 285,750,000 ordinary shares) were transferred to KEC's shareholders on a pro-rata basis, with the remaining 10% being held by KEC.

After the Restructuring, each KEC shareholder held 25 KEC shares and 225 shares in the Company for every 1,000 KEC shares held immediately prior to the Restructuring. Consolidated financial information for period the prior to the Restructuring date represents in-substance, continuation of the existing Group, headed by the Company. For accounting purposes it represents a reorganisation of entities under common control. As such, this business combination was outside the scope of IFRS 3 "Business Combinations" and for the period prior to the Restructuring the results have therefore been prepared using the principles of merger accounting. Under this method:

- the consolidated assets and liabilities of the previous ultimate parent, KEC, were recognised and measured at the pre-restructuring carrying amounts, without restatement to fair value;
- the results for the period prior to the date of the Restructuring are those of KEC; and
- the difference between the historical carrying amounts of net assets transferred and consideration received has been recognised as a merger reserve.

In July 2014, a further restructuring of the Group has been undertaken to bring KEC into the Group (see note 35).

2. ADOPTION OF NEW AND REVISED STANDARDS

Standards affecting the financial statements

In the current period, the Group has adopted the following new and revised standards and Interpretations. The impact of the application of these standards is set out below:

IFRS 11 Joint Arrangements

IFRS 11 replaces IAS 31 Interest in Joint Ventures and SIC-13 Jointly-controlled Entities- Non-monetary contributions by Ventures. IFRS 11 removes the option to account for jointly controlled entities (JCEs) using proportionate consolidation. Instead, JCEs that meet the definition of a joint venture under IFRS 11 must be accounted for using the equity method.

The Group owns a 20% equity interest in Medco L.L.C. ("Medco"), a jointly controlled entity incorporated in Oman, engaged as operator for Karim Small fields in Oman. Under IAS 31 Investment in Joint Ventures (prior to transition to IFRS 11), the Group's interest in Medco was classified as a joint controlled entity and the Group's share of the assets, liabilities, revenue, income and expense were proportionately consolidated in the consolidated financial statements. On adoption of IFRS 11, the Group has determined its interest to be a joint venture and it is therefore required to be accounted for using the equity method.

IFRS 12 Disclosure of Involvement with Other Entities

IFRS 12 is a new disclosure standard and is applicable to entities that have interest in subsidiaries, joint arrangements and associates. In general, the application of IFRS 12 has resulted in more extensive disclosures consolidated financial statements.

2. ADOPTION OF NEW AND REVISED STANDARDS (CONTINUED)

Standards affecting the financial statements (continued)

IAS 28 (revised 2011) Investment in Associates and Joint Ventures

As a consequences of the new IFRS 11 Joint Arrangements and IFRS 12 Disclosure of Interests in Other Entities, IAS 28 Investments in Associates, has been renamed IAS 28 Investment in Associates and Joint Ventures, and describes the application of the equity method to investments in Joint ventures in additions to associates.

The table below shows the effect of adopting IFRS 11 on the consolidated income statement, consolidated balance sheet and consolidated statement of cash flows. There was no impact on the reported profit for the year/period, net assets or the basic and diluted earnings per share.

Impact on consolidated income statement:	6 months ended 30.06.13 Unaudited	Year ended 31.12.13 Audited	Year ended 31.12.12 Audited	Year ended 31.12.11 Audited
	USD 000's	USD 000's	USD 000's	USD 000's
Continuing Operations				
Decrease in revenue	(9,901)	(21,898)	(20,607)	(20,029)
Decrease in cost of sales	8,552	20,065	17,667	18,700
Decrease/(increase) in impairment loss	418	-	(540)	-
Increase in share in results of joint venture	728	1,543	3,052	1,119
Decrease in profit before tax	(203)	(290)	(428)	(210)
Decrease in taxation charge	203	290	428	210
Net impact on profit for the period/year from continuing operations	-	-	-	-

Impact on consolidated balance sheet:	30.06.13 Unaudited	31.12.13 Audited	31.12.12 Audited	31.12.11 Audited
	USD 000's	USD 000's	USD 000's	USD 000's
Decrease in property, plant and equipment	(5,250)	(5,115)	(6,359)	(7,125)
Increase in investment in joint venture	9,783	10,598	9,055	11,003
Decrease in trade and other receivables	(5,404)	(6,418)	(6,184)	(6,102)
Decrease in cash and bank balances	(2,447)	(3,969)	(1,618)	(1,716)
Net decrease in assets	(3,318)	(4,904)	(5,106)	(3,940)
Decrease in trade and other payables	3,115	4,614	4,678	3,747
Decrease in current tax payable	203	290	428	193
Net decrease in liabilities	3,318	4,904	5,106	3,940
Net impact on equity	-	-	-	-

Impact on consolidated statement of cash flows:	6 months ended 30.06.13 Unaudited	Year ended 31.12.13 Audited	Year ended 31.12.12 Audited	Year ended 31.12.11 Audited
	USD 000's	USD 000's	USD 000's	USD 000's
Net decrease in cash generated by operating activities	(7,139)	(13,563)	(17,891)	(15,394)
Net decrease in cash used in investing activities	6,310	11,212	17,988	16,026
Net (decrease)/increase in cash generated during the year/period	(829)	(2,351)	97	632

2. ADOPTION OF NEW AND REVISED STANDARDS (CONTINUED)

Standards not affecting the reported results or the financial position
The following new and revised Standards and Interpretations have been adopted in the current year. Their adoption has not had any significant impact on the amounts reported in these financial statements but may impact the accounting for future transactions and arrangements.

IFRS 10 Consolidated Financial Statements
IFRS 10 replaces the parts of IAS 27 Consolidated and Separate Financial Statements that deal with consolidated financial statements and SIC-12 Consolidation- Special Purpose Entities. IFRS 10 changes the definitions of control such that an investor has control over an investee when a) it has power over the investee; b) it is exposed, or has rights, to variable returns from its involvement with the investee and c) has the ability to use its power to affect its returns. All three of these criteria must be met for an investor to have control over an investee. Previously, control was defined as the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. The adoption of this standard has not resulted in any impact on the financial position or performance of the Group.

IAS 27 (revised 2011) Separate Financial Statements
As a consequence of the new IFRS 10 and IFRS 12, what remains of IAS 27 is limited to accounting for subsidiaries, jointly controlled entities, and associates in separate financial statements. The Group does not present separate financial statements.

Amendments to IAS 32 Offsetting Financial Assets and Financial Liabilities
These amendments clarify the meaning of 'currently has a legally enforceable right to set-off' and the criteria for non-simultaneous settlement mechanisms of clearing houses to qualify for offsetting. These amendments have no impact on the Group.

Amendments to IFRS 10, IFRS 12, and IAS 27 – Investment Entities
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. The exception to consolidation requires investment entities to account for subsidiaries at fair value through profit or loss. These amendments have no impact to the Group, since none of the entities in the Group qualifies to be an investment entity under IFRS 10.

Amendments to IAS 36 Recoverable Amount Disclosures for Non-Financial Assets
These amendments remove the unintended consequences of IFRS 13 Fair Value Measurement on the disclosures required under IAS 36 Impairment of Assets. In addition, these amendments require disclosure of the recoverable amounts for the assets or cash-generating units (CGUs) for which an impairment loss has been recognised or reversed during the period. These amendments have no material impact to the Group and have resulted only in additional disclosure in the consolidated financial statements.

Amendments to IAS 39 Novation of Derivatives and Continuance of Hedge Accounting
These amendments provide relief from discontinuing hedge accounting when novation of a derivative designated as a hedging instrument meets certain criteria. These amendments have no impact to the Group as the Group has not novated its derivatives during the current or prior periods.

Standards not yet adopted
At the date of authorisation of these financial statements, the following Standards and Interpretations which have not been applied in these financial statements were in issue but not yet effective (and in some cases had not yet been adopted by the EU):

IFRS 9 Financial Instruments
IFRS 14 Regulatory Deferrals Accounts
IFRS 15 Revenue from Contracts with Customers
IFRIC 21 Levies
Amendments to IAS 19 - Defined Benefit Plans: Employee Contributions
Annual Improvements to IFRSs: 2010-12 Cycle (Dec 2013)
Annual Improvements to IFRSs: 2011-13 Cycle (Dec 2013)
Amendments to IFRS 11- Accounting for Acquisitions of Interests in Joint Operations
Amendments to IAS 16 and IAS 38 – Clarification of Acceptable Methods of Depreciation and Amortization

2. ADOPTION OF NEW AND REVISED STANDARDS (CONTINUED)

Standards not yet adopted (continued)
The adoption of IFRS 9 Financial Instruments which the Group plans to adopt for the year beginning on 1 January 2016 will impact both the measurement and disclosures of financial instruments. The Group has not yet assessed the potential impact of IFRS 15 on its financial results.
The Directors do not expect that the adoption of the other Standards listed above will have a material impact on the financial statements of the Group in future periods.

Changes in accounting policy
Other than the changes to the standards noted above, the Group's accounting policies are consistent with the prior period/years, except for accounting policy for 'Oil & Gas exploration and evaluation expenditure'.

During the period, the Group has voluntarily changed its accounting policy for Oil & Gas exploration and evaluation expenditure from the 'modified full cost method' to the 'successful efforts method' (see note 3) to better reflect the performance of the Group and to align with the more prevalent method of accounting for Oil and Gas assets within its peer group.

The change in accounting policy has been applied retrospectively back to the date of incorporation of KEC, 1 August 2005, and the comparative information has been restated where needed. The table below shows the effect of this change in accounting policy on consolidated income statement, consolidated balance sheet, reported profit for the year/period, equity, basic and diluted earnings per share. There was no impact on the consolidated statement of cash flows. In the opening balance sheet of the year 2011, the impact of the change in accounting policy to the successful efforts method for period from 1 August 2005 to 31 December 2010 has been adjusted within retained earnings (equity).

Impact on consolidated income statement:	6 months ended 30.06.13 Unaudited	Year ended 31.12.13 Audited	Year ended 31.12.12 Audited	Year ended 31.12.11 Audited
	USD 000's	USD 000's	USD 000's	USD 000's
Continuing Operations				
Decrease in cost of sales	1,307	2,693	3,228	1,775
Increase in exploration expenditure written off	(14,719)	(25,433)	(10,625)	(18,053)
Decrease in profit before tax	(13,412)	(22,740)	(7,397)	(16,278)
Decrease in taxation charge	-	-	-	-
Net impact on profit for the period/year from continuing operations	(13,412)	(22,740)	(7,397)	(16,278)
Impact on earnings/(loss) per share from continuing operations				
- Decrease in basic (cents)	(4.1)	(7.0)	(2.3)	(5.2)
- Decrease in diluted (cents)	(4.1)	(7.0)	(2.3)	(5.2)
Impact on earnings/(loss) per share from continuing and discontinued operations				
- Decrease in basic (cents)	(4.1)	(7.0)	(2.3)	(5.2)
- Decrease in diluted (cents)	(4.1)	(7.0)	(2.3)	(5.2)

Impact on consolidated balance sheet:	30.06.13	31.12.13	31.12.12	31.12.11	01.01.11
	USD 000's	USD 000's	USD 000's	USD 000's	USD 000's
Decrease in intangible exploration and evaluation assets	(43,363)	(54,077)	(28,644)	(18,019)	(15,326)
Decrease in property, plant and equipment	(9,050)	(7,664)	(10,357)	(13,585)	-
Net decrease in assets	(52,413)	(61,741)	(39,001)	(31,604)	(15,326)
Net impact on equity	(52,413)	(61,741)	(39,001)	(31,604)	(15,326)

3. SIGNIFICANT ACCOUNTING POLICIES

Statement of compliance

These non-statutory consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") as adopted by the European Union.

Basis of preparation

These consolidated financial statements have been prepared on the historical cost basis except for the measurement at fair value of certain financial instruments. The accounting policies have been applied consistently by the Group.

These consolidated financial statements are presented in US Dollars ("USD"), which is the Company's functional and presentation currency, rounded off to the nearest thousand. The principal accounting policies are stated below.

Basis of consolidation

These consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company (its subsidiaries) as detailed in note 32. Control is achieved when the Group is exposed, 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. Specifically, the Group controls an investee if and only if the Group has:

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

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

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

The results of subsidiaries acquired or disposed of during the year are included in the consolidated statement of income from the effective date of acquisition or up to the effective date of disposal, as appropriate.

Where necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with those used by other members of the Group. All intra-group transactions, balances, income and expenses are eliminated in full on consolidation.

Going concern

As at 30 June 2014 the Group was funded principally by a combination of its cash balances (see note 21), equity (see note 22), long-term loans (see notes 24) and convertible loans (see note 25). The Group has significant levels of planned capital expenditure during the next 12 months, although a significant portion of this is discretionary. In order to enable it to fund these plans, subsequent to the period ended 30 June 2014, the Group has issued USD 250 million aggregate principal amount of its Senior Guaranteed Notes due 2019 (see note 35). It also continues to focus on collecting the amounts 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 2014 to date (see note 20).

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 financial statements.

Accordingly the Directors have, at the time of approving these 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 consolidated financial statements.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Business combinations

Acquisitions of subsidiaries and businesses are accounted for using the acquisition method. The cost of the acquisition is measured at the aggregate of the consideration transferred, measured at acquisition date fair value and the amount of any non-controlling interest in the acquiree. For each business combination the acquirer measures the non-controlling interest in the acquiree either at fair value or at the proportionate share of the acquiree's identifiable net assets. Acquisition related costs are recognised in the consolidated statement of income as incurred.

Where appropriate, the cost of acquisition includes any asset or liability resulting from a contingent consideration arrangement, measured at its acquisition-date fair value. Subsequent changes in such fair values are adjusted against the cost of acquisition where they qualify as measurement period adjustments. All other subsequent changes in the fair value of contingent consideration classified as an asset or liability are accounted for in accordance with relevant IFRSs. Changes in the fair value of contingent consideration classified as equity are not recognised.

The acquiree's identifiable assets, liabilities and contingent liabilities that meet the conditions for recognition under IFRS 3 (revised 2008) are recognised at their fair value at the acquisition date, except for non-current assets (or disposal groups) that are classified as held for sale in accordance with "IFRS 5 Non-current Assets Held for Sale and Discontinued Operations", which are measured at fair value less costs to sell.

If the initial accounting for a business combination is incomplete by the end of the reporting period in which the combination occurs, the Group reports provisional amounts for the items for which the accounting is incomplete. Those provisional amounts are adjusted during the measurement period (see below), or additional assets or liabilities are recognised, to reflect new information obtained about facts and circumstances that existed as at the acquisition date that, if known, would have affected the amounts recognised as at that date.

The measurement period is the period from the date of acquisition to the date the Group receives complete information about facts and circumstances that existed as at the acquisition date and is subject to a maximum of one year.

Where a business combination is achieved in stages, the Group's previously-held interests in the acquired entity are remeasured to fair value at the acquisition date (i.e. the date the Group attains control) and the resulting gain or loss, if any, is recognised in the consolidated statement of income. Amounts arising from interests in the acquiree prior to the acquisition date that have previously been recognised in equity are reclassified to the consolidated statement of income, where such treatment would be appropriate if that interest is disposed of.

