YEARS OF ACHIEVEMENTS

# 2015 ANNUAL REPORT

Kuwait Energy

"What started as a dream to establish a leading Middle East based independent company ten years ago has been realized. I am proud of what we have achieved to date and look forward to an exciting journey ahead."

Dr. Manssour Aboukhamseen
Executive Chairman

# Kuwait Energy Timeline

August 2008

Kuwait Energy establishes itself in the oil & gas sector as an operator with the acquisition of 8 blocks in Egypt and Yemen.

October 2010

The Company bids for the Siba and Mansuriya gas fields in Iraq's 3rd Licensing Round in Baghdad.

June 2011

A signing ceremony commemorates the awarding of the Siba and Mansuriya gas fields.


May 2012

Kuwait Energy bids for Block 9 in Iraq's 4th Licensing Round in Baghdad.

June 2012

The environmental initiative, Kuwait's Green Wall Project, is officially launched with Kuwait Energy planting the project's first tree.

January
2013

The Block 9, Iraq contract is signed in Baghdad.

August
2014

Senior Guaranteed Notes are successfully issued and US$250 million is raised.

March
2015

EGPC and Kuwait Energy announce their partnership in Block 9 during the Egypt Economic Development Conference in Sharm El Shaikh, Egypt.

September
2015

The partnership with the EGPC in Block 9, Iraq is officially signed in Baghdad.

October
2015

Kuwait Energy celebrates its 10 Year Anniversary.

# CONTENTS

# WHO WE ARE

Kuwait Energy is an independent oil and gas company actively engaged in the exploration, appraisal, development and production of hydrocarbons. Since establishment in 2005, we have built a high-quality, diversified portfolio of oil and gas assets in the MENA region across Iraq, Egypt, Yemen and Oman. Our MENA portfolio consists of 10 exploration, development and production assets, of which we operate seven.

Our 2P working interest reserves are 818 mmboe and 2C working interest resources are 942 mmboe as at 31 December 2015 with average daily working interest production of 25,000 boepd in 2015.

Kuwait Energy has its registered office in Jersey, its head office in Bahrain, its regional operational hub in Kuwait and area offices in Basra, Baghdad, Cairo and Sana'a.

## Our Vision

To be the pre-eminent Middle East based independent oil and gas company.

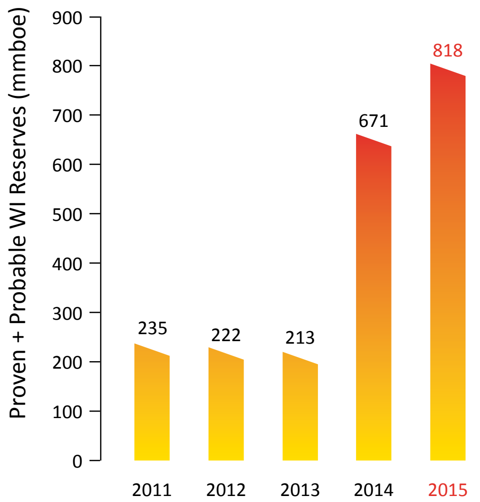
## Our Mission

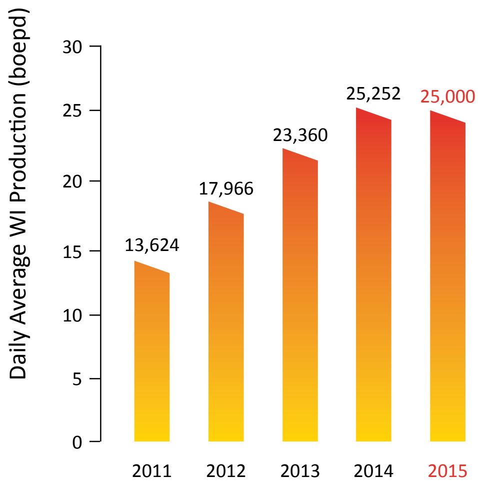
To develop and manage oil and gas assets in the interest of our stakeholders.

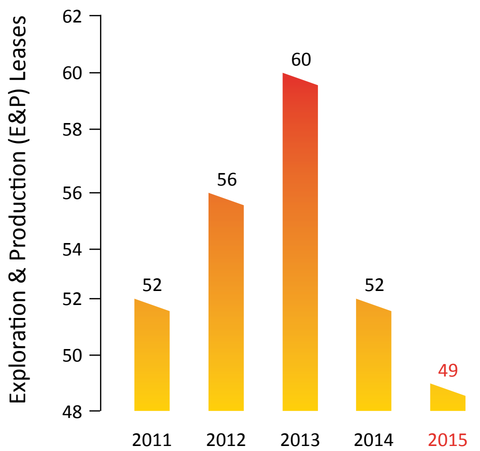
## Unique access to growth opportunities through regional relationships

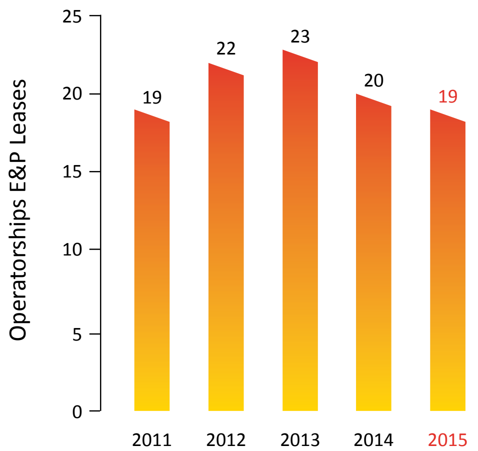
We have built strong relationships with national oil and gas companies in the MENA region. In the context of these relationships, we provide valuable technical expertise, advice and assistance to local governments including their national oil and gas companies on oil and gas projects important to these countries' economic development.

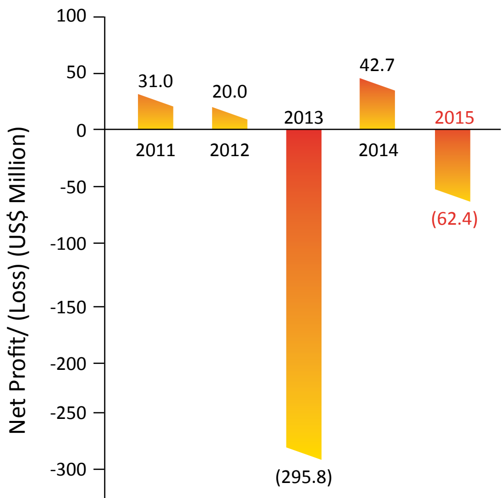
# Kuwait Energy Key Figures

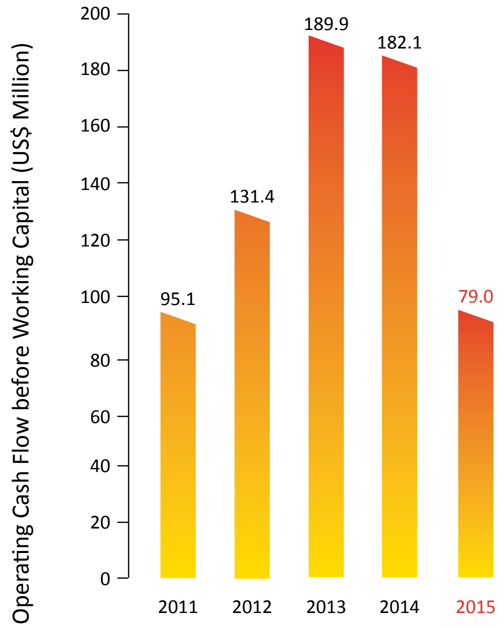


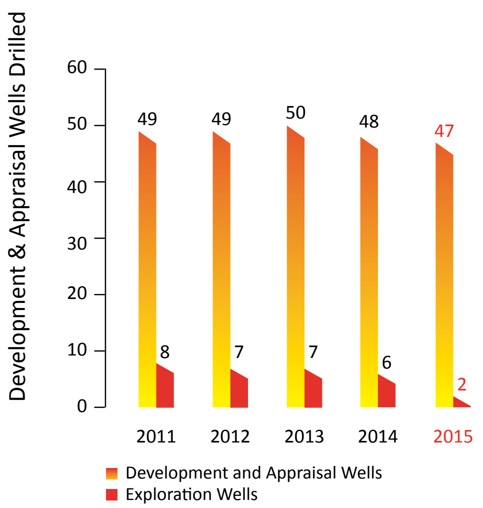



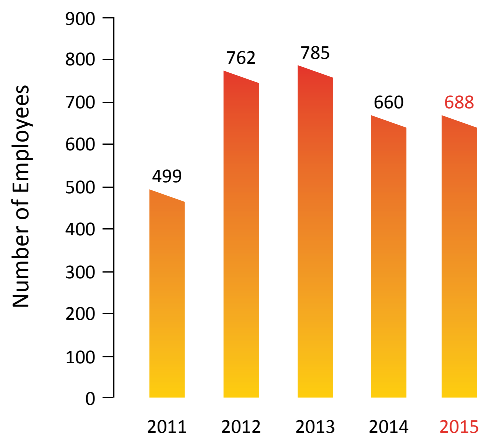




Net Profit/ (Loss) (US$ Million)
100
50
0
-50
-100
-150
-200
-250
-300
-350
31.0
20.0
42.7
(295.8)
(62.4)
2011
2012
2013
2014
2015


Operating Cash Flow before Working Capital (US$ Million)
200
180
160
140
120
100
80
60
40
20
0
95.1
131.4
189.9
182.1
79.0
2011
2012
2013
2014
2015


Development & Appraisal Wells Drilled
60
50
40
30
20
10
0
49
8
49
7
50
7
48
6
47
2
2011
2012
2013
2014
2015
Development and Appraisal Wells
Exploration Wells


Number of Employees
900
800
700
600
500
400
300
200
100
0
499
762
785
660
688
2011
2012
2013
2014
2015

Block 9, Iraq

# Executive Chairman's Message

The year of 2015 witnessed significant challenges placed by the oil price on the oil and gas industry. Oil prices have been in decline since mid-2014 and have created difficult market conditions, especially for exploration and production companies. These conditions have contributed to the net financial losses Kuwait Energy is reporting for 2015. While we remain optimistic about the future of oil prices and the market, we are working towards managing the lower oil price risk by reducing our costs across the board, rescheduling projects, negotiating better payment terms with suppliers and arranging financing to support development projects.

In 2015, Kuwait Energy achieved a number of key business and operational milestones. On the operational front, we commenced oil production in Block 9 in October 2015. We are proud to have begun production within a year of making the discovery in December 2014. This would not have been possible without the full support of Iraq's Ministry of Oil and our partners, most notably the South Oil Company. In Egypt, we completed the gas plant and pipeline at Abu Sennan yielded an increase in our production from the field. This was the result of the excellent relationship between Egyptian General Petroleum Corporation (EGPC) and Kuwait Energy working together to deliver the project with significant cost savings. It also demonstrates our commitment towards the environment by eliminating gas flaring.

On the business front, the Company completed the farm-out of a 10% working interest in Block 9, Iraq to EGPC. We have acquired an additional 25% working interest in Burg El Arab, Egypt and obtained a 25 year service contract in Oman.

The political situation in Yemen has forced us to halt Yemen production as tankers are unable to get into the country's port to export the crude. Nevertheless, we keep monitoring the situation in Yemen and aim to resume production once the circumstances allow for it.

At year-end 2015, the Group's proven and probable working interest reserves stands at 818 mmboe with all assets independently audited by Gaffney Cline & Associates (GCA).

The Board continues its commitment to high standards of governance and continues to work towards full compliance with the principles and provisions of the UK Corporate Governance Code. With regards to Health, Safety, Sustainability and Environment (HSSE), we continue to enhance our policies and procedures to ensure a safe and secure environment for our stakeholders. Key examples in 2015 include work for the commencement of oil trucking from Block 9 and the introduction of a HSSE Leadership Auditing programme. Our Corporate Social Responsibility programme endeavours to make an effective and sustainable difference to the lives of the people living in the areas we operate in. Our initiatives continue to improve children's lives, provide medical support and empower youth.

In the coming years, our operations will remain focused on completing our development activities in Siba and Block 9 in Iraq to achieve the assets production targets. To our shareholders, we remain committed to work for their best interests and creating value in everything we do.

I would like to thank Kuwait Energy Board, employees, shareholders and other stakeholders for their continued support in the pursuit of the Kuwait Energy Vision that is 'to be the pre-eminent Middle East based independent oil and gas company'.

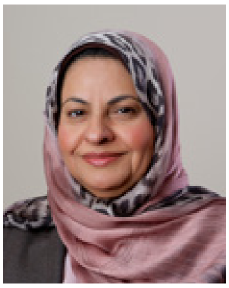
**Dr. Manssour Aboukhamseen**
Executive Chairman

# Board Of Directors

**Dr Manssour Aboukhamseen** is the Executive Chairman of the Board and is also a member of the Nomination Committee.

Dr Aboukhamseen is a successful business entrepreneur, leader and founder of several successful business enterprises in Kuwait. He has over 25 years of experience in the oil and gas industry in Kuwait Oil Company ('KOC'), Zahra Group Holding and Kuwait Energy.

He has a Ph.D. in Modern History from the University of California at Berkeley.



**Ms. Sara Akbar** is the Chief Executive Officer and a member of the Board.

Sara Akbar is a renowned professional and personality in the oil and gas industry, both in Kuwait and internationally. She has over 30 years' experience in the oil and gas industry having worked in several challenging positions in Kuwait Oil Company ('KOC') and Kuwait Foreign Petroleum Exploration Company ('KUFPEC').

She has a B.Sc. in Chemical Engineering from Kuwait University.

**Mr. Roger Phillips** is the Chief Financial Officer and a member of the Board.

Mr Phillips has over 30 years' experience in the oil and gas industry primarily in international, upstream finance roles.

He joined Price Waterhouse and qualified as a Chartered Accountant before pursuing oil industry finance roles with companies such as ExxonMobil and Amerada Hess.

Mr Phillips was with Amerada Hess for nearly twenty years where he served as Vice President and Director in London and New York. Before joining Kuwait Energy, Mr Phillips was Finance Director at Regal Petroleum plc between 2004 and 2007.

**Dr Yousef Al Awadi** KBE is a Non-Executive Director on the Board, and is also the Chairman of the Audit and Risk Committee and a member of the Remuneration Committee.

Dr Al Awadi is the Chief Executive of YAA Consultancy, Kuwait. He has previously held and currently holds Board directorships on several government and private sector entities in the financial, industrial and real estate sectors, both in Kuwait and internationally. He was formerly the President and Chief Executive Officer of Kuwait Investment Office - London. He was also the Chief General Manager and CEO of Gulf Bank, Kuwait.

Dr Al Awadi has a BA from the American University of Beirut and an MA and Ph.D. in Economics from the University of Colorado, USA.

In 2004, he was awarded the Honorary Knight Commander of the Most Excellent Order of the British Empire, KBE.

**Sir Steve Robson** is an Independent Non-executive Director and a Senior Independent Director on the Board of Kuwait Energy. He is a member of the Audit and Risk Committee and a member of the Nomination Committee. He served as a Non-Executive Director of Xstrata plc from February 2002 to May 2013.

Sir Steve served the UK's HM Treasury for 30 years in a number of roles. He was responsible for HM Treasury's interests in industry, transport and energy policies.

He has a B.A. and Ph.D. from the University of Cambridge, England and an M.A. from Stanford University, USA. He was a Non-Executive Director of the Financial Reporting Council, was a member of the KPMG Chairman's Advisory Board and was Chairman of the KPMG Public Interest Committee.

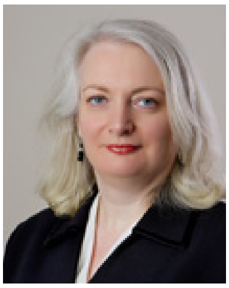
**Mr. Mohamed Yusof Rafie** is an Independent Non-Executive Director on the Board of Kuwait Energy and is also the Chairman of the Nomination Committee and a member of the Remuneration Committee.

He retired from Saudi Aramco after 38 years of service as Senior Vice President. Mohamed is currently the Chairman of Gabas Albilad Holding Company. He previously held different position, Chairman of Industrialization & Energy Services Company (TAQA), Chairman of Arabian Drilling Company and Chairman of Aramco Gulf Operations Company.

**Mr. Mohammad Ahmad Husain** is an Independent Non-Executive Director on the Board of Kuwait Energy and a member of the Audit and Risk Committee.

He has served as the President and Chief Executive Officer of EQUATE Petrochemical Company since April 2012. He is a member of the board of directors of MEGlobal. Mr. Husain is also the board of director of GPCA, an umbrella association of gulf petrochemical and chemical business organizations.

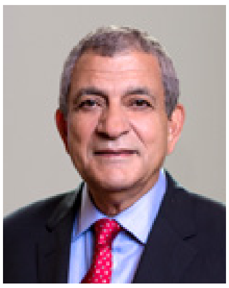
In the past he also served as a board member of EQUATE, The Kuwait Olefins Company, Kuwait Oil Company and Kuwait National Petroleum Company Mr Husain has over 34 years' administrative and technical experience in the Kuwait oil and gas industry, with competencies in upstream oil and gas, petroleum affairs, gas operations, petrochemical industry, corporate planning and strategy development. Mr Husain is a member of the Society of Petroleum Engineers and the Society of Strategic Leadership. He has a B.Sc. in Petroleum Engineering from the University of Tulsa, USA.



