



KUWAIT ENERGY PLC GROUP
CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(UNAUDITED AND UNREVIEWED)
FOR THE THREE MONTHS ENDED
31 MARCH 2016

CONDENSED CONSOLIDATED INCOME STATEMENT

Three months ended 31 March 2016

	Notes	Three months ended 31 March		Year ended
		2016	2015	31 December
		Unaudited	Unaudited	Audited
		USD 000's	USD 000's	USD 000's
Continuing Operations				
Revenue		32,395	44,922	155,642
Cost of sales		(33,217)	(41,628)	(129,087)
Gross (loss)/profit		(822)	3,294	26,555
Exploration expenditure written off	5	-	(2,300)	(14,218)
Impairment of oil and gas assets	6	-	-	(69,010)
Profit on farm-out of working interest		-	-	33,876
General and administrative expenses		(3,281)	(4,356)	(18,221)
Operating loss		(4,103)	(3,362)	(41,018)
Share of results of Joint Venture		480	500	445
Fair value loss on convertible loans		(3,565)	(3,600)	(9,261)
Other income		410	448	1,231
Foreign exchange loss		(63)	(316)	(1,851)
Finance costs		(2,667)	(4,539)	(9,654)
Loss before tax		(9,508)	(10,869)	(60,108)
Taxation charge		(910)	(1,500)	(2,259)
Loss for the period		(10,418)	(12,369)	(62,367)
Attributable to:				
Owners of the Company		(10,418)	(12,367)	(62,220)
Non-controlling interests		-	(2)	(147)
		(10,418)	(12,369)	(62,367)
Loss per share attributable to owners of the Company				
- Basic (cents)	4	(3.2)	(3.8)	(19.1)
- Diluted (cents)	4	(3.2)	(3.8)	(19.1)

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

Three months ended 31 March 2016

	Three months ended 31 March		Year ended
	2016	2015	31 December
	Unaudited	Unaudited	2015
	USD 000's	USD 000's	Audited
			USD 000's
Loss for the period	<u>(10,418)</u>	<u>(12,369)</u>	<u>(62,367)</u>
Items that will not be reclassified subsequently to profit or loss			
Re-measurement of retirement benefit obligation	-	-	445
Other comprehensive income for the period	<u>-</u>	<u>-</u>	<u>445</u>
Total comprehensive loss for the period	<u>(10,418)</u>	<u>(12,369)</u>	<u>(61,922)</u>
Attributable to:			
Owners of the Company	(10,418)	(12,367)	(61,775)
Non-controlling interests	-	(2)	(147)
	<u>(10,418)</u>	<u>(12,369)</u>	<u>(61,922)</u>

CONDENSED CONSOLIDATED BALANCE SHEET

As at 31 March 2016

	Notes	31 March 2016 Unaudited USD 000's	31 December 2015 Audited USD 000's
ASSETS			
Non-current assets			
Intangible exploration and evaluation assets	5	33,119	32,663
Property, plant and equipment	6	637,675	621,571
Investment in Joint Venture		6,008	5,528
Other non-current assets		11,696	22,754
		<u>688,498</u>	<u>682,516</u>
Current assets			
Inventories		25,950	24,411
Trade and other receivables	7	50,246	48,198
Cash and cash equivalents	8	68,627	105,297
		<u>144,823</u>	<u>177,906</u>
Total assets		<u>833,321</u>	<u>860,422</u>
EQUITY AND LIABILITIES			
Equity			
Share capital		560,776	559,835
Share premium		205,890	205,491
Other reserves		(105,840)	(105,613)
Retained deficit		(320,855)	(310,437)
Equity attributable to owners of the Company		<u>339,971</u>	<u>349,276</u>
Non-controlling interest		<u>4,532</u>	<u>5,645</u>
Total equity		<u>344,503</u>	<u>354,921</u>
Non-current liabilities			
Borrowings		243,701	243,326
Convertible loans		118,909	117,329
Obligations under finance leases		3,671	3,911
Provisions		15,443	15,458
Deferred tax liabilities		163	163
		<u>381,887</u>	<u>380,187</u>
Current liabilities			
Trade and other payables	9	100,232	119,659
Current tax payable		2,759	1,849
Convertible loans		2,391	2,071
Obligations under finance leases		1,549	1,735
		<u>106,931</u>	<u>125,314</u>
Total liabilities		<u>488,818</u>	<u>505,501</u>
Total equity and liabilities		<u>833,321</u>	<u>860,422</u>