Goodwill is measured as the excess of the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree, and the fair value of the acquirer's previously held equity interest in the acquiree (if any) over the net of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed. If, after reassessment, the net of the acquisition-date amounts of the identifiable assets acquired and liabilities assumed exceeds the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree and the fair value of the acquirer's previously held interest in the acquiree (if any), the excess is recognised immediately in profit or loss as a bargain purchase gain.

Interests in joint ventures

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 control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require unanimous consent of the parties sharing control.

The considerations made in determining joint control are similar to those necessary to determine control over subsidiaries.

The Group's investments in joint ventures are accounted for using the equity method.

Under the equity method, the investment in a joint venture is initially recognised at cost. The carrying amount of the investment is adjusted to recognise changes in the Group's share of net assets of the joint venture since the acquisition date. Goodwill relating to the joint venture is included in the carrying amount of the investment and is neither amortised nor individually tested for impairment.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Interests in joint ventures (continued)

The aggregate of the Group's share of profit or loss of a joint venture is shown on the face of the consolidated income statement outside operating profit and represents profit or loss after tax and non-controlling interests in the subsidiaries of the joint venture. The statement of profit or loss reflects the Group's share of the results of operations of the joint venture. Any change in Other Comprehensive Income (OCI) of those investees is presented as part of the Group's OCI. In addition, when there has been a change recognised directly in the equity of the joint venture, the Group recognises its share of any changes, when applicable, in the statement of changes in equity. Unrealised gains and losses resulting from transactions between the Group and the joint venture are eliminated to the extent of the interest in the joint venture.

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

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

Upon loss of 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 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.

Financial assets

All financial assets are recognised and derecognised on a trade date where the purchase or sale of a financial asset is under a contract whose terms require delivery of the financial asset within the timeframe established by the market concerned, and are initially measured at fair value, plus transaction costs that are directly attributable to the acquisition of financial assets that are recorded at other than fair value through profit and loss.

Financial assets are classified as "cash and cash equivalents", "trade and other receivables" and "held to maturity investment". The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition.

Effective interest method

The effective interest method is a method of calculating the amortised cost of a debt instrument and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees on points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial asset, or, where appropriate, a shorter period to the net carrying amount on initial recognition.

Cash and cash equivalents

Cash and cash equivalents in the consolidated statement of cash flows include cash, bank balances and short-term deposits with an original maturity of three months or less.

Trade and other receivables

Trade receivables are measured at initial recognition at fair value, and are subsequently measured at amortised cost using the effective interest method, less any impairment. Interest income is recognised by applying the effective interest rate, except for short-term receivables when the recognition of interest would be immaterial. Appropriate allowances for estimated irrecoverable amounts are recognised in the consolidated statement of income when there is objective evidence that the asset is impaired.

Held to maturity investments

Bonds with fixed or determinable payments and fixed maturity dates that the Group has the positive intent and ability to hold to maturity are classified as held to maturity investment. Held to maturity investments are measured at amortised cost using the effective interest method less any impairment, with revenue recognised on an effective yield basis.*Impairment of financial assets*

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Financial assets (continued)

Financial assets are assessed for indicators of impairment at each consolidated balance sheet date. Financial assets are impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the asset have been impacted.

For trade receivables, objective evidence of impairment could include: (i) significant financial difficulty of the issuer or counterparty; or (ii) default or delinquency in interest or principal payments; or (iii) it becoming probable that the borrower will enter bankruptcy or financial re-organisation.

For certain categories of financial asset, such as trade receivables, assets that are assessed not to be impaired individually are subsequently assessed for impairment on a collective basis. Objective evidence of impairment for a portfolio of receivables could include the Group's past experience of collecting payments, an increase in the number of delayed payments in the portfolio past the average credit period of 60 days, as well as observable changes in national or local economic conditions that correlate with default on receivables.

For financial assets carried at amortised cost, the amount of the impairment is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the financial asset's original effective interest rate.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade receivables, where the carrying amount is reduced through the use of an allowance account. When a trade receivable is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are recognised in the consolidated statement of income. Changes in the carrying amount of the allowance account are recognised in the consolidated statement of income.

Derecognition of financial assets

The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire; or it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If the Group neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Group recognises its retained interest in the asset and an associated liability for amounts it may have to pay. If the Group retains substantially all the risks and rewards of ownership of a transferred financial asset, the Group continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

Financial liabilities and equity

Debt and equity instruments are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangement.

Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by the Group are recognised at the proceeds received, net of direct issue costs.

Trade payables

Trade payables are recognised initially at fair value, net of transaction costs incurred. Trade payables are subsequently stated at amortised cost.

Borrowings

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently stated at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the consolidated statement of income over the period of the borrowings using the effective interest method.

Derecognition of financial liabilities

The Group derecognises financial liabilities when, and only when, the Group's obligations are discharged, cancelled or they expire.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Financial liabilities and equity (continued)

Convertible loans

Convertible loans, currently held by the Group are classified as "fair value through profit or loss". These borrowings are initially and subsequently measured at fair value and any change in the fair value is recognised in the income statement. The transaction costs paid on these borrowings are also recognised in the income statement.

Offsetting

Financial assets and financial liabilities are offset and the net amount reported in the consolidated statement of financial position if, and only if, there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liabilities simultaneously.

Oil and gas assets

Oil and gas exploration and evaluation expenditure

The Group adopts the successful efforts method of accounting for exploration and evaluation expenditure. Pre-licence costs are expensed in the period in which they are incurred. All license acquisition, exploration and evaluation costs and directly attributable administration costs are initially capitalised in cost centres by well, field or exploration area, as appropriate. Interest payable is capitalised insofar as it relates to specific development activities. These costs are then written off as exploration costs in the income statement unless commercial reserves have been established or the determination process has not been completed and there are no indications of impairment. All field development costs are capitalised as property, plant and equipment. Property, plant and equipment related to production activities is amortised in accordance with the Group's depletion and amortisation accounting policy.

Tangible non-current assets used in acquisition, exploration and evaluation are classified with tangible non-current assets as property, plant and equipment. To the extent that such tangible assets are consumed in exploration and evaluation the amount reflecting that consumption is recorded as part of the cost of the intangible asset.

Upon successful conclusion of the appraisal programme and determination that commercial reserves exist, such costs are transferred to tangible non-current assets as property, plant and equipment. Exploration and evaluation costs carried forward are assessed for impairment as described below.

Proceeds from the farm out of exploration and evaluation assets are credited against the relevant cost centre. Any overall surplus arising in a cost centre is credited to the consolidated statement of income.

Depreciation and depletion

Depletion is provided on oil and gas assets in production on a field-by-field basis using the unit of production method, based on proven and probable reserves on a field-by-field basis, applied to the sum of the total capitalised exploration, evaluation and development costs on a field-by-field basis, together with estimated future development costs on a field by field basis. The effects of changes in estimates in the unit of production calculations are accounted for prospectively over the estimated remaining proven and probable reserves of each field.

Impairment of value

Where there has been a change in economic conditions or in the expected use of an asset that indicates a possible impairment in an asset, management tests the recoverability of the net book value of the asset by comparison with the estimated discounted future net cash flows, using a discount rate adjusted for the risk specific to each asset, based on management's expectations of future oil prices and future costs. Any identified impairment is charged to the consolidated statement of income.

Intangible non-current assets are considered for impairment at least annually by reference to the indicators in IFRS 6.

Commercial reserves

Proven and probable oil and gas reserves as defined in the Petroleum Resources Management System ("PRMS") are considered as commercial reserves.

Proven reserves include reserves that are confirmed with a high degree of certainty through an analysis of the development history and a volume method analysis of the relevant geological and engineering data. Proven reserves are those that, based on the available evidence and taking into account technical and economic factors, have a better than 90% chance of being produced.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Oil and gas assets (continued)

Probable reserves are those reserves in which hydrocarbons have been located within the geological structure with a lesser degree of certainty because fewer wells have been drilled and certain operational tests have not been conducted. Probable reserves are those reserves that, on the available evidence and taking into account technical and economic factors, have a better than 50% chance of being produced.

These reserves are being calculated under existing economic and operating conditions, i.e., prices and costs as at the date the estimate is made. Prices include consideration of changes in existing prices provided by contractual arrangements and management's forecast of future prices.

These estimates, made by the Group's engineers and periodically evaluated by independent reservoir engineers, are reviewed annually and revised, either upward or downward, as warranted by additional data. Revisions are necessary due to changes in, among other things, reservoir performance, prices, economic conditions and governmental restrictions.

Other fixed assets

Other fixed assets are stated at cost less accumulated depreciation and any accumulated impairment losses. Cost includes the purchase price and directly associated costs of bringing the asset to a working condition for its intended use. Depreciation is calculated based on the estimated useful lives of the applicable assets on a straight-line basis, on the following basis:

Office equipment	5 years
Motor vehicles	5 years
Fixtures and fittings	10 years

The estimated useful lives, residual values and depreciation method are reviewed at each year end, with the effect of any changes in estimate accounted for on a prospective basis.

Maintenance and repairs, replacements and improvements of minor importance are expensed as incurred. Significant improvements and replacement of assets are capitalised.

The gain or loss arising on the disposal or retirement of other fixed assets is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in the consolidated statement of income.

Impairment of tangible assets

At each balance sheet date, the Group reviews the carrying amounts of its tangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where the asset does not generate cash flows that are independent from other assets, the group estimates the recoverable amount of the cash-generating unit to which the asset belongs.

Recoverable amount is the higher of fair value less costs to sell or value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised as an expense immediately.

Where an impairment loss subsequently reverses, the carrying amount of the asset (cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (cash-generating unit) in prior years. A reversal of an impairment loss is recognised as income immediately.

Assets held for sale

Non-current assets and disposal groups are classified as held for sale if their carrying amount will be recovered principally through a sales transaction rather than through continuing use. This condition is regarded as met only when the asset (or disposal group) is available for immediate sale in its present condition subject only to terms that are usual and customary for sales of such an asset (or disposal group) and its sale is highly probable. Management

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Assets held for sale (continued)

must be committed to the sale, which should be expected to qualify for recognition as a completed sale within one year from the date of classification.

Non-current assets (and disposal groups) classified as held for sale are measured at the lower of their previous carrying amount and fair value less costs to sell.

Operating leases

Operating lease payments are recognised as an expense on a straight-line basis over the lease term, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed. Contingent rentals arising under operating leases are recognised as an expense in the period in which they are incurred.

In the event that lease incentives are received to enter into operating leases, such incentives are recognised as a liability. The aggregate benefit of incentives is recognised as a reduction of rental expense on a straight-line basis, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

Derivative financial instruments

The Group enters into a variety of derivative financial instruments to manage its exposure to interest rate and oil price fluctuations, including interest rate caps and oil price put options.
Derivatives are initially recognised at fair value at the date the derivative contract is entered into and are subsequently remeasured to their fair value at the end of each reporting period. The resulting gain or loss is recognised in the consolidated statement of income immediately unless the derivative is designated and effective as a hedging instrument, in which event the timing of the recognition in the consolidated statement of income depends on the nature of the hedge relationship (see below). A derivative with a positive fair value is recognised as a financial asset while a derivative with a negative fair value is recognised as a financial liability.

Hedge accounting
The Group designates certain hedging instruments which include oil put options as cash flow hedges in order to mitigate the risk arising from fluctuations in oil prices.

At the inception of the hedge relationship, the Group documents the relationship between the hedging instrument and the hedged item, along with its risk management objectives and its strategy for undertaking various hedge transactions. Furthermore, at the inception of the hedge and on an ongoing basis, the Group documents whether the hedging instrument is highly effective in offsetting changes in fair values or cash flows of the hedged item attributable to the hedged risk.

Note 28 sets out details of the fair values of the derivative instrument used for hedging purposes.

Cash flow hedge

The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges is recognised in other comprehensive income. The gain or loss relating to the ineffective portion is recognised immediately in the consolidated statement of income.

Amounts previously recognised in other comprehensive income and accumulated in equity are reclassified to finance income or costs in the consolidated statement of income in the periods when the hedged item is recognised in the consolidated statement of income. However, when the forecast transaction that is hedged results in the recognition of a non-financial asset or a non-financial liability, the gains and losses previously recognised in other comprehensive income and accumulated in equity are transferred from equity and included in the initial cost of the non-financial asset or non-financial liability.

Hedge accounting is discontinued when the Group revokes the hedging relationship, when the hedging instrument expires or is sold, terminated, or exercised, or when it no longer qualifies for hedge accounting. When a forecast transaction is expected to occur, any gain or loss accumulated in equity at that time remains separately in equity and is recognised in the consolidated statement of income when the forecast transaction is ultimately recognised in the consolidated statement of income. When a forecast transaction is no longer expected to occur, the gain or loss accumulated in equity is recognised immediately in the consolidated statement of income.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Fair value measurement
The Group measures financial instruments, such as derivatives convertible loans, at each balance sheet date. Also, fair values of financial instruments measured at amortised cost are disclosed in note 33.

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. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

In the principal market for the asset or liability, or In the absence of a principal market, in the most advantageous market for the asset or liability. The principal or the most advantageous market must be accessible to by the Group.

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

- 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.

For financial instruments carried at amortised cost, the fair value is estimated by discounting future cash flows at the current market rate of return for similar financial instruments.

For investments in equity instruments, where a reasonable estimate of fair value cannot be determined, the investment is carried at cost.

For assets and liabilities that are recognised in the financial statements on a recurring basis, the Group determines whether transfers have occurred between Levels in the hierarchy by re-assessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.
For the purpose of fair value disclosures, the Group has determined classes of assets and liabilities on the basis of the nature, characteristics and risks of the asset or liability and the level of the fair value hierarchy as explained above.

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

Revenue represents the value of sales exclusive of related sales taxes of oil and gas arising from upstream operations when the oil has been lifted and the title has passed.

Interest income is recognised on an accrual basis in accordance with the substance of the relevant agreement.

Royalties
Royalties are accounted for in the consolidated statement of income in the same period as the income to which they relate and are included within operating expenses. Royalty arrangements that are based on production, sales and other measures are recognised by reference to the underlying arrangement.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Inventories
Crude oil is valued at fair value less costs to sell. Any changes arising on the revaluation of inventories are recognised in the consolidated statement of income. Other inventories comprising mainly of spare parts, materials and supplies are valued at cost, determined on a weighted average cost basis, less allowance for any obsolete or slow-moving items. Purchase cost includes the purchase price, import duties, transportation, handling and other direct costs.

Foreign currencies
The individual financial statements of each Group entity are presented in the currency of the primary economic environment in which the entity operates (its functional currency). For the purpose of the consolidated financial statements, the results and financial position of each entity are expressed in USD, which is the functional and presentation currency of the Company.

In preparing the financial statements of the individual entities, transactions in currencies other than the entity's functional currency (foreign currencies) are recorded at the rates of exchange prevailing at the dates of the transactions. At each balance sheet date, monetary items denominated in foreign currencies are retranslated at the rates prevailing at the consolidated statement of financial position date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing at the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences are recognised in the consolidated statement of income in the period in which they arise except for exchange differences on monetary items receivable from or payable to a foreign operation for which settlement is neither planned nor likely to occur, which form part of the net investment in a foreign operation, and which are recognised in the foreign currency translation reserve and recognised in the consolidated statement of income on disposal of the net investment.

