HALF YEAR FINANCIAL RESULTS

KUWAIT ENERGY PLC GROUP

FOR THE SIX MONTHS ENDED 30 JUNE 2016 (1H 2016)

30 September 2016

AT A GLANCE

Who we are

Kuwait Energy is an independent oil and gas company actively engaged in the exploration, appraisal, development and production of hydrocarbons. Kuwait Energy is focused in MENA region and its portfolio consists of 10 oil and gas assets across Egypt, Iraq, Yemen, and Oman of which we operate seven assets.

Sara Akbar, Chief Executive Officer (CEO), commented:

"Despite the challenging external environment in the industry, I am pleased to report that during the first half of this year Kuwait Energy has generated positive operating cash flow of US$35.1 million and have optimised costs in every aspect, reducing capital expenditure, delaying discretionary activities, renegotiating major contracts and continuing to optimise our portfolio. Block 9, Iraq continues to produce steadily at an average daily production rate of 3.3 kbopd (WI) which is expected to increase to over 9.0 kbopd (WI) by the end of 1H 2017. We remain focused on bringing Siba online by 1H 2017 and are working closely with all the stakeholders involved to achieve this."

Key Operational Highlights

- LTIFR stood at 0.38 with over 2.6 million man-hours worked.
- Average daily Working Interest production is 24.8 kboepd *(1H 2015: 25.7 kboepd)*, despite continued Block 5, Yemen shut-down.
- Iraq Block 9 Faihaa-1 well continues to produce steadily with average daily WI production of 3.3 kbopd. The Faihaa-2 well has been drilled and is undergoing production testing while the Faihaa-3 well was spud at the end of August 2016.
- An Export Oil Sales Agreement was signed with SOMO in March 2016, the first cargo from Iraq is expected to be allocated in October 2016 for a total quantity of 300 kbbls (Gross: 500 kbbls); covering Kuwait Energy's share of production until the end of June 2016.
- The Siba EPC works are progressing with construction activities on the ground. First gas is expected in 1H 2017.
- The Abu Sennan Al Jahraa SE-1X exploration well was a successful discovery and was put on production in August 2016. It is currently producing at an average WI daily rate of 200 boepd (Gross: 400 boepd).

Key Financial Highlights

- Cash and cash equivalents balance of US$54.5 million and net debt of US$316.3 million. No debt maturities in the next 12 months.
- Positive operating cash flow of US$35.1 million (*1H 2015: US$51.5 million*), in a low oil price environment.
- First half revenue US$64.8 million (*1H 2015: US$89.1 million*), average realised oil price US$34.8/bbl *(1H 2015: US$57.6 /bbl)*.
- Capital expenditure incurred US$80.7 million; US$78.6 million was incurred on development activities and US$2.1 million spent on exploration activities. Actual cash spent on capital expenditure was US$48.0 million due to timing difference in payment to creditors.
- Working diligently to manage costs. Reduced field operating cost per barrel by 17% to US$6.0 per barrel and net general and administrative expenses by 25% to US$6.9 million.

Chief Executive Officer's Statement

The industry's outlook for 2016 remains challenging due to continued oil price uncertainty. In January 2016, oil prices reached a 12-year low and since then have recovered by more than 75% and are currently hovering around US$50 per barrel. Kuwait Energy has taken measures since 2015 to mitigate this; focusing on cost control across all operational and administrative functions. We have significantly reduced capital expenditure by delaying or cancelling certain discretionary activities, re-negotiating major contracts and continuing to work on optimizing our portfolio. Our overhead costs were significantly reduced by decreasing benefits and expenses, reducing headcount, freezing salaries and recruitment as well as releasing office space.

Having taken measures to manage our cash outflows, we focused our efforts on operational activities to maximise cash inflow. During 1H 2016, we produced over 4.5 million barrels of oil with an average daily production of 24.8 kboepd, a slight reduction from our YE 2015 position. This was achieved despite the continued shut down of Block 5 in Yemen and the overall natural decline of our Egyptian assets.

As a Company, we have focused our efforts on accelerating production from Block 9 in Iraq by putting in place an agreement to enable early production in 2015. Subsequently, an Export Oil Sales Agreement was signed with the Iraqi State Oil Marketing Company (SOMO). These agreements have allowed us to commence production from Block 9 with a mechanism in place providing payment through crude oil liftings. In October 2016, we expect to receive our first Iraqi cargo covering our production from October 2015 to June 2016 for a quantity of 300 kbbls net; compensating our 60% share in the concession.

As of the end of June 2016, our average daily working interest production from Block 9 stood at 3.3 kbopd from one well only: Faihaa-1. This is expected to double by Q4 2016 with the commencement of production from Faihaa-2 in early October 2016. Furthermore, we commenced drilling in Faihaa-3 on 31 August 2016.

In Egypt, our successful discovery in Al Jahraa SE-1X in Abu Sennan was put on production within less than a month following the attainment of the development lease from EGPC. In addition, we are currently carrying out various work overs and side-tracking activities to increase productivity from our existing assets. Our receivables in Egypt continue to be collected within around 60 days and we have received over US$51 million from EGPC during the first half of 2016 with just over two months' worth of receivables remaining outstanding; significantly less than the industry norm for producers in Egypt. Mostly recently, we were allocated a cargo for around US$20 million to be received on 30 October 2016. In Yemen, we remain operationally-ready to resume activities when the situation permits.

Kuwait Energy's reserves have increased significantly following the independent YE 2015 reserves and resources report produced by GCA. Our 2P WI reserves are 818 mmboe as at 31 December 2015, a net increase of 147 mmboe (22%) in comparison to our 2P WI reserves at YE 2014.

Financially, and despite the challenging external environment, we continue to generate positive operating cash flows while maintaining a strong balance sheet and have no debt maturing in 2016.

Looking ahead, we remain optimistic about the future of this cyclical business. Our primary focus remains in line with our mission statement; "*to develop and manage oil and gas assets in the interest of our stakeholders*". We are determined on creating a liquidity event for our shareholders and are currently exploring various options to achieve this.

In parallel, we are focused on increasing production from Block 9, commencing first gas production in Siba in Iraq during the first half of 2017 and continue to add production in Egypt; all of which should strengthen our overall cash position and further demonstrate Kuwait Energy's resilience to withstand and manage difficult external environments and emerge stronger.

Financial Review

Despite the continued low oil price environment, Kuwait Energy continues to generate positive operating cash flows with cash and cash equivalent balance of US$54.5 million and no debt maturities in next 12 months. During 1H 2016, the Company has made significant progress in reducing underlying costs of production and general and administrative expenses.

Financial performance: *Cost rationalisation, low cost producer*

Group revenue mainly comprises of oil sales. On average, the realised oil price in 1H 2016 were US$34.8/bbl (1H 2015: US$57.6/bbl), a decrease of 40% compared to same period in 2015.

Kuwait Energy is a low operating cost per barrel producer due to its on-shore MENA focus. The Group's underlying field operating cost amounted to US$6.0 per barrel (1H 2015: US$7.0 per barrel). Depletion and amortisation of oil and gas assets amounted to US$17.2 per barrel (1H 2015: US$26.6 per barrel), the decrease being attributable to the reduced asset value post impairment provision at the year-end 2015 and change in production mix from high depletion rate field to low depletion rate field.

As a result of the sustained low oil price which has created challenges for the entire oil industry, Kuwait Energy has focused on reducing its cost base. Net general and administrative costs were significantly lower at US$6.9 million compared US$9.2 million in 1H 2015 as the Company went through a cost rationalisation process.

Finance costs including fair value loss on for convertible loans, net of capitalization, amounted to US$12.0 million (1H 2015: US$13.5 million).

The above resulted in a net loss after tax of US$11.2 million (1H 2015: US$9.9 million).

Cash Flows: *Positive operating cash flow in low oil prices*

Kuwait Energy generated an operating cash flow before working capital movements of US$35.1 million (1H 2015: US$51.5 million) with US$54.5 million in cash and cash equivalents at 30 June 2016. The Group continued to focus on collecting money owed by its major customer in Egypt, EGPC, as evidenced by the significant amounts collected during the last three years.

Capital Expenditure: *Focus on delivering developments*

During 1H 2016, the Company incurred US$78.6 million (1H 2015: US$117.7 million) in development and production capital costs mainly on Siba field EPC contract, Block 9 drilling and demining in Iraq and producing wells and facilities in Abu Sennan and ERQ in Egypt. Cash spent on development and production capital expenditure of US$45.8 million (1H 2015: US$80.2 million).

Exploration expenditure of US$2.1 million (1H 2015: US$9.2 million) was incurred mainly for Al-Jahra SE-1X well in Abu Sennan, Egypt.

Liquidity Risk Management & Going Concern

The Group closely monitors and manages its liquidity risk. Cash forecasts are regularly produced and sensitivities run for different scenarios including, but not limited to, changes in oil prices, different production rates from the Group's producing assets and delays to development projects. In addition to the Group's operating cash flows, portfolio management opportunities are reviewed to potentially enhance the financial capability and flexibility of the Group. In the current low oil price environment, the Group has taken appropriate action to reduce its cost base (both quantum and timing of payments) and had US$54.5 million in cash at the end of half-year 2016.

