

**KUWAIT ENERGY plc GROUP**



**CONDENSED CONSOLIDATED FINANCIAL STATEMENTS  
(UNAUDITED AND UNREVIEWED)  
FOR THE SIX MONTHS ENDED  
30 JUNE 2015**

CONDENSED CONSOLIDATED INCOME STATEMENT

Six months ended 30 June 2015

	Notes	Six months ended 30 June		Year ended
		2015	2014	31 December
		Unaudited	Audited (Restated)	2014 Audited
		USD 000's	USD 000's	USD 000's
<b>Continuing Operations</b>				
Revenue		89,103	131,004	270,759
Cost of sales		(73,189)	(53,803)	(140,504)
<b>Gross profit</b>		<u>15,914</u>	<u>77,201</u>	<u>130,255</u>
Exploration expenditure written off	3	(2,519)	-	(1,513)
Impairment of oil and gas assets	4	-	-	(19,247)
General and administrative expenses		(10,095)	(11,883)	(32,669)
<b>Operating profit</b>		<u>3,300</u>	<u>65,318</u>	<u>76,826</u>
Share of results of Joint Venture	8	1,731	2,571	1,040
Fair value loss on convertible loans	12	(8,730)	(6,712)	(9,931)
Other income		1,183	269	653
Foreign exchange loss		(1,663)	(41)	(273)
Finance costs		(4,750)	(3,552)	(12,773)
<b>(Loss)/profit before tax</b>		<u>(8,929)</u>	<u>57,853</u>	<u>55,542</u>
Taxation charge	1	(1,168)	(5,455)	(8,800)
<b>(Loss)/profit for the period from continuing operations</b>		<u>(10,097)</u>	<u>52,398</u>	<u>46,742</u>
<b>Discontinued operations</b>				
Loss for the period from discontinued operations		-	(2,600)	(4,039)
<b>(Loss)/profit for the period</b>		<u>(10,097)</u>	<u>49,798</u>	<u>42,703</u>
<b>Attributable to:</b>				
Owners of the Company		(10,091)	49,798	42,711
Non-controlling interests		(6)	-	(8)
		<u>(10,097)</u>	<u>49,798</u>	<u>42,703</u>
<b>Earnings/(loss) per share from continuing operations attributable to owners of the Company</b>				
- Basic (cents)	2	<u>(3.1)</u>	<u>16.0</u>	<u>14.2</u>
- Diluted (cents)	2	<u>(3.1)</u>	<u>16.0</u>	<u>14.2</u>
<b>Earnings/(loss) per share from continuing and discontinued operations attributable to owners of the Company</b>				
- Basic (cents)	2	<u>(3.1)</u>	<u>15.2</u>	<u>13.0</u>
- Diluted (cents)	2	<u>(3.1)</u>	<u>15.2</u>	<u>13.0</u>

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


	Six months ended 30 June		Year ended
	2015	2014	31 December
	Unaudited	Audited	2014
		(Restated)	Audited
	USD 000's	USD 000's	USD 000's
<b>(Loss)/profit for the period</b>	<u>(10,097)</u>	<u>49,798</u>	<u>42,703</u>
<b>Items that will not be reclassified subsequently to profit or loss</b>			
Re-measurement of retirement benefit obligation	<u>-</u>	<u>101</u>	<u>812</u>
<b>Other comprehensive income for the period</b>	<u>-</u>	<u>101</u>	<u>812</u>
<b>Total comprehensive (loss)/income for the period</b>	<u>(10,097)</u>	<u>49,899</u>	<u>43,515</u>
<b>Attributable to:</b>			
Owners of the Company	<u>(10,091)</u>	<u>49,899</u>	<u>43,523</u>
Non-controlling interests	<u>(6)</u>	<u>-</u>	<u>(8)</u>
	<u>(10,097)</u>	<u>49,899</u>	<u>43,515</u>