For the purpose of presenting consolidated financial statements, the assets and liabilities of the Group's foreign operations are expressed in USD using exchange rates prevailing at the balance sheet date. Income and expense items are translated at the average exchange rates for the period, unless exchange rates fluctuated significantly during that period, in which case the exchange rates at the dates of the transactions are used. Exchange differences arising, if any, are classified as equity and transferred to the Group's foreign currency translation reserve. Such exchange differences are recognised in the consolidated statement of income in the period in which the foreign operation is disposed of.

Contingencies
A contingent asset is not recognised in the consolidated financial statements but disclosed when an inflow of economic benefits is probable.

Contingent liabilities are not recognised in the consolidated financial statements unless the outflow of resources embodying economic benefits is probable and the amount of the obligation can be measured reliably. They are disclosed as contingent liabilities unless the possibility of an outflow of resources embodying economic benefits is remote.

Borrowing costs
Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale.

Other borrowing costs are calculated on the accrual basis and are recognised in the consolidated statement of income in the period in which they are incurred.

Provisions
Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that the Group will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the balance sheet date, taking into account the risks and uncertainties surrounding the obligation. Where

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Provisions (continued)
a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows.

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, the receivable is recognised as an asset if it is virtually certain that reimbursement will be received and the amount of the receivable can be measured reliably.

A decommissioning provision is calculated as the net present value of the Group's share of the expenditure which may be incurred at the end of the producing life of each field in the removal and decommissioning of the production, storage and transportation facilities currently in place. The cost of recognising the decommissioning provision is included as part of the cost of the relevant property, plant and equipment and is thus charged to the consolidated statement of income on a unit of production basis in accordance with the Group's policy for depletion and depreciation of tangible non-current assets. Period charges for changes in the net present value of the decommissioning provision arising from discounting are included in finance costs.

Share-based payments
Equity-settled share-based payments to employees are measured at the fair value of the equity instruments at the grant date. Details regarding the determination of the fair value of equity-settled share-based transactions are set out in note 29.

The fair value determined at the grant date of the equity-settled share-based payments is expensed on a straight-line basis over the vesting period, based on the Group's estimate of equity instruments that will eventually vest.

Employee Benefits
The liability recognised in the balance sheet in respect of defined benefit plan is the present value of the defined benefit obligation at the end of the reporting period less the fair value of plan assets. The defined benefit obligation is calculated annually by independent actuaries using the projected unit credit method. The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using interest rates of high-quality corporate bonds that are denominated in the currency in which the benefits will be paid, and that have terms to maturity approximating to the terms of the related pension obligation. In countries where there is no deep market in such bonds, the market rates on government bonds are used.

Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions are charged or credited to equity in other comprehensive income in the period in which they arise.

Taxation
Certain of the Company's subsidiaries are subject to taxes on income in various foreign jurisdictions. Income tax expense represents the sum of the tax currently payable and deferred tax.

Current tax
The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit as reported in the consolidated statement of income because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the consolidated statement of financial position date.

The Group is subject to various forms of taxation in the countries in which it operates. These include income tax on profits, royalties on production, sales taxes on revenues generated, and payroll taxes on benefits to employees.

The income tax expense recognised relates only to Area A in Egypt, where tax is levied on taxable profits, and hence falls under the scope of IAS 12. In other jurisdictions the primary form of taxation is in the form of royalties on production, which are deducted at source as government share of oil in line with PSCs. As such, these royalties are not considered to constitute income tax as defined by IAS 12, and accordingly government share is netted off revenue in line with the nature of the transactions.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Taxation (continued)
Deferred tax

Deferred tax is recognised on differences between the carrying amounts of assets and liabilities in the financial statements of the relevant subsidiaries and the corresponding tax bases used in the computation of taxable profit, and are accounted for using the liability method. Deferred tax liabilities are generally recognised for all taxable temporary differences, and deferred tax assets are generally recognised for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset realised, based on tax rates (and tax laws) that have been enacted or substantively enacted by the balance sheet date. The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the reporting date, to recover or settle the carrying amount of its assets and liabilities.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Group intends to settle its current tax assets and liabilities on a net basis.

4. JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Group's accounting policies, which are described in note 3, management is required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.
The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

Critical accounting judgements

Carrying value of intangible exploration and evaluation assets
The amounts for intangible exploration and evaluation assets represent active exploration projects. These amounts will be written off to the income statement as exploration costs unless commercial reserves are established or the determination process is not completed and there are no indications of impairment in accordance with the Group's accounting policy. The process of determining whether there is an indicator of impairment or calculating the impairment requires critical judgement.

The key areas in which management have applied judgement are as follows: the Group's intention to proceed with a future work programme for a prospect or licence; the likelihood of licence renewal or extension; and the success of a well result or geological or geophysical survey. Further details are provided in note 16.

Key sources of estimation uncertainty

The following are the key assumptions concerning the future, and other key sources of estimation uncertainty at the balance sheet date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

Recoverability of exploration and evaluation costs
Under the Group's accounting policy for exploration and evaluation ("E&E") costs, such costs are capitalised as intangible assets, and are assessed for impairment when circumstances suggest that the carrying amount may exceed its recoverable value. This assessment involves judgement as to (i) the likely future commerciality of the asset and when such commerciality should be determined, and (ii) future revenues and costs pertaining to the asset with which question is associated, and the discount rate to be applied to such revenues and costs for the purpose of deriving a

4. JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY (CONTINUED)

Recoverability of exploration and evaluation costs(continued)
recoverable value. Note 16 disclose the carrying amounts of the Group's E&E assets as well as details of impairment charges arising during the year.

Impairment of oil and gas properties
Determining whether oil and gas properties are impaired requires management to estimate the future net revenue from oil and gas reserves attributable to the Group's interest in that field. This requires estimates to be made of, in particular, future oil and gas prices, production volumes, capital/operating expenditures and an asset specific discount rate. The Group also operates in certain countries with heightened geopolitical exposure and risk of challenge in respect of licence terms. In particular: (a) an impairment charge of between USD 60 million and USD 70 million would arise in Yemen if the Block 5 license is not extended beyond June 2015; and (b) the Group has capitalised costs of USD 24.5 million on the Mansuriya field which is located in North East Iraq where the political and security situation is currently unstable. Further details are provided in note 17.

Commercial reserves
Both impairment and depletion of the cost of oil and gas properties requires estimates to be made of quantities of commercial oil and gas reserves, which are based on estimates determined by Kuwait Energy's qualified petroleum engineers and are subject to third party verification. Management believes these reserves to be commercially productive and will provide revenues to the Group adequate to recover remaining net un-depreciated and un-depleted capitalised oil and gas properties as at 30 June 2014.

Business combinations
In a business combination, the acquiree's identifiable assets, liabilities and contingent liabilities that meet the conditions for recognition under IFRS 3 *Business Combinations* are recognised at their fair values at the acquisition date, except for non-current assets (or disposal groups) that are classified as held for sale in accordance with IFRS 5 *Non-current Assets Held for Sale and Discontinued Operations*, which are recognised and measured at fair value less costs to sell. The Group's management determines the fair values of the acquiree's identifiable assets, liabilities, contingent liabilities and non-current assets classified as held for sale. Further details in respect of acquisitions by the Group are provided in note 15.

Debtor recoverability

The Group has significant trade receivables which are past due but not impaired, as described in note 20. The majority of this balance is due from EGPC. During the course of 2013 and 2014 to date, the Egyptian political situation remained difficult although improving, which caused a significant delay in the receipt of amounts owed to the Group. However, management believes that all amounts owed at 30 June 2014 will be collected during the course of the coming year. In making this judgement, factors considered include EGPC's strong track record of ultimate settlement, the receipt of USD 66,677 thousand for directly allocated cargoes in January and April 2014, and cargo receipts of USD 26,388 thousand and USD 43,000 thousand in July and September 2014.

Convertible loans fair value

As outlined in note 25, the total finance charge associated with the Group's convertible loans, which are held at fair value, depends on the exercise of certain conversion or prepayment options by the lenders and the Company. The Group has assessed the loans' fair values based on their best estimate, at the balance sheet date, of the relative likelihood of the occurrence of each conversion or prepayment option.

5. SEGMENTAL INFORMATION

IFRS 8 requires operating segments to be identified on the basis of internal reports about components of the Group that are regularly reviewed by the chief operating decision maker in order to allocate resources to the segment and to assess its performance. The information reported to the Group's chief operating decision maker for the purposes of resource allocation and assignment of segment performance is specifically focused on the geographical area (country). All of the segment revenue reported below is from external customers.

The accounting policies of the reportable segments are the same as the Group's accounting policies described in note 3. Segment profit represents the operating profit earned by each segment. This is the measure reported to the chief operating decision maker for the purposes of resource allocation and assessment of segment performance.

For the purposes of monitoring segment performance and allocating resources between segments:

- there are no assets used jointly by any reportable segment; and
- there are no liabilities for which any segment is jointly liable other than the facilities from Deutsche Bank and International Finance Corporation (see note 24) amounting to USD 104 million (30 June 2013: USD 110 million, 31 December 2013: USD 105 million and 31 December 2012: USD 60 million) which has been utilised jointly by the Company, Kuwait Energy Egypt Ltd and Kuwait Energy Yemen Ltd.

No revenue or assets arose in or relate to Jersey, the Company's country of domicile, in either year.

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/year comprises the acquisition of non-attributable corporate assets.

Revenue from major products and services

The Group's revenues from oil and gas are disclosed in note 6 to these consolidated financial statements.

Information about major customers

Sales to EGPC, the Group's largest customer included in revenues arising from Egypt for the year is approximately:

	USD 000's
6 months ended 30 June 2014	108,888
6 months ended 30 June 2013	85,481
12 months ended 31 December 2013	193,487
12 months ended 31 December 2012	168,241
12 months ended 31 December 2011	120,245

The other major customer is Exxon Mobil in Yemen and the revenue for the year/period from Exxon Mobil was:

	USD 000's
6 months ended 30 June 2014	16,497
6 months ended 30 June 2013	24,920
12 months ended 31 December 2013	54,916

5. SEGMENTAL INFORMATION (CONTINUED)

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 2014					
Segment revenues	108,888	22,116	-	-	131,004
Segment results	68,007	4,135	-	(8,325)	63,817
Share of results of joint venture	-	-	-	2,571	2,571
Fair value loss on convertible loans					(6,712)
Other income					269
Foreign exchange loss					(41)
Finance costs (net)					(3,552)
Profit before tax					56,352
Taxation					(5,455)
Profit for the period from continuing operations					50,897
Loss from discontinued operations					(2,600)
Profit for the period					48,297
Segment assets	473,138	150,053	202,932	127,217	953,340
E&E assets	108,214	28,329	39,214	-	175,757
PP&E	185,724	98,408	116,471	3,221	403,824
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	29,052	9,895	59,039	510	98,496
Depreciation, Depletion and Amortisation	22,690	15,111	-	683	38,484

5. SEGMENTAL INFORMATION (CONTINUED)

	Egypt	Yemen	Iraq	Others	Total
	USD 000's	USD 000's	USD 000's	USD 000's	USD 000's (Restated)
30 June 2013					
Segment revenues	85,481	31,621	-	-	117,102
Segment results	33,404	(1,943)	(146)	(37,450)	(6,135)
Share of results of joint venture	-	-	-	728	728
Gain on held for trading derivative					158
Fair value loss on convertible loans					(5,799)
Other income					412
Foreign exchange loss					(3,637)
Finance costs (net)					(4,728)
Loss before tax					(19,001)
Taxation					(3,858)
Loss for the period from continuing operations					(22,859)
Loss from discontinued operations					(27,681)
Loss for the period					(50,540)
Segment assets	452,475	169,789	60,976	324,820	1,008,060
E&E assets	85,753	24,547	18,003	20,733	149,036
PP&E	180,717	112,731	38,003	247,013	578,464
Segment liabilities	42,199	9,310	8,701	278,840	339,050
Other information					
Exploration expenditure written off	14,719	-	-	29,133	43,852
Impairment losses	-	815	-	-	815
Additions to E&E	7,391	3,402	18,003	20,889	49,685
Additions to PP&E	19,771	2,269	14,306	11,211	47,557
Depreciation, Depletion and Amortisation	19,976	21,064	-	851	41,891

5. SEGMENTAL INFORMATION (CONTINUED)

	Egypt	Yemen	Iraq	Others	Total
	USD 000's	USD 000's	USD 000's	USD 000's	USD 000's (Restated)
31 December 2013					
Segment revenues	193,487	69,007	-	-	262,494
Segment results	98,496	(5,407)	(146)	(63,992)	28,951
Share of results of joint venture	-	-	-	1,543	1,543
Gain on held for trading derivative					322
Fair value loss on convertible loans					(12,071)
Other income					599
Foreign exchange loss					(3,762)
Finance costs (net)					(10,068)
Profit before tax					5,514
Taxation					(8,097)
Profit for the year from continuing operations					(2,583)
Loss from discontinued operations					(278,787)
Loss for the year					(281,370)
Segment assets	448,554	150,322	94,494	175,740	869,110
E&E assets	94,522	19,524	27,329	-	141,375
PP&E	178,873	103,624	57,411	3,904	343,812
Segment liabilities	45,770	13,523	30,183	331,382	420,858
Other information					
Exploration expenditure written off	16,855	11,205	-	45,195	73,255
Impairment losses	-	1,801	-	-	1,801
Additions to E&E	18,297	9,584	27,329	23,718	78,928
Additions to PP&E	39,969	5,822	33,704	21,313	100,808
Depreciation, Depletion and Amortisation	43,995	34,352	-	1,616	79,963

5. SEGMENTAL INFORMATION (CONTINUED)

	Egypt	Yemen	Iraq	Others	Total
	USD 000's	USD 000's	USD 000's	USD 000's	USD 000's (Restated)
31 December 2012					
Segment revenues	168,241	14,735	-	-	182,976
Segment results	92,099	(5,477)	-	(14,557)	72,065
Share of results of joint venture	-	-	-	3,052	3,052
Gain on held for trading derivative					266
Fair value loss on convertible loans					(4,528)
Other income					223
Foreign exchange loss					320
Finance costs (net)					(1,157)
Profit before tax					70,241
Taxation					(8,272)
Profit for the year from continuing operations					61,969
Loss from discontinued operations					(24,401)
Profit for the year					37,568
Segment assets	488,625	35,885	24,015	405,394	953,919
E&E assets	93,080	21,145	-	40,099	154,324
PP&E	180,419	4,007	23,696	255,900	464,022
Segment liabilities	30,800	5,138	2,701	197,338	235,977
Other information					
Exploration expenditure written off	5,168	9,136	-	-	14,304
Additions to E&E	24,381	9,351	-	3,715	37,447
Additions to PP&E	14,145	2,778	19,212	33,262	69,397
Depreciation, Depletion and Amortisation	41,416	2,355	-	1,584	45,355