**Ms. Rachel English** is an Independent Non-Executive Director on the Board of Kuwait Energy, and is also the Chairman of the Remuneration Committee and a member of the Audit and Risk Committee.

She has some 30 years' international experience in blue-chip energy companies. Rachel is currently also a Non-Executive Director of Acacia Mining plc, Global Carbon Capture and Storage Institute Ltd, is on the Audit Committee of the UK Department for International Development, and is a Director of Helios Social Enterprise.

She has an MA from the University of Oxford and is a Fellow of the Institute of Chartered Accountants in England and Wales.



**Mr. Abdel F. (Abby) Badwi** is an Independent Non-Executive Director on the Board of Kuwait Energy. He is a member of the Remuneration Committee and of the Nomination Committee.

Mr. Badawi is a petroleum industry executive with more than 40 years of international upstream experience. He is currently Executive Chairman of Americas Petrogas Corp. and Vice Chairman of Bankers Petroleum Ltd., where he served as President and Chief Executive from 2008 to 2013.

He previously served as President, Chief Executive Officer and director of Rally Energy from 2005 to 2007. He has a B.Sc. in Geology from the University of Alexandria, Egypt and is a member of the Association of Professional Engineers and Geoscientists of Alberta (APEGA).

# Kuwait Energy Assets

As at 31 December 2015

| Region | Licence | Cost WI (%) | Revenue WI (%)* | Operator | Status |
|---|---|---|---|---|---|
| Iraq | Siba | 60.00% | 45.00% | Kuwait Energy | Development |
| | Mansuriya | 30.00% | 22.50% | TPAO | Administrative Hold |
| | Block 9 | 60.00% | 60.00% | Kuwait Energy | Producing Asset Under Appraisal (PAUA) |
| Egypt | Area A | 70.00% | 70.00% | Kuwait Energy | Producing Asset with Exploration Potential (PAEP) |
| | Abu Sennan | 78.00% | 50.00% | Kuwait Energy | PAEP |
| | Burg El Arab (BEA) | 100.00% | 100.00% | Kuwait Energy | PAEP |
| | East Ras Qattara (ERQ) | 49.50% | 49.50% | Sipetrol | PAEP |
| Yemen | Block 5 | 15.00% | 15.00% | Kuwait Energy | PAEP |
| | Block 49 | 75.29% | 64.00% | Kuwait Energy | Exploration Asset (EA) |
| Oman | Karim Small Fields (KSF) | 15.00% | 15.00% | Medco | PAEP |

* Revenue working interest is the percentage interest of the Group in the revenues derived from sale of production from an asset, before taking into account any taxes, fees, royalties or other payments.

# Chief Executive Officer's Report

**Sara Akbar**
Chief Executive Officer

In 2015, Kuwait Energy has once again demonstrated the resourcefulness and innovativeness of our team, positioning us as a forward-thinking independent oil and gas company under a very challenging environment for the industry.

For the year, we recorded an average daily working interest production of 25,000 boepd, a 1% year-on-year decrease from 25,252 boepd in 2014. This decrease is mainly due to Yemen production being shut down since April 2015. Despite the production shut down from our Yemen assets, Kuwait Energy managed to compensate for the shortage by directing its resources to drill more wells in Egypt, which increased the Egypt production by 20% compared to 2014. This increase, coupled with Block 9 production commencement in October 2015, aided in minimizing the production drop to only 1% from 2014 production.

Egypt continued to be a major contributor to production, with a daily average working interest production of 20,942 boepd. The gas plant and pipeline project in Abu Sennan, Egypt, which we completed in April, contributed approximately 2,000 boepd to production.

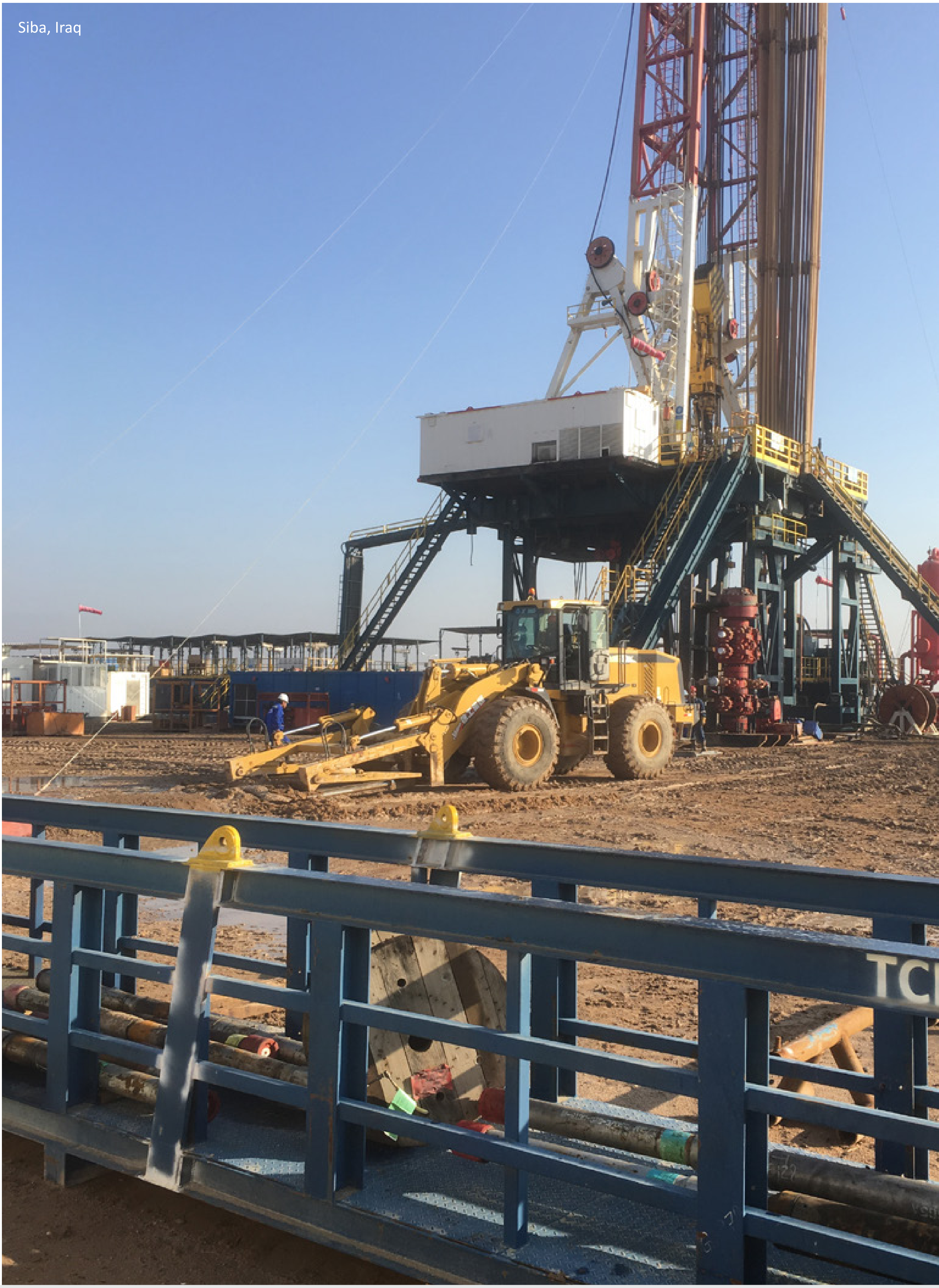
Our development activity in 2015 was focused on fast-tracking early production from the Faihaa-1 well on the Block 9 oil field which was achieved in October at an initial gross oil rate in excess of 5,000 bopd. By the end of 2015 we had delivered 200 thousand barrels of working interest oil production. We share the success of the Block's fast-track plan with our main partner, the South Oil Company, which supported our plan, enabling us to begin production just seven months from when the project began.In our Siba gas field, tests for the Siba-6 development well showed 21 mmscfpd of gas and 5,000 bpd of condensate. Engineering, procurement and construction works for the Siba Plant are on-going with the aim to commence production of first gas by fourth quarter 2016.

In Yemen, drilling and production are suspended, however we continue our HSSE activities including facilities maintenance and routine safety inspections to ensure full preparedness when the circumstances allow us to resume our operations.

In addition, Kuwait Energy signed a Consultancy Services Contract for Integrated Enhanced Oil Recovery for Kuwait Oil Company with Surtek Inc. This contract marks our initial entry into Kuwait as further projects are being pursued.

The decline in oil prices, significantly impacted on 2015 revenue of US$155.6 million, a decline of 43% from 2014 despite similar annual production sales. The prevailing lower oil prices also led to an impairment of US$69.0 million from Block 5 in Yemen, Burg El Arab and Abu Sennan areas in Egypt, Siba and Mansuriya in Iraq which is the major contributor to the 2015 reported loss of US$62.4 million.

Siba, Iraq



# Financial And Operations Highlights

| | Units | 2014 | 2015 | Change Percentage |
|---|---|---|---|---|
| **Financial Performance** | | | | |
| Sales revenue | US$ million | 270.8 | 155.6 | -43% |
| Cost of sales | US$ million | 140.5 | 129.1 | -8% |
| Operating cash flow | US$ million | 182.1 | 79.0 | -57% |
| Net profit/(loss) | US$ million | 42.7 | (62.4) | -246% |
| **Capital Expenditure** | | | | |
| Property, Plant & Equipment | US$ million | 209.3 | 239.0 | 14% |
| Exploration & Evaluation Assets(1) | US$ million | 56.8 | 10.8 | -81% |
| Total Capital Expenditures | US$ million | 266.1 | 249.8 | -6% |
| **Financial Position** | | | | |
| Total Assets | US$ million | 935.5 | 860.4 | -8% |
| Total Debt | US$ million | 360.3 | 368.4 | 2% |
| Shareholder Equity | US$ million | 407.7 | 349.3 | -14% |
| Earnings / (loss) per Share | US cents | 13.0 | (19.1) | -247% |
| **Reserves and Production** | | | | |
| Average Daily WI Production | boepd | 25,252 | 25,000 | -1% |
| Proven & Probable WI Reserves(2) | mmboe | 671 | 818 | 22% |
| **Total Wells Drilled** | | | | |
| Exploration | Number of wells | 6 | 2 | -67% |
| Development & Appraisal | Number of wells | 48 | 47 | -2% |

1. Exploration & Evaluation Assets included Iraq Block 9 in 2014. In 2015 it has moved to Property, Plant & Equipment.
2. Reserves are audited by GCA.

# Financial Performance

In 2015, despite a very low oil price environment, Kuwait Energy has delivered solid revenue and operating cash flow of US$155.6 million and US$79.0 million respectively while maintaining a strong balance sheet with US$105.3 million in cash and no 2016 maturities for any of its external debt.

## Financial performance – structurally low operating cost environment

Oil sales accounted for 99 per cent of the Group revenue (2014: 100 percent). Realised price of oil was US$49.6 per barrel compared to Brent oil price average for the year of US$53.9 per barrel.

Kuwait Energy delivered sales revenue of US$155.6 million (2014: US$270.8 million), 43% lower than 2014 mainly due to the decrease in average realised price of crude oil. Kuwait Energy is a low operating cost per barrel oil independent due to its on-shore Middle Eastern oil focus. Group's underlying operating cost per barrel is US$7.8 per barrel (2014: US$7.3 per barrel). Depletion and amortisation was 17% lower at US$67.8 million (2014: US$81.9 million) mainly due to lower production in Block 5, Yemen and an increase in reserves in Abu Sennan, Egypt.

In 2015, US$14.2 million was written off due to unsuccessful exploration expenditure on Area A, Egypt and the relinquishment of Block 82, Yemen.

Due to significantly lower oil prices during 2015 and the projected oil prices for the foreseeable future, an impairment charge of US$69.0 million was recognised. This relates to Block 5 in Yemen, Burg El Arab and Abu Sennan areas in Egypt, Siba and Mansuriya in Iraq.  Operations in Yemen are currently suspended due to regional unrest. We continue to take steps to protect our license interest, as described further in note 13 and 14 to the consolidated financial statements.

General and administrative costs were significantly lower at US$18.2 million compared to US$32.7 million as the Company went through a cost rationalisation process. As a result of the decline in oil prices, which created challenges for the entire oil industry, Kuwait Energy worked due diligently to manage its costs.

During 2015, the Group completed the assignment of a 10% participating interest in Block 9 exploration, development and production service contract in Iraq to EGPC, with an effective date of 1 July 2013, resulting in a profit of US$33.9 million.

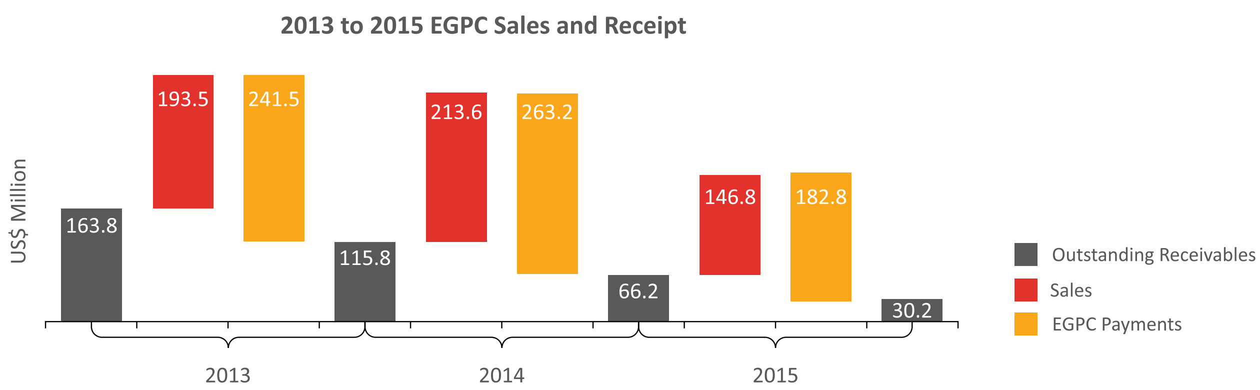
Finance costs post capitalisation, fair valuation for convertible debt and exchange losses amounted to US$20.8 million compared to US$23.0 million in 2014.

The above resulted in a net loss after tax of US$62.4 million for 2015 (2014: net profit US$42.7 million).

## Cash flows - solid operating cash flow in low oil prices

Kuwait Energy generated an operating cash flow before working capital movements of US$79.0 million in 2015 (2014: US$182.1 million) with US$105.3 million in cash and cash equivalents as at 31 December 2015 (2014: US$216.0 million). Kuwait Energy 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.

The chart below presents movements in Kuwait Energy's receivables from EGPC from 2013 to 2015.



### Capital Expenditure – significant reduction in exploration

| Capex | 2014 US$ million | 2015 US$ million |
|---|---|---|
| Development and production | 209.3 | 239.0 |
| Exploration | 56.8 | 10.8 |
| Total Capex | 266.1 | 249.8 |

**Note**: Exploration & Evaluation Assets included Iraq Block 9 in 2014. In 2015 it has moved to Property, Plant & Equipment.

During 2015, the Company incurred US$239.0 million on development and production capital costs mainly on development of Siba and Block 9 in Iraq and production wells and facilities in Abu Sennan, Burg El Arab, ERQ and Area A in Egypt.