The half-year 2016 consolidated financial statements have been prepared on the going concern basis. Further information relating to use of the going concern assumption is provided in the note 3 'Going Concern' section of the consolidated financial statements.

Principle Risks & Uncertainties

The Group has identified its principle risk and uncertainties summarised below which could have a material impact on the Group's performance over the remaining six months of the financial year and could cause actual results to differ materially from the expected and historical results. A detailed explanation of these principle risks and how the group seeks to mitigate the risks, can be found on page 46 and 47 of the 2015 annual report which is available at www.kuwaitenergy.co.

- Oil prices volatility
- Operational hazards (HSSE)
- Project execution
- Execution of financial strategy to maintain appropriate liquidity
- Geopolitical instability

STATEMENT OF DIRECTORS' RESPONSIBILITIES

The directors are responsible for preparing the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union. The financial statements are required by law to give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period.

International Accounting Standard 1 requires that financial statements present fairly for each financial period the company's financial position, financial performance and cash flows. This requires the faithful representation of the effects of transactions, other events and conditions in accordance with the definitions and recognition criteria for assets, liabilities, income and expenses set out in the International Accounting Standards Board's 'Framework for the preparation and presentation of financial statements'. In virtually all circumstances, a fair presentation will be achieved by compliance with all applicable IFRSs. However, directors are also required to:

- 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 IFRSs 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 company's ability to continue as a going concern.

The directors are responsible for keeping proper accounting records that disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies (Jersey) Law 1991. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

For and on behalf of the board

Aboukhamseen

Manssour Aboukhamseen
Executive Chairman & Managing Director

30 September 2016

Disclaimer

This results announcement contains certain forward-looking statements that are subject to the usual risk factors and uncertainties associated with the oil and gas exploration and production business. Whilst the group believes the expectations reflected herein to be reasonable in light of the information available to them at this time, the actual outcome may be materially different owing to factors beyond the Group's control or otherwise within the Group's control but where, for example, the Group decides on a change of plan or strategy. Accordingly, no reliance may be placed on the figures contained in such forward-looking statements.

Kuwait Energy Plc
Consolidated Financial Statements
And Independent Auditor's Report
For The Six Months Period Ended
30 June 2016

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

We have audited the group financial statements of Kuwait Energy plc for the six month period ended 30 June 2016 which comprise the Consolidated Income Statement, Consolidated Statement of Comprehensive Income, Consolidated Balance Sheet, Consolidated Statement of Changes in Equity, Consolidated Cash Flow Statement and the related notes 1 to 31. 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 director in accordance with our engagement letter dated 12 September 2016 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 director 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 half-year 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 2016 and of the group's loss for the period then ended;
- have been properly prepared in accordance with IFRSs as adopted by the European Union; and
- have been properly prepared in accordance with the Companies (Jersey) Law 1991.

Deloitte SA

Mark Valentin
Partner

Robert Purdy
Director

Geneva, Switzerland

30 September 2016

CONSOLIDATED INCOME STATEMENT
For the six months ended 30 June 2016

	Notes	Six months ended 30 June 2016 Audited US$ 000's	Six months ended 30 June 2015 Unaudited US$ 000's	Year ended 31 December 2015 Audited US$ 000's
Continuing Operations				
Revenue	6	64,819	89,103	155,642
Cost of sales	7	(57,507)	(73,517)	(129,087)
Gross profit		7,312	15,586	26,555
Exploration expenditure written off	12	-	(2,519)	(14,218)
Impairment of oil and gas assets	13	-	-	(69,010)
Profit on farm-out of working interest	13	-	-	33,876
General and administrative expenses	8	(6,861)	(9,170)	(18,221)
Operating profit/(loss)		451	3,897	(41,018)
Share of results of Joint Venture	14	(628)	1,731	445
Fair value loss on convertible loans	22	(7,362)	(8,730)	(9,261)
Other income		835	818	1,231
Foreign exchange loss		(57)	(1,663)	(1,851)
Finance costs	9	(4,650)	(4,750)	(9,654)
Loss before tax		(11,411)	(8,697)	(60,108)
Taxation credit/(charge)	10	222	(1,168)	(2,259)
Loss for the period		(11,189)	(9,865)	(62,367)
Attributable to:				
Owners of the Company		(11,211)	(9,863)	(62,220)
Non-controlling interests		22	(2)	(147)
		(11,189)	(9,865)	(62,367)
Loss per share attributable to owners of the Company				
- Basic (cents)	11	(3.4)	(3.0)	(19.1)
- Diluted (cents)	11	(3.4)	(3.0)	(19.1)

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
For the six months ended 30 June 2016

	Notes	Six months Period ended 30 June 2016 Audited US$ 000's	Six months Period ended 30 June 2015 Unaudited US$ 000's	Year ended 31 December 2015 Audited US$ 000's
Loss for the period		(11,189)	(9,865)	(62,367)
Items that will not be reclassified subsequently to profit or loss				
Re-measurement of retirement benefit obligation	24	-	-	445
Other comprehensive income for the period		-	-	445
Total comprehensive loss for the period		(11,189)	(9,865)	(61,922)
Attributable to:				
Owners of the Company		(11,211)	(9,863)	(61,775)
Non-controlling interests		22	(2)	(147)
		(11,189)	(9,865)	(61,922)

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

KUWAIT ENERGY PLC

CONSOLIDATED BALANCE SHEET
As at 30 June 2016

	Notes	30 June 2016 Audited US$ 000's	31 December 2015 Audited US$ 000's
ASSETS			
Non-current assets			
Intangible exploration and evaluation assets	12	32,293	32,663
Property, plant and equipment	13	668,778	621,571
Investment in Joint Venture	14	2,900	5,528
Other non-current assets	15	4,918	22,754
		708,889	682,516
Current assets			
Inventories	16	25,768	24,411
Trade and other receivables	17	62,882	48,198
Cash and cash equivalents	18	54,459	105,297
		143,109	177,906
Total assets		851,998	860,422
EQUITY AND LIABILITIES			
Equity			
Share capital	19	560,822	559,835
Share premium	19	205,909	205,491
Other reserves	20	(105,670)	(105,613)
Retained deficit		(321,648)	(310,437)
Equity attributable to owners of the Company		339,413	349,276
Non-controlling interest		4,484	5,645
		343,897	354,921
Non-current liabilities			
Borrowings	21	244,075	243,326
Convertible loans	22	119,881	117,329
Obligations under finance leases	23	3,429	3,911
Provisions	24	15,882	15,458
Deferred tax liabilities	10	163	163
		383,430	380,187
Current liabilities			
Trade and other payables	25	120,189	119,659
Current tax payable		1,096	1,849
Convertible loans	22	2,026	2,071
Obligations under finance leases	23	1,360	1,735
		124,671	125,314
Total liabilities		508,101	505,501
Total equity and liabilities		851,998	860,422

The financial statements were approved by the board of directors and authorised for issue on 30 September 2016. They were signed on its behalf by:

Manssour Aboukhamseen
Chairman & Managing Director

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
For the six months ended 30 June 2016

	Share capital	Share premium	Other reserves (note 20)	Retained deficit	Total	Non-controlling interest	Total equity
	US$ 000's	US$ 000's	US$ 000's	US$ 000's	US$ 000's	US$ 000's	US$ 000's
Balance at 1 January 2015 (Audited)	557,808	204,760	(106,609)	(248,217)	407,742	8,770	416,512
Loss for the year	-	-	-	(62,220)	(62,220)	(147)	(62,367)
Other comprehensive income for the year	-	-	445	-	445	-	445
Total comprehensive income/(loss) for the year	-	-	445	(62,220)	(61,775)	(147)	(61,922)
Issue of shares for acquisition of minority interest (note 19)	2,027	731	220	-	2,978	(2,978)	-
Share based payment charges	-	-	331	-	331	-	331
Balance at 31 December 2015 (Audited)	559,835	205,491	(105,613)	(310,437)	349,276	5,645	354,921
(Loss)/profit for the period	-	-	-	(11,211)	(11,211)	22	(11,189)
Other comprehensive income for the period	-	-	-	-	-	-	-
Total comprehensive (loss)/income for the period	-	-	-	(11,211)	(11,211)	22	(11,189)
Issue of shares for acquisition of minority interest (note 19)	767	327	89	-	1,183	(1,183)	-
Issue of shares under employee incentive scheme (note 19)	220	91	(311)	-	-	-	-
Share based payment charges	-	-	165	-	165	-	165
Balance at 30 June 2016 (Audited)	560,822	205,909	(105,670)	(321,648)	339,413	4,484	343,897