5. SEGMENTAL INFORMATION (CONTINUED)

	Egypt	Yemen	Iraq	Others	Total
	USD 000's	USD 000's	USD 000's	USD 000's	USD 000's (Restated)
31 December 2011					
Segment revenues	120,245	18,273	-	-	138,518
Segment results	71,579	(9,325)		(12,681)	49,573
Share of results of joint venture	-	-	-	1,119	1,119
Gain on held for trading derivative					(75)
Fair value loss on convertible loans					-
Other income					384
Foreign exchange loss					683
Finance costs (net)					(7,508)
Profit before tax					44,176
Taxation					(8,731)
Profit for the year from continuing operations					35,445
Loss from discontinued operations					(16,960)
Profit for the year					18,485
Segment assets	448,004	28,560	4,646	367,316	848,526
E&E assets	73,867	20,930	-	36,384	131,181
PP&E	207,689	3,585	4,484	256,659	472,417
Segment liabilities	32,780	6,129	1,115	105,815	145,839
Other information					
Exploration expenditure written off	3,459	14,594	-	-	18,053
Additions to E&E	24,795	7,627	-	3,851	36,273
Additions to PP&E	46,319	3,025	3,801	40,933	94,078
Depreciation, Depletion and Amortisation	24,038	2,517	-	1,011	27,566

6. REVENUE

	For the six months period ended 30 June		For the year ended 31 December		
	2014 Audited	2013 Unaudited (Restated)	2013 Audited (Restated)	2012 Audited (Restated)	2011 Audited (Restated)
	USD 000's	USD 000's	USD 000's	USD 000's	USD 000's
Oil sales	131,004	117,102	262,494	182,976	138,518
	131,004	117,102	262,494	182,976	138,518

7. PROFIT/(LOSS) FOR THE YEAR/PERIOD FROM CONTINUING OPERATIONS

	For the six months period ended 30 June		For the year ended 31 December		
	2014 Audited	2013 Unaudited (Restated)	2013 Audited (Restated)	2012 Audited (Restated)	2011 Audited (Restated)
	USD 000's	USD 000's	USD 000's	USD 000's	USD 000's
Profit / (loss) for the period/year is stated after charging:					
Staff costs	3,326	2,944	10,250	6,193	6,065
Depletion and amortisation of oil and gas assets	37,649	40,902	78,051	43,467	26,258
Depreciation of other fixed assets	835	989	1,912	1,888	1,308

8. COST OF SALES

	For the six months period ended 30 June		For the year ended 31 December		
	2014 Audited	2013 Unaudited (Restated)	2013 Audited (Restated)	2012 Audited (Restated)	2011 Audited (Restated)
	USD 000's	USD 000's	USD 000's	USD 000's	USD 000's
Operating costs	17,655	23,730	54,175	32,349	26,731
Depletion and amortisation of oil and gas assets	37,649	40,902	78,051	43,467	26,258
	55,304	64,632	132,226	75,816	52,989

9. NET IMPAIRMENT LOSS

	For the six months period ended 30 June		For the year ended 31 December		
	2014 Audited	2013 Unaudited (Restated)	2013 Audited (Restated)	2012 Audited (Restated)	2011 Audited (Restated)
	USD 000's	USD 000's	USD 000's	USD 000's	USD 000's
Impairment charges	-	815	1,801	-	-
	-	815	1,801	-	-

6 months ended 30 June 2013:
During the period the Company recognised an impairment loss on the block 43 field in Yemen amounting to USD 815 thousand to match the carrying value of the assets to the recoverable value measured on a value in use basis.

12 months ended 31 December 2013:
During the year the Company recognised an impairment loss amounting to USD 1,541 thousand on the block 5 field in Yemen and USD 260 thousand, net of impairment loss reversal of USD 555 thousand in the second six months of the year, on the block 43 in Yemen to match the carrying value of the assets to the recoverable value measured on a value in use basis.

10. OTHER INCOME

	For the six months period ended 30 June		For the year ended 31 December		
	2014 Audited	2013 Unaudited (Restated)	2013 Audited (Restated)	2012 Audited (Restated)	2011 Audited (Restated)
	USD 000's	USD 000's	USD 000's	USD 000's	USD 000's
Interest income	213	385	528	138	197
Others	56	27	71	85	187
	269	412	599	223	384

11. FINANCE COSTS (NET)

	For the six months period ended 30 June		For the year ended 31 December		
	2014 Audited	2013 Unaudited (Restated)	2013 Audited (Restated)	2012 Audited (Restated)	2011 Audited (Restated)
	USD 000's	USD 000's	USD 000's	USD 000's	USD 000's
Realised hedge loss (see note 28)	-	-	-	-	7,101
Unwinding of decommissioning provision	101	99	158	121	83
Borrowing costs on bank overdrafts and loans	6,719	6,421	14,552	3,356	5,464
Less: amount capitalised in cost of qualifying assets	(3,268)	(1,792)	(4,642)	(2,320)	(5,140)
	3,552	4,728	10,068	1,157	7,508

12. TAXATION

INCOME TAX EXPENSE

	For the six months period ended 30 June		For the year ended 31 December		
	2014 Audited	2013 Unaudited (Restated)	2013 Audited (Restated)	2012 Audited (Restated)	2011 Audited (Restated)
	USD 000's	USD 000's	USD 000's	USD 000's	USD 000's
Tax on profit on ordinary activities					
Current tax:					
UK (Jersey) tax	-	-	-	-	-
Foreign tax	5,455	3,858	8,097	8,272	8,731
Total Corporation tax	5,455	3,858	8,097	8,272	8,731

Corporation tax in the Company's country of domicile is calculated at 0% on assessable profits for all periods shown, this rate being the applicable statutory tax rate for international businesses that are tax resident in Jersey.

Taxation for other jurisdictions are calculated at the rates prevailing in the respective jurisdictions.

Factors affecting the tax charge for the period/year
The difference between the amount of total tax shown above and the amount calculated by applying the standard rate of Jersey corporation tax to the profit before tax is as follows:

	For the six months period ended 30 June		For the year ended 31 December		
	2014 Audited	2013 Unaudited (Restated)	2013 Audited (Restated)	2012 Audited (Restated)	2011 Audited (Restated)
	USD 000's	USD 000's	USD 000's	USD 000's	USD 000's
Profit on ordinary activities before tax	56,352	(19,001)	5,514	70,241	44,176
Tax on Company profit on ordinary activities at corporation tax rate of 0%	-	-	-	-	-
Effect of different tax rates of subsidiaries operating in other jurisdictions	5,455	3,858	8,097	8,272	8,731
Total tax charge for the period/year	5,455	3,858	8,097	8,272	8,731
Deferred taxation					
Deferred taxation is comprised as follows:					
Deferred tax asset arising on the recognition of tax losses	-	9,733	-	8,404	8,970
Deferred tax liability on fixed asset temporary differences	-	(20,663)	-	(24,053)	(31,379)
	-	(10,930)	-	(15,649)	(22,409)

During the year ended 2013, deferred tax assets and liabilities pertaining to Russia and Ukraine have been reclassified to assets and liabilities held for sale together with other assets and liabilities of Russia and Ukraine (see note 13).

There are no material unrecognised deferred tax assets at either year end, nor any material un provided deferred tax arising on the unremitted earnings of subsidiaries.

13. DISCONTINUED OPERATIONS

During the second half of 2013 the management of the Group resolved to dispose of the Group's Russia and Ukraine operations as a part of its strategy to focus on Middle East and North Africa (MENA) region operations and negotiations with several interested parties have subsequently taken place. These operations, which are expected to be sold within 12 months from initial classification, have been classified as held for sale and presented separately in the balance sheet. The results of these operations are classified under discontinued operations and have been included in the condensed consolidated income statement as follows.

	For the six months period ended 30 June		For the year ended 31 December		
	2014 Audited	2013 Unaudited	2013 Audited	2012 Audited	2011 Audited
	USD 000's	USD 000's	USD 000's	USD 000's	USD 000's
Revenue	5,939	12,049	23,363	21,684	20,374
Expenses	(6,839)	(17,108)	(52,246)	(26,800)	(27,886)
Exploration expenditure written off on discontinued operations	-	(11,121)	(18,622)	-	-
Impairment charge on discontinued operations	(1,700)	(16,157)	(236,940)	(26,032)	(8,520)
Loss before tax	(2,600)	(32,337)	(284,445)	(31,148)	(16,032)
Attributable tax gain(loss)	-	4,656	5,658	6,747	(928)
Net loss attributable to discontinued operations	(2,600)	(27,681)	(278,787)	(24,401)	(16,960)

6 months ended 30 June 2014:
During the six months period ended 30 June 2014, the Group has completed the disposal of its assets in Ukraine for a sale consideration equal to their net carrying value at 31 December 2013 of USD 5 Million and received the consideration.

During the period the assets and liabilities held for sale related to Russia have been written down to their revised fair value less cost to sell of USD 8,300 thousand and an additional impairment of USD 1,700 thousand has been charged to the consolidated income statement. The fair value of assets classified as held for sale is classified as Level 3. Level 3 fair value measurements are those derived from inputs that are not based on observable market data. This is a non-recurring fair value arrived at by management judgement based on the most recent non-binding offer received.

12 months ended 31 December 2013:
The loss for the year from discontinued operations includes an impairment charge of USD 236,940 thousand (2012: USD 26,031 thousand; 2011: USD 8,520 thousand) of which USD 89,031 thousand arose in Russia (2012: USD 30,862 thousand; 2011: USD nil) and USD 147,909 thousand in Ukraine (2012: USD 4,830 thousand reversal; 2011: USD 8,520 thousand charge). The 2013 impairment includes a charge of USD 8,766 thousand relating to the recycling of amounts previously recorded within the foreign currency translation reserve.

The assets and liabilities held for sale were written down to their fair value less cost to sell of USD 15,000 thousand. The fair value of assets classified as held for sale is classified as Level 3. Level 3 fair value measurements are those derived from inputs that are not based on observable market data. This is a non-recurring fair value arrived at by management judgement based on the non-binding offers received.

13. DISCONTINUED OPERATIONS (CONTINUED)

The major classes of assets and liabilities of discontinued operations classified as held for sale are as follows.

	Russia 30 June 2014 USD 000's	Russia and Ukraine 31 December 2013 USD 000's
Property, plant and equipment	4,351	32,236
Deferred tax assets	9,994	11,103
Inventories	709	1,094
Trade and other receivables	270	5,900
Cash and bank balances	790	941
Total assets classified as held for sale	16,114	51,274
Trade and other payables	4,590	15,611
Deferred tax liabilities	3,224	20,663
Total liabilities classified as held for sale	7,814	36,274
Net assets of operations classified as held for sale	8,300	15,000

The deferred tax asset shown above primarily arises in Russia, where losses have been incurred in 2011, 2012, 2013 and 2014. Management believes it is appropriate to recognize a deferred tax asset, as based on an independent assessment of its commercial reserves, it expects to generate taxable profits in future years in Russia.

The cash flows associated with Russia and Ukraine operations classified as held for sale are as follows

	For the six months period ended 30 June		For the year ended 31 December		
	2014 Audited USD 000's	2013 Unaudited USD 000's	2013 Audited USD 000's	2012 Audited USD 000's	2011 Audited USD 000's
Operating cash flows	(900)	(891)	(2,440)	(3,634)	4,591
Investing cash flows	5,000	(9,529)	(18,450)	(30,384)	(20,883)
Financing cash flows	-	-	-	-	-
Total cash flows	4,100	(10,420)	(20,890)	(34,018)	(16,292)

14. EARNINGS PER SHARE

a) Basic earnings per share

The earnings and weighted average number of shares used in the calculation of basic earnings per share are as follows:

	For the six months period ended 30 June		For the year ended 31 December		
	2014 Audited	2013 Unaudited (Restated)	2013 Audited (Restated)	2012 Audited (Restated)	2011 Audited (Restated)
	USD 000's	USD 000's	USD 000's	USD 000's	USD 000's
Profit/(loss) for the period/year from continuing operations	50,897	(22,859)	(2,583)	61,969	35,445
Loss for the period/year from discontinued operations	(2,600)	(27,681)	(278,787)	(24,401)	(16,960)
Profit/(loss) for the period/year from continuing and discontinued operations	48,297	(50,540)	(281,370)	37,568	18,485
	Shares	Shares	Shares	Shares	Shares
Weighted average number of shares for the purpose of basic earnings per share (thousands)	328,494	323,036	325,034	319,515	312,340
Basic earnings / (loss) per share (cents) from continuing operations	15.5	(7.1)	(0.8)	19.4	11.3
Basic loss per share (cents) from discontinued operations	(0.8)	(8.6)	(85.8)	(7.6)	(5.4)
Basic earnings/(loss) per share (cents) from continuing and discontinued operations	14.7	(15.6)	(86.6)	11.8	5.9

b) Diluted earnings per share

There was no difference between basic and diluted earnings per share for any of the periods shown.

During 2011, the only potentially dilutive instruments were the outstanding Employee Incentive Scheme (EIS) share awards disclosed in note 29 which had a trivial dilution impact on earnings per share. These were vested/issued during 2012.

From 2012 onwards, the only potential dilutive instruments were the convertible loans, disclosed in note 25. 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.

15. ACQUISITION OF SUBSIDIARY

On the 31 January 2013 the Group completed the acquisition of 100% of Jannah Hunt Oil Company (Hunt) by acquiring its shares, a company with oil and gas assets in Yemen. The acquisition of Hunt added a 15% participating interest in the producing Block 5 licence. The transaction had an effective date of 1 October 2012 but completed on 31 January 2013 and this is therefore the acquisition date. The transaction is accounted for in 2013 as a business combination in accordance with IFRS 3, 'Business Combinations'.

	Fair value on acquisition USD 000's
Non-current assets	
Property, plant and equipment	129,922
Current assets and current liabilities	
Inventories	8,098
Trade and other receivables	175
Cash and cash equivalents	961
Trade and other payables	(4,466)
Non-current liabilities	
Future decommissioning provision	(965)
Purchase consideration paid in cash	**133,725***

* Of which approximately USD 30 million was paid in 2012.

The total purchase consideration equals the aggregate of the fair value of the identifiable assets and liabilities of Jannah Hunt Oil Company and therefore no goodwill has been recorded on acquisition. The fair value is arrived at by Level 3 fair value measurements. During the interim financial statement period for the six months ended 30 June 2013, the valuation exercise to determine the fair value of assets and liabilities was not concluded and hence the amounts reported were preliminary.

Transaction costs of USD 996 thousand in respect of the acquisition were recognised in the 2013 consolidated income statement.

From the date of acquisition to 31 December 2013, Jannah Hunt Oil Company contributed USD 54.9 million to Group revenues and a profit of USD 4.6 million to the profit of the Group. If the acquisition had been completed on the first day of 2013, Group revenues and loss for the period would have been USD 267.1 million and USD 281.0 million respectively.

There were no acquisitions representing business combinations in 2014, 2012 and 2011.