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

## CONDENSED CONSOLIDATED BALANCE SHEET

As at 30 June 2015

	Notes	30 June 2015 Unaudited USD 000's	31 December 2014 Audited USD 000's
<b>ASSETS</b>			
<b>Non-current assets</b>			
Intangible exploration and evaluation assets	3	47,595	46,488
Property, plant and equipment	4	606,531	522,537
Investment in Joint Venture	5	7,869	8,138
Other non-current asset		5,891	5,141
		<u>667,886</u>	<u>582,304</u>
<b>Current assets</b>			
Inventories		23,614	21,642
Trade and other receivables	6	100,263	115,589
Cash and bank balances	7	160,438	215,992
		<u>284,315</u>	<u>353,223</u>
<b>Total assets</b>		<u>952,201</u>	<u>935,527</u>
<b>EQUITY AND LIABILITIES</b>			
<b>Equity</b>			
Share capital		559,835	557,808
Share premium		205,491	204,760
Other reserves		(106,389)	(106,609)
Retained deficit		(258,308)	(248,217)
<b>Equity attributable to owners of the Company</b>		<u>400,629</u>	<u>407,742</u>
<b>Non-controlling interest</b>		<u>5,786</u>	<u>8,770</u>
<b>Total equity</b>		<u>406,415</u>	<u>416,512</u>
<b>Non-current liabilities</b>			
Borrowings		242,457	242,459
Convertible loans		119,834	111,740
Long-term provisions		16,360	15,697
		<u>378,651</u>	<u>369,896</u>
<b>Current liabilities</b>			
Trade and other payables	8	163,079	133,653
Current tax payable		921	9,377
Current portion of convertible loans		3,135	6,089
		<u>167,135</u>	<u>149,119</u>
<b>Total liabilities</b>		<u>545,786</u>	<u>519,015</u>
<b>Total equity and liabilities</b>		<u>952,201</u>	<u>935,527</u>

  
 Manssour Aboukhamseen  
 Chairman & Managing Director

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Six months ended 30 June 2015

	<u>Share capital</u>	<u>Share premium</u>	<u>Other reserves</u>	<u>Retained deficit</u>	<u>Total</u>	<u>Non-controlling interest</u>	<u>Total equity</u>
	USD 000's	USD 000's	USD 000's	USD 000's	USD 000's	USD 000's	USD 000's
<b>Balance at 1 January 2014 (Audited)</b>	507,832	189,309	(36,003)	(290,928)	370,210	-	370,210
Profit/(loss) for the year	-	-	-	42,711	42,711	(8)	42,703
Other comprehensive income for the year	-	-	812	-	812	-	812
Total comprehensive income for the year	-	-	812	42,711	43,523	(8)	43,515
Acquisition of subsidiary	46,785	14,057	(69,669)	-	(8,827)	8,778	(49)
Purchase of treasury shares	-	-	(1,749)	-	(1,749)	-	(1,749)
Issue of shares for prior year business combination	822	604	-	-	1,426	-	1,426
Issue of shares under incentive scheme	2,369	790	-	-	3,159	-	3,159
<b>Balance at 31 December 2014 (Audited)</b>	557,808	204,760	(106,609)	(248,217)	407,742	8,770	416,512
Loss for the period	-	-	-	(10,091)	(10,091)	(6)	(10,097)
Other comprehensive income for the period	-	-	-	-	-	-	-
Total comprehensive loss for the period	-	-	-	(10,091)	(10,091)	(6)	(10,097)
Issue of shares	2,027	731	220	-	2,978	(2,978)	-
<b>Balance at 30 June 2015 (Unaudited)</b>	559,835	205,491	(106,389)	(258,308)	400,629	5,786	406,415

## CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

Six months ended 30 June 2015

	Note	Six months ended 30 June		Year ended
		2015	2014	31 December
		Unaudited	Audited (Restated)	2014 Audited
		USD 000's	USD 000's	USD 000's
<b>OPERATING ACTIVITIES</b>				
(Loss)/profit for the period		(10,097)	49,798	42,703
Adjustments for:				
Share of results of Joint Venture		(1,731)	(2,571)	(1,040)
Depreciation, depletion and amortisation		44,559	36,983	83,505
Exploration expenditure written off		2,519	-	1,513
Impairment of oil and gas assets		-	-	19,247
Impairment charge on discontinued operations		-	1,700	3,126
Tax charges		1,168	5,455	8,800
Share based expense		-	-	1,066
Fair value loss on convertible loans		8,730	6,712	9,931
Finance costs		4,750	3,552	12,773
Interest income		(353)	(213)	(568)
Provision for retirement benefit obligation		359	297	1,066
<b>Operating cash flow before movement in working capital</b>		<b>49,904</b>	<b>101,713</b>	<b>182,122</b>
Decrease/(increase) in trade and other receivables		3,650	(24,100)	48,277
(Decrease)/increase in trade and other payables		(31,630)	54,019	29,954
Decrease/(increase) in inventories		653	(7,896)	1,223
Tax paid		(9,624)	(4,163)	(8,521)
<b>Net cash generated by operating activities</b>		<b>12,953</b>	<b>119,573</b>	<b>253,055</b>
<b>INVESTING ACTIVITIES</b>				
Purchase of intangible exploration and evaluation assets		(23,031)	(33,912)	(49,797)
Purchase of property, plant and equipment		(59,134)	(75,536)	(186,093)
Purchase of other fixed assets		(7,511)	(511)	(1,110)
(Increase)/decrease in capital inventory stores		(2,625)	(1,033)	1,284
Advance against farm-out of working interests		43,190	-	-
Increase in deposits with original maturity of over 3 months		(50,000)	-	-
Additions to decommission and retirement benefit obligation fund		(750)	-	(5,141)
Proceeds from disposal of assets classified as held for sale		-	5,000	13,300
Acquisition of assets/subsidiary, net of cash acquired		(3,858)	-	451
Dividend received from Joint Venture		2,000	3,500	3,500
Interest received		227	213	568
<b>Net cash used in investing activities</b>		<b>(101,492)</b>	<b>(102,279)</b>	<b>(223,038)</b>
<b>FINANCING ACTIVITIES</b>				
Proceeds from borrowings		-	15,019	127,054
Repayment of borrowings		-	(25,649)	(48,735)
Purchase of treasury shares		-	-	(1,749)
Finance costs paid		(17,719)	(8,909)	(18,189)
<b>Net cash (used)/generated by financing activities</b>		<b>(17,719)</b>	<b>(19,539)</b>	<b>58,381</b>
<b>Net (decrease)/increase in cash and cash equivalents</b>		<b>(106,258)</b>	<b>(2,245)</b>	<b>88,398</b>
Cash and cash equivalents at beginning of the period		215,992	127,594	127,594
Effect of foreign exchange rate changes on cash and cash equivalents		704	-	-
<b>Cash and cash equivalents at end of the period</b>	7	<b>110,438</b>	<b>125,349</b>	<b>215,992</b>