CONSOLIDATED STATEMENT OF CASH FLOWS
For the six months ended 30 June 2016

	Note	Six months period ended 30 June 2016 Audited US$ 000's	Six months period ended 30 June 2015 Unaudited US$ 000's	Year ended 31 December 2015 Audited US$ 000's
OPERATING ACTIVITIES				
Loss for the period		(11,189)	(9,865)	(62,367)
Adjustments for:				
Share in results of joint venture		628	(1,731)	(445)
Depreciation, depletion and amortisation		33,835	44,594	69,147
Exploration expenditure written off		-	2,519	14,218
Impairment of oil and gas assets		-	-	69,010
Profit on farm-out of working interest		-	-	(33,876)
Tax (credit)/charge		(222)	1,168	2,259
Foreign exchange loss		57	1,663	1,851
Fair value loss on convertible loans		7,362	8,730	9,261
Finance costs		4,650	4,750	9,654
Interest income		(280)	(700)	(1,177)
Provision for retirement benefit obligation		283	470	1,487
Operating cash flow before movement in working capital		35,124	51,598	79,022
(Increase)/decrease in trade and other receivables		(14,760)	8,838	58,776
Decrease in trade and other payables		(5,102)	(32,574)	(25,807)
Decrease in inventories		52	653	1,793
Tax paid		(532)	(9,624)	(9,624)
Net cash generated by operating activities		14,782	18,891	104,160
INVESTING ACTIVITIES				
Purchase of intangible exploration and evaluation assets		(2,164)	(8,988)	(10,596)
Purchase of oil & gas assets		(45,797)	(80,216)	(205,922)
Purchase of other fixed assets		-	(7,509)	(10,802)
Decrease in capital inventory stores		(1,409)	(2,690)	(4,562)
Advance against farm-out of working interests		-	43,190	43,190
Proceeds from disposal of other fixed assets		60	-	-
(Additions to)/ withdrawal from decommissioning and retirement benefit obligation fund		(77)	1,050	300
Net increase in liquid investment		-	(50,000)	-
Investment in Joint Venture		-	-	(945)
Dividend received from joint venture		2,000	2,000	4,000
Interest received		358	575	1,157
Net cash used in investing activities		(47,029)	(102,588)	(184,180)
FINANCING ACTIVITIES				
Proceeds from finance lease		-	-	5,902
Repayment of obligations under finance leases		(979)	-	(489)
Finance costs paid		(17,576)	(17,719)	(34,342)
Net cash used in financing activities		(18,555)	(17,719)	(28,929)
Effect of foreign currency translation		(36)	(1,513)	(1,746)
Net decrease in cash and cash equivalents		(50,838)	(102,929)	(110,695)
Cash and cash equivalents at beginning of the period		105,297	215,992	215,992
Cash and cash equivalents at end of the period	18	54,459	113,063	105,297

1. INCORPORATION AND ACTIVITIES

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

The Company and its subsidiaries (together referred to as "the Group") have been established with the objective of exploration, production and commercialisation of crude oil and natural gas.

The Company's registered address is Queensway House, Hilgrove Street, St Helier, Jersey, JE1 1ES.

2. ADOPTION OF NEW AND REVISED STANDARDS

In current period, the Group has adopted the following new and revised standards and interpretation. The adoption has not had any significant impact on the amounts reported in these financial statement but may impact the accounting for future transactions and arrangements.

IAS 1 (amendments)	Disclosure Initiative
IFRS 11 (amendments)	Accounting for Acquisitions of Interests in Joint Operations
IAS 16 and IAS 38 (amendments)	Clarification of Acceptable Methods of Depreciation and Amortization
IAS 27 (amendments)	Equity Method in Separate Financial Statements
Annual Improvements to IFRSs: 2012-2014 Cycle	Amendments to: IFRS 5 Non-current Assets Held for Sale and Discontinued Operations, IFRS 7 Financial Instruments: Disclosures, IAS 19 Employee Benefits and IAS 34 Interim Financial Reporting

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 15	Revenue from Contracts with Customers
IFRS 16	Leases
IFRS 10, IFRS 12 and IAS 28 (amendments)	Investment Entities: Applying the Consolidation Exemption
IAS 7 (amendments)	Disclosure Initiative
IAS 12 (amendments)	Recognition of Deferred tax Assets for Unrealised Losses
IFRS 10 and IAS 28 (amendments)	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture

The directors do not expect that the adoption of the Standards listed above will have a material impact on the financial statements of the Group in future periods, except that:

a) IFRS 9 will impact both the measurement and disclosures of financial instruments; and
b) The Group has not yet assessed the potential impact of IFRS 15 and 16 on its financial results, which applies for periods beginning on or after 1 January 2018 and 2019 respectively.

3. SIGNIFICANT ACCOUNTING POLICIES

Statement of compliance

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

Basis of preparation

These consolidated financial statements have been prepared on the historical cost basis, except for the financial instruments that are measured at fair values at the end of each reporting period, as explained in the accounting policies below. These consolidated financial statements are presented in US Dollars ("US$"), which is the Company's functional and presentation currency, rounded off to the nearest thousand. The principal accounting policies adopted are set out 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 29. 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
- 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.

Profit or loss and each component of Other Comprehensive Income (OCI) are attributed to owners of the Group and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance. 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.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Going concern

These consolidated financial statements have been prepared on the basis that the Group will continue as a going concern and, as such, has sufficient assets and working capital to satisfy its financial obligations as they come due. In making this determination, management has made estimates of future revenues, and costs (both quantum and timing of payments), and made assumptions on reserve status, the likelihood and timing for accessing reserves and continued availability of financing. This process involves making various assumptions and judgement about each of the factors affecting the determination of cash flows, production rates and fair values. Changes in any of these assumptions or judgments could result in a significant difference from those used by management.

During the period, the Group was funded principally by a combination of its cash balances (see note 18), equity (see note 19), borrowings (see note 21), convertible loans (see note 22) and cash generated from operating activities. As at 30 June 2016, the Group had a cash balance of US$ 54.5 million.

The Group has significant levels of planned capital expenditure during the next 12 months including field development expenditures in Iraq. The Group has received a letter from EGPC informing the Group that the EGPC board has approved the EGPC executive committee recommendation for EGPC's acquisition of a 20% paying (15% revenue) interest in one of the Group's key oil & gas fields, and requesting finalisation of the related farm-out agreement (with EGPC) and taking the necessary action to complete the transaction. Under the terms of the proposed farm-out agreement, EGPC will settle the consideration owed for the farm-out by paying the Group's share of costs of a major related contract with any balance being payable from cost recovery allocation received when the production commences from this field. This agreement, which is also subject to a pre-emption process once finalised, will materially reduce the Group's contractual payment commitments during 2016 and 2017. We are working to finalise the farm-out agreement and complete the transaction as soon as practicable.

Additionally, the Group's business plan currently envisages the development of certain assets ahead of the contractually obligated time frame in order to bring additional production online. In order to meet this desirable timetable, external financing will be required and the Group is actively engaged in negotiations with multiple organisations to arrange financing facilities. In the unlikely event that such additional funding is unavailable, it is within the Group's control to modify the plan for the development of these assets and maintain sufficient liquidity to continue as a going concern whist meeting its contractual obligations as they fall due.

Therefore, after making enquiries and on the assumption that the farm-out and financing outlined above proceeds to completion, the Directors have a reasonable expectation that the Group will have adequate resources to continue in operational existence for the foreseeable future, being at least the next 12 months from the date of approval of the half-year 2016 financial statements. Accordingly, 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 year 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 year 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 year (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 year 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.

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.

Interest in joint arrangements

A joint arrangement is one in which two or more parties have joint control. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require the unanimous consent of the parties sharing control.

Most of the Group's activities are conducted through joint operations, whereby the parties that have joint control of the arrangement have the rights to the assets, and obligations for the liabilities, relating to the arrangement. The Group reports its interests in joint operations using proportionate consolidation – the Group's share of the assets, liabilities, income and expenses of the joint operation are combined with the equivalent items in the consolidated financial statements on a line-by-line basis.

A joint venture, which normally involves the establishment of a separate legal entity, is a contractual arrangement whereby the parties that have joint control of the arrangement have the rights to the arrangement's net assets. The results, assets and liabilities of a joint venture are incorporated in the consolidated financial statements using the equity method of accounting.

Where the Group transacts with its joint operations, unrealised profits and losses are eliminated to the extent of the Group's interest in the joint operation

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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”, “liquid investments” and “trade and other receivables”. 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 year. 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 year 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 and other 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.

Impairment of financial assets
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 and other 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.

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.

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.

Treasury shares
Own equity instruments that are reacquired (treasury shares) are recognised at cost and deducted from equity. Such treasury shares may be acquired and held by the Company or by other member of the consolidated group. No gain or loss is recognised in profit or loss on the purchase, sale, issue or cancellation of the Company’s own equity instruments. Any difference between the carrying amount and the consideration, if reissued, is recognised in share premium. Treasury shares held by the Company are not entitled to any cash dividend that the Company may propose.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Financial liabilities and equity (continued)

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, unless such costs relate to facilities in which case they are capitalised as non-current assets. 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 year of the borrowings using the effective interest method.

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.

Borrowing costs
Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial year 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 year in which they are incurred.

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

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.

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, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Group takes into account the characteristic of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in these consolidated financial statements is determined on such a basis, except for leasing transactions that are within the scope of IAS 17, and measurements that have some similarities to fair value but are not fair value, such as net realisable value in IAS 2 or value in use in IAS 36.