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

	E&E assets (Restated)
Cost	USD 000's
As at 1 January 2011	228,636
Additions	36,273
Exploration expenditure written off	(18,053)
Transfer to Property, plant and equipment	(115,675)
As at 31 December 2011	131,181
Additions	37,447
Exploration expenditure written off	(14,304)
As at 31 December 2012	154,324
Additions	49,685
Exploration expenditure written off in relation to discontinued operations (see note 13)	(11,121)
Other exploration expenditure written off	(43,852)
As at 30 June 2013	149,036
Additions	29,243
Exploration expenditure written off in relation to discontinued operations (see note 13)	(7,501)
Other exploration expenditure written off	(29,403)
As at 31 December 2013	141,375
Additions	34,382
As at 30 June 2014	175,757

6 months ended 30 June 2014

As at 30 June 2014, exploration costs of USD 175,757 thousand (30 June 2013: USD 149,036) were capitalised pending further evaluation of whether or not the related oil and gas properties are commercially viable.

12 months ended 31 December 2013

As at 31 December 2013, exploration costs of USD 141,375 thousand were capitalised pending further evaluation of whether or not the related oil and gas properties are commercially viable. Exploration expenditure written off of USD 73,255 thousand includes USD 29,181 thousand relating to Licence 1 in Latvia where, due to unsuccessful exploration well results, the Group has decided to exit the country. Further the Company has written off exploration expenditure amounting to USD 16,856 thousand related to Abu Sennan, Area A and B6 fields in Egypt, USD 11,204 thousand related to block 83 in Yemen, USD 14,919 thousand in Pakistan Jherruk and Kunri fields and USD 1,095 thousand in Somalia due to unsuccessful exploration well results.

Of the total write off outlined above, USD 43,852 thousand was recorded in the first six months of the year, which includes USD 29,133 thousand relating to Licence 1 in Latvia where, due to unsuccessful exploration well results, the Group has decided to exit the country. Further in the first six months of the year, the Company has written off exploration expenditure amounting to USD 14,719 thousand related to Area A and Abu Sennan fields in Egypt due to unsuccessful exploration well results.

12 months ended 31 December 2012

As at 31 December 2012, exploration costs of USD 154,324 thousand were capitalised pending further evaluation of whether or not the related oil and gas properties are commercially viable. Exploration expenditure written off of USD 14,304 thousand includes USD 9,136 thousand relates to block 74 in Yemen, where the licence was surrendered during the year due to unsuccessful exploration well results. Further the Company has written off exploration expenditure amounting to USD 5,168 thousand related to Abu Sennan, Area A and block 6 fields in Egypt due to unsuccessful exploration well results.

12 months ended 31 December 2011

As at 31 December 2011, exploration costs of USD 131,181 thousand were capitalised pending further evaluation of whether or not the related oil and gas properties are commercially viable. The transfer during the year to property, plant and equipment reflects assets for which commercial reserves have been discovered during the year. Exploration expenditure written off of USD 18,053 thousand includes USD 14,594 thousand related to block 15, 35 and 49 fields in Yemen, USD 3,459 thousand related to East Ras Qattara and Area A fields in Egypt, due to unsuccessful exploration well results.

17. PROPERTY PLANT AND EQUIPMENT

	Oil and gas assets	Other fixed assets	Total (Restated)
Cost	USD 000's	USD 000's	USD 000's
As at 1 January 2011	409,095	8,323	417,418
Additions	91,184	2,894	94,078
Transfer from Intangible exploration and evaluation assets	115,675	-	115,675
Write-off of asset in relation to discontinued operations	(5,374)	-	(5,374)
Disposal	(401)	(21)	(422)
Currency translation effect	-	(1)	(1)
As at 31 December 2011	610,179	11,195	621,374
Additions	65,641	3,756	69,397
Write-back of asset in relation to discontinued operations	5,374	-	5,374
Disposal	(762)	(511)	(1,273)
As at 31 December 2012	680,432	14,440	694,872
Additions	46,768	789	47,557
Acquisition of subsidiary (note 15)	128,334	-	128,334
As at 30 June 2013	855,534	15,229	870,763
Additions	51,171	2,080	53,251
Acquisition of subsidiary (note 15)	1,588	-	1,588
Reclassified as held for sale (note 13)	(331,625)	-	(331,625)
As at 31 December 2013	576,668	17,309	593,977
Additions	97,985	511	98,496
As at 30 June 2014	674,653	17,820	692,473
Accumulated Depreciation, depletion, amortisation and impairment			
As at 1 January 2011	116,595	1,802	118,397
Charge for the year	30,920	1,307	32,227
Write-off of asset in relation to discontinued operations	(1,308)	-	(1,308)
Disposal	(348)	(11)	(359)
As at 31 December 2011	145,859	3,098	148,957
Charge for the year	48,329	1,888	50,217
Impairment	30,862	-	30,862
Write-back of asset in relation to discontinued operations	1,308	-	1,308
Disposal	(282)	(212)	(494)
As at 31 December 2012	226,076	4,774	230,850
Charge for the period	43,488	989	44,477
Impairment	16,972	-	16,972
As at 30 June 2013	286,536	5,763	292,299
Charge for the period	34,563	923	35,486
Impairment reclassified as held for sale	(15,171)	-	(15,171)
On assets reclassified as held for sale (note 13)	(62,449)		(62,449)
As at 31 December 2013	243,479	6,686	250,165
Charge for the period	37,649	835	38,484
As at 30 June 2014	281,128	7,521	288,649
Carrying amount			
As at 30 June 2014	393,525	10,299	403,824
As at 30 June 2013	568,998	9,466	578,464
As at 31 December 2013	333,189	10,623	343,812
As at 31 December 2012	454,356	9,666	464,022
As at 31 December 2011	464,320	8,097	472,417

17. PROPERTY PLANT AND EQUIPMENT (CONTINUED)

6 months ended 30 June 2014

The additions to oil and gas assets include USD 3,268 thousand of finance costs on qualifying assets capitalised during the period using a weighted average interest rate of 6.62% and USD 1,882 thousand of fair value loss on convertible loans capitalised (six months ended 30 June 2013: USD 1,792 thousand and USD 1,840 thousand respectively).

The property, plant and equipment of certain subsidiary undertakings with a net book value of USD 282,375 thousand (30 June 2013: USD 199,107 thousand) are under registered mortgage to secure certain bank loans (see note 24).

In Yemen, the Group's Block 5 license will expire on 8 June 2015, but as a result of lost production days due to the security situation in Yemen, the Group is seeking to extend the Block 5 commitment period for 545 days (until 5 December 2016), utilising the force majeure mechanisms in the licence. Although discussions are ongoing with the Yemeni government, the Group is still awaiting a final determination. If the Group is unable to obtain an extension of the commitment period of the full 545 days from the Yemeni government, the Group will lose up to a year or more of anticipated production from Block 5, and may also be required to surrender its license in respect of Block 5. This would trigger an impairment charge on the value of its Jannah Hunt Oil Company Limited acquisition which, based on prevailing oil prices at 30 June 2014, would have been up to approximately USD 60 million or, if based on prevailing oil prices at 31 October 2014, would have been up to approximately USD 70 million. No such impairment charge has been recorded as the Group believes its application for the additional 545 days is in accordance with the licence terms.

As at 30 June 2014 the Group had property, plant and equipment with a carrying value of USD 24.5 million in relation to the Mansuriya field located in North East Iraq where, during the period ended 30 June 2014, the political and security situation become unstable. The work of operations on site has been put on hold. However, management believes that in the long term the situation will be resolved and that no impairment is required in the current period.

12 months ended 31 December 2013

The additions to oil and gas assets include USD 4,642 thousand of finance costs on qualifying assets capitalised during the year using a weighted average interest rate of 6.62% and USD 3,612 thousand of fair value loss on convertible loans capitalised.

During the year the company recognised an impairment loss on the block 5 and block 43 fields in Yemen amounting to USD 1,541 thousand and 260 thousand respectively to match the carrying value of the assets to the recoverable value measured on a value in use basis (see note 9).

The property, plant and equipment of certain subsidiary undertakings with a net book value of USD 280,069 thousand are under registered mortgage to secure certain bank loans (see note 24).

12 months ended 31 December 2012

The additions to oil and gas assets include USD 2,320 thousand of finance costs on qualifying assets capitalised during the year using a weighted average interest rate of 6.62% and USD 2,586 thousand of fair value loss on convertible loans capitalised.

During the year, the Group incurred impairment losses on certain oil and gas properties of USD 30,862 thousand which relate to operations classified as discontinued operations (see note 13).

The property, plant and equipment of the subsidiaries Kuwait Energy Egypt Ltd and Kuwait Energy Ukraine Limited, with a net book of USD 337,808 thousand were under registered mortgage to secure certain bank loans (see note 24).

12 months ended 31 December 2011

The additions to oil and gas assets include USD 5,140 thousand of finance costs on qualifying assets capitalised during the year using a weighted average interest rate of 6.62%.

The property, plant and equipment of the subsidiaries Kuwait Energy Egypt Ltd and Kuwait Energy Ukraine Limited, with a net book value of USD 432,250 thousand were under registered mortgage to secure certain bank loans (see note 24).

18. INVESTMENT IN JOINT VENTURE

The Group owns a 20% equity interest in Medco L.L.C. ("Medco"), a jointly controlled entity incorporated in Oman, engaged as operator for Karim Small fields in Oman. In accordance with IFRS 11, the Group has determined its interest in Medco to be a joint venture and accordingly accounts for it using the equity accounting method (see note 2).

Summarised financial statement information (100%) of Medco, based on its IFRS financial statements adjusted to bring the accounting policies of Medco in line with those of the Group, and reconciliation with the carrying amount of the investment in the Group's consolidated financial statements are set out below:

	As at 30 June		As at 31 December		
	2014 Audited	2013 Unaudited	2013 Audited	2012 Audited	2011 Audited
	USD 000's	USD 000's	USD 000's	USD 000's	USD 000's
Cash and bank balances	8,845	12,236	19,849	8,089	8,580
Other current assets	27,062	27,019	32,087	30,919	30,509
Non-current assets	7,197	10,334	8,672	11,997	15,321
Current liabilities	(15,901)	(15,944)	(24,227)	(25,171)	(19,346)
Non-current liabilities	(376)	(643)	(295)	(357)	(352)
Equity	26,827	33,002	36,086	25,477	34,712
Group's equity interest in Medco	20%	20%	20%	20%	20%
Proportion of the Group's ownership interest in Medco	5,365	6,600	7,217	5,095	6,942
Adjustments made to bring the accounting policies of Medco in line with those of the Group	4,304	3,183	3,381	3,960	4,061
Carrying amount of the Group's interest in Medco	9,669	9,783	10,598	9,055	11,003

	For the six months period ended 30 June		For the year ended 31 December		
	2014 Audited	2013 Unaudited	2013 Audited	2012 Audited	2011 Audited
	USD 000's	USD 000's	USD 000's	USD 000's	USD 000's
Revenue	51,165	49,503	109,490	103,035	100,148
Amortization	1,662	1,662	3,325	3,325	3,325
Taxation charges	1,113	1,016	1,452	2,139	1,051
Profit and total comprehensive income for the period/year	8,242	7,526	10,610	15,764	7,788
Group's share of profit for the period/year	1,648	1,505	2,122	3,153	1,558
Adjustments made to bring the accounting policies of Medco in line with those of the Group	923	(777)	(579)	(101)	(439)
Share of results from joint venture recognised in consolidated income statement	2,571	728	1,543	3,052	1,119
Dividend received from the joint venture during the period/year	3,500	-	-	5,000	-

19. INVENTORIES

	As at 30 June		As at 31 December		
	2014 Audited	2013 Unaudited	2013 Audited	2012 Audited	2011 Audited
	USD 000's	USD 000's	USD 000's	USD 000's	USD 000's
Crude oil	12,552	8,818	4,656	3,060	2,688
Spare parts, materials and supplies	20,525	16,290	19,493	16,805	13,552
	33,077	25,108	24,149	19,865	16,240

Crude oil is measured at net realisable value. Spare parts, materials and supplies are used in operations and are not held for re-sale.

20. TRADE AND OTHER RECEIVABLES

	As at 30 June		As at 31 December		
	2014 Audited	2013 Unaudited (Restated)	2013 Audited (Restated)	2012 Audited (Restated)	2011 Audited (Restated)
	USD 000's	USD 000's	USD 000's	USD 000's	USD 000's
Trade receivables	123,085	141,734	124,785	165,540	132,173
Advance to joint ventures	35,991	25,731	17,989	15,230	9,410
Amount due from a related party	1,744	-	-	-	-
Prepayments, deposits and advances	16,120	10,518	13,458	11,918	6,141
Other receivables	7,149	22,021	7,621	21,148	22,229
	184,089	200,004	163,853	213,836	169,953

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 provided against as there has not been a significant change in credit quality and the amounts are still considered recoverable. Further details are provided in the table below. This is a key source of estimation uncertainty and is discussed in further detail in the "Debtor recoverability" section of note 4.

Ageing of past due but not impaired

	As at 30 June		As at 31 December		
	2014 Audited	2013 Unaudited	2013 Audited	2012 Audited	2011 Audited
	USD 000's	USD 000's	USD 000's	USD 000's	USD 000's
61 – 90 days	12,304	11,593	15,858	16,982	9,225
91 – 120 days	-	25,107	-	26,524	20,236
121 – 180 days	13,215	-	-	1,707	24,412
> 180 days	53,791	64,104	73,672	80,014	43,791
Total	79,310	100,804	89,530	125,227	97,664

Amount due from a related party represents the amounts lent to the Chief Operating Officer (COO) of the Group so that he could meet his obligations under an historical agreement with a third party on behalf of the Group and purchase a specified number of shares of the Company held by that third party, until such time as the COO is able to sell the shares and repay the loan to the Company. The Company anticipates that, as and when the COO is required to purchase shares from the third party, it will purchase them from the COO and hold them as treasury shares. Subsequent to the period end, the Company obtained shareholder approval to do so in relation to the shares held by the COO at the period end. Further details are provided in note 30.

20. TRADE AND OTHER RECEIVABLES (CONTINUED)

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.

21. CASH AND BANK BALANCES

	As at 30 June		As at 31 December		
	2014	2013	2013	2012	2011
	Audited	Unaudited (Restated)	Audited (Restated)	Audited (Restated)	Audited (Restated)
	USD 000's	USD 000's	USD 000's	USD 000's	USD 000's
Cash and bank balances	125,349	29,049	127,594	46,766	38,762

6 months ended 30 June 2014:

Bank balances amounting to USD 38,231 thousand are restricted against issue of letters of guarantee, debt service accrual account and cash retention account related to term loans. USD 2,407 thousand is held in escrow for environmental restoration of block 5 in Yemen.

6 months ended 30 June 2013:

Bank balances amounting to USD 1,809 thousand are restricted against issue of letters of guarantee, debt service accrual account and cash retention account related to term loans. USD 936 thousand is held in escrow for environmental restoration of block 5 in Yemen.

12 months ended 31 December 2013:

Bank balances amounting to USD 31,183 thousand are restricted against issue of letters of guarantee, debt service accrual account and cash retention account related to term loans. USD 936 thousand is held in escrow for environmental restoration of block 5 in Yemen.

12 months ended 31 December 2012:

Bank balances amounting to USD 1,833 thousand are restricted against issue of letters of guarantee.