NOTES TO THE CONDENSED SET OF FINANCIAL STATEMENTS

Six months ended 30 June 2015

**1. TAXATION**

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

**2. EARNINGS PER SHARE**

The calculation of basic earnings per share is based on the loss for the period after taxation attributable to owners of the Company from continuing operation of USD 10,091 thousand (30 June 2014: profit of USD 52,398 thousand), the loss for the period after taxation attributable to owners of the Company from continuing and discontinued operation of USD 10,091 thousand (30 June 2014: profit of USD 49,798 thousand) and a weighted average number of shares, net of treasury shares, of 326,137 thousand (30 June 2014 328,494 thousand).

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

**3. INTANGIBLE EXPLORATION AND EVALUATION ('E&E') ASSETS**

	<b>E&amp;E assets</b>
	USD 000's
<b>As at 1 January 2014</b>	58,178
Additions	56,819
Exploration expenditure written off	(1,513)
Transfer to Property, plant and equipment	<u>(66,996)</u>
<b>As at 31 December 2014</b>	46,488
Additions	31,045
Exploration expenditure written off	(2,519)
Transfer to Property, plant and equipment	<u>(27,419)</u>
<b>As at 30 June 2015</b>	<u>47,595</u>

As at 30 June 2015, exploration costs includes USD 31,894 thousand (31 December 2014: USD 29,794 thousand) in Yemen where in 2015, the political and security situation has become unstable. The work of operations on site has been put on hold. However management believes that in the longer term the situation will be resolved and that no exploration write-off is required.

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

During the period ended 30 June 2015 exploration cost associated with proven commercial reserves amounting USD 16,919 thousand relating to Block 9 in Iraq and USD 10,500 thousand relating to Abu Sennan in Egypt (2014: USD 56,712 thousand relating to Block 9 in Iraq and USD 10,284 thousand to BEA and Abu Sennan in Egypt) were transferred to property, plant and equipment.

#### 4. PROPERTY PLANT AND EQUIPMENT

	Oil and gas assets	Other fixed assets	Total
	USD 000's	USD 000's	USD 000's
<b>Cost</b>			
<b>As at 1 January 2014 (audited)</b>	585,008	17,309	602,317
Additions	208,196	1,130	209,326
Disposal	-	(15)	(15)
Transfer from Intangible Exploration and Evaluation	66,996	-	66,996
<b>As at 31 December 2014 (audited)</b>	860,200	18,424	878,624
Additions	93,623	7,511	101,134
Disposal	-	-	-
Transfer from Intangible Exploration and Evaluation	27,419	-	27,419
<b>As at 30 June 2015 (unaudited)</b>	981,242	25,935	1,007,177
<b>Accumulated Depreciation, depletion, amortisation and impairment</b>			
<b>As at 1 January 2014 (audited)</b>	246,664	6,686	253,350
Charge for the period	81,853	1,652	83,505
Impairment	19,247	-	19,247
Disposal	-	(15)	(15)
<b>As at 31 December 2014 (audited)</b>	347,764	8,323	356,087
Charge for the period	43,885	674	44,559
<b>As at 30 June 2015 (unaudited)</b>	391,649	8,997	400,646
<b>Carrying amount</b>			
As at 30 June 2015 (unaudited)	589,593	16,938	606,531
As at 31 December 2014 (audited)	512,436	10,101	522,537

During the period ended 30 June 2015, the Group acquired an additional 25% working interest in Burg Al Arab (BEA) field in Egypt from Gharib Oil Fields ('Gharib') for a purchase consideration of USD 21,361 thousand effective 15 January 2015. The terms of the transaction resulted in an acquisition of property, plant and equipment assets of USD 22,204 thousand. The net cash outflow arising on the acquisition, excluding USD 127 thousand cash acquired, was USD 3,984 thousand and the remaining consideration settled with receivables from Gharib.