In addition, for financial reporting purposes, fair value measurement are categorised into Level 1, 2 or 3 based on the degree to which the inputs to the fair value measurement are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;
- Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for asset or liability, either directly or indirectly; and
- Level 3 inputs are unobservable inputs for the asset or liability.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Oil and gas assets

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 licence acquisition, exploration and evaluation costs and directly attributable administration costs are initially capitalised as intangible exploration and evaluation assets in cost centres by well, field or exploration area, as appropriate. Borrowing costs are capitalised insofar as they relate to qualifying assets.

These costs are then written off as exploration costs in the income statement unless commercial reserves have been established (see below) or the determination process has not been completed and there are no indications of impairment.

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, associated 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.

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.

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, depletion and amortisation
Depletion, depletion and amortisation is provided on oil and gas assets in production using the unit of production method, which is the ratio of oil and gas production in the period to the estimated quantities of proven and probable entitlement reserves at the end of the period plus the production in the period, generally on a field-by-field basis, or a grouping of fields where those field are reliant on a common infrastructure. Costs used in the unit of production calculation comprise the net book value of capitalised costs, together with estimated future development costs required to recover the proven and probable reserves remaining. The effects of changes in estimates in the unit of production calculations are accounted for prospectively.

Impairment of oil and gas assets
Where there has been a change in economic conditions that indicates a possible impairment in a discovery field, the recoverability of the net book value relating to that field is assessed by comparison with the higher of fair value less costs to sell or value in use. The value in use, is calculated as the estimated future cash flows based on management's expectations of future oil and gas prices and the future costs of developing and producing the proved and probable reserves, discounted using a discount rate adjusted for the risk specific to each asset. Where there is evidence of economic interdependency between fields, such as common infrastructure, the fields are grouped as a single cash-generating unit for impairment purposes.

Any identified impairment is charged to the consolidated statement of income. Where conditions giving rise to impairment subsequently reverse, the effect of the impairment charge is also reversed as a credit to the income statement, net of any depletion, depreciation and amortisation that would have been charged since the impairment.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Oil and gas assets (continued)

Commercial reserves
Proven and probable oil and gas reserves as defined in the Society of Petroleum Engineers' 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.

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 annually 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 commences when the other fixed assets are ready for their intended use and 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
Building	10 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.

Assets held under finance leases are depreciated over their expected useful lives on the same basis as owned assets. However, when there is no reasonable certainty that ownership will be obtained by the end of the lease term, assets are depreciated over the shorter of the lease term and their useful lives.

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.

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.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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. Revenue generated under Production Sharing Contracts and Risk Service Contracts is recognised once production commences and upon sale of Group's share of the oil or gas to third parties.

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

Taxation

The Group is subject to various forms of taxation in the countries in which it operates. The Group is subject to income tax within scope of IAS 12 in Egypt and Iraq. At Area A in Egypt, income tax is levied on taxable profits, and in Iraq at Block 9, Siba and Mansuriya tax is levied on remuneration fees and other income arising under production service contracts. The primary forms of taxation for all other assets are production related and are deducted at source as government share of oil in line with production sharing contract terms. These production taxes are not considered to constitute income tax as defined by IAS 12, and accordingly government share is netted against revenue in line with the nature of the transaction. The taxation charge represents the sum of current tax and deferred tax.

The computation of the Group's income tax expense and liability involves the interpretation of applicable tax laws and regulations in the countries in which it operates. Therefore, judgement is required to determine provisions for income taxes. To the extent that actual outcomes differ from management's estimates, income tax charges or credits, and changes in current and deferred tax assets or liabilities, may arise in future periods.

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 balance sheet date.

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 year 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.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Leases

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

The Group as lessee
Assets held under finance leases are recognised as assets of the group at their fair value or, if lower, at the present value of the minimum lease payments, each determined at the inception of the lease. The corresponding liability to the lessor is included in the balance sheet as a finance lease obligation.

Lease payments are apportioned between finance expenses and reduction of the lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability. Finance expenses are recognised immediately in profit or loss, unless they are directly attributable to qualifying assets, in which case they are capitalised in accordance with the group's general policy on borrowing costs (see above).

Operating lease payments are recognised as an expense on a straight-line basis over the term of the relevant lease except where another more systematic basis is more representative of the time pattern in which economic benefits from the lease asset are consumed.

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.

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 US$, 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 year 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 US$ using exchange rates prevailing at the balance sheet date. Income and expense items are translated at the average exchange rates for the year, unless exchange rates fluctuated significantly during that year, 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 year in which the foreign operation is disposed of.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

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 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. The unwinding of the discount on the decommissioning provision is included within finance costs.

Employee Benefits

Payments to defined contribution retirement benefit schemes are recognised as an expense when employees have rendered service entitling them to the contributions. Payments made to state-managed retirement benefit schemes are dealt with as payments to defined contribution schemes where the group's obligations under the schemes are equivalent to those arising in a defined contribution retirement benefit scheme.

The liability recognised in the balance sheet in respect of defined benefit plans is the present value of the defined benefit obligation at the end of the reporting year 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 year in which they arise.

A liability for a termination benefit is recognised at the earlier of when the entity can no longer withdraw the offer of the termination benefit and when the entity recognises any related restructuring 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.

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. The share options granted to employees are treated as cancelled when employees cease to contribute to the scheme.

4. CRITICAL ACCOUNTING 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 year in which the estimate is revised if the revision affects only that year or in the year of the revision and future years if the revision affects both current and future years.

Critical accounting judgements

Recoverability of exploration and evaluation costs
The carrying value of intangible exploration and evaluation assets ("E&E") represent active exploration projects. Under the Group's accounting policy for 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 recoverable value. Note 12 discloses the carrying amounts of the Group's E&E assets as well as details of impairment charges arising during the year.

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, including where extensions have been applied for and have not yet been granted; and the success of a well result or geological or geophysical survey. In addition, the Group holds exploration costs related to Block 49 in Yemen with a carrying value of US$ 21.6 million (31 December 2015: US$ 20.9 million) where in 2015 and 2016 the political and security situation has become unstable. Further details are provided in note 12.

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.

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 significant estimates to be made including, 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, the following areas of estimation uncertainty and judgements were considered.

(a) The Group has assumed that the Block 5 license expiry date in Yemen will be further extended to compensate for new force majeure claims accruing after 7 March 2016 untill the date of resuming production, without which there would be a material additional impairment charge; and
(b) The Group has a carrying value of US$ 32.8 million (31 December 2015: US$ 31.4 million) for the Mansuriya field which is located in North East Iraq where the political and security situation is currently unstable. If the security situation does not improve in the longer term, there could be a material additional impairment charge unless the terms of the applicable agreements were amended.

Further details of the Group's oil and gas assets and related impairment charges during the year are provided in note 13.

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

Commercial reserves

Calculation of the recoverable value of oil and gas properties and depletion calculations require 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 review. 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 2016.

Convertible loans fair value

As outlined in note 22, 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 which are future events and inherently uncertain. At the balance sheet date the Group has assessed the fair values of the loans based on their best estimate of the relative likelihood of the occurrence of each conversion or prepayment option.

5. SEGMENTAL INFORMATION

The information reported to the Group's Executive Management for the purposes of resource allocation and assignment of segment performance is specifically focused on the geographical area, namely Egypt, Iraq, Yemen and rest of the world (included in others).

The Group has one class of business, being the exploration, development, production and sale of crude oil and natural gas. Therefore all information is being presented for geographical segments. All of the segment revenue reported below is from external customers. 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 a corporate nature. The liabilities comprise the Company's external debt and other non-attributable corporate liabilities. The unallocated capital expenditure for the year comprises the acquisition of non-attributable corporate assets.

Information about major customers

		Six months Period ended 30 June		Year ended 31 December
Major customers	Country	2016	2015	2015
		Audited	Unaudited	Audited
		US$ 000's	US$ 000's	US$ 000's
Egyptian General Petroleum Corporation (EGPC)	Egypt	50,455	80,235	146,774
South Oil Company (SOC)	Iraq	14,364	-	-
Exxon Mobil	Yemen	-	8,868	8,868

5. SEGMENTAL INFORMATION (CONTINUED)

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

	Egypt	Iraq	Yemen	Others	Total
	US$ 000's	US$ 000's	US$ 000's	US$ 000's	US$ 000's
30 June 2016 (Audited)					
Segment revenues	50,455	14,364	-	-	64,819
Segment operating profit/(loss)	1,856	4,332	(2,722)	(3,015)	451
Share of results of Joint Venture	-	-	-	(628)	(628)
Fair value loss on convertible loans					(7,362)
Other income					835
Foreign exchange loss					(57)
Finance costs					(4,650)
Loss before tax					(11,411)
Taxation credit					222
Loss for the period					(11,189)
Segment assets	266,235	457,015	79,368	49,380	851,998
E&E assets	10,710	-	21,583	-	32,293
PP&E	186,214	435,642	45,762	1,160	668,778
Segment liabilities	36,707	63,435	22,372	385,587	508,101
Other information:					
Additions to E&E	1,451	-	712	-	2,163
Additions to PP&E	7,328	71,244	(3)	-	78,569
Depreciation, Depletion and Amortisation	26,391	7,069	-	375	33,835