12 months ended 31 December 2011:

Bank balances amounting to USD 16,466 thousand are restricted against issue of letters of guarantee.

22. SHARE CAPITAL

6 months ended 30 June 2014:

The authorised share capital of the Company consists of 450.7 million shares of one Pound Sterling each, amounting to Pound Sterling 450.7 million. The issued and paid up share capital at the 30 June 2014 consists of 328.8 million Shares. During the period, the Company issued 1.4 million shares to employees as part of the employee incentive scheme.

12 months ended 31 December 2013:

The authorised share capital of the Company consists of 450.7 million shares of one Pound Sterling each, amounting to Pound Sterling 450.7 million. The issued and paid up share capital at the 31 December 2013 consists of 327.3 million shares.

On 22 July 2013 the Group issued 3.2 million shares to International Finance Corporation (IFC) in accordance with the terms of the 2010 share subscription agreement signed with the lender. Further, the Company issued 1.2 million shares to employees as part of the employee incentive scheme.

12 months ended 31 December 2012:

The authorised share capital of the Company consists of 325 million shares of one Pound Sterling each, amounting to Pound Sterling 325 million. The issued and paid up share capital at the 31 December 2012 consists of 322.9 million shares. During the year the Company issued 4.6 Million shares in relation to the business combination described in note 23.

12 months ended 31 December 2011:

The authorised share capital of the Company consists of 325 million shares of one Pound Sterling each, amounting to Pound Sterling 325 million. The issued and paid up share capital consists of 317.5 million shares.

The issued share capital of Kuwait Energy K.S.S.C. (see note 1) was 1,270,000 thousand shares of 100 fils each amounting to KD 127,000 thousand. As part of the group restructuring described in note 1 the share capital has been reduced in Kuwait Energy K.S.S.C. and new shares were issued by the new parent company, Kuwait Energy plc. The resulting difference in the USD value of the new share capital issue has been recorded as merger reserve. In order to provide meaningful financial statements under the merger accounting principles described in note 1, the share capital of the parent company prior to the restructuring has been restated to reflect the relative value of the Kuwait Energy plc shares at 31 December 2011.

23. OTHER RESERVES

	As at 30 June		As at 31 December		
	2014 Audited	2013 Unaudited	2013 Audited	2012 Audited	2011 Audited
	USD 000's	USD 000's	USD 000's	USD 000's	USD 000's
Shares to be issued	-	-	-	-	12,832
Share based compensation reserve (see note 29)	-	-	-	-	1,699
Retirement benefit obligation reserve	101	-	-	-	-
Foreign currency translation reserve	-	(9,866)	-	(8,766)	(8,774)
	101	(9,866)	-	(8,766)	5,757

The shares to be issued reserve in 2011 represents additional consideration due on the acquisition of Pechora Energy Company in Russia in 2009, with a corresponding increase recorded in property, plant and equipment. This contingent consideration was based on the volume of certified commercial reserves, the threshold for which was met during 2012. The related shares were issued in full during 2012 with the elimination of the corresponding amount from the other reserves.

24. LONG-TERM LOANS

	As at 30 June		As at 31 December		
	2014 Audited	2013 Unaudited	2013 Audited	2012 Audited	2011 Audited
	USD 000's	USD 000's	USD 000's	USD 000's	USD 000's
Non-current					
Due to foreign banks	114,608	-	88,867	60,000	45,000
Current					
Due to foreign banks	39,278	125,000	75,649	-	8,000

The details of the loans are as follows:

	As at 30 June		As at 31 December		
	2014 Audited	2013 Unaudited	2013 Audited	2012 Audited	2011 Audited
	USD 000's	USD 000's	USD 000's	USD 000's	USD 000's
USD 165 million facility from Deutsche Bank Syndicate that bears a floating interest rate of LIBOR plus 5% per annum.	103,886	110,000	104,516	60,000	-
USD 60 million facility from Arab Bank that bears an interest rate of LIBOR plus 5% per annum.	50,000	-	60,000	-	-
USD 15 million facility from Qatar First Bank that bears a fixed interest rate of 7% per annum	-	15,000	-	-	-
USD 35 million facility from International Finance Corporation ("IFC") that bears an interest rate of LIBOR plus 3.64% to 4.01% per annum.	-	-	-	-	30,000
USD 15 million facility financing from IFC that bears an interest rate of 1.176% per annum plus 5% earnings before interest, depreciation and amortisation arising on the secured assets	-	-	-	-	15,000
The Loan from European Bank for Reconstruction and Development ("EBRD") bears an interest rate of LIBOR plus 6.5% per annum	-	-	-	-	8,000
	153,886	125,000	164,516	60,000	53,000

24. LONG-TERM LOANS (CONTINUED)

6 months ended 30 June 2014:
The reserve based facility of USD 165 million is secured by pledges on the assets of the subsidiary Kuwait Energy Egypt Ltd. Loan is repayable on 30 June 2017 and is measured at amortised cost using the effective interest method. As at 30 June 2014, the Group has undrawn loan facilities amounting to USD 61.1 million although the amount available for immediate draw down is limited to USD 1.2 million based on the latest borrowing base approved by Deutsche Bank as determined by the forecast cash flows arising from the borrowing base assets. Subsequent to the period ended 30 June 2014, the Group has: (a) repaid USD 19.3 million in order to comply with the latest borrowing base and (b) drawn down USD 20.5 million as a result of a recent re-determination of the borrowing base.

The facility from Arab bank is secured by assigning the rights, title, benefits and interest in the shares of Jannah Hunt Oil Company Limited to the bank as security. Further, receipts under the crude oil sales agreement with Exxon Worldwide Trading Company have also been assigned to the bank as security. The loan is repayable in equal quarterly instalments commencing from March 2014 with final maturity in December 2016. During the period ended 30 June 2014 the Group has repaid USD 10,000 thousand.

Subsequent to the period ended 30 June 2014, the amount outstanding under Reserve Based Facilities and the Arab Bank Facility was repaid in full on 4 August 2014 from the proceeds of the 9.5% Senior Guaranteed Notes due 2019 (see note 35).

The initial transaction cost of USD 5,461 thousand (30 June 2013: USD 6,883 thousand) for securing the loans is classified as a non-current asset and is being amortised over the period of the loans.

6 months ended 30 June 2013:
The loan from Qatar First Bank is secured by pledges on the asset of Kuwait Energy Yemen Limited. The loan has been fully repaid in September 2013.

The reserve based facility of USD 165 million is secured by pledges on the assets of the subsidiaries Kuwait Energy Egypt Ltd and Kuwait Energy Ukraine Ltd. The loan is repayable by 30 June 2017 and is measured at amortised cost using the effective interest method. During the period the Group failed to comply with certain financial and non-financial covenants within the loan agreement resulting in the potential event of default. Whilst the Group's lenders have historically never called any loans or issued any default notice in relation to the facility, the Group, prior to 30 June 2013, commenced discussions with the relevant lenders to renegotiate the loan terms. Although discussions were on-going, at the 30 June 2013 no covenant waiver had been provided. As a result the non-current debt associated with the facility was reclassified as current as at 30 June 2013. Since the period end the loan has been renegotiated and an amended and restated agreement was signed on 18 September 2013. At 30 June 2013, the Group had undrawn loan facilities amounting to USD 55 million, although the amount available for immediate draw down was limited to USD nil based on the latest borrowing base approved by Deutsche Bank as determined by the forecast cash flows arising from the borrowing base assets.

12 months ended 31 December 2013:
The reserve based facility of USD 165 million is secured by pledges on the assets of the subsidiaries Kuwait Energy Egypt Ltd and Kuwait Energy Ukraine Ltd. This loan is repayable by 30 June 2017 and is measured at amortised cost using the effective interest method. As at 31 December 2013, the Group has undrawn loan facilities amounting to USD 60.5 million although the amount available for immediate draw down is limited to USD Nil based on the latest borrowing base approved by Deutsche Bank as determined by the forecast cash flows arising from the borrowing base assets.

24. LONG-TERM LOANS (CONTINUED)

12 months ended 31 December 2013 (continued):
The facility from Arab bank is secured by assigning the rights, title, benefits and interest in the shares of Jannah Hunt Oil Company Limited to the bank as security. Further, receipts under the crude oil sales agreement with Exxon Worldwide Trading Company have also been assigned to the bank as security. The loan is repayable in equal quarterly instalments commencing from March 2014 with final maturity in December 2016. At the year end the Group failed to comply with a financial covenant within the loan agreement.. Accordingly, the loan has been classified as a current liability. Subsequent to the year end the Group received an amendment agreement from Arab Bank.

The initial transaction cost of USD 6,455 thousand for securing the loans is classified as a non-current asset and is being amortised over the period of the loans.

12 months ended 31 December 2012:
The reserve based facility of USD 165 million is secured by pledges on the assets of the subsidiaries Kuwait Energy Egypt Ltd and Kuwait Energy Ukraine Ltd. Out of USD 165 Million facility the Group has drawn down the first tranche of USD 60 Million on 19 December 2012 and utilised it to repay the existing loans from IFC. This loan is repayable by 30 June 2017 and is measured at amortised cost using the effective interest method. As at 31 December 2012, the Group has undrawn loan facilities amounting to USD 105 Million, although the amount available for immediate draw down is limited to USD 78 Million based on the latest borrowing base approved by Deutsche Bank as determined by the forecast cash flows arising from the borrowing base assets.

The facility from IFC which was secured by pledges on the assets of the subsidiaries Kuwait Energy Egypt Ltd and Kuwait Energy Yemen Ltd was fully repaid during the year. The loan from EBRD which was secured by pledges on the assets of Pechora Energy Company Limited was repaid in full during the year.

The initial transaction cost of USD 7,647 thousand for securing the Deutsche Bank loan is classified as non-current assets and will be amortised over the period of the loan.

12 months ended 31 December 2011:
IFC facility of USD 35 million is secured by pledges on the assets of the subsidiaries Kuwait Energy Egypt Ltd and Kuwait Energy Yemen Ltd. The loan was to be repaid on 15 June 2014.

IFC facility of USD 15 million is secured by pledges on the assets of the subsidiaries Kuwait Energy Egypt Ltd and Kuwait Energy Yemen Ltd. The facility was to be repaid in 2 annual instalments of USD 7,500 thousand each on 30 June 2014 and 30 June 2015.

EBRD facility of USD 8 million is secured by pledges on the assets of the subsidiary of Pechora Energy Company Limited.

As at 31 December 2011, the Group has undrawn loan facilities amounting to USD 5,000 thousand (2010: USD 5,000 thousand).

The facilities shown above include certain financial covenants. One of these covenants on the EBRD facility was in breach as at 31 December 2011 and accordingly the full amount has been disclosed as falling due within one year.

25. CONVERTIBLE LOANS

	As at 30 June		As at 31 December		
	2014 Audited	2013 Unaudited	2013 Audited	2012 Audited	2011 Audited
	USD 000's	USD 000's	USD 000's	USD 000's	USD 000's
Non-current portion	114,400	101,786	105,807	83,213	-
Current portion	2,722	6,756	6,744	4,031	-
	117,122	108,542	112,551	87,244	-

During 2012, the Group entered into unsecured financing arrangements with Abraaj Capital and Qatar First Bank for USD 150 million each (total value of USD 300 million). Under the arrangements, the group has drawn down an amount of USD 100 million, of which USD 83 million was drawn down in 2012 and USD 17 million was drawn down in 2013. Of the USD 200 million remaining undrawn on the loans USD 50 million has expired and the residual USD 150 million is subject to certain additional conditions precedent. The loans are repayable in three equal instalments payable at every six month interval starting from 66th month from the first draw down date.

A variety of conversion options exist: if the Group undertakes a public offering of shares raising at least $150 million of equity (a "Qualifying IPO"), there is mandatory conversion; if no such offering has occurred in the 36 month period following the first draw down of each loan, the lenders or the company may request early repayment; alternatively the loans may run to term.

The loans carry a coupon interest of 8% and if the options are not exercised, the outstanding loans, without additional interest, are repaid in cash as per the repayment schedule.

Should a conversion option be exercised, the outstanding loans, the coupon interest and an additional interest uplift will be converted into the equity shares of the Company. The additional interest uplift is 8% if conversion is within 36 months of the first draw down and 12% if conversion is after this time (total effective interest rate of 16% / 20% respectively).

If the conversion options are exercised, the outstanding loans, together with the additional interest uplift outlined above, are convertible into shares of the Company based on the fair value of the shares on the conversion date. These embedded options are in the nature of embedded derivatives which have been determined not to be closely related to the loan arrangements. The group has opted to recognise the convertible loans as financial liabilities at fair value through the income statement based on the Company's best estimate at the balance sheet date of the relative likelihood of the occurrence of each conversion or prepayment option. The fair value at 30 June 2014 assumed a Qualifying IPO in the second half of 2014 which, at the date of approval of these financial statements, is now not considered likely to happen.

If a Qualifying IPO had instead been assumed to happen on the first day following the 36 month drawdown anniversary, which is May 2015 and August 2015 for the Abraaj and QFIB loans respectively, this would have increased the fair value of the loans at 30 June 2014 by USD 6,688 thousand. If the loans had been assumed to run to term this would have reduced their fair value at 30 June 2014 by USD 15,586 thousand.

Movement in convertible loan

	30.06.2014 Audited	30.06.2013 Unaudited	31.12.2013 Audited	31.12.2012 Audited	31.12.2011 Audited
	USD 000's	USD 000's	USD 000's	USD 000's	USD 000's
As at 1 January	112,551	87,244	87,244	-	-
Amount drawdown	-	17,000	17,000	83,000	-
Loss due to change in fair value*	8,593	7,639	15,683	7,113	-
Payment of coupon interest	(4,022)	(3,341)	(7,376)	(2,869)	-
As at end of the period/year	117,122	108,542	112,551	87,244	-

*Change in fair value since the prior period as a result of changes in the forecasted cash flows. Of this amount USD 1,881 thousand (30 June 2013: USD 1,840 thousand, 31 December 2013: USD 3,612 thousand, 31 December 2012:

25. CONVERTIBLE LOANS (CONTINUED)

USD 2,585 thousand) has been capitalised to qualifying assets in the period, see note 17, resulting in a net charge to the income statement of USD 6,712 thousand (30 June 2013: USD 5,799 thousand, 31 December 2013: USD 12,071 thousand, 31 December 2012: USD 4,528 thousand).

The convertible loans are classified as Level 3 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 15-17%.