Manssour Aboukhamseen
Chairman & Managing Director

30 June 2016

KUWAIT ENERGY PLC
CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Three months ended 31 March 2016



	Share capital	Share premium	Other reserves	Retained deficit	Total	Non- controlling interest	Total equity
	USD 000's	USD 000's	USD 000's	USD 000's	USD 000's	USD 000's	USD 000's
Balance at 1 January 2015 (Audited)	557,808	204,760	(106,609)	(248,217)	407,742	8,770	416,512
Loss for the year	-	-	-	(62,220)	(62,220)	(147)	(62,367)
Other comprehensive income for the year	-	-	445	-	445	-	445
Total comprehensive loss for the year	-	-	445	(62,220)	(61,775)	(147)	(61,922)
Issue of shares	2,027	731	220	-	2,978	(2,978)	-
Share based payment charges	-	-	331	-	331	-	331
Balance at 31 December 2015 (Audited)	559,835	205,491	(105,613)	(310,437)	349,276	5,645	354,921
Loss for the period	-	-	-	(10,418)	(10,418)	-	(10,418)
Other comprehensive income for the period	-	-	-	-	-	-	-
Total comprehensive loss for the period	-	-	-	(10,418)	(10,418)	-	(10,418)
Issue of shares	941	399	(227)	-	1,113	(1,113)	-
Balance at 31 March 2016 (Unaudited)	560,776	205,890	(105,840)	(320,855)	339,971	4,532	344,503

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

Three months ended 31 March 2016

	Three months ended 31 March		Year ended
	2015		31 December
	2016	Unaudited	2015
Note	Unaudited	(Restated)*	Audited
	USD 000's	USD 000's	USD 000's
OPERATING ACTIVITIES			
Loss for the period	(10,418)	(12,369)	(62,367)
Adjustments for:			
Share of results of Joint Venture	(480)	(500)	(445)
Depreciation, depletion and amortisation	18,492	24,779	69,147
Exploration expenditure written off	-	2,300	14,218
Impairment of oil and gas assets	-	-	69,010
Profit on farm-out of working-interest	-	-	(33,876)
Tax charges	910	1,500	2,259
Foreign exchange loss	63	316	1,851
Fair value loss on convertible loans	3,565	3,600	9,261
Finance costs	2,667	4,539	9,654
Interest income	(182)	(125)	(1,177)
Provision for retirement benefit obligation	145	278	1,487
Operating cash flow before movement in working capital	14,762	24,318	79,022
(Increase)/decrease in trade and other receivables	(2,032)	7,838	58,776
Decrease in trade and other payables	(3,267)	(30,310)	(25,807)
Increase in inventories	306	2,318	1,793
Tax paid	-	(1,054)	(9,624)
Net cash generated by operating activities	9,769	3,110	104,160
INVESTING ACTIVITIES			
Purchase of intangible exploration and evaluation assets	(457)	(11,208)	(10,596)
Purchase of oil and gas assets	(29,644)	(49,100)	(202,065)
Acquisition of oil and gas assets	-	-	(3,857)
Purchase of other fixed assets	(136)	(308)	(10,802)
(Increase)/decrease in capital inventory stores	(1,845)	316	(4,562)
Proceeds from farm-out of working interests	-	-	43,190
Withdrawal from/(additions to) decommission and retirement benefit obligation fund	-	(900)	300
Investment in Joint Venture	-	-	(945)
Dividend received from Joint Venture	-	2,000	4,000
Interest received	168	125	1,157
Net cash used in investing activities	(31,914)	(59,075)	(184,180)
FINANCING ACTIVITIES			
Proceeds from finance lease	-	-	5,902
Repayment of obligations under finance leases	(489)	-	(489)
Finance costs paid	(13,975)	(13,555)	(34,342)
Net cash used in financing activities	(14,464)	(13,555)	(28,929)
Net decrease in cash and cash equivalents	(36,609)	(69,520)	(108,949)
Cash and cash equivalents at beginning of the period	105,297	215,992	215,992
Effect of foreign exchange rate changes on cash and cash equivalents	(61)	(289)	(1,746)
Cash and cash equivalents at end of the period	8 68,627	146,183	105,297

*Movement in trade and others payables have been split between operating and investing activities (purchase of oil and gas assets).