5. SEGMENTAL INFORMATION (CONTINUED)

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

5. SEGMENTAL INFORMATION (CONTINUED)

	Egypt	Iraq	Yemen	Others	Total
	US$ 000's	US$ 000's	US$ 000's	US$ 000's	US$ 000's
31 December 2015 (Audited)					
Segment revenues	146,774	-	8,868	-	155,642
Segment operating profit/(loss)	(5,498)	8,533	(34,338)	(9,715)	(41,018)
Share of results of Joint Venture	-	-	-	445	445
Fair value loss on convertible loans					(9,261)
Other income					1,231
Foreign exchange loss					(1,851)
Finance costs					(9,654)
Loss before tax					(60,108)
Taxation charges					(2,259)
Loss for the year					(62,367)
Segment assets	288,959	401,718	86,198	83,547	860,422
E&E assets	11,792	-	20,871	-	32,663
PP&E	202,805	371,467	45,764	1,535	621,571
Segment liabilities	48,210	52,878	22,828	381,585	505,501
Other information:					
Exploration expenditure written off	2,590	-	11,628	-	14,218
Impairment of oil and gas assets	35,810	24,656	8,544	-	69,010
Additions to E&E	8,037	-	2,705	-	10,742
Additions to PP&E	59,532	163,113	(410)	30	222,265
Depreciation, Depletion and Amortisation	62,869	-	5,213	1,065	69,147

6. REVENUE

	Six months ended 30 June		Year ended 31 December
	2016 Audited	2015 Unaudited	2015 Audited
	US$ 000's	US$ 000's	US$ 000's
Oil sales	63,866	87,960	153,844
Gas sales	953	1,143	1,798
	64,819	89,103	155,642

7. COST OF SALES

	Six months ended 30 June		Year ended 31 December
	2016 Audited	2015 Unaudited	2015 Audited
	US$ 000's	US$ 000's	US$ 000's
Operating costs	24,742	28,944	59,537
Depletion and amortisation of oil and gas assets (note 13)	32,713	43,920	67,757
Crude oil inventory movement	52	653	1,793
	57,507	73,517	129,087

8. GENERAL AND ADMINISTRATIVE EXPENSES

	Six months ended 30 June		Year ended 31 December
	2016 Audited	2015 Unaudited	2015 Audited
	US$ 000's	US$ 000's	US$ 000's
Staff costs charged to administrative expenses	2,550	3,737	5,048
Professional and consultancy fees	1,152	1,866	3,331
Depreciation of other fixed assets (note 13)	1,122	674	1,390
Others	2,037	2,893	8,452
	6,861	9,170	18,221

A proportion of the Group's staff costs are recharged to the Group's joint venture partners, a proportion is allocated to operating costs and a proportion is capitalised into the cost of fixed assets under the Group's accounting policy for exploration, evaluation and production assets, with the remainder classified as an administrative overhead cost in the income statement, as shown above.

9. FINANCE COSTS

	Six months ended 30 June		Year ended 31 December
	2016 Audited	2015 Unaudited	2015 Audited
	US$ 000's	US$ 000's	US$ 000's
Borrowing costs on senior guaranteed notes and bank loans	12,879	12,467	25,669
Other finance costs	239	69	452
Less: amount capitalised in cost of qualifying assets	(8,468)	(7,786)	(16,467)
	4,650	4,750	9,654

Finance cost of US$ 8.5 million (30 June 2015: US$ 7.8 million, 31 December 2015: US$ 16.5 million) have been capitalised to property, plant and equipment during the period using a weighted average interest rate of 10.6% (30 June 2015: 10.6%, 31 December 2015: 10.6).

10. TAXATION

	Six months ended 30 June		Year ended 31 December
	2016 Audited	2015 Unaudited	2015 Audited
	US$ 000's	US$ 000's	US$ 000's
Tax on profit on ordinary activities			
Current tax:			
Foreign tax	(222)	1,168	2,096
Total current tax	(222)	1,168	2,096
Deferred tax:			
Foreign tax	-	-	163
Total current tax	-	-	163
Total taxation charge	(222)	1,168	2,259

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 is calculated at the rates prevailing in the respective jurisdictions.

Factors affecting the tax charge for the period

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 result before tax is as follows:

	Six months ended 30 June		Year ended 31 December
	2016 Audited	2015 Unaudited	2015 Audited
	US$ 000's	US$ 000's	US$ 000's
Loss on ordinary activities before tax	(11,411)	(8,697)	(60,108)
Tax on Company profit on ordinary activities at corporation tax rate of 0%	-	-	-
Effect of different tax rates of subsidiaries operating in other jurisdictions	(222)	1,168	2,259
Total taxation (income)/charge for the period	(222)	1,168	2,259

Deferred taxation

Deferred tax liability on fixed asset temporary differences:			
At 1 January	163	-	-
Charge to income statement	-	-	163
At end of the period	163	-	163

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

The Group operates in jurisdictions where tax law is subject to varying interpretations and potentially inconsistent enforcement. As a result, there can be practical uncertainties in applying tax legislation to the Group's activities. Whilst the Group considers that it operates in accordance with applicable tax law, there are potential tax exposures in respect of its operations, the impact of which cannot be reliably estimated but could be material.

11. LOSS PER SHARE

a) Loss per share

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

	Six months ended 30 June		Year ended 31 December
	2016 Audited	2015 Unaudited	2015 Audited
Loss for the period attributable to owners of the Company (US$ in thousand)	(11,211)	(9,863)	(62,220)
Weighted average number of shares, net of treasury shares, (thousands)	326,594	326,137	326,060
Basic loss per share (cents) attributable to owners of the Company	(3.4)	(3.0)	(19.1)

b) Diluted loss per share

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

The only potential dilutive instruments were the outstanding Employee Incentive Scheme (EIS) share awards, which have no material dilution impact on earnings per share, together with shares to be issued on conversion of convertible loans (note 22) which are not included in the calculation for either period as the number of shares that could be exercised is dependent on certain future events.

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

	E&E assets
Cost	US$ 000's
As at 1 January 2015	46,488
Additions	10,742
Exploration expenditure written off	(14,218)
Transfer to Property, plant and equipment	(10,349)
As at 31 December 2015	32,663
Additions	2,163
Transfer to Property, plant and equipment	(2,533)
As at 30 June 2016	32,293

As at 30 June 2016, exploration costs of US$ 32.3 million (31 December 2015: US$ 32.7 million) were capitalised pending further evaluation of whether or not the related oil and gas properties are commercially viable.

As at 30 June 2016, the Group held exploration costs of US$ 21.6 million (31 December 2015: US$ 20.9 million) related to Block 49 in Yemen where in 2015 the political and security situation become unstable. The work of operations on site has been put on hold and force majeure has been declared on Block 49 in 2015. There has been no incursion at the site and control of assets has been maintained. Management have made a significant judgement to continue capitalising the costs associated with Block 49. In making this judgement, management have considered the existence of significant contingent resources certified by the Group's third party reservoir engineer, Gaffney Cline & Associates, and believes that the situation will be resolved so that the Group can continue its exploration and appraisal programme on the resources discovered to date.

During the period ended 30 June 2016, US$ 2.5 million exploration cost associated with proven commercial reserves of Abu Sennan in Egypt (31 December 2015: US$ 10.3 million) were transferred to property, plant and equipment.

During 2015 unsuccessful exploration expenditure written off amounted to US$ 14.2 million. This includes write-off of unsuccessful exploration expenditure of US$ 2.6 million related to Area A in Egypt and US$ 11.6 million relating to Block 82 in Yemen, where the licence has been relinquished due to unsuccessful exploration activities.

13. PROPERTY PLANT AND EQUIPMENT

	Oil and gas assets	Other fixed assets	Total
Cost	US$ 000's	US$ 000's	US$ 000's
As at 1 January 2015	860,200	18,424	878,624
Additions	210,954	11,311	222,265
Acquisition of assets	16,769	-	16,769
Transfer	6,074	(6,074)	-
Disposal	(37,066)	-	(37,066)
Transfer from Intangible exploration and evaluation assets	10,349	-	10,349
As at 31 December 2015	1,067,280	23,661	1,090,941
Additions	78,569	-	78,569
Disposal	-	(544)	(544)
Transfer from Intangible exploration and evaluation assets	2,533	-	2,533
As at 30 June 2016	1,148,382	23,117	1,171,499
Accumulated Depreciation, depletion, amortisation and impairment			
As at 1 January 2015	347,764	8,323	356,087
Charge for the year	67,757	1,390	69,147
Disposal	(24,874)	-	(24,874)
Impairment	69,010	-	69,010
As at 31 December 2015	459,657	9,713	469,370
Charge for the period	32,713	1,122	33,835
Disposal	-	(484)	(484)
As at 30 June 2016	492,370	10,351	502,721
Carrying amount			
As at 30 June 2016	656,012	12,766	668,778
As at 31 December 2015	607,623	13,948	621,571

Other fixed assets includes items such as buildings, fixtures and fittings, motor vehicles and office equipment. Its carrying amount includes US$ 7.1 million (31 December 2015: US$ 7.5 million) in respect of assets held under finance leases (note 23).