26. LONG-TERM PROVISIONS

	As at 30 June		As at 31 December		
	2014 Audited	2013 Unaudited	2013 Audited	2012 Audited	2011 Audited
	USD 000's	USD 000's	USD 000's	USD 000's	USD 000's
Decommissioning provision	11,933	2,339	3,013	1,989	1,578
Retirement benefit obligation	3,540	1,831	3,243	1,482	1,116
	15,473	4,170	6,256	3,471	2,694

a) Decommissioning provision

The movement in the decommissioning provision over the period/year is as follows:

	30.06.2014 Audited	30.06.2013 Unaudited	31.12.2013 Audited	31.12.2012 Audited	31.12.2011 Audited
	USD 000's	USD 000's	USD 000's	USD 000's	USD 000's
As at 1 January	3,013	1,989	1,989	1,578	1,087
Unwinding of discount	101	99	158	158	107
Changes in estimate	8,819	251	1,002	253	384
Reclassified as held for sale	-	-	(136)	-	-
As at end of the period/year	11,933	2,339	3,013	1,989	1,578

The provision for decommissioning relates to two of the Group's fields and is based on the net present value of the Group's share of the expenditure which may be incurred at the end of the producing life of each field (currently estimated as being 2016 and 2023 for the two fields respectively) in the removal and decommissioning of the facilities currently in place. Assumptions, based on the current economic environment, have been made which management believe are a reasonable basis upon which to base the provision. These estimates are reviewed regularly to take into account any material changes to the assumptions. However, actual decommissioning costs will ultimately depend upon future market prices for the necessary decommissioning works required which will reflect market conditions at the relevant time. Furthermore, the timing of decommissioning is likely to depend on when the fields cease to produce at economically viable rates. This in turn will depend upon future oil and gas prices, which are inherently uncertain. The significant increase during the six months ended 30 June 2014 was primarily due to the receipt of an updated third party estimate in respect of one of the fields. The Group used a discount rate of 5% in arriving at the future value of decommissioning assets in Egypt.

b) Retirement benefit obligation

The group has a post-employment defined benefit obligation towards its non-Kuwaiti employees which is an End-of-Service (ESB) plan governed by Kuwait Labor Law. The entitlement to these benefits is conditional upon the tenure of employee service, completion of a minimum service period, salary drawn etc. The Group also has a defined benefit obligation in respect of Block 5 in Yemen. These are unfunded plans where the group meets the benefit payment obligation as it falls due.

26. LONG-TERM PROVISIONS (CONTINUED)

The movement in these defined benefit obligations over the period/year is as follows:

	30.06.2014 Audited	30.06.2013 Unaudited	31.12.2013 Audited	31.12.2012 Audited	31.12.2011 Audited
	USD 000's	USD 000's	USD 000's	USD 000's	USD 000's
As at 1 January	3,243	1,482	1,482	1,116	703
Current service cost	477	349	2,150	475	485
Interest expense	-	-	113	87	-
Re-measurements:					
Experience losses	(101)	-	(137)	-	-
Benefits paid	(79)	-	(365)	(196)	(72)
As at end of the period/year	3,540	1,831	3,243	1,482	1,116

The significant actuarial assumptions were as follows:

	30.06.2014 Audited	30.06.2013 Unaudited	31.12.2013 Audited	31.12.2012 Audited	31.12.2011 Audited
Discount rate	5%	5%	5%	5%	5%
Inflation	4%	4%	4%	4%	4%
Salary growth rate	6%	6%	6%	6%	6%

27. TRADE AND OTHER PAYABLES

	As at 30 June		As at 31 December		
	2014 Audited	2013 Unaudited (Restated)	2013 Audited (Restated)	2012 Audited (Restated)	2011 Audited (Restated)
	USD 000's	USD 000's	USD 000's	USD 000's	USD 000's
Trade Payables	121,290	63,163	74,485	27,455	26,725
Joint venture payables and accruals	27,556	5,909	14,516	19,773	17,993
Salaries and bonus payables	-	2,336	3,000	5,000	4,500
	148,846	71,408	92,001	52,228	49,218

Trade creditors and accruals principally comprise amounts outstanding for trade purchases and on-going costs. The average credit period taken for trade purchases is 30 days. No interest is charged on the overdue trade payables. The Group has financial risk management policies in place to ensure that all payables are paid within the pre-agreed credit terms.

The directors consider that the carrying amount of trade payables approximates their fair value.

28. DERIVATIVE FINANCIAL INSTRUMENTS

	As at 30 June		As at 31 December		
	2014 Audited	2013 Unaudited	2013 Audited	2012 Audited	2011 Audited
	USD 000's	USD 000's	USD 000's	USD 000's	USD 000's
Financial liabilities carried at fair value through profit or loss					
Held for trading derivatives not designated in hedge accounting relationships (interest rate cap - see below)	-	327	162	484	750

The Group's derivative financial instruments are all classified as Level 2 in all years. Level 2 fair value measurements are those derived from inputs other than quoted prices that are observable for the asset or liability either directly (i.e. as prices) or indirectly (i.e. derived from prices). The reduction in the fair value amounting to USD nil for the period ended 30 June 2014 (30 June 2013: USD 158 thousand, year ended 31 December 2013: USD 322 thousand, 31 December 2012: USD 266 thousand, 31 December 2011: USD 75 thousand loss) was recognised in the consolidated income statement.

During 2011 & 2010 the group had an oil put option designated as a cash flow hedge in order to reduce the Group's exposure to fluctuations in oil prices. The change in the fair value of oil put option amounting to USD 3,662 thousand was recognised in the 2011 consolidated statement of comprehensive income and a realised hedge loss of USD 7,101 thousand was recognised in the 2011 consolidated income statement. The oil options were settled in full in 2011 and no further commodity instruments were entered into.

Derivatives used for hedging purposes but which do not meet the qualifying criteria for hedge accounting are classified as 'Held for trading derivatives'.

Interest rate cap is an agreement to cap the interest rate on facilities at 2 % when the LIBOR is more than 2 % and equal to or less than 5 %. The interest rate cap matured on 30 June 2014.

The notional amounts of interest rate cap together with the fair value is summarised as follows:

Held for trading Derivatives

	Notional principal value				
	As at 30 June		As at 31 December		
	2014 Audited	2013 Unaudited	2013 Audited	2012 Audited	2011 Audited
	USD 000's	USD 000's	USD 000's	USD 000's	USD 000's
-Interest rate cap	-	50,000	50,000	50,000	50,000

	Fair value (Negative)/ Positive				
	As at 30 June		As at 31 December		
	2014 Audited	2013 Unaudited	2013 Audited	2012 Audited	2011 Audited
	USD 000's	USD 000's	USD 000's	USD 000's	USD 000's
-Interest rate cap	-	(327)	(162)	(484)	(750)

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29. SHARE-BASED PAYMENTS

At an Extraordinary General Meeting held on 14 October 2008 the shareholders of Kuwait Energy K.S.S.C. approved the issue of shares for nil consideration to employees in accordance with the employee incentive scheme ("EIS") approved by the Board of Directors ("BOD"). Following the restructuring the EIS obligations have been transferred from Kuwait Energy K.S.S.C. to Kuwait Energy plc. The EIS is available to specified employees employed at the beginning of the financial year and pro-rated for specified employees who have joined before 1 October of the financial year. The entitlement of each employee is determined based on the maximum incentive entitlement decided by the BOD and the weighted average of corporate performance ratings and individual performance ratings. The share awards vest in a staggered manner of 30%, 30% and 40% after one, two and three years respectively. Any unutilised share awards cannot be carried forward. If the employee leaves the Group (other than due to exceptional circumstances beyond the employee's control) during the vesting period, the unvested shares will be forfeited. If the employee leaves the Group due to exceptional circumstances beyond the employee's control during the vesting period, the fair value of the unvested share awards will be paid in cash. The unvested shares are not entitled to dividends or bonus shares.

The EIS has concluded and the Group has issued all the vested shares during the year 2012 to the employees.

The Group records an expense, based on its best estimate related to the fair value determined by reference to the fair value of the share awards from independent market sources at the dates of the grant 1 January 2008 (139 fils/share), 1 January 2009 (201 fils/share), 1 January 2010 (201 fils/share) and 1 January 2011 (201 fils/share) on a straight-line basis over the vesting period. During the year 2012, the Company recognised a net expense of USD 742 thousand (2011: USD 1,229 thousand) including reversal of previously recognised expenses relating to forfeited shares as the cost of EIS and credited the share-based compensation reserve in equity.

	Year 31 December 2012		Year 31 December 2011	
	Number	Fair value	Number	Fair value
	USD 000's	USD 000's	USD 000's	USD 000's
Outstanding at beginning of the year	858	2,449	618	1,696
Granted during the year	-	-	514	1,485
Forfeited during the year	(47)	(134)	(42)	(118)
Vesting/issued during the year	(811)	(2,315)	(232)	(614)
Outstanding at the end of the year	-	-	858	2,449

30. RELATED PARTY TRANSACTIONS

Related parties comprise major shareholders, directors and executive officers of the Group, their families and companies of which they are the principal owners. Balances and transactions between the Company and its subsidiaries, which are related parties, have been eliminated on consolidation and are not disclosed in this note.

Kuwait Energy KSSC, the parent company prior to the restructuring has continued to provide staff to the Group at cost plus a mark-up, representing an arm's length transaction, whilst the contracts for those staff are transferred to subsidiaries of the Group. The charge to the Group after completion of the restructuring in this regard was USD 75 thousand (30 June 2013: USD 75 thousand, 31 December 2013: USD 150 thousand, 2012: USD 145 thousand, 2011: nil,) and USD 478 thousand was owed to Kuwait Energy KSSC in this regard at 30 June 2014 (30 June 2013: USD 610 thousand, 31 December 2013: USD 473 thousand, 31 December 2012: USD 1,148 thousand, 31 December 2011: USD 569 thousand).

The other related party transactions and balances included in the Group's consolidated financial statements are as follows:

30. RELATED PARTY TRANSACTIONS (CONTINUED)

a) Compensation of key management personnel:

Key management personnel are considered to be the Board of Directors of the Company.

The remuneration of key management personnel during the period/year was as follows:

	For the six months period ended 30 June		For the year ended 31 December		
	2014 Audited	2013 Unaudited	2013 Audited	2012 Audited	2011 Audited
	USD 000's	USD 000's	USD 000's	USD 000's	USD 000's
Salaries and other short-term benefits	712	718	1,667	1,627	1,938
Consultancy fees paid to non-executive director	148	148	296	98	-
Post-employment benefits	16	16	33	22	102
Share-based payments	-	-	346	453	240
	876	882	2,342	2,200	2,280
b) Agreement to purchase shares	11,000	11,000	11,000	11,000	11,000

The Chief Operating Officer (COO) of the Group has entered into an agreement with a third party on behalf of the Group to purchase a specified number of shares of the Group held by that third party. Depending on the outcome of certain future events, and unless otherwise agreed, the Group may be required to lend the COO the purchase price of the shares, approximately USD 11 Million, until such time as the COO is able to sell the shares and repay the loan to the company. At 30 June 2014 USD 1,744 thousand had been loaned to the COO under this arrangement. Subsequent to the period end the Company has obtained shareholder approval to purchase all of the shares held by the COO and to hold them as treasury shares. Further information is included in note 20.

31. OPERATING LEASE ARRANGEMENTS

	As at 30 June		As at 31 December		
	2014 Audited	2013 Unaudited	2013 Audited	2012 Audited	2011 Audited
	USD 000's	USD 000's	USD 000's	USD 000's	USD 000's
Minimum lease payments under operating leases recognised in the consolidated statement of income	761	905	1,810	1,326	1,781

At the consolidated statement of financial position date, the Group had outstanding commitments for future minimum lease payments under operating leases, which fall due as follows:

	2014	2013	2013	2012	2011
Within one year	1,214	1,356	1,442	1,888	1,410
Between two years and five years	6	8	12	215	591
	1,220	1,364	1,454	2,103	2,001

Operating lease payments represent rentals payable by the Group for certain of its office properties. Leases are negotiated for an average term of one to two years and rentals are fixed for an average of two years with an option to extend for a further two years at the then prevailing market rate.

32. SUBSIDIARY COMPANIES

The principal subsidiaries of the Company at 30 June 2014 were as follows:

Company's name	Ownership %				Country of incorporation	Country of operations	Type of activity
	30.06.14	31.12.13	31.12.12	31.12.11			
KEC (Egypt) Ltd	100	100	100	100	British Virgin Islands	Egypt	Development / production
Kuwait Energy Egypt Ltd	100	100	100	100	British Virgin Islands	Egypt	Exploration / development/ production
Kuwait Energy (Eastern Desert) Petroleum Services SAE	100	100	100	100	Egypt	Egypt	Exploration / development/ production
Kuwait Energy Yemen Ltd	100	100	100	100	British Virgin Islands	Yemen	Exploration / development/ production
Kuwait Energy Iraq Limited	100	100	100	100	British Virgin Islands	Iraq	Exploration / development/ production
KE Netherlands Coöperatief U.A.	100	100	100	100	Netherlands	Ukraine/ Latvia/ Russia	Holding Company
Kuwait Energy Ukraine	-	100	100	100	Ukraine	Ukraine	Exploration/ Production
Pechora Energy Company	100	100	100	100	Russia	Russia	Exploration/ Production
Kuwait Energy Pakistan Ltd	100	100	100	100	British Virgin Islands	Pakistan	Exploration
Jannah Hunt Oil Company Limited	100	100	-	-	British Virgin Islands	Yemen	Development /production

The group has a 20% interest in Medco LLC. Medco LLC is the operator for Karim Small fields in Oman.

33. FINANCIAL INSTRUMENTS

Significant accounting policies

Details of the significant accounting policies and methods adopted, including the criteria for recognition, the basis of measurement and the basis on which income and expenses are recognised, in respect of each class of financial asset and financial liability are disclosed in note 3 to these consolidated financial statements.

Categories of financial instruments

	30.06.2014 Audited	30.06.2013 Unaudited (Restated)	31.12.2013 Audited (Restated)	31.12.2012 Audited (Restated)	31.12.2011 Audited (Restated)
	USD 000's	USD 000's	USD 000's	USD 000's	USD 000's
Financial assets					
Loans and receivables					
- Trade and other receivables	159,534	189,486	150,395	201,918	163,812
Cash and bank balances	125,349	29,049	127,594	46,766	38,762
Financial liabilities					
At amortised cost					
- Trade and other payables	148,846	69,072	89,001	47,228	44,718
- Long-term loans	114,608	-	88,867	60,000	45,000
- Current portion of long term loans	39,278	125,000	75,649	-	8,000
At fair value through profit and loss account (FVTPL)					
-Designated as FVTPL - convertible loans	117,122	108,542	112,551	87,244	-
-Derivative financial instruments	-	327	162	484	750

Fair value measurement

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 2014	Level 1 USD 000's	Level 2 USD 000's	Level 3 USD 000's	Total USD 000's
Financial assets measured at fair value				
Assets classified as held for sale	-	-	16,114	16,114
Financial liabilities measured at fair value				
Liabilities directly associated with assets classified as held for sale	-	-	7,814	7,814
Financial liabilities at fair value through profit and loss account (FVTPL):				
- Convertible loans	-	-	117,122	117,122

33. FINANCIAL INSTRUMENTS (CONTINUED)

Fair value measurement (continued)

30 June 2013	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	-	-	108,542	108,542
- Derivative financial instruments	-	327	-	327
31 December 2013				
Financial assets measured at fair value				
Assets classified as held for sale	-	-	51,274	51,274
Financial liabilities measured at fair value				
Liabilities directly associated with assets classified as held for sale	-	-	36,274	36,274
Financial liabilities at fair value through profit and loss account (FVTPL):				
- Convertible loans	-	-	112,551	112,551
- Derivative financial instruments	-	162	-	162
31 December 2012				
Financial liabilities measured at fair value				
Financial liabilities at fair value through profit and loss account (FVTPL):				
- Convertible loans	-	-	87,244	87,244
- Derivative financial instruments	-	484	-	484
31 December 2011				
Financial liabilities measured at fair value				
Financial liabilities at fair value through profit and loss account (FVTPL):				
- Derivative financial instruments	-	750	-	750

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

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.