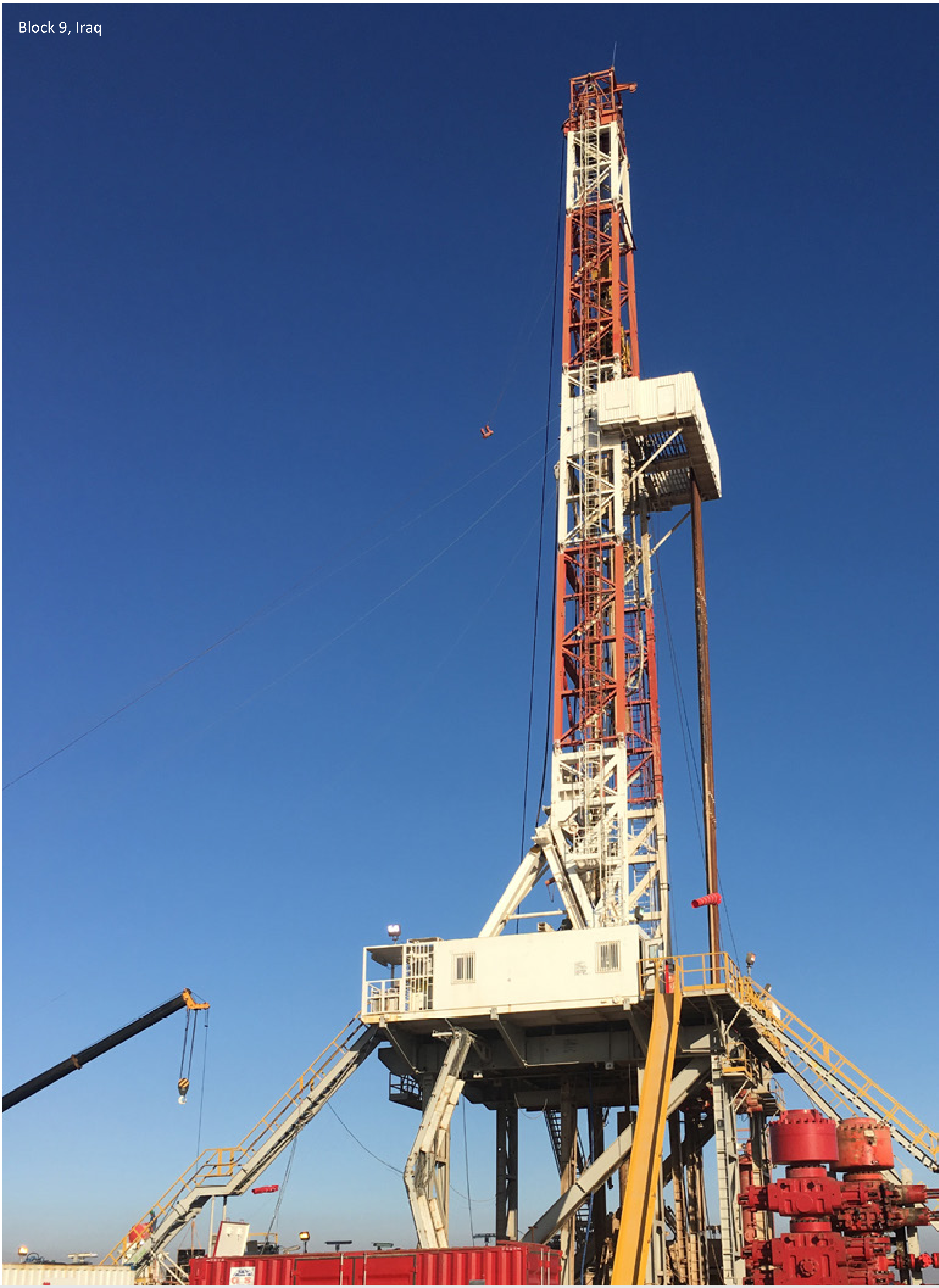
Exploration expenditure of US$10.8 million of was incurred mainly on Abu Sennan, Egypt.

### Liquidity risk management

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$105.3 million in cash at the end of 2015.

The Group has significant levels of committed capital expenditure during the next 12 months primarily on field development expenditures in Iraq. The Group has received a letter of conditional approval from EGPC confirming their executive approval of EGPC's acquisition of a 20% paying (15% revenue) interest in one of the Group's key oil & gas fields conditional on obtaining the approval of the EGPC board of directors and concerned authorities and finalizing the related farm-out agreement. 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.

Therefore, after making enquiries and on the assumption the farm-out outlined above proceeds to completion, the Directors have a reasonable expectation 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 2015 financial statements. Accordingly, the Directors continue to adopt the going concern basis of accounting in preparing these consolidated financial statements.


Block 9, Iraq

# Operations Performance

## Production

In 2015, Kuwait Energy recorded an average daily working interest production of 25,000 boepd, a 1% year-on-year decrease from 25,252 boepd in 2014. This decrease is primarily the result of Yemen production shut down since April 2015 due to being unable to export oil as the cargo ships could not enter the port due to security reasons which was nearly offset by the production increase in Egypt and start up in Block 9, Iraq.

Egypt continued to be a major contributor to production, with a daily average working interest production of 20,942 boepd in 2015. This accounted for 84% of the Group's production, an increase of 20% from 2014. The two major contributing Egypt assets were ERQ and Area A, which delivered a daily working interest average production of 11,885 boepd and 4,567 boepd respectively.

In addition to Egypt's contribution, Block 9 asset in Iraq started production in October and delivered 200 thousand barrels of oil working interest production by the end of 2015.

## Production summary

| Asset | 2014 Production Daily WI average (boepd) | 2015 Production Daily WI average (boepd) | Change percentage |
|---|---|---|---|
| Abu Sennan | 932 | 2,994 | 221% |
| Burg El Arab | 1,142 | 1,496 | 31% |
| Area A | 4,419 | 4,567 | 3% |
| East Ras Qattara | 10,990 | 11,885 | 8% |
| **Egypt Total** | 17,483 | 20,942 | 20% |
| Block 5 (1) | 4,092 | 910 | -78% |
| Block 43 (1) | 365 | 66 | -82% |
| **Yemen Total** | 4,457 | 976 | -78% |
| Karim Small Fields – Oman | 2,544 | 2,533 | 0% |
| Eurasia (2) | 767 | 0 | -100% |
| Block 9 - Iraq (3) | 0 | 549 | +100% |
| **Kuwait Energy Total** | 25,252 | 25,000 | -1% |

1. Yemen assets shut down in April 2015 due to political situation.
2. Ukrainian assets sold April 2014; Russian assets sold November 2014.
3. Iraq Block 9 asset started production in October 2015.

Block 9, Iraq

## Development Activities

- Fast-tracking development of Block 9 and commencement of production.
- 47 development and appraisal wells were spud in 2015 including 40 wells in Oman, five wells in Egypt and two wells in Iraq.
- Completion of the gas plant and pipeline project in Abu Sennan, Egypt adding approximately 2,000 boepd to production beginning from April 2015.

In 2015, Kuwait Energy's development activity was focused on the fast-tracking of Block 9 production from its Faihaa-1 well in Iraq at a rate exceeding 5,000 bopd. We were able to execute the project as per our planned timeline that resulted in production start-up from the Faihaa-1 well in October 2015, just seven months from when the project began in April.

In Iraq, the Siba-4 a carryover development well from 2014 was completed and perforated in the Yamama-D reservoir and produced at a stabilized tested rate of 27.9 mmscfpd of gas and 6,000 bpd of condensate from a 26m interval in the Yamama-D after acid treatment. Drilling commenced on the Siba-5 development well; however, work was suspended due to HSSE issues and drilling activities on the location are expected to resume in 2017. Subsequently, the Siba-6 development well was drilled and tested at the end of December showing 21 mmscfpd of gas and 5,000 bpd of condensate from a 48m interval with no acid treatment. The Siba plant engineering, procurement and construction works are on-going with the aim to have first gas online towards the end of 2016.

In Egypt's Area A, the drilling and testing of the SHNW-11 well resulted in a production of 600 bopd, which was within the range of the high case estimate and post optimization, the production increased to above 1,100 boepd at the end of December. In addition, the BEA-19 development well in Burg El Arab, Egypt produced 500 boepd, which was also in the range of the high case estimate.

In Block 5, Yemen, the Group suspended drilling and completion plans due to work stoppages caused by the political situation in the country and cargo ships being unable to enter the port to export the oil.

## Exploration Activities

Two successful 2014 carryover exploration wells and two exploration wells were spud in 2015.

Block 9 demining for 3D seismic corridors was 85% completed.

Block 9, Faihaa-1X well in Iraq, a carryover exploration well from 2014, is the country's largest oil discovery in the last 10 years. The Mishrif reservoir tested 3,600 bopd on 64" choke size whereas Yamama tested 8800 bopd at 64"choke size.

The other 2014 carryover exploration well, ASH-1X in Abu Sennan, Egypt, tested successfully from the Alam Al Bueib sandstone reservoir with rates of 2,755bopd and 2.7 MMscf on 64" choke size. Current rate is 148bopd and 0.27MMscf on 32" choke size.

Two exploration wells were spud in 2015. The first was the commitment well EY-3X in Area A, Egypt, which resulted in a dry hole. The second well was ZZ-5 in Abu Sennan, Egypt, which exhibited oil and gas shows in Abu Roash C & E, but no flow was established. A decision was taken to study stimulation options for the well, hence, the rig was released and well suspended awaiting stimulation job.

In Block 9, Iraq, demining works for the seismic lines corridors, reached 85% completion by December 2015.

# Kuwait Energy Reserves & Resources

| Classification | Category | Reserves and Resources (in mmboe) | | | | | | |
|---|---|---|---|---|---|---|---|---|
| | | YE14 | 2015 Production | Exploration Adds | Revisions | Acquisitions & Divestments | YE15 | YE15 Net Entitlement |
| **Reserves** | 1P | 259 | -8 | 0 | 97 | -37 | 312 | 85 |
| | 2P | 671 | | 1 | 264 | -110 | 818 | 137 |
| | 3P | 1,232 | | 2 | 667 | -242 | 1,651 | 218 |
| **Contingent Resources** | 2C | 759 | | 0 | 266 | -84 | 942 | |
| **Prospective Resources** | Best | 32 | | 0 | 2 | 0 | 34 | |

| | YE15 | YE14 |
|---|---|---|
| **Total** | 1P RRR = 780% | 1P RRR = 2,337% |
| | 2P RRR = 1,986% | 2P RRR = 6,186% |

**Notes**

- Audited figures by GCA.
- Excludes KSF, Oman which cannot be included in external reserves reporting as per contract.
- Reserves Replacement Ratio considers acquisitions and divestment.
- Prospective Resources estimates are risked.
- N/E stands for Net Entitlement.
- Totals may not exactly equal the sum of the individual entries due to rounding.
- 10% of Block 9, Iraq was divested to EGPC.
- 25% of BEA, Egypt was acquired from Gharib Oil.
- 2015 production is based on actuals up to November 2015 and an estimate for December 2015.

## Reserves & Resources by Asset

| | | WI Reserves and Resources (mmboe) | | |
|---|---|---|---|---|
| **Asset** | Country | 1P | 2P | 2C |
| **Block 9** | Iraq | 224 | 671 | 871 |
| **Siba** | Iraq | 30 | 59 | 15 |
| **Mansuriya** | Iraq | 42 | 52 | 19 |
| **Iraq Total** | Iraq | 295 | 783 | 906 |
| **Abu Sennan** | Egypt | 1 | 6 | - |
| **Burg El Arab** | Egypt | 3 | 6 | 14 |
| **Area A** | Egypt | 3 | 11 | 2 |
| **East Ras Qattara** | Egypt | 6 | 9 | 2 |
| **Egypt Total** | Egypt | 13 | 31 | 18 |
| **Block 5** | Yemen | 3 | 4 | 7 |
| **Block 49** | Yemen | - | - | 12 |
| **Yemen Total** | Yemen | 3 | 4 | 18 |
| **Karim Small Fields** | Oman | - | - | - |
| **Total** | | 312 | 818 | 942 |

**Notes**

- Audited figures by GCA.
- KSF, Oman which cannot be included in external reserves reporting as per the service contract.
- Totals may not exactly equal the sum of the individual entries due to rounding.

# Health, Safety, Sustainability And Environment

HSSE is of the highest importance to us at Kuwait Energy. We have established best practice health and safety policies and procedures to ensure an efficient, safe working environment for all our employees at both our operated and non-operated assets.

Where Kuwait Energy is the operator, we apply and closely monitor HSSE standards in all fields, as well as risk control measures to ensure incident-free operations. At assets where we are not the operator, we closely monitor our joint venture partners' performance and adherence to HSSE policies and procedures.

In 2015, Kuwait Energy's Lost Time Incidents Frequency Rate (LTIFR) is 0.35 and Total Recordable Incident Frequency Rate (TRIFR) is 0.52 which is well below the Oil and Gas Producers 2014 average rates of 0.45 and 1.6 respectively.

## 2015 HSSE Highlights

**An increased positive health and safety culture and performance at all operated fields and offices:**

- 9,492 Safety Training Observation Programme (STOP) Cards and Hazard Identification (HAZID) Hazard Cards were raised during the year by individual employees, which reflects Kuwait Energy Team's elevated awareness of the importance of health and safety.
- Implemented successfully the HSE procedures and policies for the commencement of oil trucking operations from Block 9 loading station in Iraq to the Ben Ummar off-loading station.
- Upgraded firefighting systems in operated areas in Egypt and Iraq.
- Updated all the emergency preparedness plans for operated areas.
- Over 125 emergency drills and 90 safety meetings were conducted in all operated areas.
- Over 65 HSSE in-house training sessions were carried out in all operated areas.
- Introduction of a formalized HSSE Leadership Auditing programme where senior management visit the field sites to specifically observe HSSE practices and report findings.

| | Days without Lost Time Incidents as at 31 December 2015 | Years |
|---|---|---|
| **Egypt** | 24 | 0.1 |
| **Yemen** | 210 | 0.6 |
| **Iraq** | 450 | 1.2 |

# People Operation

At Kuwait Energy, we believe that people are the most important asset of any organisation and that companies don't succeed, people do.

To ensure the integration of the Organisation, in 2015 Kuwait Energy defined an enhanced Company culture based on key behavioural competencies spelling CARE – Candid, Accountable, Respectful and Entrepreneurial. These have become the pivotal foundations for the Company philosophy, defining the Company stakeholders and the adoption of a clear set of corporate values.

We created an in-house grading structure synchronized with a revamped performance management system allowing employees to progress as a function of their relative value-addition to the business. The new system recognised and generously rewards top achievers and provides a non-biased platform to review performances and provide each employee with equal, consistent and transparent opportunities.

In 2015, the focus was the further development of its people by utilizing in-house, group and on-the-job trainings. With this approach, more than 700 training opportunities were made available to employees and a coaching scheme was successfully rolled out in the Kuwait office creating an environment for continuous learning.

With the start of production from Block 9 in Iraq, the Company spared no efforts to recruit the best available talent for and in Iraq with over 20 key positions filled. Kuwait Energy continues to further enhance the work environment for its employees, while streamlining its people operations with the Company's vision that is 'to be the pre-eminent Middle East based independent oil and gas company'.

# Corporate Social Responsibility

### Youth Empowerment & Improving Children's Lives

In Egypt, we established a partnership since 2009 with the student chapters of the Society of Petroleum Engineers (SPE) in Suez Canal University to support students and enhance their skills. In 2015, through this partnership we provided 7 summer training opportunities and 5 job-shadowing opportunities.  In Iraq, we started, in conjunction with local educational and government authorities in the Siba district, an English language teaching program for school students. Also in Iraq, we funded the building of Al Zeraji School.

### Supporting the Community

In Iraq, and as per our annual tradition, we distributed food bags to underprivileged and internally displaced families in five districts in the Basra area. In Yemen, we provided relief aid for people in Sanaa and Aden. The aid included food, medicine and medical supplies, and fresh water.

### Medical Support

In Egypt, we provided for the Ras Gharib Hospital an air liquid-gas network system, which included pipeline networks, medical regulator and valve plants, an oxygen station unit and an emergency alarm units. This initiative improved the quality of treatments received by the Ras Gharib community, offering them reliable, efficient and cost effective medical support. In addition, we provided the hospital with two incubators to help reduce infant deaths and a sterilizing unit for safe medical procedures.

**Sara Akbar**
Chief Executive Officer

# Corporate Governance Report

## Board Members

These include:

| | |
|---|---|
| **Dr Manssour Aboukhamseen** | Executive Chairman |
| **Sara Akbar** | Chief Executive Officer |
| **Roger Phillips** | Chief Financial Officer |
| **Dr Yousef Al Awadi** | Non-Executive Director |
| **Mohamed Yusof Rafie** | Non-Executive Director |
| **Rachel English** | Non-Executive Director |
| **Mohamad Hussain** | Non-Executive Director |
| **Abby Badwi** | Non-Executive Director |
| **Sir Steve Robson** | Non-Executive Director |

## The UK Corporate Governance Code

The Board is committed to high standards of governance and continues to work towards full compliance with the principles and provisions of the UK Corporate Governance Code (the Code).

## The Board's Role

The Board is responsible for providing leadership, setting the Group's strategy and ensuring that the necessary resources are in place to achieve the agreed strategic aims and objectives. It also determines the Group's key policies and reviews management and financial performance, and is accountable to its shareholders for the proper management of the Group. To achieve this, the Board directs and monitors the Group's affairs within a framework of controls which enable risk to be assessed and managed effectively through clear procedures, lines of responsibility and delegated authorities.

## Board Composition

At the end of 2015, the Board comprised nine Directors. Of these, three were Executive Directors and six were Non-Executive Directors, of which five Non-Executive Directors were independent. Dr Yousef Al Awadi is not independent. The intention is to have a Board that collectively has extensive relevant experience, with a good balance of commercial, financial and technical skills appropriate to the requirements of the business, with due regard for diversity.

## Executive Chairman and Chief Executive Officer

The roles of Executive Chairman and Chief Executive Officer are separate and there is a clear division of responsibilities between them. Their bifurcated duties create a system of checks and balances which supports healthy corporate governance, and drives the relationship between the everyday management of the Group by the Chief Executive Officer and the executive decisions approved by the Board under the Chairman.

The Chairman's key responsibilities include leadership of the Board; ensuring its effectiveness in all aspects of its role and setting its agenda; and acting as the guardian and facilitator of the Board's decision-making process, as well as ensuring effective implementation of the Board's decisions. He promotes a culture of openness and debate by facilitating the effective contribution of Non-Executive Directors in particular, and encouraging Non-Executive Directors to constructively challenge and develop strategic proposals. The Chairman is also responsible for ensuring open communications with shareholders.

The Chief Executive Officer is responsible for the operational management of the Group's business, developing strategy and commercial objectives in consultation with the Board, and then implementing such strategy. She also has, with the support of the executive team, primary responsibility for setting an example to Kuwait Energy's employees and communicating the Group's expectations to them in relation to its culture, values and behaviours.

Together with the Chairman, the Chief Executive Officer provides the leadership of the Group, including representing the Group to its stakeholders including shareholders, financial institutions, employees, governments and the general public.