Additions
The additions to oil and gas assets mainly relate to Iraq Siba and Block 9, and include US$ 8.5 million (31 December 2015: US$ 16.5 million) of finance costs on qualifying assets capitalised during the period (see note 9) and US$ 0.4 million (31 December 2015: US$ 1.7 million) of fair value loss on convertible loans capitalised.

Acquisition of asset
During the period ended 30 June 2016, there was no acquisition of oil and gas assets. In 2015, the Group acquired an additional 25% working interest effective 15 January 2015 in the Burg-El-Arab (BEA) in Egypt from Gharib Oil Fields ('Gharib') for a purchase consideration of US$ 21.4 million. The purchase was accounted for as an asset acquisition rather than a business combination. The net cash outflow arising on the acquisition was US$ 3.9 million. The remaining consideration was settled by offsetting receivables otherwise due from Gharib. Oil and gas assets with a gross cost of US$ 22.2 million were acquired, however the net oil and gas assets addition from the transaction was US$ 16.8 million as US$ 5.4 million had been capitalised in prior periods under the terms of a carry arrangement with Gharib.

13. PROPERTY PLANT AND EQUIPMENT (CONTINUED)

Farm-out and disposal

During the period ended 30 June 2016, there was no farm-out or disposal of oil and gas assets. In 2015, the Group completed the farm-out of a 10% participating interest in the Iraq Block 9 exploration, development and production service contract to EGPC, resulting in a profit of US$ 33.9 million. The Group now has a 60% working interest share in Block 9.

During first half of 2015, the Group disposed of its interest in Yemen Block 43. Following the disposal, the related costs of US$ 24.9 million and accumulated depletion of US$ 24.9 million have been removed with no income statement impact.

Impairment

The Group carried out a review of the recoverable amount of its assets in accordance with IAS 36 *Impairment of assets*. Based on the review, the Group believes no impairment is required at 30 June 2016. Primarily due to the fall in prevailing oil price in 2015, the Group recorded an impairment loss of US$ 69 million, including US$ 8.5 million on the Block 5 field in Yemen, US$ 10.6 million on BEA and US$ 25.2 million on the Abu Sennan fields in Egypt, US$ 16.9 million on Siba and US$ 7.8 million on Mansuriya fields in Iraq, which has been recognised in the consolidated income statement in 2015.

The key assumptions and judgements used in the impairment test included post-tax discount rates of 14% for the assets in Yemen and the Mansuriya field in Iraq, 11% for the assets in Egypt and 12% for the assets in Iraq other than the Mansuriya field and a Brent oil price of US$ 45/bbl in 2016, US$ 60/bbl in 2017, US$ 70/bbl in 2018, US$ 80/bbl in 2019, inflated at 1.5% per annum thereafter. The oil price assumptions are the Group's best estimate based on conditions prevailing at the balance sheet date and take into consideration external forecasts. For every US$ 1/bbl fall in oil price assumptions, impairment charge will increase by approximately US$ 6-7 million. If the discount rate had been increased by 1% for all assets, it would have increased the impairment charge by approximately US$ 20.4 million.

In Yemen, the Block 5 license expired on 8 June 2015. However, production was interrupted on several occasions due to sabotage of the main oil export pipeline and no production has been possible since 7 April 2015 due to closure of the port at Ras Isa. For lost production days, the Group has filed a number of notices of force majeure to the Yemeni Government, represented by YICOM. YICOM has agreed to extend the Block 5 license expiry date to settle force majeure claims up to and including 7 March 2016. The force majeure claims settlement with YICOM specifically excludes any new force majeure claims that may accrue after 7 March 2016, which will be subject to further claims. However, based on the force majeure mechanism of the contract and the agreed license extension by YICOM to settle previous force majeure claims, the Group has calculated the impairment charge for Block 5 on the assumption that the licence expiry date will be further extended to compensate for new force majeure claims accruing after 7 March 2016 until the date of resuming production.

The Group, along with other partners of Block 5, has a firm intention to maintain the facilities at the field in operational condition until such time as it becomes possible to resume production, even if there is further delay. Non-Yemeni employees have been withdrawn for their safety and security and the Sana'a office is currently closed, however the Block 5 field facility remains available for the use of the Group and essential Yemeni employees remain on site.

In Iraq, as at 30 June 2016 the Group held oil and gas assets with a carrying value of US$ 32.8 million (31 December 2015: US$ 31.4 million) in relation to the Mansuriya field located in North East Iraq where in 2014, the political and security situation became unstable. On-site operations at the Mansuriya field have been put on hold, however, management believes that in the longer term the situation will be resolved and that no additional impairment is required, on account of security concerns.

A request for arbitration has been filed against the Group (pursuant to the ICC Rules of Arbitration) under which the claimant asserts that it has a right to an increased non-controlling share in one of the Group's key oil and gas assets. The arbitration is at an early stage. The Group has filed its answer to the request for arbitration and the arbitration tribunal is in the process of being constituted. No substantive written submissions have been filed. We believe that their position will not be vindicated, and we are firmly committed to vigorously rebutting the claim.

14. INVESTMENT IN JOINT VENTURE

The Group owns a 20% equity interest in Medco L.L.C. ("Medco"), a jointly controlled entity incorporated in Oman. Medco is the operator of the Karim Small fields (KSF) in Oman and has a 75% working interest in production. In accordance with IFRS 11 Joint Arrangements, the Group has determined its interest in Medco to be a Joint Venture and accordingly accounts for it using the equity method.

On 28 April 2015, Medco signed a new 25 year service contract for KSF, commencing from 1 June 2015. The Group has provided a bank guarantee of US$ 4.0 million (30 June 2015 and 31 December 2015: US$ 7.5 million) to perform work obligations under the new service contract (see note 18).

<u>Movement in investment in Joint Venture</u>

	30 June 2016 Audited	31 December 2015 Audited
	US$ 000's	US$ 000's
At 1 January	5,528	8,138
Additional investment during the period	-	945
Share of profit of Medco	(628)	445
Dividend received from Medco	(2,000)	(4,000)
At end of the period	2,900	5,528

15. OTHER NON-CURRENT ASSETS

	30 June 2016 Audited	31 December 2015 Audited
	US$ 000's	US$ 000's
Decommissioning fund	4,918	4,841
Advance to contractors	-	17,913
	4,918	22,754

Decommissioning fund is amount held in an escrow account to settle environmental restoration obligation at Block 5 in Yemen.

During 2015 an advance of US$17.9 million was made to a contractor. In 2016, the related work has been completed and this has been capitalised to oil & gas assets.

16. INVENTORIES

	30 June 2016 Audited	31 December 2015 Audited
	US$ 000's	US$ 000's
Crude oil	1,588	1,640
Spare parts, materials and supplies	24,180	22,771
	25,768	24,411

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

17. TRADE AND OTHER RECEIVABLES

	30 June 2016 Audited	31 December 2015 Audited
	US$ 000's	US$ 000's
Trade receivables	44,019	30,167
Advance due from joint venture partners	7,210	5,444
Prepayments, deposits and advances	2,779	2,609
Other receivables	6,391	8,331
Amount due from a related party (note 30b)	2,483	1,647
	62,882	48,198

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 of US$ 8.3 million in Iraq (31 December 2015: nil) and US$ 4.7 million (31 December 2015: US$ 1.6 million) in Egypt which are past due at the reporting date for which the Group has not made any provision as there has not been a significant change in credit quality and the amounts are still considered recoverable.

Ageing of past due but not impaired

	30 June 2016 Audited	31 December 2015 Audited
	US$ 000's	US$ 000's
61 – 90 days	13,005	1,599
91 – 120 days	-	-
121 – 180 days	-	-
> 180 days	-	-
Total	13,005	1,599

During 2015 receivables from Gharib amounting to US$ 11.9 million were settled by offsetting against payable purchase consideration for an additional 25% working interest in BEA field in Egypt (see note 13).

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.

18. CASH AND CASH EQUIVALENTS

	30 June 2016 Audited	31 December 2015 Audited
	US$ 000's	US$ 000's
Cash and cash equivalents	54,459	105,297
	54,459	105,297

Cash and cash equivalents includes US$ 4.0 million (31 December 2015: US$ 7.5 million) which is restricted against issue of letters of guarantee.

19. SHARE CAPITAL

The authorised share capital of the Company consists of 451.2 million shares of GBP 1 each, amounting to GBP 451.2 million (31 December 2015: 451.2 million). The issued and paid up share capital as at 30 June 2016 consists of 359.2 million Shares (31 December 2015: 358.5 million).

During the period ended 30 June 2016, the Company issued 0.5 million (2015: 1.4 million) shares to the shareholders of Kuwait Energy Company K.S.C.C. (KEC) for acquisition of non-controlling interests in KEC and 0.2 million (2015: nil) shares to employees as part of the employee incentive scheme.