	Asset classified as held for sale (net) USD 000's	Convertible loans USD 000's
Opening asset/(liability) balance as at 1 January 2014	15,000	(112,551)
Losses arising in the period	(2,600)	(8,593)
Proceeds from disposal	(5,000)	-
Payment	900	4,022
Closing balance as at 30 June 2014	8,300	(117,122)
Total losses for the period included in profit or loss for assets held at the end of the reporting period	2,600	6,712*

*Net of amounts capitalised within finance costs of USD 1,881 thousand (see note 25).

33. FINANCIAL INSTRUMENTS (CONTINUED)

Fair value measurement (continued)	Asset classified as held for sale (net)	Convertible loans
	USD 000's	USD 000's
Opening asset/(liability) balance as at 1 January 2013	-	(87,244)
Losses arising in the period	(278,787)	(15,683)
Amounts drawndown	-	(17,000)
Additions/Payment	293,787	7,376
Closing balance as at 31 December 2013	15,000	(112,551)*
Total losses for the period included in profit or loss for assets held at the end of the reporting period	278,787	12,071

*Net of amounts capitalised within finance costs of USD 3,612 thousand (see note 25).

Fair values of all financial instruments are not materially different from their carrying values.

(a) For financial assets and financial liabilities that are liquid or having a short-term maturity (less than three months) it is assumed that the carrying amounts approximate to their fair value.

(b) Fair value of loans from banks approximates carrying value which is recognised at amortised cost.

(c) Financial assets and liabilities that are measured subsequent to initial recognition at fair value are derivatives (note 28) and convertible loans (note 25).

Financial risk management objectives

The Group's management monitors and manages the financial risks relating to the operations of the Group through internal risk reports which analyse exposures by degree and magnitude of risks. These risks include market risk (including commodity price risk, interest rate risk and foreign currency risk), credit risk and liquidity risk. The group seeks to manage this risk by using derivatives to hedge interest rate risk.

Market risk

Market risk is the risk that changes in market prices, such as commodity prices, interest rates and foreign exchange rates will affect the Group's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return.

The Group is exposed to international commodity-based markets. As a result, it can be affected by changes in crude oil, natural gas and petroleum product prices and interest rates and foreign exchange rates.

Price risk management
Volatility in oil and gas prices is a pervasive element of the Group's business environment.

The Group is a seller of crude oil, which is typically sold under short-term arrangements priced in USD at current market prices. In previous years the Group used oil put options to manage the risks of volatility in crude oil prices. At the end of the current period the Group has not hedged its exposure to oil price risk.

The Group does not sell gas under any long-term agreements.

Price risk management (continued)
The following table illustrates the sensitivity of the profit for the year to a reasonably possible change in oil and gas prices by +10%. A positive number below indicates an increase in profit and decrease in price will have the opposite effect.

	30.06.14 Audited	30.06.13 Unaudited (Restated)	31.12.13 Audited (Restated)	31.12.12 Audited (Restated)	31.12.11 Audited (Restated)
	USD 000's	USD 000's	USD 000's	USD 000's	USD 000's
Impact on consolidated statement of income	13,100	11,710	26,249	18,298	13,852

33. FINANCIAL INSTRUMENTS (CONTINUED)

Market risk (continued)

Foreign currency risk management

The Group undertakes certain transactions denominated in foreign currencies. Hence, exposures to exchange rate fluctuations arise. Exchange rate exposures are managed within approved policy parameters.

The carrying amounts of the Group's foreign currency denominated monetary assets and monetary liabilities at the reporting date are as follows:

	Liabilities				
	As at 30 June		As at 31 December		
	2014 Audited	2013 Unaudited	2013 Audited	2012 Audited	2011 Audited
	USD 000's	USD 000's	USD 000's	USD 000's	USD 000's
Kuwaiti Dinar	39	87	22	-	-
Ukraine Hryvnia	-	2,436	5,642	2,209	1,425
Russian Rouble	4,590	4,002	4,778	3,145	7,452

	Assets				
	As at 30 June		As at 31 December		
	2014 Audited	2013 Unaudited	2013 Audited	2012 Audited	2011 Audited
	USD 000's	USD 000's	USD 000's	USD 000's	USD 000's
Kuwaiti Dinar	68	1,047	3,125	2,439	2,832
Ukraine Hryvnia	-	3,584	5,110	364	82
Russian Rouble	270	231	4,466	1,389	422

Foreign currency sensitivity analysis

The Group's main foreign currency exposure is to fluctuations in the Kuwait Dinar, Ukraine Hryvnia and Russian Rouble.

The following table details the Group's sensitivity to a 10% increase and decrease in the USD against Kuwaiti Dinar, Ukraine Hryvnia and Russian Rouble. The sensitivity analysis includes only outstanding Kuwaiti Dinar, Ukraine Hryvnia and Russian Rouble denominated monetary assets and liabilities and adjusts their translation at the year end for a 10% change in foreign currency rates. A positive number below indicates an increase in profit and a negative number indicates decrease in profit. All other variables are held constant. There have been no changes in the methods and the assumptions used in the preparation of the sensitivity analysis.

	As at 30 June		As at 31 December		
	2014 Audited	2013 Unaudited	2013 Audited	2012 Audited	2011 Audited
	USD 000's	USD 000's	USD 000's	USD 000's	USD 000's
Impact on consolidated statement of income					
Kuwaiti Dinar	3	96	310	(244)	(283)
Ukraine Hryvnia	-	115	(53)	185	134
Russian Rouble	(432)	(377)	(31)	176	703

33. FINANCIAL INSTRUMENTS (CONTINUED)

Market risk (Continued)

Interest rate risk management

The Group is exposed to interest rate risk as it has borrowed funds from banks and financial institutions and has placed funds in interest bearing time deposits with banks during the year.

The Group is exposed to interest rate risk because the entities within the Group borrow funds at both floating and fixed interest rates. This risk is mitigated by the Group by maintaining an appropriate mix of floating and fixed rate borrowing.

The Group's exposure to interest rates on financial assets and liabilities are detailed in the liquidity risk management section of this note.

The following table illustrates the sensitivity of the profit for the year to a reasonably possible change in interest rates of + 1% with effect from the beginning of the year. These changes are considered to be reasonably possible based on observation of current market conditions. The calculations are based on the Group's financial instruments held at each consolidated statement of financial position date. All other variables are held constant. There has been no change in the methods and the assumptions used in the preparation of the sensitivity analysis.

A positive number below indicates an increase in profit and negative number indicates decrease in profit. A 1% decrease in the interest rates would have the opposite effect.

	30.06.14 Audited	30.06.13 Unaudited	31.12.13 Audited	31.12.12 Audited	31.12.11 Audited
	USD 000's	USD 000's	USD 000's	USD 000's	USD 000's
Impact on consolidated statement of income	(1,539)	(1,250)	(1,645)	(600)	(530)

Credit risk management

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the Group. The Group has adopted a policy of only dealing with creditworthy counterparties as a means of mitigating the risk of financial loss from defaults. The Group's exposure and the credit ratings of its counterparties are continuously monitored and the aggregate value of transactions concluded is spread amongst approved counterparties. On-going credit evaluation is performed on the financial condition of accounts receivable.

During the period ended 30 June 2014, 83% of total revenue (period ended 30 June 2013: 73%, year ended 2013:74% 2012: 91% 2011:67%) was derived from the sales to the Group's largest counterparty, EGPC. Further details of the Group's receivables with EGPC are provided in note 4 ("Debtor recoverability"). The Group defines counterparties as having similar characteristics if they are related entities.
Credit risk on liquid funds and derivative financial instruments is limited because the counterparties are banks with high credit ratings assigned by international credit rating agencies.

Exposure to credit risk

The carrying amount of financial assets represents the maximum credit exposure. The maximum exposure to credit risk at the reporting date was:

	As at 30 June		As at 31 December		
	2014 Audited	2013 Unaudited (Restated)	2013 Audited (Restated)	2012 Audited (Restated)	2011 Audited (Restated)
	USD 000's	USD 000's	USD 000's	USD 000's	USD 000's
Trade and other receivables	159,534	189,486	150,395	201,918	163,812
Cash and bank balances	125,349	29,049	127,594	46,766	38,762
	284,883	218,535	277,989	248,684	202,574

33. FINANCIAL INSTRUMENTS (CONTINUED)

Credit risk management (continued)

The maximum exposure to credit risk for trade receivables at the reporting date by geographic region was:

	As at 30 June		As at 31 December		
	2014 Audited	2013 Unaudited (Restated)	2013 Audited (Restated)	2012 Audited (Restated)	2011 Audited (Restated)
	USD 000's	USD 000's	USD 000's	USD 000's	USD 000's
Egypt	121,370	128,837	115,824	163,891	131,039
Yemen	1,715	12,897	8,961	1,649	1,134
	123,085	141,734	124,785	165,540	132,173

Liquidity risk management

Liquidity risk is the risk that the Group will not be able to meet its financial obligations as they fall due. The Group's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Group's reputation.

Ultimate responsibility for liquidity risk management rests with the management, which has built an appropriate liquidity risk management framework for the management of the Group's short, medium and long-term funding and liquidity management requirements. The Group manages liquidity risk by maintaining adequate reserves and banking facilities, by continuously monitoring forecast and actual cash flows and matching the maturity profiles of financial assets and liabilities.

The following tables detail the Group's remaining contractual maturity for its financial liabilities. The tables have been drawn up based on the undiscounted cash flows of financial liabilities.

Financial liabilities	Less than 1 year	Between 1 and 3 years	Between 3 and 5 years	More than 5 years	Total	Weighted average effective interest rate
	USD 000's	USD 000's	USD 000's	USD 000's	USD 000's	%
At 30 June 2014						
Long-term loans	68,284	100,115	-	-	168,399	6.62%
Convertible loans	8,000	16,000	109,960	-	133,960	16%
Trade and other payables	148,846	-	-	-	148,846	
	225,130	116,115	109,960	-	451,205	
At 30 June 2013						
Long-term loans	125,000	-	-	-	125,000	6.62%
Convertible loans	8,000	16,000	65,801	52,150	141,951	16%
Trade and other payables (restated)	69,072	-	-	-	69,072	
	202,072	16,000	65,801	52,150	336,023	
At 31 December 2013						
Long-term loans	84,436	93,447	-	-	177,883	6.62%
Convertible loans	8,000	16,000	96,796	17,169	137,965	16%
Trade and other payables (restated)	89,001	-	-	-	89,001	-
	181,437	109,447	96,796	17,169	404,849	

33. FINANCIAL INSTRUMENTS (CONTINUED)

Liquidity risk management (continued)

Financial liabilities	Less than 1 year	Between 1 and 3 years	Between 3 and 5 years	More than 5 years	Total	Weighted average effective interest rate
	USD 000's	USD 000's	USD 000's	USD 000's	USD 000's	%
At 31 December 2012						
Long-term loans	3,306	6,654	66,600	-	76,560	6.62%
Convertible loans	7,359	16,000	16,000	89,967	129,326	16%
Trade and other payables (restated)	47,228	-	-	-	47,228	-
	57,893	22,654	82,600	89,967	253,114	
At 31 December 2011						
Long-term loans	8,000	40,667	7,721	-	56,388	10.11%
Convertible loans	-	-	-	-	0	-
Trade and other payables (restated)	44,718	-	-	-	44,718	
	52,718	40,667	7,721	0	101,106	

The group has access to financial facilities as described in notes 24 and 25. The group expects to meet its other obligations from operating cash flows.

Capital risk management

The Group manages its capital to ensure that it will be able to continue as a going concern while maximising the return to the shareholders through the optimisation of debt and equity balance. The Group's overall strategy remains unchanged from 2011 through to 30 June 2014.

The capital structure of the Group consists of equity comprising issued share capital, share premium and merger reserve (see note 22), other reserves (see note 23) and retained earnings.

Gearing ratio

The gearing ratio at period/year end was as follows:

	As at 30 June		As at 31 December		
	2014 Audited	2013 Unaudited (Restated)	2013 Audited (Restated)	2012 Audited (Restated)	2011 Audited (Restated)
	USD 000's	USD 000's	USD 000's	USD 000's	USD 000's
Debt (i)	271,008	233,542	277,067	147,244	53,000
Less: Cash and bank balances and liquid investments	(125,349)	(29,049)	(127,594)	(46,766)	(38,762)
Net debt	145,659	204,493	149,473	100,478	14,238
Equity	499,809	669,010	448,252	717,942	702,687
Net debt to equity ratio (%)	29.1	30.6	33.3	14.0	2.0

(i) Debt is defined as long-term and short term loans as detailed in note 24 and convertible loans as detailed in note 25.

34. CONTINGENT LIABILITIES AND CAPITAL COMMITMENTS

	As at 30 June		As at 31 December		
	2014 Audited	2013 Unaudited	2013 Audited	2012 Audited	2011 Audited
	USD 000's	USD 000's	USD 000's	USD 000's	USD 000's
a) Contingent liabilities - letters of guarantee	-	2,674	1,628	2,423	16,466
b) Capital commitments (other than covered by letters of guarantee)	106,970	136,700	116,400	114,200	84,952

Capital commitment includes committed exploration drilling and seismic expenditures as specified in the licence.

35. SUBSEQUENT EVENTS

1) Subsequent to the period ended 30 June 2014, the Group has issued USD 250 million aggregate principal amount of its 9.5% Senior Guaranteed Notes due 2019 (the "Notes"). Interest on the Notes will be paid semi-annually in arrears on 4 February and 4 August of each year, commencing on 4 February 2015. The Notes have been admitted by the board of the Irish Stock Exchange for listing on the official list and trading on the Global Exchange Market. Proceeds of the Notes have been used to repay in full amounts outstanding under the Reserve Based Facilities and the Arab Bank Facility (see note 24). Remaining proceeds, after fees, will be used to partially fund capital expenditure of the Group, particularly in respect of the Group's assets in Iraq and for general corporate purposes.

2) Subsequent to the period ended 30 June 2014, a restructuring of the Group was undertaken in July 2014 to bring KEC into the Group. After this restructuring, KEC along with another intermediary holding company called Kuwait Energy International Limited (Jersey) hold the various Group assets, mainly through a number of BVI based holding companies.

   Following the restructuring, there are a number of 'associated' shareholders (holding approximately 26 per cent. of KEC) still to transfer to ownership of the Company by the end of 2014. However, it is expected that these shareholders will hold less than 5 per cent of KEC.

   KEC is also a 9 per cent shareholder in the Company, however, it is intended to remove this cross-holding.

3) On 16 July 2014, KEC Kuwait signed 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, with an effective date of 1 July 2013. This assignment is subject to final EGPC board approval and certain conditions precedent, including KEC Kuwait providing a written waiver or other evidence of non-exercise of any preferential rights (including a right of first refusal to acquire the working interest subject to this proposed farm out) by other parties to the service contract and written approval of the assignment by the Iraqi government.