As at 30 June 2015 the Group had property, plant and equipment with a carrying value of USD 52,993 thousand in relation to the Block 5 field in Yemen and USD 27,430 thousand in relation to the Mansuriya field located in North East Iraq where in 2015 and 2014 respectively, the political and security situation has become unstable. The work of operations in the Mansuriya field has been put on hold. Since the end of April 2015, operations in Yemen in the Block 5 field are shut in along with other nearby producing blocks largely as a result of no spare storage capacity at the offshore terminal at Ras Issa port. However, management believes that in the longer term the situation will be resolved and that no additional impairment is required. Between January and April 2015, two cargoes were lifted from the Block 5 field. Non-Yemeni employees have been withdrawn for their safety and security, the Sana'a office is shut-down and only essential Yemeni employees remain on site. The Block 5 field facility remains available for the use of the Group and the concession is currently under Force Majeure.

The Board approved an exit from Yemen Block 43 effective 30 June 2015. As at 30 June 2015, the carrying value of Yemen Block 43 was nil.



NOTES TO THE CONDENSED SET OF FINANCIAL STATEMENTS

Six months ended 30 June 2015

**5. INVESTMENT IN JOINT VENTURE**

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

The Investment in Joint Venture represents a 20% equity interest in Medco L.L.C. ("Medco"), a jointly controlled entity incorporated in Oman, engaged as operator for Karim Small fields ("KSF") in Oman. On 28 April 2015, Medco signed an amended and restated 25 years KSF Service Contract commencing from 1 June 2015. The Group has provided a bank guarantee of USD 7,500 thousand to perform obligations under the amended and restated service contract.

**6. TRADE AND OTHER RECEIVABLES**

	30 June 2015 Unaudited	31 December 2014 Audited
	USD 000's	USD 000's
Trade receivables	45,382	73,604
Advance to joint ventures partners	26,979	31,081
Amount due from a related party	2,601	-
Prepayments, deposits and advances	10,619	7,270
Other receivables	14,682	3,634
	<u>100,263</u>	<u>115,589</u>

The average credit period on sales is 60 days. No interest is charged on the overdue trade receivables. Included in the Group's trade receivables balance are debtors arising in Egypt which are past due at the reporting date for which the Group has not made any provision as there has not been a significant change in credit quality and the amounts are still considered recoverable.

Ageing of past due but not impaired

	30 June 2015 Unaudited	31 December 2014 Audited
	USD 000's	USD 000's
61 – 90 days	1,001	13,159
91 – 120 days	-	-
121 – 180 days	-	14,144
> 180 days	2,315	12,100
Total	<u>3,316</u>	<u>39,403</u>

**7. CASH AND BANK BALANCES**

	30 June 2015 Unaudited	31 December 2014 Audited
	USD 000's	USD 000's
Cash and cash equivalents	110,438	215,992
Add: deposit with an original maturity of over 3 months	50,000	-
	<u>160,438</u>	<u>215,992</u>

Bank balances amounting to USD 7,500 thousand (31 December 2014: USD 500 thousand) are restricted against issue of letters of guarantee.

## NOTES TO THE CONDENSED SET OF FINANCIAL STATEMENTS

Six months ended 30 June 2015

**8. TRADE AND OTHER PAYABLES**

	30 June 2015 <u>Unaudited</u> USD 000's	31 December 2014 <u>Audited</u> USD 000's
Trade Payables	76,866	86,911
Advance against farm-out of working interest	43,190	-
Accruals and joint venture partners payables	30,110	31,150
Accrued interest payable	9,793	10,388
Salaries and bonus payables	3,120	5,204
	<u>163,079</u>	<u>133,653</u>

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

**9. RETROSPECTIVE RESTATEMENT**

The financial statements for the six months ended 30 June 2014 incorporated the voluntary change in accounting policy for the intangible exploration and evaluation assets from "modified full cost method" to the "successful efforts method". Subsequent to 30 June 2014, a minor modification of the accounting policy resulted in an increase in profit by USD 1,501 thousand and EPS by 0.5 cents for the corresponding reported period due to a decrease in the 'depletion and amortisation of oil and gas assets' by USD 1,501 thousand.

**10. OTHER INFORMATION****Treasury shares**

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