20. OTHER RESERVES

	Treasury shares	Merger Reserve	Retirement benefit obligation reserve	Share based compensation reserve	Foreign currency translation reserve	Total
	US$ 000's	US$ 000's	US$ 000's	US$ 000's	US$ 000's	US$ 000's
As at 1 January 2015	(73,749)	(33,809)	949	-	-	(106,609)
Acquisition of minority interest	-	220	-	-	-	220
Other comprehensive income for the period	-	-	445	-	-	445
Share-based payments charges	-	-	-	331	-	331
As at 31 December 2015	(73,749)	(33,589)	1,394	331	-	(105,613)
Acquisition of minority interest	-	89	-	-	-	89
Issue of shares	-	-	-	(311)	-	(311)
Share-based payments charges	-	-	-	165	-	165
As at 30 June 2016	(73,749)	(33,500)	1,394	185	-	(105,670)

21. BORROWINGS

During 2014, the Group issued US$ 250 million of 9.5% Senior guaranteed unsecured notes maturing in 2019 (the "Notes"). Interest on the Notes is paid semi-annually in arrears on 4 February and 4 August. The Notes are listed on the Global Exchange Market of the Irish Stock Exchange. The Notes are callable in whole, or, in part, at the option of the Group prior to maturity, subject to certain conditions being satisfied.

Movement in carrying value of the Notes measured at amortised cost:

	30 June 2016 Audited	31 December 2015 Audited
	US$ 000's	US$ 000's
Par value payable on maturity	250,000	250,000
Unamortised initial transaction fees	(5,925)	(6,674)
Non-current portion	244,075	243,326
Interest accrued and payable within 12 months (included in trade and other payables)	9,896	9,896
Carrying value as at end of the period	253,971	253,222

As at 30 June 2016, the fair value of the Notes measured at an ask price was US$ 236.2 million (31 December 2015: US$ 230.2 million).

22. CONVERTIBLE LOANS

	30 June 2016 Audited	31 December 2015 Audited
	US$ 000's	US$ 000's
Non-current portion	119,881	117,329
Current portion	2,026	2,071
	121,907	119,400

Movement in convertible loan

	30 June 2016 Audited	31 December 2015 Audited
	US$ 000's	US$ 000's
As at 1 January	119,400	117,829
Change in fair value*	7,675	10,974
Payment	(5,168)	(9,403)
As end of the period	121,907	119,400

*Of this amount US$ 0.4 million (31 December 2015: US$ 1.7 million) has been capitalised to qualifying assets in the period, see note 13, resulting in a net charge to the income statement of US$ 7.3 million (31 December 2015: US$ 9.3 million).

During 2012, the Group entered into unsecured financing arrangements with Abraaj Capital and Qatar First Bank for US$ 150 million each (total value of US$ 300 million). Under the arrangements, the group has drawn down an amount of US$ 100 million, of which US$ 83 million was drawn down in 2012 and US$ 17 million was drawn down in 2013. There is no remaining availability to draw down additional amounts. The loans are repayable in three equal instalments payable at six month intervals starting from the 66th month from the first draw down date.

A variety of conversion options exist including: if the Group undertakes a public offering of shares raising at least US$ 150 million of equity, there is mandatory conversion; if no such public offering has occurred by the 36 month following the first draw down of each loan, the Company has the option for early repayment together with a prepayment premium.

The loans carry a coupon interest of 8%-10.5%, and if there is no conversion, the outstanding loans, without additional interest, are repaid in cash as per the repayment schedule.

Should a conversion option be exercised, the outstanding loans and an additional interest uplift will be converted into equity shares of the Company based on the fair value of the shares on the conversion date. The additional interest uplift is 8% if conversion is within 36 months of the first draw down and 10% if conversion is after this time.

These options are considered to be 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 relevant likelihood of the occurrence of each conversion or prepayment option. The possibility of prepayment option is based on the ongoing discussions with potential investors and lenders for refinancing of convertible loans. The fair value, therefore represents the Company's best estimate of the discounted future cash flows payable for these loans. The change in fair value since the prior period arises as a result of changes in the forecasted cash flows.

The convertible loans are classified as Level 3 in the fair value hierarchy in all the periods presented. Level 3 fair value measurements are those derived from inputs that are not based on observable market data (unobservable inputs). The group uses a discounted cash flow technique to determine the fair value of the loans. The significant inputs considered in the valuation are likelihood and timing of an equity offering or prepayment and the discount rate. The discount rate used was in the range of 10-18%. Changing the likelihood and timing assumptions in the fair value measurement could have a maximum impact of increasing the liability by US$ 23.4 million or reducing the liability by US$ 17.9 million.

23. OBLIGATIONS UNDER FINANCE LEASES

	30 June 2016 Audited	31 December 2015 Audited
	US$ 000's	US$ 000's
	Minimum lease payments	
Amounts payable under finance leases		
Within one year	1,383	1,766
In the second to fifth years inclusive	3,873	4,469
	5,256	6,235
Less: future finance charges	(467)	(589)
Present value of lease obligation	4,789	5,646
	Present value of minimum lease payments	
Amounts payable under finance leases		
Within one year	1,360	1,735
In the second to fifth years inclusive	3,429	3,911
Present value of lease obligation	4,789	5,646

During 2015, the Group sold its new office building in Egypt with a carrying value of US$ 7.1 million for a sales consideration of US$ 7.5 million. The Group leased back the sold building under a finance lease for a total lease value of US$ 8.2 million which was settled by a US$ 1.5 million down payment and the remaining lease payments to be paid over a lease term of 5 years. The Group has the right to buy the leased building at the end of lease period for an agreed nominal sale price of US$ 1 only. The leased building was recognised as an asset in the consolidated balance sheet at US$ 7.5 million equal to the present value of the minimum lease payments discounted at an implicit interest rate of 5%. US$ 0.4 million excess of sales consideration over the original carrying amount of building has been deferred and amortised over the lease term. The Group's obligations under finance leases are secured by the lessor's rights over the leased asset. The lease is on a fixed repayment basis and no arrangements have been entered into for contingent rental payments.

The fair value of the Group's lease obligation is approximately equal to the carrying value.

24. PROVISIONS

	30 June 2016 Audited	31 December 2015 Audited
	US$ 000's	US$ 000's
Decommissioning provisions	12,581	12,397
Retirement benefit obligations	3,301	3,061
	15,882	15,458

a) <u>Decommissioning provisions</u>

The movements in the decommissioning provision over the period is as follows:

	30 June 2016 Audited	31 December 2015 Audited
	US$ 000's	US$ 000's
As at 1 January	12,397	12,433
Unwinding of discount	140	362
New provision and changes in estimate	44	(398)
As at end of end of the period	12,581	12,397

24. PROVISIONS (CONTINUED)

a) Decommissioning provisions (continued)

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 2018 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 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 Group uses a discount rate of 3-5% in arriving at the future value of decommissioning provisions.

b) Retirement benefit obligations

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 year, salary drawn etc. The Group also has a defined benefit obligation in respect of the Block 5 in Yemen. These are unfunded plans where the group meets the benefit payment obligation as it falls due.

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

	30 June 2016 Audited	31 December 2015 Audited
	US$ 000's	US$ 000's
At 1 January	3,061	3,264
Current service cost	283	1,486
Re-measurements:		
Experience gains	-	(445)
Benefits paid	(43)	(1,244)
As at end of end of the period	3,301	3,061

The significant actuarial assumptions were as follows:

	30 June 2016 Audited	31 December 2015 Audited
	US$ 000's	US$ 000's
Discount rate	4%	4%
Inflation	4%	4%
Salary growth rate	5%	5%

25. TRADE AND OTHER PAYABLES

	30 June 2016 Audited	31 December 2015 Audited
	US$ 000's	US$ 000's
Trade Payables and accruals	102,313	95,001
Joint venture partners payables	7,153	13,658
Accrued interest payable	9,974	10,251
Salaries and bonus payables	749	749
	120,189	119,659

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.

26. CONTINGENT LIABILITIES AND CAPITAL COMMITMENTS

	30 June 2016 Audited	31 December 2015 Audited
	US$ 000's	US$ 000's
a) Contingent liabilities - letters of guarantee	4,000	7,500
b) Capital commitments	40,025	46,725
c) Agreement to purchase shares (note 30b)	6,261	7,121

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

27. OPERATING LEASE ARRANGEMENTS

	30 June 2016 Audited	31 December 2015 Audited
	US$ 000's	US$ 000's
Minimum lease payments under operating leases recognised in the consolidated statement of income	586	1,379

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:

Within one year	829	1,124
Between two years and five years	263	329
	1,092	1,453

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.

28. 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 June 2016 Audited	31 December 2015 Audited
	US$ 000's	US$ 000's
Financial assets		
Trade and other receivables	62,469	47,785
Cash and cash equivalents	54,459	105,297
Financial liabilities		
At amortised cost		
- Borrowings	253,971	253,222
- Obligation under finance lease	4,789	5,646
- Trade and other payable	120,189	119,659
At fair value through profit and loss account (FVTPL)		
-Designated as FVTPL - convertible loans	121,907	119,400

Fair value measurement

Fair value measurement hierarchy for determining and disclosing the fair value of financial instruments is described in note 3. As at 30 June 2016 and 31 December 2015, the convertible loans were the only financial instrument carried at fair value and were classified as level 3. There was no financial instrument classified as level 1.

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

Details of movements in the fair value of the convertible loan are provided in note 22.

Management believes that fair values of all financial instruments, other than borrowings (note 21), 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 borrowings (note 21) and obligation under finance lease (note 23) 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 convertible loans (note 22).

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.

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, interest rates and foreign exchange rates.