### Non-Executive Directors

The Non-Executive Directors bring independent judgement on issues of strategy and resources, including key appointments and standards of conduct. They have a particular responsibility to challenge the performance of the executive management independently and constructively and to monitor the performance of the management team in the delivery of the agreed objectives and targets. All Non-Executive Directors undertake that they will have sufficient time to discharge their responsibilities effectively and any significant commitments are disclosed to the Board prior to appointment. Changes to such commitments are disclosed to the Board on an on-going basis.

### Senior Independent Director

Sir Steve Robson was appointed as the Senior Independent Director in late 2014. The key elements of this role include:

- Providing a sounding board for the Chairman and working with the Chairman and other Directors and/or shareholders to resolve significant issues.
- Being available to shareholders if they have concerns.
- Leading the Non-Executive Directors in the Chairman's performance evaluation.
- Meeting with the other Non-Executive Directors to discuss and resolve governance-related concerns and issues.

### Board meetings

The Chairman ensures that the Board meets for regular scheduled meetings to review the Group's operations and performance and to set and monitor strategy. The Board will also meet for unscheduled meetings if there are specific matters which require Board discussion. The Chairman ensures that senior management are available and may ask them to attend part of the meeting to provide appropriate input as required.

**The Board met seven times in 2015 on the following dates:**

| No. | Date |
|---|---|
| 1 | 18 February |
| 2 | 30 April |
| 3 | 30 June |
| 4 | 21 July |
| 5 | 7 September |
| 6 | 29 October |
| 7 | 17 December |

**Attendance of Board and Committee members from 1 January to 31 December 2015:**

| Board Members | Board Meeting (7 meetings) | Audit and Risk Committee ( 4 meetings) | Remuneration Committee (4 meetings) | Nomination Committee (3 meetings) |
|---|---|---|---|---|
| Dr Manssour Aboukhamseen | 7/7 | - | - | 3/3 |
| Sara Akbar | 7/7 | - | - | - |
| Roger Phillips | 7/7 | - | - | - |
| Rachel English | 7/7 | 3/4 | 4/4 | - |
| Dr Yousef Al Awadi | 7/7 | 4/4 | 3/4 | - |
| Mohamed Yusof Rafie | 7/7 | - | 4/4 | 3/3 |
| Mohammad Husain | 6/7 | 4/4 | - | - |
| Abby Badwi | 7/7 | - | 4/4 | 3/3 |
| Sir Steve Robson | 7/7 | 4/4 | - | 3/3 |

## Board performance evaluation

The Board undertakes a regular performance review process as recommended by the Code. In 2013, the Board's evaluation focused on its own performance and that of its committees. The review (facilitated by the Company Secretary) included the completion of confidential non-attributable questionnaires which covered corporate governance, Board effectiveness, strategy development, risk management and Board and committee organisation, composition, operation and dynamics.

The 2014/2015 Board review took the form of an appraisal of each Board member's contribution and performance. It involved the completion of questionnaires with each director assessing him/herself against a number of personal effectiveness criteria including role and key responsibilities, relevant experience and level of commitment and preparedness. These were then used as the basis for one-on-one evaluation meetings with the Chairman.
No major issues arose from these evaluation processes and the Directors have concluded that the Board and its committees operate effectively. A process of continuous improvement led by the Chairman is in place.
The 2016 Board evaluation will focus on its own performance and that if its committees.

## Relationships with shareholders

The Group maintains regular contact with shareholders through meetings, publications such as this Report, and the Company website, to ensure that the performance, strategies and objectives of the Group are clearly communicated to the shareholders. The primary contact is through the Executive Directors, who provide feedback to the Board as a whole to ensure that all Directors develop an understanding of the views of shareholders about the Company.

Communication with investors is considered a vital part of the Group's corporate governance standards. The Board is committed to protect and facilitate the exercise of shareholder rights and all shareholders are encouraged to attend the AGM, to engage fully with the Company and ask questions.

Further to various meetings with shareholders during 2015, it became apparent that a significant proportion of our shareholders were keen for us to update our Articles of Association in line with the listed company Articles of Association presented at the 2014 AGM, and to reflect certain other changes to further enhance our corporate governance framework including new articles providing that:

- All directors shall retire at every third AGM and be eligible for re-election (at that AGM).
- A majority of the Board shall be independent directors.
- AGMs shall be held within 6 months of the end of each financial year.
- Certain matters such as a listing or a merger shall require shareholder approval at general meeting.
- Each of the Board committees shall consist of a majority of independent directors and be chaired by an independent director.

The new Articles of Association were discussed and finalised with several large shareholders during 2015, and adopted at the 2015 AGM held in December 2015.

## Board committees

The Board has three committees (Audit and Risk, Remuneration and Nomination) to, amongst other things, facilitate transparency in the management of the Group's business and encourage participation by the Board members.

| Audit and Risk Committee | Remuneration Committee | Nomination Committee |
|---|---|---|
| **Chairman**<br>Dr Yousef Al Awadi | **Chairman**<br>Ms Rachel English | **Chairman**<br>Mr Mohamed Yousef Rafie |
| **Members**<br>Rachel English<br>Mohammad Husain<br>Sir Steve Robson | **Members**<br>Mohamed Yousef Rafie<br>Dr Yousef Al Awadi<br>Abby Badwi | **Members**<br>Dr Manssour Aboukhamseen<br>Abby Badwi<br>Sir Steve Robson |

## Audit and Risk Committee

The role of the Audit and Risk Committee is to assist the Board in fulfilling its fiduciary responsibilities to provide oversight including with respect to the:

- Engagement, independence and performance of the external auditors.
- Engagement and performance of the independent reserve auditor.
- Scope, resources and access, independence and effectiveness of the internal audit function, and the management's responsiveness to the findings and recommendations of the internal auditor.
- Integrity of the Group's financial statements including its annual and half-yearly reports, interim management statements and any other formal announcements relating to the Group's financial performance, and reviewing significant financial reporting issues and judgments contained in them.
- Scope, adequacy and effectiveness of the Group's internal control and risk assessment and management systems including the Group's systems and controls for the detection and prevention of fraud, bribery and money laundering, and the Group's compliance function (legal compliance, conflicts of interest and ethical conduct).
- Adequacy and security of the Group's 'whistle blowing' arrangements.

In so doing, the Committee provides a focal point for free and open communication amongst the Non-Executive Directors, the Group's management, and internal and independent auditors.

The Chairman of the Audit and Risk Committee no longer meets the 'independence criteria' under the Code and, accordingly, the Board is looking to replace him in this role in the near future.

The Committee's full charter can be found on the Kuwait Energy website **www.kuwaitenergy.co** and copies are available on request.

The Audit and Risk Committee charter requires the Committee to convene at least three times annually, on days which coincide with key dates within the Group's financial and audit cycle or as otherwise determined by the Committee's chairman. In 2015, the Audit and Risk Committee met four times and the key items considered were:

- Internal audit activities and 2015 internal audit plan.
- Risk management activities and 2015 risk management plan.
- YE14 reserves and resources report.
- 2014 External (financial) audit plan.
- YE14 financial report.
- YE15 mid-year financials.
- Performance of external financial auditor
- 2016 economic assumptions.
- Related parties and related party transactions.

## Nomination Committee

The Board has established a Nomination Committee to assist it in ensuring the Group has the right skills, experience and structure for effective management of the Group, and sound governance practices.

The majority of the members of the Nomination Committee are Non-Executive Directors. The members are appointed, reappointed or replaced by the Board by simple majority. The Committee's meetings may only be attended by the Chairman of the Committee, other Committee members and other Non-Executive Directors.

**Key authorities and responsibilities of the Nomination Committee include:**

- Regularly reviewing the structure, size and composition of the Board (including skills, knowledge, experience and diversity) and making recommendations to the Board with regard to any changes.
- Identifying and nominating, for the approval of the Board, candidates to fill Board vacancies when they arise.
- Succession planning for Directors and other senior executives.
- Reviewing annually the time required from a Non-Executive Director and assessing whether he/she contributes effectively and demonstrates commitment to the role.
- Developing for the Board's approval, and annually reviewing, the delegation of authorities to management.
- Considering possible conflicts of interests of Directors and any related party transactions of Directors and making relevant proposals to the Board.
- Reviewing any change in status (including fulfilment of independence requirements) and professional affiliation of current Directors.
- Overseeing the development and implementation of a Board induction process for new Directors and a programme of continuing Director development as needed.
- Developing a process for evaluating Board effectiveness and coordinating the annual Board effectiveness evaluation.
- Reviewing corporate governance policies and practices throughout Kuwait Energy and making relevant proposals to the Board to improve their effectiveness.
- Monitoring trends and best practice in corporate governance and nomination in order to properly discharge its duties.
- Reviewing Kuwait Energy's compliance with the provisions of the UK Corporate Governance Code.

The Nomination Committee's full charter can be found on the Kuwait Energy website at **www.kuwaitenergy.co** and copies are available on request.

The Charter requires the Committee to convene at least once per financial year. In 2015, it met three times to consider the following key items:

- Review of Kuwait Energy's Corporate Governance framework
- Review of Board composition
- Enhancement of Company Secretary function
- Board evaluation

### Remuneration Committee

A summary of the key responsibilities and activities of the Remuneration Committee is detailed within the Statement to Shareholders from the Chair of the Remuneration Committee section of this report.

## DIRECTOR'S RESPONSIBILITY STATEMENT

The directors are responsible for preparing the Annual Report and 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 ("IFRS") as adopted by the European Union. The financial statements are required by law to be properly prepared in accordance with the Companies (Jersey) Law 1991. Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Group and of the profit or loss of the Group for that period. In preparing these financial statements, International Accounting Standard 1 requires that directors:

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

The directors are responsible for keeping proper accounting records that are sufficient to show and explain the Group's transactions and disclose with reasonable accuracy at any time the financial position of the Group and enable them to ensure that the financial statements comply with the Companies (Jersey) Law 1991. They are also responsible for the system of internal control, for safeguarding the assets of the Group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

For and on behalf of the board

Abeukhm

**Dr Manssour Aboukhamseen**
Executive Chairman

**Dr Yousef Al Awadi**
Director and Chairman Board Audit Committee

# Remuneration Report

## A STATEMENT TO SHAREHOLDERS FROM THE CHAIR OF THE REMUNERATION COMMITTEE

**Dear Shareholder,**

On behalf of the Board, I am pleased to introduce the Directors' Remuneration Report for the year ended 31 December 2015.

The Committee's objective remains to focus senior leadership on driving the Group strategy over the short, medium and long term, and to ensure that the Group's remuneration continues to help attract, motivate and retain talent.

The main work of the Committee this year revolved around the development of an adequately challenging Corporate Scorecard, and setting – for the first time – individual key deliverables for each Executive Director. The Committee also finalised and approved the Legal Rules as well as the Operational and Participants' Guides for all applicable incentive schemes namely the Short Term Incentive Plan ('STIP') and the Exceptional-Value Creation Awards ('EVCA'). The Group has also recently developed a new internal grading structure, synchronised with the Performance Management System rolled out last year, which correlates employees' career advancement with their relative individual performance and their value-addition to the Group. The Committee believes these new initiatives will help ensure the Company's pay structures are used effectively to reinforce strong performance and appropriate behaviours at all levels of staff.

Last year was a challenging year due to the external environment, and in particular the decline in the oil price. The Company, however, achieved its targets for the majority of the measures within its control. It has maintained a solid HSSE performance, revamped the former Human Resources into an integrated, systemized People Operation department, continued its success in collecting EGPC receivables, added over 145 mmboe of audited 2P Reserves, partnered with EGPC in their first external venture and – perhaps most impressively – commenced production from Block 9. On the financial side; the Company closed the year with a net loss of US$62.4 million mainly due to the reduction in oil prices.

These achievements resulted in a 68.6% Corporate Scorecard evaluation as some of the financial measures are normalised (i.e. based on a reference price for oil). Employees, accordingly, met the threshold for a discretionary STIP bonus pay-out. However, the Company decided not to award a bonus this year due to the challenging external environment (2014: US$4.9 million).

Similarly, neither Executive Directors remuneration, nor Non-Executive Directors' base fees, were increased in 2015. However, the Company awarded 17 of its employees, mainly in its area offices, an Exceptional-Value Creation Award (EVCA) with a total expenditure of US$44,000 (2014: US$160,000).

R English

**Rachel English**
Remuneration Committee Chair

## Compliance Statement

This report covers the reporting period from 1 January 2015 to 31 December 2015 and provides details of the Remuneration Committee (the 'Committee') and the remuneration structure for the directors of Kuwait Energy.

## Goals of Remuneration

Kuwait Energy's principal goal is to create value for its shareholders. In serving this goal, the Group's remuneration has been formulated with the following objectives in mind namely to:

- Ensure the remuneration structure provides a clear link between performance and reward, motivating senior executives to achieve superior performance in line with a risk-appetite appropriate for the Group.
- Ensure the Group's remuneration helps to attract, motivate and retain talent.
- Ensure remuneration arrangements are reflective of the corporate strategy and the markets in which the Group operates in, aligned with Kuwait Energy values, and drives performance as measured by the Corporate Scorecard objectives.
- Align executive pay with the interests of shareholders and other stakeholders, by encouraging executive share ownership.
- Ensure the structure is clear, simple and easy to understand.

The remuneration structure is designed to provide the appropriate balance between fixed remuneration and variable 'at-risk' reward which is linked to the performance of both the Group and the individual.

The fixed components are base salary and benefits. The performance-related component is the Short Term Incentive Plan ('STIP') and the Exceptional-Value Creation Awards ('EVCA'), which drive shareholder value creation and support the delivery of Kuwait Energy's key operational and strategic objectives.

The Voluntary Share Matching Plan ('VSMP') and Long Term Incentive Plan ('LTIP) remain postponed; they will be introduced at an appropriate time in the future as the Group evolves.

## Responsibilities and Structure of the Committee

The key responsibilities of the Committee include to:

- Review and approve the remuneration policy, specific remuneration packages, and conditions of service for the Executive Chairman and Executive Directors ('Board Directors'), and the Company Secretary.
- Review the remuneration policy and packages and conditions of service for Senior Vice Presidents and other executives of the Group who report directly to the Chief Executive Officer of the Company (the 'Executive Officers').
- Determine the policy for and approve awards under the Company's cash and equity incentive schemes, and set appropriate performance targets, following the Board's input.
- Approve any major changes in employee benefit structures for the Board Directors.
- Review HR policy, pay and employment conditions across the Group, and consider how these factors should be taken into account when determining Board Directors' and Executive Officers' remuneration.
- Consider whether the remuneration strategy is compatible with the Group's risk management policies.
- Make available the Committee's charter, explaining its role and the authority delegated to it by the Board by including the information on the Kuwait Energy website.

The full terms of reference of the Committee can be found on the Kuwait Energy website **www.kuwaitenergy.co** and copies are available on request.

In 2015 the Committee consisted of Rachel English (Chair), Mohamed Yusof Rafie, Dr Yousef Al Awadi and Abby Badwi. All Non-Executive Directors are entitled to attend meetings of the Remuneration Committee. The Executive Chairman, Chief Executive Officer and the Manager of Performance & Talent attend meetings by invitation and provide advice to the Committee to enable it to make informed decisions. Other employees attend from time to time at the invitation of the Remuneration Committee Chair, when this is appropriate. No Director is involved in determining his or her own remuneration.

The Committee also meets without management and has received information and advice from Kepler Associates (now a part of Mercer), an independent executive remuneration consultancy firm appointed by the Committee in 2012. In 2015, Kepler Associates provided advice to the Committee on its review of remuneration and other remuneration matters including market trends, Executive Directors' remuneration benchmarking and the incentive plan rules.

## Summary of Executive Director Remuneration Policy and Structure in 2015

| Component | Operation | Opportunity | Performance measures |
|---|---|---|---|
| **Base salary**<br>To provide appropriately competitive level of base salary which takes into account the scope and responsibilities of the role, an individual's experience, and market pay levels | Reviewed annually, with any increase applying from 1 January of each year, or following a significant change in responsibilities.<br>Benchmarked against companies operating in a similar sector including some that are UK-listed; with refeence to local market pay levels.<br>The Committee also takes into account general market and economic conditions and salary increases applied across the general workforce. | Base salary increases will be applied in line with the outcome of the review.<br>In respect of existing Executive Directors, salary increases are expected to be within the range of increases for the general employee population. In exceptional circumstances (e.g. a significant increase in role size or complexity), the Committee has discretion to make appropriate adjustments to salary levels to ensure they remain market competitive. | Not applicable |
| **Benefits**<br>To provide benefits that are appropriately competitive within the relevant labour market | Benefits comprise various cash allowances in relation to travel, cost of living, housing and special skills. An annual ticket allowance is also payable. As with all employees, Executive Directors benefit from the Company medical scheme and life insurance. | Benefits may vary by role and are subject to the review and approval of the Committee. | Not applicable |
| **Short Term Incentive Plan ('STIP')**<br>To reinforce the delivery of key short- and medium-term business and personal objectives | The STIP is reviewed annually prior to the start of each financial year to ensure the opportunity, performance measures and weightings are appropriate and continue to support the Company's strategy.<br>For Executive Directors, the STIP is delivered 50% in cash and 50% is deferred into Kuwait Energy shares for a period over three years, subject to a minimum deferral of US$3,000. | Maximum annual opportunity of up to 18 base monthly salaries for the Executive Chairman and the CEO, and 14 monthly salaries for the CFO. | The STIP is based on Company performance as measured by a corporate scorecard, subject to an individual performance multiplier.<br>The Committee uses its judgment to determine the overall scorecard outcome, based on the achievement of the specific targets and the Committee's broad assessment of Company performance.<br>Details of the measures and weightings applicable for 2015 are provided in the relevant section, below. |
| **Exceptional-Value Creation Award ('EVCA')**<br>To reward significant value creation through spot bonuses | The EVCA is reviewed annually by the RemCo.<br>All EVCAs to Executive Directors must be approved by the RemCo.<br>An EVCA budget is set at the beginning of the year and included within the Annual budget. | A maximum of 5% of the Group employees, including Executive Directors, are eligible each year with the total pot capped by the agreed budget. | Determined by the Management and approved by the RemCo for Executive Directors. |

## Base salaries

Executive Directors' salaries are reviewed each year. The policy is to benchmark Executive Directors' salaries against a set of sector comparator companies (which for 2015 were selected FTSE350 Oil & Gas companies as well as the agreed list of peer companies) with secondary reference to local market pay levels. When determining salary increases, the Committee also takes into account overall Company performance and the average salary increase for other employees in the Company.