28. FINANCIAL INSTRUMENTS (CONTINUED)

Market risk (continued)

Commodity price risk management
Volatility in oil and gas prices is a pervasive element of the Group's business environment. As a producer, the Group always has a 'long' position on the product. No hedges are currently in place. Additionally, in Iraq the concession contracts are service fee-based, thus mitigating the impact of oil price movement.

The Group is a seller of crude oil and natural gas, which is typically sold under short-term arrangements priced in US$ at current market prices.

The following table illustrates the sensitivity of the revenue for the period 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.

	Six months ended 30 June		Year ended 31 December
	2016	2015	2015
	Audited	Unaudited	Audited
	US$ 000's	US$ 000's	US$ 000's
Impact on consolidated statement of income	6,482	8,910	15,564

For sensitivity of the impairment of oil and gas assets due to possible change in oil and gas prices please see note 13.

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:

	Assets		Liabilities	
	30 June 2016	31 December 2015	30 June 2016	31 December 2015
	Audited	Audited	Audited	Audited
	US$ 000's	US$ 000's	US$ 000's	US$ 000's
Egyptian Pound	6,059	3,312	-	3,294
Kuwaiti Dinar	579	693	24	65

Foreign currency sensitivity analysis

The Group's main foreign currency exposure is to fluctuations in the Kuwait Dinar and Egyptian Pound.

The following table details the Group's sensitivity to a 10% increase and decrease in the US$ against Kuwaiti Dinar and Egyptian Pound. The sensitivity analysis includes only outstanding Kuwaiti Dinar and Egyptian Pound denominated monetary assets and liabilities and adjusts their translation at the period 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.

	30 June 2016	31 December 2015
	Audited	Audited
Impact on consolidated statement of income	US$ 000's	US$ 000's
Egyptian Pound	606	2
Kuwaiti Dinar	56	63

28. FINANCIAL INSTRUMENTS (CONTINUED)

Interest rate risk management

The Group is exposed to interest rate risk as it has placed funds in interest bearing time deposits with banks, but the Group's exposure to interest rate risk is not significant since in current period the entities within the Group have not borrowed funds at floating interest rates that could have an impact on the Group's consolidated income statement.

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

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 2016, 78% of total revenue (30 June 2015: 90%, 31 December 2015: 94%) was derived from sales to the Group's largest counterparty, EGPC and remaining revenue was derived from sales to SOC. Further details of the Group's receivables with EGPC and SOC are provided in note 17. 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:

	30 June 2016 Audited	31 December 2015 Audited
	US$ 000's	US$ 000's
Trade and other receivables	62,469	47,785
Cash and cash equivalents	54,459	105,297
	116,928	153,082

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

Egypt	29,655	30,167
Iraq	14,364	-
	44,019	30,167

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 s 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.

28. FINANCIAL INSTRUMENTS (CONTINUED)

Liquidity risk management (continued)

The following tables detail the Group's remaining contractual maturity for its financial liabilities (including interest). 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
	US$ 000's	US$ 000's	US$ 000's	US$ 000's	US$ 000's	%
At 30 June 2016						
Borrowings	23,750	47,500	261,875	-	333,125	10.6%
Obligations under finance lease	1,383	2,384	1,490	-	5,257	5.0%
Convertible loans	10,250	112,699	-	-	122,949	14.3%
Trade and other payables	120,189	-	-	-	120,189	-
	155,572	162,583	263,365	-	581,520	
At 31 December 2015						
Borrowings	23,750	47,500	273,750	-	345,000	10.6%
Obligations under finance lease	1,766	2,384	2,085	-	6,235	5.0%
Convertible loans	10,250	100,499	17,325	-	128,074	14.7%
Trade and other payables	119,659	-	-	-	119,659	-
	155,425	150,383	293,160	-	598,968	

The group has access to financial facilities as described in notes 21 and 22. The group expects to meet its other obligations from operating cash flows (also see going concern section of note 3).

Capital risk management

The primary objective of the Group's capital management policy is 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. The Group manages its capital structure and makes adjustments to it in light of changes in economic conditions. The Group's overall strategy remained unchanged during the period ended 30 June 2016.

The capital structure of the Group consists of equity comprising issued share capital (note 19), share premium, other reserves (note 20) and retained deficit.

Gearing ratio

The gearing ratio at period end was as follows:

	30 June 2016 Audited	31 December 2015 Audited
	US$ 000's	US$ 000's
Total debt (i)	370,771	368,372
Less: Cash and cash equivalents	(54,459)	(105,297)
Net debt	316,312	263,075
Equity attributable to owners of the Company	339,413	349,276
Net debt to equity ratio (%)	93.2	75.3

(i) Debt is defined as borrowings excluding accrued interest, as detailed in note 21, convertible loans as detailed in note 22 and obligations under finance leases as detailed in note 23.

29. SUBSIDIARY AND JOINT VENTURE COMPANIES

a) The principal subsidiaries of the Company as at 30 June 2016 were as follows:

Company's name	Ownership %		Country of incorporation	Country of operations	Type of activity
	30.06.16	31.12.15			
Kuwait Energy International Limited	100	100	Jersey	-	Holding Company
Kuwait Energy Company K.S.C.(Closed)	93.6	91.9	Kuwait	Kuwait	Exploration / development/ production
KEC (Egypt) Ltd	100	100	British Virgin Islands	Egypt	Development/ production
Kuwait Energy Egypt Ltd	100	100	British Virgin Islands	Egypt	Exploration / development/ production
Kuwait Energy (Eastern Desert) Petroleum Services SAE	100	100	Egypt	Egypt	Exploration / development/ production
KEC (Yemen) Ltd	100	100	British Virgin Islands	Yemen	Exploration / development/ production
Kuwait Energy AMED Yemen Ltd	100	100	British Virgin Islands	Yemen	Exploration
Kuwait Energy Iraq Limited	100	100	British Virgin Islands	Iraq	Exploration / development/ production
Kuwait Energy Basra Limited	100	100	British Virgin Islands	Iraq	Exploration / development/ production
KE Netherlands Coöperatief U.A.	100	100	Netherlands	-	Holding Company
Jannah Hunt Oil Company Limited	100	100	British Virgin Islands	Yemen	Development/ production

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

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.

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

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 was as follows:

	Six months ended 30 June		Year ended 31 December
	2016	2015	2015
	Audited	Unaudited	Audited
	US$ 000's	US$ 000's	US$ 000's
Salaries and other short-term benefits	752	799	1,599
Consultancy fees paid to non-executive director	-	24	24
Post-employment benefits	15	15	30
	767	838	1,653

b) Agreement to purchase shares

The Deputy CEO 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 Company 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 Deputy CEO the purchase price of the shares, approximately US$ 6.3 million (31 December 2015: US$ 7.1 million), until such time as the Deputy CEO is able to sell those shares and repay the loan to the Company.

During the period ended 30 June 2016 and 31 December 2015, under the arrangement described above, the Deputy CEO was required to purchase 403,225 and 806,451 ordinary shares of the Company at a price of KWD 0.620 per share (totalling US$ 0.8 million and US$ 1.6 million respectively). The Company lent the Deputy CEO the funds to complete this transaction until such time as the Deputy CEO is able to sell those shares and repay the loan to the Company. The Company may (subject to shareholder approval) purchase the shares from the Deputy CEO and hold them as treasury shares, with the purchase price being used to repay the loan.

31. SUBSEQUENT EVENT

Subsequent to the period end, the Group has received a letter from EGPC informing the Group that the EGPC board has approved the EGPC executive committee recommendation for EGPC's acquisition of a 20% paying (15% revenue) interest in one of the Group's key oil & gas fields, and requesting finalisation of the related farm-out agreement (with EGPC) and taking the necessary action to complete the transaction. This farm-out agreement, which will require signing by the Group and EGPC, is also subject to a pre-emption process once finalised, will materially reduce the Group's contractual payment commitments during 2016 and 2017.

GLOSSARY

Abbreviation	Definition
1H	First half
2P	Proven plus probable reserves
Barrel	The standard of crude oil or other petroleum product contains 42 US gallons, 35 Imperial gallons or 159 liters.
Bbl	Barrel
Boe	Barrels of oil equivalent
Boepd	Barrels of oil equivalent per day
Bopd	Barrels of oil per day
EGPC	Egyptian General Petroleum Corporation (Egypt State Oil Company)
EPC	Engineering, procurement and construction
ERQ	East Ras Qattara
GCA	Gaffney, Cline & Associates (Reserves & Resources Auditors)
HSSE	Health, Safety, Sustainability and Environment
k	Used to represent 'thousand'. Often used in conjunctions with bopd/boepd
LTIFR	Lost Time Incident Frequency Rate
M	Metres
MENA	Middle East and North Africa
Mmboe	Million barrels of oil equivalent
Q1	First Quarter
Q2	Second Quarter
SOC	South Oil Company (Iraq's State Oil Company responsible for operations in the South of Iraq)
SOMO	State Oil Marketing Company (The Iraqi national company responsible for marketing Iraq's oil)
US$	United States Dollars
WI	Working Interest: a company's interest in a project before reduction for royalties or production share owed to others under the applicable fiscal terms
YE	Year-End

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