The Committee reviews base salaries on an annual basis and no increases were made in 2015; there has been no increase in base salaries since 2012.

| Executive Director | 2015 Annual Salary (US$) | 2014 Annual Salary (US$) | % Change |
|---|---|---|---|
| Executive Chairman | 442,482 | 442,482 | Nil |
| Chief Executive Officer | 407,637 | 407,637 | Nil |
| Chief Financial Officer | 348,477 | 348,477 | Nil |

## Short Term Incentive Plan ('STIP')

The STIP came into effect as of 1 January 2013. This provides for maximum annual opportunities of 18 base monthly salaries for the Executive Chairman and the CEO and 14 base monthly salaries for other senior executives. The Pay-out is based on Group performance as measured by a Corporate Scorecard, subject to an individual performance multiplier.

The STIP was approved in 2013 and operates as follows:

| STIP | = | Target Award | X | Company Multiplier | X | Individual Multiplier |
|---|---|---|---|---|---|---|
| | | = 9 months (for the Executive Chairman & the CEO) & 7 months (for the CFO) | | Ranges between 0 and 1 | | Ranges between 0 and 2 (for All Executive Directors) |

For Executive Directors, and also employees at CL15 in grade and above, 50% of the STIP award is paid immediately in cash and the remaining 50% is deferred in shares over three years.

For all employees, the individual multiplier range varies in accordance with their relative performance standing and is determined by a Merit Panel for all staff other than those assessed as 'Relatively Meeting Expectations'. For employees in the top 10% of the Group's performance standing, the range of the individual multiplier is increased through a 'star uplift', and their total bonus entitlement is capped at the maximum pay-out set for each level of seniority.

Objectives for the 2015 STIP Scorecard were set by the Committee at the beginning of the year. Further details of the Corporate Scorecard performance objectives and weightings, individual performance measures, and any amounts paid for 2015 are provided below.

### Exceptional-Value Creation Award (‘EVCA’)

In 2015, the Company awarded 17 of its employees, mainly in its area offices, an EVCA ‘spot’ bonus for various accomplishments that are above and beyond the respective employee’s usual tasks. All recognised achievements have created value to the Company at varying levels. For executives below the Board, the CEO approves all EVCAs. No Executive Director was awarded an EVCA in 2015.

The total expenditure of all EVCAs awarded in 2015 is US$44,000 (2014: US$160,000). The initial approved EVCA budget for the year was set at US$62,500.

### Corporate Scorecard

The following table illustrates the performance measures considered for the corporate scorecard in 2015, selected to fairly capture all key aspects of Company performance. The precise targets and measures have not been disclosed for reasons of commercial sensitivity.

| Category | Objective | Weighting (%) |
|---|---|---|
| **HSSE Performance** | Deliver Strong HSSE Performance (operated assets). | 15% |
| **People Operation Performance** | Employee Recruitment, Retention, Engagement & Development. | 10% |
| **Financial & Shareholder Value Performance** | Cost Optimisation | 20% |
| | Minimise Outstanding Receivables | |
| | Achieve Operating Profitability | |
| | Maximise Earnings per Share (EPS) | |
| **Operational Performance** | Achieve Production Volume | 25% |
| | Add 2P WI Reserves | |
| | Capital Expenditure | |
| **Strategic** | Siba Field Project Development | 30% |
| | Block 9 Production Commencement | |
| | Efficiency of Reserves Development | |
| | | 100% |

The outcome of the 2015 Scorecard Score was 68.6%.

### Individual Performance Multiplier

The individual performance rating of all Executive Directors as well as Executive Officers was assessed based on individual performance measures, derived from the Corporate Scorecard objectives. Each individual rating equates to a numerical value for the Individual Performance Multiplier.

The personal assessment of the CFO is conducted by the CEO and the rating is approved by the RemCo. The personal assessment of the CEO is conducted by the Executive Chairman and the rating is approved by the RemCo. The personal assessment of the Executive Chairman is conducted by the RemCo.

### Overall STIP Outcome

The outcome of the 2015 score was 68.6% which equates to a Company Multiplier of 0.7325.

Despite achieving the minimum threshold required to qualify for a STIP bonus in 2015, the Company has taken into consideration the current industry climate and decided not to pay bonuses for 2015. For 2014, the total STIP bonus paid to employees was $4.89 million.

### Pension

Kuwait Energy does not operate any pension schemes, in line with Kuwait practice.

### Exit Payments Policy and Service Contracts

Kuwait Energy's policy is to limit severance payments on termination to pre-established contractual arrangements. In the event that the employment of an Executive Director is terminated, any compensation payable will be determined in accordance with the terms of the service contract between the Company and the employee, as well as the rules of any incentive plans.

### Non-Executive Directors

Non-Executive Directors are appointed by the Board on the recommendation of the Nomination Committee and their current contracts are for one year. The period of appointment may be extended upon the recommendation of the Nomination Committee and the approval of the shareholders of the Company at a general meeting.

Non-Executive Directors do not have service contracts, and do not participate in the Company's incentive schemes. They have letters of appointments which can be terminated by either party on one month's notice.

Non-Executive Directors are paid a fee that is approved by Executive Directors on the recommendation of the Executive Chairman. Currently, their annual fee is US$60,000 per annum for Board membership. In addition to this, the Senior Independent Director is paid an additional US$10,000 per annum and for each committee Chairmanship an additional US$10,000 per annum is paid.

The Non-Executive Directors are also entitled to receive reimbursement for reasonable expenses incurred in fulfilling their role, or a per diem for local travel and accommodation costs when attending Board meetings.

## Remuneration Summary

| Name of Director | Salary/fees 2015 (US$) | Salary/fees 2014 (US$) | Bonus 2015[1] (US$) Cash (US$) | Bonus 2015[1] (US$) Share-Based Payment (US$) | Bonus 2014 (US$) Cash (US$) | Bonus 2014 (US$) Share-Based Payment (US$) | Total 2015 (US$) Cash & Shares | Total 2014 (US$) Cash & Shares |
|---|---|---|---|---|---|---|---|---|
| Dr Manssour Aboukhamseen | 442,482 | 442,482 | Nil | Nil | 118,716 | 118,716 | 442,482 | 679,914 |
| Sara Akbar | 407,637 | 407,637 | Nil | Nil | 109,856 | 109,856 | 407,637 | 627,349 |
| Roger Phillips | 348,477 | 348,477 | Nil | Nil | 50,531 + 40,000 (EVCA) [2] | 50,532 | 348,477 | 489,540 |
| Sir Steve Robson | 70,000 | 17,111 | NA | NA | NA | NA | 70,000 | 17,111[3] |
| Dr Yousef Al Awadi | 93,800[4] | 356,000[5] | NA | NA | NA | NA | 93,800 | 356,000 |
| Mohamed Yusof Rafie | 70,000 | 60,000 | NA | NA | NA | NA | 70,000 | 60,000 |
| Rachel English | 70,000 | 60,000 | NA | NA | NA | NA | 70,000 | 60,000 |
| Abby Badwi | 60,000 | 15,000 | NA | NA | NA | NA | 60,000 | 15,000[3] |
| Mohammad Husain | 60,000 | 15,000 | NA | NA | NA | NA | 60,000 | 15,000[3] |
| Sir Ian Prosser | Nil[6] | 20,000 | NA | NA | NA | NA | Nil | 20,000 |

1. No bonuses were awarded for the year 2015.
2. The CFO was awarded an EVCA of US$40,000 (approved by RemCo in September 2014) for his exceptional contribution to the success of the High Yield Bond.
3. Sir Steve Robson, Abby Badwi and Mohammad Hussain were appointed as Independent Non-Executive Directors on 25 September 2015 and hence their total remuneration for the year was paid on pro-rata basis.
4. Includes US$23,800 in respect of his fees paid as Advisor to the Executive Chairman for the month of January 2015.
5. Includes US$296,000 in respect of his fees paid as advisor to the Executive Chairman.
6. Sir Ian Prosser is no longer a Board Member. He resigned from his post on 27 April 2014.

Note: NA is an abbreviation for Not Applicable

## Directors' service contracts

Details of the appointment dates and service contract notice periods of the Executive Directors who served during the year are set out below:

| Executive Director | Appointment Date | Notice Period |
|---|---|---|
| Dr Manssour Aboukhamseen | 20 July 2011 | 90 days |
| Sara Akbar | 27 April 2011 | 90 days |
| Roger Phillips | 27 April 2011 | 90 days |

Details of the letters of appointments of the Non-Executive Directors who served during the year are set out below:

| Non-Executive Director | Appointment Date | Expiry of current term |
|---|---|---|
| Dr Yousef Al Awadi | 22 February 2012 | Non-Executive Directors are currently serving on one-year contracts. Continuation is contingent on satisfactory performance and the approval of the on-going appointment by the shareholders of the Company at a general meeting. |
| Mohamed Yusof Rafie | 22 February 2012 | |
| Rachel English | 22 February 2012 | |
| Abby Badwi | 25 September 2014 | |
| Sir Steve Robson | 25 September 2014 | |
| Mohamad Husain | 25 September 2014 | |

Directors' interests in Company shares under the Short Term Incentive Plan ('STIP'):

| Name of Director | No. of STIP shares as of 1 January 2015 | Awarded STIP Shares during the year(1) | Date Awarded | Vested during the year(2) | No. of STIP shares as of 31 December 2015(3) |
|---|---|---|---|---|---|
| Dr Manssour Aboukhamseen | 195,624 | 54,708 | 17 February 2015 | Nil | 250,332 |
| Sara Akbar | 183,319 | 50,625 | 17 February 2015 | Nil | 233,944 |
| Roger Phillips | 137,528 | 23,287 | 17 February 2015 | Nil | 160,815 |

7. Awarded as part of the 2014 STIP Bonus; approved by the RemCo on 17 February 2015.
8. No shares have vested during 2015. One third of the Awarded Shares as part of the 2014 STIP Bonus vest on 1 January 2016.
9. Includes STIP shares awarded in 2015 (as part of the 2014 STIP Bonus) that have not vested yet and are due to vest on 1 January 2016, 1 January 2017 and 1 January 2018 in three equal trenches subject to continued employment.

## Directors' shareholdings

The Executive Directors' and Non-Executive Directors' direct interests in ordinary shares of the Company were:

| Name of Director | No. of Shares as of 31 December 2015 | No. of Shares as of 31 December 2014 |
|---|---|---|
| Dr Manssour Aboukhamseen | 1,045,455 | 970,555 |
| Sara Akbar | 686,777 | 633,319 |
| Roger Phillips | 189,482 | 182,527 |
| Dr Yousef Al Awadi | 18,750 | 16,875 |
| Mohamed Yusof Rafie | 18,750 | 16,875 |
| Rachel English | - | - |
| Abby Badwi | 101,244 | - |
| Sir Steve Robson | - | - |
| Mohamad Husain | - | - |

**Notes:**

1. The increase in the number of shares for Dr Mansour Aboukhamseen, Sara Akbar, Roger Phillips, Dr Yousef Al Awadi & Mohamed Yusof Rafie is due to the conversion of their existing Kuwait Energy Kuwait shares into Kuwait Energy plc shares as part of the Company's restructuring exercise. No new shares were purchased or gained in 2015.
2. Abby Badwi purchased all his shares.

R English

**Rachel English**
Remuneration Committee Chair

# Risk Management Report

In Kuwait Energy, we believe that the development of a risk management plan and a risk appetite statement (RAS) are critical elements of an effective risk management strategy. We also believe that risk strategies and mitigation plans need to be aligned with the Group's strategies, scorecard and business objectives.

In line with these beliefs, in 2015 we embarked on establishing the foundations for the Group's Enterprise Risk Management (ERM) framework. The framework allows for the elevation of risk and compliance management to a strategic level. This best practice framework mitigates risk from all tangible and non-tangible assets. It is also intended to set the foundation for Risk Management and Compliance for Kuwait Energy.

Our goal is to link our Company's strategy and scorecard to our risk management plan and risk appetite. This is in order to create metrics that enable us to better quantify and relate risks to the achievement of business goals and hence create a higher chance of business success. We have also established risk management as a responsibility at every departmental level in the Group.

Looking forward, we will be enhancing our key ERM capabilities with a stronger risk management framework.

### Risks, Detailed Risks and Mitigation

For each risk we identified, we have placed detailed mitigation plans.

**Strategic risks**

Risks with the potential to impact the Group's ability to create value for shareholders and meet their expectations include:

| Identified Risk Factor | Detailed Risk | Mitigation |
|---|---|---|
| **Portfolio Balance** | A risk would exist when there is a lack of diversification in the Company's portfolio: Oil vs Gas projects; geographic diversity; service vs other contract types; big projects vs small projects; and being an operator vs non-operator. | Diversify investments geographically. Explore opportunities in Iran. Put in place a business plan that balances capital needs with technical risk and access. Network and establish solid partnerships and relations within the business region. |
| **Replacement Reserves** | Inability to replace reserves in the existing concessions. | Iran opportunities, balanced exploration program in Egypt and increased subsurface understanding, application of new technologies. Acquisitions and partnerships where prudent. |
| **Economic Concerns** | Lack of sufficient due diligence in the planning and evaluation for new investments and inadequate management of current assets. | Increased emphasis on higher return margins and greater balance in economic metrics. Portfolio must be economically as well as technically balanced.Optimize capital on best projects. |
| **Geopolitical Instability** | Conflicts in Yemen, growing concerns with regional countries, the Group's Portfolio consists of assets in most volatile region in the world. Growing Security issues. Terrorism. | Being an indigenous MENA based company allows for better understanding and cooperation and acceptance, protect assets, ease of communication; appropriate security programs. Additionally, further portfolio geo-balance and maintaining a pivotal role in regional relationships via alliances and CSR programs. |

### Financial risks

Risks that influence access to funding to meet our financial commitments include:

| Identified Risk Factor | Detailed Risk | Mitigation |
| --- | --- | --- |
| **Access to Capital** | Insufficient funds to complete projects, honor commitments, pursue new opportunities and expensive cost of capital. | Continue to reduce corporate risks, establish credibility and reputation. Potential listing, strategic investors.<br>Establish a track record with operational delivery. |
| **Oil & Gas Prices** | Low commodity pricing may make projects uneconomic and will have impact on Group's cash flow. | Create portfolio balance such as with the Iraq projects which are semi immune to low oil pricing, focus on larger margin assets, minimum expenditures on low margin assets, scenario planning for different market environments. |

### Operational risks

The following risks could potentially impact hydrocarbon exploration, development and production. They involve staff, contractors, communities, suppliers or events that could impact our reputation, cause cost overruns or revenue losses:

| Identified Risk Factor | Detailed Risk | Mitigation |
| --- | --- | --- |
| **Project Execution** | Inability to complete project on time or within budget due to insufficient project skills or experience. | Hire quality and established contractors, start with realistic plans; map and understand the project risks, devise backup plans. Assign suitable human resources to priority projects. Hire more locals living in the country of operation to avoid any delays resulting from work visas/permits. |
| **Operational Hazards** | All inherent dangers that are associated with the oil and gas industry. | Employ sound engineering, robust HSE programmes, reputable contractors, operational training, experienced staff, mandatory communications processes, Business Continuity Plan, Disaster Recovery Plan and state of the art firewalls. |

### Organizational risks

Risks that may prevent the optimal utilization of available resources

| Identified Risk Factor | Detailed Risk | Mitigation |
| --- | --- | --- |
| **Management Skills** | Any insufficient experience in technical skills, decision making could affect the alignment and communications within the Group. | On the job training, focus on knowledge dissemination, grow experience and ensure mentorships, shared learning from previous projects and past mistakes. Leverage partner skills. |
| **Staff Retention** | Loss of quality staff, loss of experience effects project execution. | Maintain appropriate compensation and benefits plans and understand reasons for departures. Robust, employee focused HR programs. |

Kuwait Energy plc

# Consolidated Financial Statements

And Independent Auditor's Report

For The Year Ended

**31 December 2015**

## INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF KUWAIT ENERGY PLC

We have audited the group financial statements of Kuwait Energy plc for the year ended 31 December 2015 which comprise the Consolidated Income Statement, Consolidated Statement of Comprehensive Income, Consolidated Balance Sheet, Consolidated Cash Flow Statement, Consolidated Statement of Changes in Equity and the related notes 1 to 33. 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 members, as a body, in accordance with Article 113A of the Companies (Jersey) Law 1991. Our audit work has been undertaken so that we might state to the Company's members 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 and the Company's members as a body, for our audit work, for this report, or for the opinions we have formed.

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

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

**Opinion on financial statements**
In our opinion the financial statements:

- give a true and fair view of the state of the group's affairs as at 31 December 2015 and of the group's loss for the year 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.

**Matters on which we are required to report by exception**
We have nothing to report in respect of the following matters where the Companies (Jersey) Law 1991 requires us to report to you if, in our opinion:

- proper accounting records have not been kept by the parent company, or proper returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- we have not received all the information and explanations we require for our audit.

David Paterson

David Paterson (JFSC)
for and on behalf of Deloitte LLP
Chartered Accountants
London, UK

27 April 2016

**KUWAIT ENERGY PLC**

CONSOLIDATED INCOME STATEMENT

For the year ended 31 December 2015

| | Notes | Year ended 2015 USD 000's | Year ended 2014 USD 000's |
|---|---|---|---|
| **Continuing Operations** | | | |
| Revenue | 6 | 155,642 | 270,759 |
| Cost of sales | 7 | (129,087) | (140,504) |
| **Gross profit** | | 26,555 | 130,255 |
| Exploration expenditure written off | 13 | (14,218) | (1,513) |
| Impairment of oil and gas assets | 14 | (69,010) | (19,247) |
| Profit on farm-out of working interest | 14 | 33,876 | - |
| General and administrative expenses | 8 | (18,221) | (32,669) |
| **Operating (loss)/profit** | | (41,018) | 76,826 |
| Share of results of Joint Venture | 15 | 445 | 1,040 |
| Fair value loss on convertible loans | 23 | (9,261) | (9,931) |
| Other income | | 1,231 | 653 |
| Foreign exchange loss | | (1,851) | (273) |
| Finance costs | 9 | (9,654) | (12,773) |
| **(Loss)/profit before tax** | | (60,108) | 55,542 |
| Taxation charge | 10 | (2,259) | (8,800) |
| **(Loss)/profit for the year from continuing operations** | | (62,367) | 46,742 |
| **Discontinued operations** | | | |
| Loss for the year from discontinued operations | 11 | - | (4,039) |
| **(Loss)/profit for the year** | | (62,367) | 42,703 |
| | | | |
| **Attributable to:** | | | |
| Owners of the Company | | (62,220) | 42,711 |
| Non-controlling interests | | (147) | (8) |
| | | (62,367) | 42,703 |
| | | | |
| **(Loss)/earnings per share attributable to owners of the Company** | | | |
| From continuing operations | | | |
| - Basic (cents) | 12 | (19.1) | 14.2 |
| - Diluted (cents) | 12 | (19.1) | 14.2 |
| | | | |
| From continuing and discontinued operations | | | |
| - Basic (cents) | 12 | (19.1) | 13.0 |
| - Diluted (cents) | 12 | (19.1) | 13.0 |

**KUWAIT ENERGY PLC**

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
For the year ended 31 December 2015

| | Note | Year ended 2015 USD 000's | Year ended 2014 USD 000's |
|---|---|---|---|
| **(Loss)/profit for the year** | | (62,367) | 42,703 |
| | | | |
| **Items that will not be reclassified subsequently to profit or loss** | | | |
| Re-measurement of retirement benefit obligation | 25 | 445 | 812 |
| **Other comprehensive income for the year** | | 445 | 812 |
| **Total comprehensive (loss)/ income for the year** | | (61,922) | 43,515 |
| | | | |
| **Attributable to:** | | | |
| Owners of the Company | | (61,775) | 43,523 |
| Non-controlling interests | | (147) | (8) |
| | | (61,922) | 43,515 |

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 years.

**KUWAIT ENERGY PLC**

CONSOLIDATED BALANCE SHEET
As at 31 December 2015

| | Notes | 2015 USD 000's | 2014 USD 000's |
|---|---|---|---|
| **ASSETS** | | | |
| **Non-current assets** | | | |
| Intangible exploration and evaluation assets | 13 | 32,663 | 46,488 |
| Property, plant and equipment | 14 | 621,571 | 522,537 |
| Investment in Joint Venture | 15 | 5,528 | 8,138 |
| Other non-current assets | 16 | 22,754 | 5,141 |
| | | 682,516 | 582,304 |
| **Current assets** | | | |
| Inventories | 17 | 24,411 | 21,642 |
| Trade and other receivables | 18 | 48,198 | 115,589 |
| Cash and cash equivalents | 19 | 105,297 | 215,992 |
| | | 177,906 | 353,223 |
| **Total assets** | | 860,422 | 935,527 |
| **EQUITY AND LIABILITIES** | | | |
| **Equity** | | | |
| Share capital | 20 | 559,835 | 557,808 |
| Share premium | | 205,491 | 204,760 |
| Other reserves | 21 | (105,613) | (106,609) |
| Retained deficit | | (310,437) | (248,217) |
| **Equity attributable to owners of the Company** | | 349,276 | 407,742 |
| **Non-controlling interest** | | 5,645 | 8,770 |
| **Total equity** | | 354,921 | 416,512 |
| **Non-current liabilities** | | | |
| Borrowings | 22 | 243,326 | 242,459 |
| Convertible loans | 23 | 117,329 | 111,740 |
| Obligations under finance leases | 24 | 3,911 | - |
| Provisions | 25 | 15,458 | 15,697 |
| Deferred tax liabilities | 10 | 163 | - |
| | | 380,187 | 369,896 |
| **Current liabilities** | | | |
| Trade and other payables | 26 | 119,659 | 133,653 |
| Current tax payable | | 1,849 | 9,377 |
| Convertible loans | 23 | 2,071 | 6,089 |
| Obligations under finance leases | 24 | 1,735 | - |
| | | 125,314 | 149,119 |
| **Total liabilities** | | 505,501 | 519,015 |
| **Total equity and liabilities** | | 860,422 | 935,527 |

The financial statements were approved by the board of directors and authorised for issue on 27 April 2016. They were signed on its behalf by:

Manssour Aboukhamseen
Chairman & Managing Director

**KUWAIT ENERGY PLC**

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
For the year ended 31 December 2015

| | Share capital | Share premium | Other reserves (note 21) | Retained deficit | Total | Non-controlling interest | Total equity |
|---|---|---|---|---|---|---|---|
| | USD 000's | USD 000's | USD 000's | USD 000's | USD 000's | USD 000's | USD 000's |
| **Balance at 1 January 2014** | 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 (note 31) | 46,785 | 14,057 | (69,669) | - | (8,827) | 8,778 | (49) |
| Purchase of treasury shares (note 21) | - | - | (1,749) | - | (1,749) | - | (1,749) |
| Issue of shares for prior year business combination (note 20) | 822 | 604 | - | - | 1,426 | - | 1,426 |
| Issue of shares under employee incentive scheme (note 20) | 2,369 | 790 | - | - | 3,159 | - | 3,159 |
| **Balance at 31 December 2014** | 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 loss for the year | - | - | 445 | (62,220) | (61,775) | (147) | (61,922) |
| Issue of shares (note 20) | 2,027 | 731 | 220 | - | 2,978 | (2,978) | - |
| Share based payment charges | - | - | 331 | - | 331 | - | 331 |
| **Balance at 31 December 2015** | 559,835 | 205,491 | (105,613) | (310,437) | 349,276 | 5,645 | 354,921 |

## CONSOLIDATED STATEMENT OF CASH FLOWS
For the year ended 31 December 2015

| | Notes | Year ended 2015 USD 000's | Year ended 2014 USD 000's |
|---|---|---|---|
| **OPERATING ACTIVITIES** | | | |
| (Loss)/profit for the year | | (62,367) | 42,703 |
| Adjustments for: | | | |
| Share of results of Joint Venture | 15 | (445) | (1,040) |
| Depreciation, depletion and amortisation | 14 | 69,147 | 83,505 |
| Exploration expenditure written off | 13 | 14,218 | 1,513 |
| Impairment of oil and gas assets | 14 | 69,010 | 19,247 |
| Impairment charge on discontinued operations | | - | 3,126 |
| Profit on farm-out of working interest | 14 | (33,876) | - |
| Tax charges | 10 | 2,259 | 8,800 |
| Share based expense | | - | 1,066 |
| Foreign exchange loss | | 1,851 | - |
| Fair value loss on convertible loans | 23 | 9,261 | 9,931 |
| Finance costs | 9 | 9,654 | 12,773 |
| Interest income | | (1,177) | (568) |
| Provision for retirement benefit obligation | | 1,487 | 1,066 |
| **Operating cash flow before movement in working capital** | | 79,022 | 182,122 |
| Decrease in trade and other receivables | | 58,776 | 48,277 |
| (Decrease)/increase in trade and other payables | | (25,807) | 29,954 |
| Decrease in inventories | | 1,793 | 1,223 |
| Tax paid | | (9,624) | (8,521) |
| **Net cash generated by operating activities** | | 104,160 | 253,055 |
| **INVESTING ACTIVITIES** | | | |
| Purchase of intangible exploration and evaluation assets | | (10,596) | (49,797) |
| Purchase of oil and gas assets | | (202,065) | (186,093) |
| Acquisition of oil and gas assets | 14 | (3,857) | - |
| Purchase of other fixed assets | | (10,802) | (1,110) |
| (Increase)/decrease in capital inventory stores | | (4,562) | 1,284 |
| Proceeds from farm-out of working interest | | 43,190 | - |
| Proceeds from disposal of assets classified as held for sale | | - | 13,300 |
| Withdrawal from/(additions to) decommission and retirement benefit obligation fund | | 300 | (5,141) |
| Acquisition of subsidiary, net of cash acquired | 31 | - | 451 |
| Investment in Joint Venture | 15 | (945) | - |
| Dividend received from Joint Venture | 15 | 4,000 | 3,500 |
| Interest received | | 1,157 | 568 |
| **Net cash used in investing activities** | | (184,180) | (223,038) |
| **FINANCING ACTIVITIES** | | | |
| Proceeds from borrowings | | - | 127,054 |
| Repayment of borrowings | | - | (48,735) |
| Proceeds from finance lease | | 5,902 | - |
| Repayments of obligations under finance lease | | (489) | - |
| Purchase of treasury shares | | - | (1,749) |
| Finance costs paid | | (34,342) | (18,189) |
| **Net cash (used in)/generated by financing activities** | | (28,929) | 58,381 |
| **Net (decrease)/increase in cash and cash equivalents** | | (108,949) | 88,398 |
| Cash and cash equivalents at beginning of the year | | 215,992 | 127,594 |
| Effect of foreign exchange rate changes on cash and cash equivalents | | (1,746) | - |
| **Cash and cash equivalents at end of the year** | 19 | 105,297 | 215,992 |

## 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

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 11 (amendments) | Accounting for Acquisitions of Interests in Joint Operations |
| IAS 1 (amendments) | Disclosure Initiative |
| IAS 16 and IAS 38 (amendments) | Clarification of Acceptable Methods of Depreciation and Amortization |
| IAS 27 (amendments) | Equity Method in Separate Financial Statements |
| IFRS 10 and IAS 28 (amendments) | Sale or Contribution of Assets between an Investor and its Associate or Joint Venture |
| IFRS 10, IFRS 12 and IAS 28 (amendments) | Investment Entities: Applying the Consolidation Exemption |
| 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 |

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 ("USD"), which is the Company's functional and presentation currency, rounded off to the nearest thousand. The principal accounting policies adopted are set out below.

## 3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### 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 30. 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.

### 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 year, the Group was funded principally by a combination of its cash balances (see note 19), equity (see note 20), borrowings (see note 22), convertible loans (see note 23) and cash generated from operating activities. As at 31 December 2015, the Group had a cash balance of USD 105,297 thousand.

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 of conditional approval from Egyptian General Petroleum Corporation ("EGPC") confirming their executive approval of EGPC's acquisition of a 20% paying (15% revenue) interest in one of the Group's key oil & gas fields conditional on obtaining the approval of the EGPC board of directors and concerned authorities and finalizing the related farm-out agreement. 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.

Therefore, after making enquiries and on the assumption that the farm-out 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 2015 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.

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

*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.

**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 year 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 specific exploration activities.

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 group of fields which 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.

*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.

## 3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### Oil and gas assets (continued)

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

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

These estimates, made by the Group's engineers and 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.

### Revenue recognition

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

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

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

## 3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

**Inventories**

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

**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 USD, which is the functional and presentation currency of the Company.

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

Exchange differences are recognised in the consolidated statement of income in the 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 USD 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.

## 3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### 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.

## 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.

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

### 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 13 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; 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 USD 20.9 million where in 2015 the political and security situation has become unstable. Further details are provided in note 13.

### 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 till the date of resuming production, without which there would be a material additional impairment charge; and
(b) The Group has a carrying value of USD 21.8 million (2014: USD 26.7 million) on 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.

Further details of the Group's oil and gas assets and related impairment charges during the year are provided in note 14.

*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 31 December 2015.

*Convertible loans fair value*
As outlined in note 23, 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 chief operating decision maker for the purposes of resource allocation and assignment of segment performance is specifically focused on the geographical area (country), namely Egypt, Yemen, Iraq and rest of the world (included in Others).

The Group's revenues are only from oil and gas sales, 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*

The Group's largest customer is EGPC. Revenue for the year from EGPC, which all arises in the Egypt segment, was approximately USD 146.8 million (2014: USD 213.6 million). The Group's other major customer is Exxon Mobil in Yemen and the revenue for the year from Exxon Mobil was USD 8.9 million (2014: USD 48.0 million), all of which arose in the Yemen segment.

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

| | Egypt | Yemen | Iraq | Others | Total |
|---|---|---|---|---|---|
| | USD 000's | USD 000's | USD 000's | USD 000's | USD 000's |
| ***31 December 2015*** | | | | | |
| Segment revenues | 146,774 | 8,868 | - | - | 155,642 |
| Segment operating profit/(loss) | (5,498) | (34,338) | 8,533 | (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 from continuing operations | | | | | (62,367) |
| Loss from discontinued operations | | | | | - |
| Loss for the year | | | | | (62,367) |
| Segment assets | 288,959 | 86,198 | 401,718 | 83,547 | 860,422 |
| E&E assets | 11,792 | 20,871 | - | - | 32,663 |
| PP&E | 202,805 | 45,764 | 371,467 | 1,535 | 621,571 |
| Segment liabilities | 48,210 | 22,828 | 52,878 | 381,585 | 505,501 |
| Other information | | | | | |
| Exploration expenditure written off | 2,590 | 11,628 | - | - | 14,218 |
| Impairment of oil and gas assets | 35,810 | 8,544 | 24,656 | - | 69,010 |
| Additions to E&E | 8,037 | 2,705 | - | - | 10,742 |
| Additions to PP&E | 59,532 | (410) | 163,113 | 30 | 222,265 |
| Depreciation, Depletion and Amortisation | 62,869 | 5,213 | - | 1,065 | 69,147 |

## 5. SEGMENTAL INFORMATION (CONTINUED)

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

## 6. REVENUE

| | Year ended 2015 | Year ended 2014 |
|---|---|---|
| | USD 000's | USD 000's |
| Oil sales | 153,844 | 270,759 |
| Gas sales | 1,798 | - |
| | 155,642 | 270,759 |

## 7. COST OF SALES

| | Year ended 2015 | Year ended 2014 |
|---|---|---|
| | USD 000's | USD 000's |
| Operating costs | 61,330 | 58,651 |
| Depletion and amortisation of oil and gas assets (note 14) | 67,757 | 81,853 |
| | 129,087 | 140,504 |

## 8. GENERAL AND ADMINISTRATIVE EXPENSES

| | Year ended 2015 | Year ended 2014 |
|---|---|---|
| | USD 000's | USD 000's |
| Staff costs charged to administrative expenses | 5,048 | 10,953 |
| Professional and consultancy fees | 3,331 | 11,233 |
| Depreciation of other assets (note 14) | 1,390 | 1,652 |
| Other expenses | 8,452 | 8,831 |
| | 18,221 | 32,669 |

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

| | Year ended 2015 | Year ended 2014 |
|---|---|---|
| | USD 000's | USD 000's |
| Borrowing costs on senior guaranteed notes and bank loans | 25,669 | 22,409 |
| Other finance costs | 452 | 104 |
| Less: amount capitalised in cost of qualifying assets | (16,467) | (9,740) |
| | 9,654 | 12,773 |

Finance cost of USD 16.5 million (2014: USD 7.3 million) have been capitalised to property, plant and equipment during the year and USD nil (2014: USD 2.4 million) have been capitalised to intangible exploration and evaluation assets using a weighted average interest rate of 10.6% (2014: 8.45%).

## 10. TAXATION

| | Year ended 2015 | Year ended 2014 |
|---|---|---|
| | USD 000's | USD 000's |
| **Tax on profit on ordinary activities** | | |
| **Current tax:** | | |
| Foreign tax | 2,096 | 8,800 |
| Total current tax | 2,096 | 8,800 |
| **Deferred tax:** | | |
| Foreign tax | 163 | - |
| Total deferred tax | 163 | - |
| **Total taxation charge** | 2,259 | 8,800 |

Corporation tax in the Company's country of domicile is calculated at 0% on assessable profits for all years 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.

No taxation charge or credit arose in connection with the discontinued operations or in their disposal in the previous year.

**Factors affecting the tax charge for the year**

The difference between the amount of total tax shown above and the amount calculated by applying the standard rate of Jersey corporation tax to the result before tax is as follows:

| | Year ended 2015 | Year ended 2014 |
|---|---|---|
| | USD 000's | USD 000's |
| (Loss)/profit on ordinary activities before tax | (60,108) | 55,542 |
| Tax on Company profit on ordinary activities at corporation tax rate of 0% | - | - |
| Effect of different tax rates of subsidiaries operating in other jurisdictions | 2,259 | 8,800 |
| Total taxation charge on profit for the year | 2,259 | 8,800 |

**Deferred taxation**

| | 2015 | 2014 |
|---|---|---|
| | USD 000's | USD 000's |
| Deferred tax liability on fixed asset temporary differences: | | |
| At 1 January | - | - |
| Charge to income statement | 163 | - |
| At 31 December | 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. DISCONTINUED OPERATIONS

During 2014 the Group completed the disposal of its assets in Russia and Ukraine as a part of its strategy to focus on Middle East and North Africa (MENA) region operations. This disposal was accounted for in 2014 and the results of those operations in that period, which constituted revenue of USD 9.2 million, expenses of USD 10.1 million and impairment and other charges of USD 3.1 million, were classified as discontinued in that period. The cash flow associated with the discontinued operations in 2014 comprised an operating cash outflow of USD 0.9 million and an investing cash inflow of USD 13.3 million.

## 12. (LOSS)/EARNINGS PER SHARE

### a) Basic (loss)/earnings per share

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

| | Year ended 2015 | Year ended 2014 |
|---|---|---|
| | USD 000's | USD 000's |
| (Loss)/profit for the year from continuing operations attributable to owners of the Company | (62,220) | 46,750 |
| Loss for the year from discontinued operations | - | (4,039) |
| (Loss)/profit for the year from continuing and discontinued operations attributable to owners of the Company | (62,220) | 42,711 |

| | Year ended 2015 | Year ended 2014 |
|---|---|---|
| Weighted average number of shares, net of treasury shares, for the purpose of basic (loss)/earning per share (thousands) | 326,060 | 328,609 |
| Basic (loss)/earning per share (cents) from continuing operations attributable to owners of the Company | (19.1) | 14.2 |
| Basic loss per share (cents) from discontinued operations attributable to owners of the Company | - | (1.2) |
| Basic (loss)/earning per share (cents) from continuing and discontinued operations attributable to owners of the Company | (19.1) | 13.0 |

### b) Diluted (loss)/earning per share

There was no difference between basic and diluted (loss)/earning per share for any of the years 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 23) 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.

## 13. INTANGIBLE EXPLORATION AND EVALUATION ('E&E') ASSETS

| | E&E assets |
|---|---|
| **Cost** | USD 000's |
| **At 1 January 2014** | 58,178 |
| Additions | 56,819 |
| Exploration expenditure written off | (1,513) |
| Transfer to Property, plant and equipment (note 14) | (66,996) |
| **At 31 December 2014** | 46,488 |
| Additions | 10,742 |
| Exploration expenditure written off | (14,218) |
| Transfer to Property, plant and equipment (note 14) | (10,349) |
| **At 31 December 2015** | 32,663 |

As at 31 December 2015, exploration costs of USD 32.7 million (2014: USD 46.4 million) were capitalised pending further evaluation of whether or not the related oil and gas properties are commercially viable.

As at 31 December 2015, the Group held exploration costs of USD 20.9 million (2014: USD 19.6 million) related to Block 49 in Yemen where in 2015 the political and security situation has become unstable. The work of operations on site has been put on hold and force majeure has been declared on Block 49 during the year. 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 of the resource discovered to date.

During 2015, exploration cost associated with proven commercial reserves amounting to USD 10.3 million relating to Abu Sennan in Egypt (2014: USD 56.7 million relating to Block 9 in Iraq and USD 10.3 million relating to Burg El Arab (BEA) and Abu Sennan in Egypt) were transferred to property, plant and equipment.

Unsuccessful exploration expenditure written off of USD 14.2 million includes USD 11.6 million relating to Block 82 in Yemen, where the licence has been relinquished due to unsuccessful exploration activities. Further, the Company has written off unsuccessful exploration expenditure amounting to USD 2.6 million related to Area A in Egypt. Unsuccessful exploration expenditure written off during 2014 of USD 1.5 million was related to BEA in Egypt.

The additions to exploration and evaluation assets include USD nil (2014: USD 2.4 million) finance costs on qualifying assets capitalised during the year (see note 9).

## 14. PROPERTY PLANT AND EQUIPMENT

| | Oil and gas assets | Other fixed assets* | Total |
|---|---|---|---|
| **Cost** | USD 000's | USD 000's | USD 000's |
| **At 1 January 2014** | 585,008 | 17,309 | 602,317 |
| Additions | 208,196 | 1,130 | 209,326 |
| Disposal | - | (15) | (15) |
| Transfer from Intangible Exploration and Evaluation (note 13) | 66,996 | - | 66,996 |
| **At 31 December 2014** | 860,200 | 18,424 | 878,624 |
| Additions | 210,954 | 11,311 | 222,265 |
| Acquisition of asset | 16,769 | - | 16,769 |
| Transfer | 6,074 | (6,074) | - |
| Disposal | (37,066) | - | (37,066) |
| Transfer from Intangible Exploration and Evaluation (note 13) | 10,349 | - | 10,349 |
| **At 31 December 2015** | 1,067,280 | 23,661 | 1,090,941 |
| | | | |
| **Accumulated Depreciation, depletion, amortisation and impairment** | | | |
| **At 1 January 2014** | 246,664 | 6,686 | 253,350 |
| Charge for the year | 81,853 | 1,652 | 83,505 |
| Impairment | 19,247 | - | 19,247 |
| Disposal | - | (15) | (15) |
| **At 31 December 2014** | 347,764 | 8,323 | 356,087 |
| Charge for the year | 67,757 | 1,390 | 69,147 |
| Impairment | 69,010 | - | 69,010 |
| Disposal | (24,874) | - | (24,874) |
| **At 31 December 2015** | 459,657 | 9,713 | 469,370 |
| | | | |
| **Carrying amount** | | | |
| At 31 December 2015 | 607,623 | 13,948 | 621,571 |
| At 31 December 2014 | 512,436 | 10,101 | 522,537 |

*Other fixed assets includes item such as building, fixtures and fittings, motor vehicles and office equipment. Its carrying amount includes an amount of USD 7.5 million (2014: USD nil) in respect of assets held under finance lease (note 24).

**Additions**
The additions to oil and gas assets mainly relates to Iraq Siba and Block 9, and include USD 16.5 million (2014: USD 7.3 million) of finance costs on qualifying assets capitalised during the year (see note 9) and USD 1.7 million (USD 3.8 million) of fair value loss on convertible loans capitalised. It also includes an increase in estimated decommissioning cost of USD 0.1 million (2014: USD 9.4 million).

**Acquisition of asset**
During 2015, the Group completed the acquisition of an additional 25% working interest effective 15 January 2015 in the BEA in Egypt from Gharib Oil Fields ('Gharib') for a purchase consideration of USD 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 USD 3.9 million. The remaining consideration was settled by offsetting receivables otherwise due from Gharib. Oil and gas assets with a gross cost of USD 22.2 million were acquired, however the net oil and gas assets addition from the transaction was USD 16.8 million as USD 5.4 million had been capitalised in prior periods under the terms of a carry arrangement with Gharib.

**Farm-out and disposal**
During September 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 USD 33.9 million. The Group now has a 60% working interest share in Block 9.

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

## 14. PROPERTY PLANT AND EQUIPMENT (CONTINUED)

**Impairment**

Primarily due to the fall in prevailing oil prices, the Group carried out a review of the recoverable amount of its assets in accordance with IAS 36 *Impairment of assets*. The review led to the recognition of an impairment loss of USD 8.5 million (2014: USD 19.2 million) on the Block 5 field in Yemen, USD 10.6 million on the BEA and USD 25.2 million on the Abu Sennan fields in Egypt, USD 16.8 million on the Siba and USD 7.8 million on Mansuriya fields in Iraq, which has been recognised in the consolidated income statement. The recoverable amount of the assets that have been impaired in the year, based on a value in use basis calculation are: Block 5 USD 45.8 million, BEA USD 61.4 million, Abu Sennan USD 68.3 million, Siba USD 258.8 million and Mansuriya USD 21.8 million.

The key assumptions and judgements used in the impairment test included a post-tax discount rate 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, license extension of the Block 5 field (see below) and a Brent oil price of USD 45/bbl in 2016, USD 60/bbl in 2017, USD 70/bbl in 2018, USD 80/bbl in 2019, inflated at 1.5% per annum thereafter (2014: USD 68/bbl in 2015, USD 83/bbl in 2016, USD 93/bbl in 2017, inflated at 2% per annum thereafter). The oil price assumptions are the Group's best estimate based on conditions prevailing at the balance sheet date and take into consideration the views of a reputed third party broker. For every USD 1/bbl fall in oil price assumptions, impairment charge will increase by approximately USD 6-7 million. If the discount rate had been increased by 1% for all assets, it would have increased the impairment charge by approximately USD 20.4 million.

In previous years, the Group had used a post-tax discount rate of 10% for all assets. During 2015, the Group has revised its best estimate of the appropriate discount rate to use on an asset by asset basis which has increased the 2015 impairment charge by approximately USD 33 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. Agreed force majeure claims settlement with YICOM specifically excludes any new force majeure claims that may accrue after 7 March 2016. 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 license 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 31 December 2015 the Group held oil and gas assets with a carrying value of USD 21.8 million (2014: USD 26.7 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.

## 15. 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 USD 7.5 million to perform work obligations under the new service contract (see note 19).

| Movement in investment in Joint Venture | 2015 | 2014 |
|---|---|---|
| | USD 000's | USD 000's |
| At 1 January | 8,138 | 10,598 |
| Additional investment during the year | 945 | - |
| Share of profit of Medco | 445 | 1,040 |
| Dividend received from Medco | (4,000) | (3,500) |
| At 31 December | 5,528 | 8,138 |

## 16. OTHER NON-CURRENT ASSETS

| | 2015 | 2014 |
|---|---|---|
| | USD 000's | USD 000's |
| Decommissioning and retirement benefit obligation fund | 4,841 | 5,141 |
| Advances to contractors | 17,913 | - |
| | 22,754 | 5,141 |

Decommissioning and retirement benefit obligation fund held in an escrow account to settle liabilities of environmental restoration and end of service benefit obligation of Block 5 in Yemen.

## 17. INVENTORIES

| | 2015 | 2014 |
|---|---|---|
| | USD 000's | USD 000's |
| Crude oil | 1,640 | 3,433 |
| Spare parts, materials and supplies | 22,771 | 18,209 |
| | 24,411 | 21,642 |

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

## 18. TRADE AND OTHER RECEIVABLES

| | 2015 | 2014 |
|---|---|---|
| | USD 000's | USD 000's |
| Trade receivables | 30,167 | 73,604 |
| Advance due from joint ventures partners | 5,444 | 31,081 |
| Prepayments, deposits and advances | 2,609 | 7,270 |
| Other receivables | 8,331 | 3,634 |
| Amount due from a related party (note 32b) | 1,647 | - |
| | 48,198 | 115,589 |

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

Included in the Group's trade receivables balance are debtors arising in Egypt which are past due at the reporting date for which the Group has not made any provision as there has not been a significant change in credit quality and the amounts are still considered recoverable.

| Ageing of past due but not impaired | 2015 | 2014 |
|---|---|---|
| | USD 000's | USD 000's |
| 61 – 90 days | 1,599 | 13,159 |
| 91 – 120 days | - | - |
| 121 – 180 days | - | 14,144 |
| > 180 days | - | 12,100 |
| Total | 1,599 | 39,403 |

During the year receivables from Gharib amounting to USD 11.9 million were settled by offsetting against payable purchase consideration for an additional 25% working interest in BEA field in Egypt (see note 14).

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.

## 19. CASH AND CASH EQUIVALENTS

| | 2015 | 2014 |
|---|---|---|
| | USD 000's | USD 000's |
| Cash and cash equivalents | 105,297 | 215,992 |
| | 105,297 | 215,992 |

Bank balances amounting to USD 7.5 million (2014: USD 0.5 million) are restricted against issue of letters of guarantee for work performance obligations in Karim Small Fields in Oman under the new service contract (note15).

## 20. 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 (2014: 451.2 million). The issued and paid up share capital as at 31 December 2015 consists of 358.5 million Shares (2014: 357.2 million).

In 2015 the Company issued 1.3 million (2014: 28 million) shares to the shareholders of KEC in accordance with the terms of the share acquisition of KEC approved in Annual General Meeting 2013 and 2014 (note 31).

In 2014 the Company also issued 1.4 million shares to employees as part of the employee incentive scheme and 0.5 million shares to the shareholders of Concorde Oil and Gas Limited for settlement of outstanding obligation in relation to the 2010 acquisition of the Luzskoye and Chikshinskoe assets in Russia.

## 21. OTHER RESERVES

| | Treasury shares | Merger reserve | Retirement benefit obligation reserve | Share based compensation reserve | Total |
|---|---|---|---|---|---|
| | USD 000's | USD 000's | USD 000's | USD 000's | USD 000's |
| **At 1 January 2014** | - | (36,140) | 137 | - | (36,003) |
| Other comprehensive income for the year | - | - | 812 | - | 812 |
| Acquisition of subsidiary (note 31) | (72,000) | 2,331 | - | - | (69,669) |
| Purchase of treasury shares (note 31) | (1,749) | - | - | - | (1,749) |
| **At 31 December 2014** | (73,749) | (33,809) | 949 | - | (106,609) |
| Other comprehensive income for the year | - | - | 445 | - | 445 |
| Acquisition of minority interest | - | 220 | - | - | 220 |
| Share-based payments charges | - | - | - | 331 | 331 |
| **At 31 December 2015** | (73,749) | (33,589) | 1,394 | 331 | (105,613) |

## 22. BORROWINGS

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

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

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

| | 2015 | 2014 |
|---|---|---|
| | USD 000's | USD 000's |
| Par value payable on maturity | 250,000 | 250,000 |
| Unamortised initial transaction fees | (6,674) | (7,541) |
| **Non-current portion of Senior guaranteed notes** | **243,326** | **242,459** |
| Interest accrued and payable within 12 months (included in trade and other payables) | 9,896 | 9,896 |
| Carrying value as at 31 December | 253,222 | 252,355 |

As at 31 December 2015, the fair value of the Notes measured at an ask price was USD 230.2 million (2014: USD 234.4 million).

**23. CONVERTIBLE LOANS**

| | 2015 | 2014 |
|---|---|---|
| | USD 000's | USD 000's |
| Non-current portion | 117,329 | 111,740 |
| Current portion | 2,071 | 6,089 |
| | 119,400 | 117,829 |

<u>Movement in convertible loan</u>

| | 31.12.2015 | 31.12.2014 |
|---|---|---|
| | USD 000's | USD 000's |
| At 1 January | 117,829 | 112,551 |
| Change in fair value* | 10,974 | 13,747 |
| Payment of coupon interest | (9,403) | (8,469) |
| At 31 December | 119,400 | 117,829 |

*Of this amount USD 1.7 million (2014: USD 3.8 million) has been capitalised to qualifying assets in the year, see note 14, resulting in a net charge to the income statement of USD 9.3 million (2014: USD 9.9 million).

During 2012, the Group entered into unsecured financing arrangements with Abraaj Capital and Qatar First Bank for USD 150 million each (total value of USD 300 million). Under the arrangements, the group has drawn down an amount of USD 100 million, of which USD 83 million was drawn down in 2012 and USD 17 million was drawn down in 2013. There is no remaining availability to draw down additional amounts. The loans are repayable in three equal instalments payable at six month interval 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 USD 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 year 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 years 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 USD 19.3 million or reducing the liability by USD 14.9 million.

## 24. OBLIGATIONS UNDER FINANCE LEASES

| | Minimum lease payments | |
|---|---|---|
| | 2015 | 2014 |
| Amounts payable under finance leases: | USD 000's | USD 000's |
| Within one year | 1,766 | - |
| In the second to fifth years inclusive | 4,469 | - |
| | 6,235 | - |
| Less: future finance charges | (589) | - |
| Present value of lease obligation | 5,646 | - |

| | Present value of minimum lease payments | |
|---|---|---|
| | 2015 | 2014 |
| Amounts payable under finance leases: | USD 000's | USD 000's |
| Within one year (shown under current liabilities) | 1,735 | - |
| In the second to fifth years inclusive | 3,911 | - |
| Present value of lease obligation | 5,646 | - |

During 2015, the Group sold its new office building in Egypt with a carrying value of USD 7.1 million for a sales consideration of USD 7.5 million. The Group leased back the sold building under a finance lease for a total lease value of USD 8.2 million which was settled by USD 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 USD 1 only. The leased building is recognised as an asset in the consolidated balance sheet at USD 7.5 million equal to the present value of the minimum lease payments discounted at an implicit interest rate of 5%. USD 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 their carrying value.

## 25. PROVISIONS

| | 2015 | 2014 |
|---|---|---|
| | USD 000's | USD 000's |
| Decommissioning provisions | 12,397 | 12,433 |
| Retirement benefit obligations | 3,061 | 3,264 |
| | 15,458 | 15,697 |

a) Decommissioning provisions

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

| | 2015 | 2014 |
|---|---|---|
| | USD 000's | USD 000's |
| At 1 January | 12,433 | 3,013 |
| Unwinding of discount | 362 | 104 |
| New provisions and changes in estimate | (398) | 9,316 |
| At 31 December | 12,397 | 12,433 |

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 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 year is as follows:

| | 2015 | 2014 |
|---|---|---|
| | USD 000's | USD 000's |
| At 1 January | 3,264 | 3,243 |
| Current service cost | 1,486 | 1,066 |
| Re-measurements: | | |
| Experience gains | (445) | (812) |
| Benefits paid | (1,244) | (233) |
| At end of the year | 3,061 | 3,264 |

The significant actuarial assumptions were as follows:

| | 2015 | 2014 |
|---|---|---|
| Discount rate | 4% | 5% |
| Salary growth rate | 5% | 6% |

## 26. TRADE AND OTHER PAYABLES

| | 2015 | 2014 |
|---|---|---|
| | USD 000's | USD 000's |
| Trade Payables | 95,001 | 86,911 |
| Accruals and joint venture partners payables | 13,658 | 31,150 |
| Accrued interest payable | 10,251 | 10,388 |
| Salaries and bonus payables | 749 | 5,204 |
| | 119,659 | 133,653 |

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.

## 27. CONTINGENT LIABILITIES AND CAPITAL COMMITMENTS

| | 2015 | 2014 |
|---|---|---|
| | USD 000's | USD 000's |
| a) Contingent liabilities - letters of guarantee | 7,500 | 500 |
| b) Capital commitments (other than covered by letters of guarantee) | 46,725 | 58,531 |
| c) Agreement to purchase shares (note 32b) | 7,121 | 9,225 |

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

## 28. OPERATING LEASE ARRANGEMENTS

| | 2015 | 2014 |
|---|---|---|
| | USD 000's | USD 000's |
| **Minimum lease payments under operating leases recognised in the consolidated statement of income** | 1,379 | 1,527 |

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 | 1,124 | 1,423 |
| Between two years and five years | 329 | 58 |
| | 1,453 | 1,481 |

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.

## 29. 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

| | 2015 | 2014 |
|---|---|---|
| | USD 000's | USD 000's |
| **Financial assets** | | |
| Trade and other receivables | 47,785 | 115,334 |
| Cash and cash equivalents | 105,297 | 215,992 |
| **Financial liabilities** | | |
| *At amortised cost* | | |
| - Borrowings* | 253,222 | 252,355 |
| - Obligations under finance lease | 5,646 | - |
| - Trade and other payables | 119,659 | 133,653 |
| *At fair value through profit and loss account (FVTPL)* | | |
| -Designated as FVTPL - convertible loans | 119,400 | 117,829 |

### Fair value measurement

Fair value measurement hierarchy for determining and disclosing the fair value of financial instruments is described in note 3. As at 31 December 2015 and 2014 the convertible loans were only the financial instrument carried at fair value and were classified as level 3. There was no financial instrument classified as level 1 and level 2.

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

Details of movements in the fair value of the convertible loan are provided in note 23.

Management believes that fair values of all financial instruments, other than borrowings (note 22), 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 22) and obligation under finance lease (note 24) 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 23).

### Financial risk management objectives

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

### Market risk

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

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

## 29. 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 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 USD at current market prices.

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

| | Year ended 2015 | Year ended 2014 |
|---|---|---|
| | USD 000's | USD 000's |
| Impact on consolidated statement of income | 15,564 | 27,076 |

For sensitivity of the impairment of oil and gas assets due to possible change in oil and gas prices please see note 14.

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

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

| | Liabilities | | Assets | |
|---|---|---|---|---|
| | 2015 | 2014 | 2015 | 2014 |
| | USD 000's | USD 000's | USD 000's | USD 000's |
| Egyptian Pound | 3,294 | - | 3,312 | 22,935 |
| Kuwaiti Dinar | 65 | 33 | 693 | 3,441 |

*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 USD 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 year end for a 10% change in foreign currency rates. A positive number below indicates an increase in profit and a negative number indicates decrease in profit. All other variables are held constant. There have been no changes in the methods and the assumptions used in the preparation of the sensitivity analysis.

| | Year ended 2015 | Year ended 2014 |
|---|---|---|
| Impact on consolidated statement of income | USD 000's | USD 000's |
| Egyptian Pound | 2 | 2,294 |
| Kuwaiti Dinar | 63 | 341 |

*Interest rate risk management*

The Group is exposed to interest rate risk as it has placed funds in interest bearing time deposits with banks during the year, but the Group's exposure to interest rate risk is not significant since 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.

## 29. FINANCIAL INSTRUMENTS (CONTINUED)

**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 year ended 31 December 2015, 94% of total revenue (2014:79%) was derived from the sales to the Group's largest counterparty, EGPC and 6% of total revenue (2014: 18%) was derived from sales to Exxon Mobil. Further details of the Group's receivables with EGPC and Exxon Mobil are provided in note 18. 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:

| | 2015 | 2014 |
|---|---|---|
| | USD 000's | USD 000's |
| Trade and other receivables | 47,785 | 115,334 |
| Cash and cash equivalents | 105,297 | 215,992 |
| | 153,082 | 331,326 |

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

| | 2015 | 2014 |
|---|---|---|
| | USD 000's | USD 000's |
| Egypt | 30,167 | 66,249 |
| Yemen | - | 7,355 |
| | 30,167 | 73,604 |

**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.

## 29. 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 |
|---|---|---|---|---|---|---|
| | USD 000's | USD 000's | USD 000's | USD 000's | USD 000's | % |
| *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 | |
| *At 31 December 2014* | | | | | | |
| Borrowings | 23,750 | 47,500 | 297,500 | - | 368,750 | 10.6% |
| Convertible loans | 9,250 | 35,500 | 89,585 | - | 134,335 | 12.0% |
| Trade and other payables | 133,653 | - | - | - | 133,653 | |
| | 166,653 | 83,000 | 387,085 | - | 636,738 | |

The group has access to financial facilities as described in notes 22 and 23. The group expects to meet its other obligations from operating cash flows.

**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 2015.

The capital structure of the Group consists of equity comprising issued share capital (note 20), share premium, other reserves (note 21) and retained deficit.

*Gearing ratio*

The gearing ratio at year end was as follows:

| | 2015 | 2014 |
|---|---|---|
| | USD 000's | USD 000's |
| Total debt (i) | 368,372 | 360,288 |
| Less: Cash and cash equivalents | (105,297) | (215,992) |
| Net debt | 263,075 | 144,296 |
| Equity attributable to owners of the Company | 349,276 | 407,742 |
| Net debt to equity ratio (%) | 75.3 | 35.4 |

(i) Debt is defined as borrowings excluding accrued interest, as detailed in note 22, convertible loans as detailed in note 23 and obligations under finance leases as detailed in note 24.

## 30. SUBSIDIARY AND JOINT VENTURE COMPANIES

a) The principal subsidiaries of the Company as at 31 December 2015 were as follows:

| Company's name | Ownership % | | Country of incorporation | Country of operations | Type of activity |
|---|---|---|---|---|---|
| | 31.12.15 | 31.12.14 | | | |
| Kuwait Energy International Limited | 100 | 100 | Jersey | Egypt/ Yemen | Holding Company |
| Kuwait Energy Company K.S.C.(Closed) | 91.9 | 87.8 | 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 |
| KE Netherlands Coöperatief U.A. | 100 | 100 | Netherlands | Ukraine/ Latvia/ Russia | Holding Company |
| Jannah Hunt Oil Company Limited | 100 | 100 | British Virgin Islands | Yemen | Development/ production |

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

## 31. 2014 RESTRUCTURING

The original holding company of the Group was Kuwait Energy Company K.S.C. (Closed) (KEC). The 2011 Restructuring transferred most of the then-existing subsidiaries and assets held by KEC to the Company, and transferred, by way of a capital reduction, 90.0% of the ordinary shares of the Company then held by KEC to the existing shareholders of KEC at that time. As a result of the 2011 Restructuring, the Company became the Group holding company and KEC, although under common control, was no longer part of the Group. Economic transfer agreements were implemented as part of the 2011 restructuring between KEC and the Group in order to retain the risks and rewards of assets legally owned by subsidiaries of KEC within the Group, as a result of which the Group consolidated these assets in prior periods. These agreements included the rights and responsibility for the obligations in respect of KEC's interest in the Block 9 service agreement (KEC's only material asset) but did not cover KEC itself.

During 2014, the Company obtained control of KEC through the mechanism described below (the KEC Restructuring) and has consolidated it as a subsidiary for the years ended 31 December 2015 and 2014.

In July 2014 Awal II Shares and Securities Co. SPC (Awal II), an SPV incorporated in the GCC member state of Bahrain, began to acquire legal ownership of the KEC shares. Existing KEC shareholders were invited to transfer their shares in KEC to Awal II in exchange for new shares in the Company on a one-for-one basis.

The Company has obtained full control over KEC and has acquired KEC's economic risks and rewards by entering into the following arrangements:

i. A management agreement between the Company and Awal II under which the management of, and all operational decision making power over, Awal II, is vested solely in the Company; and
ii. A "total return swap" agreement between Awal II and the Company, under which Awal II is obliged to pay the Company an amount equal to any economic returns derived from its ownership of the KEC shares.

As at 31 December 2014, 87.8% of the shares in KEC had been exchanged. Shareholders who had not exchanged their shares by this date, representing 12.2% of the KEC shares, were shown as a non-controlling interest in the consolidated balance sheet of the Group.

For accounting purposes this represents a reorganisation of entities under common control and is outside the scope of IFRS 3 "Business Combinations". This restructuring has therefore been accounted using the principles of merger accounting. Under this method:

- the consolidated assets and liabilities of KEC and related entities, were recognised and measured at the pre-restructuring carrying amounts, without restatement to fair value;
- the results and cash flows of KEC are brought into the consolidated financial statement of the Company from the beginning of the financial year 2014 in which the combination occurred;
- the difference between the historical carrying amounts of net assets acquired and consideration paid has been recognised as a merger reserve.

During 2015, a further 1.3 million shares equivalent to 4.1% of the shares in KEC had been exchanged for shares in the Company. As at 31 December 2015, 91.9% of the shares in KEC had been exchanged. Shareholders who had not exchanged their shares by this date, representing 8.1% of the KEC shares, are shown as a non-controlling interest in the consolidated balance sheet of the Group.

During 2015, the Company repurchased its own 31.8 million number of shares at a price of Kuwaiti Dinar 0.620 per share from KEC at a book value of USD 72.0 million, which are now being directly held as treasury shares.

## 32. 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.

A restructuring of the Group was undertaken in July 2014 to bring KEC, the parent Company prior to the restructuring in 2011, into the Group. As approved in the 2013 Annual General Meeting of the Company and ratified in the 2014 Extraordinary General Meeting of the Company, shares of KEC have been acquired in 2014 and 2015 from its shareholders for new ordinary shares of the Company on a 1:1 basis. Further during 2015, the Company repurchased its own 31.8 million number of shares at a price of Kuwaiti Dinar 0.620 per share from KEC at a book value of USD 72.0 million which are now being directly held as treasury shares (see note 31).

The other 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 year was as follows:

| | Year ended 2015 | Year ended 2014 |
|---|---|---|
| | USD 000's | USD 000's |
| Salaries and other short-term benefits | 1,599 | 1,456 |
| Consultancy fees paid to non-executive director | 24 | 296 |
| Post-employment benefits | 30 | 32 |
| | 1,653 | 1,784 |

**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 USD 7.1 million (2014: USD 9.2 million), until such time as the Deputy CEO is able to sell those shares and repay the loan to the Company.

During 2014, under the arrangement described above, the Deputy CEO was required to purchase 792,741 ordinary shares of the Company at a price of KWD 0.620 per share (totalling USD 1.7 million). The Company lent the Deputy CEO the funds to complete this transaction. Shareholder approval to buy back these shares from the Deputy CEO was obtained in October 2014 and the Company now holds these shares as treasury shares (note 21). The loan to the Deputy CEO was repaid to the Company in the year.

During 2015, under the arrangement described above, the Deputy CEO was required to purchase 806,451 ordinary shares of the Company at a price of KWD 0.620 per share (totalling USD 1.6 million). 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.

## 33. SUBSEQUENT EVENTS

a) Subsequent to the year end, the Group has entered into a farm-out agreement with EGPC to sell a 20% paying (15% revenue) interest in one of its key oil & gas fields. Under the terms of this agreement, EGPC will settle the consideration owed for the farm-out by paying the Group's share of costs of a major contract with any balance being payable from cost recovery allocation received when the production commences from this field. This agreement, which is subject to Board approvals of both parties, the pre-emption process and government approval, will materially reduce the Group's contractual payment commitments during 2016 and 2017.

b) Subsequent to the year end, 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 a very early stage. The arbitration tribunal has not yet been constituted and 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.

# Glossary & Definitions

| Abbreviation | Definition |
|---|---|
| # | Number |
| 1P | Proved Reserves |
| 2C | Contingent Resources Mid-Case Recoverable Volume |
| 2P | Proved Plus Probable Reserves |
| 3D | Three Dimensional |
| 3P | Proved Plus Probable Plus Possible Reserves |
| AAPG | American Association Of Petroleum Geologist |
| AAPG Suez | American Association Of Petroleum Geologist Suez |
| ADC | Arabian Drilling Company |
| ADEP | Awaiting Development With Exploration Potential |
| AGM | Annual General Meeting |
| APEGA | Association Of Professional Engineers And Geoscientists Of Alberta |
| B.Sc. | Bachelor Of Science |
| Barrel | The Standard Of Crude Oil Or Other Petroleum Product Contains 42 Us Gallons, 35 Imperial Gallons Or 159 Litres |
| bbl | Barrel |
| Bcf | Billion Cubic Feet |
| BEA | Burg Al Arab |
| BOD | Board Of Directors |
| Boe | Barrels Of Oil Equivalent |
| boepd | Barrels Oil Equivalent Per Day |
| bopd | Barrels Of Oil Per Day |
| CEO | Chief Executive Officer |
| CFO | Chief Financial Officer |
| CPF | Central Production Facilities |
| CSR | Corporate Social Responsibility |
| E&P | Exploration And Production |
| EA | Exploration Asset |
| EGPC | Egyptian General Petroleum Corporation |
| EIS | Employee Incentive Scheme |
| EPS | Earnings Per Share |
| ERQ | East Ras Qattara |
| EVCA | Extra-Value Creation Awards |
| G&A | General And Administrative |
| GCA | Gaffney, Cline & Associates |
| GOR | Gas-Oil Ratio |
| HAZOP | Hazard And Operability Study |
| HR | Human Resources |
| HSSE | Health, Safety, Sustainability And Environment |
| IFRS | International Financial Reporting Standards |
| ISC | International  Standards Certification |

| Abbreviation | Definition |
|---|---|
| ISO | International Organization for Standardization |
| KBE | Knight Commander of the Most Excellent Order of the British Empire |
| KOC | Kuwait Oil Company |
| KSF | Karim Small Fields |
| KUFPEC | Kuwait Foreign Petroleum Exploration Company |
| LTI | Lost Time Incidents |
| LTIP | Long Term Incentive Plan |
| M&A | Mergers and Acquisitions |
| MA | Master of Arts |
| MENA | Middle East and North Africa |
| mbbl | Million Barrels |
| mmboe | Million Barrels Of Oil Equivalent |
| mmscf/d | Million Metric Standard Cubic Feet Per Day |
| mscf | Thousand Standard Cubic Feet |
| NHEPL | New Horizon Exploration & Production Limited, Pakistan |
| PAEP | Producing Asset with Exploration Potential |
| Ph.D. | Doctorate |
| PRMS | Petroleum Resources Management System |
| PSTM | Pre-Stack Time Migration |
| QFIB | Qatar First Investment Bank ( which has recently changed its name to Qatar First Bank) |
| RemCo | Remuneration Committee |
| RRR | Reserves Replacement Ratio; derived using total reserves additions in a period/total production in same period |
| scf | Standard Cubic Feet |
| SCU | Suez Canal University |
| SEG | Society of Exploration Geophysicists |
| SID | Senior Independent Director |
| SOC | South Oil Company |
| SPE | Society of Petroleum Engineers |
| SPEE | Society of Petroleum Evaluation Engineers |
| sq. km | Square Kilometre |
| STIP | Short Term Incentive Plan |
| TPAO | Turkish Petroleum Corporation |
| TRIFR | Total Recordable Incidents Frequency Rate |
| UK | United Kingdom |
| US$ | United States Dollars |
| USA | United States of America |
| VP | Vice President |
| VSMP | Voluntary Share Matching Plan |
| 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 |
| WIGs | Wildly Important Goals |

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