1. INCORPORATION AND ACTIVITIES

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

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

These condensed set of financial statements do not include all of the information required for a full annual financial report and are to be read in conjunction with the Group’s financial statements for the year ended 31 December 2015, which were prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union (EU). The financial information for the year ended 31 December 2015 in this report does not constitute statutory accounts. This information has been derived from the statutory accounts for the year ended 31 December 2015, [a copy of which has been filed with the Jersey Registrar of Companies]. The auditor’s report on these accounts was unqualified and did not draw attention to any matters by way of emphasis.

2. ACCOUNTING POLICIES

The annual financial statements of the Group are prepared in accordance with IFRS as adopted by the European Union. The condensed set of financial statements included in this first-quarterly financial report has been prepared in accordance with International Accounting Standard 34 ‘Interim Financial Reporting’, as adopted by the European Union.

The accounting policies used in the preparation of these condensed set of financial statements are consistent with those used in the preparation of the annual consolidated financial statement for the year ended 31 December 2015.

3. SEGMENT INFORMATION

Information reported to the Group’s Executive Management for the purposes of resource allocation and assignment of segment performance is specifically focused on the geographical area, namely Egypt, Iraq, Yemen and rest of the world (included in others). The Group has one class of business, being the exploration, development, production and sale of crude oil and natural gas.

Other operations include 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.

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

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

NOTES TO THE CONDENSED SET OF FINANCIAL STATEMENTS

Three months ended 31 March 2016

3. SEGMENT INFORMATION (CONTINUED)

	Egypt USD 000's	Iraq USD 000's	Yemen USD 000's	Others USD 000's	Total (Unaudited) USD 000's
31 March 2016					
Segment revenues	24,080	8,315	-	-	32,395
Segment operating (loss)/profit	(3,103)	1,935	(1,531)	(1,404)	(4,103)
Share of results of Joint Venture	-	-	-	480	480
Fair value loss on convertible loans					(3,565)
Other income					410
Foreign exchange loss					(63)
Finance costs					(2,667)
Loss before tax					(9,508)
Taxation charges					(910)
Loss for the year					(10,418)
Segment assets	267,113	422,371	85,885	57,952	833,321
E&E assets	12,248	-	20,871	-	33,119
PP&E	191,638	398,737	45,765	1,535	637,675
Segment liabilities	45,083	43,116	21,841	378,778	488,818
Other information					
Additions to E&E	456	-	-	-	456
Additions to PP&E	2,776	31,820	-	-	34,596
Depreciation, Depletion and Amortisation	13,942	4,550	-	-	18,492
31 March 2015					
Segment revenues	35,013	-	9,909	-	44,922
Segment operating profit/(loss)	6,130	-	(5,995)	(3,497)	(3,362)
Share of results of Joint Venture	-	-	-	500	500
Fair value loss on convertible loans					(3,600)
Other income					448
Foreign exchange loss					(316)
Finance costs					(4,539)
Loss before tax					(10,869)
Taxation charges					(1,500)
Loss for the year					(12,369)

NOTES TO THE CONDENSED SET OF FINANCIAL STATEMENTS

Three months ended 31 March 2016

3. SEGMENT INFORMATION (CONTINUED)

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

4. LOSS PER SHARE

The calculation of basic loss per share is based on the loss for the period after taxation attributable to owners of the Company of USD 10.4 million (31 March 2015: USD 12.4 million, 31 December 2015: USD 62.2 million) and a weighted average number of shares, net of treasury shares, of 326.5 million (31 March 2015: 326.3 million, 31 December 2015: 326.1 million).

There was no difference between basic and diluted loss per share for any of the periods shown. The only potential dilutive instruments were the outstanding Employee Incentive Scheme (EIS) share awards, which have no material dilution impact on earnings per share, together with shares to be issued on conversion of convertible loan 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.

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

	E&E assets USD 000's
As at 1 January 2015 (Audited)	46,488
Additions	10,742
Exploration expenditure written off	(14,218)
Transfer to Property, plant and equipment	(10,349)
As at 31 December 2015 (Audited)	32,663
Additions	456
As at 31 March 2016 (Unaudited)	33,119

As at 31 March 2016, exploration costs of USD 33.1 million (31 December 2015: USD 32.7 million) were capitalised pending further evaluation of whether or not the related oil and gas properties are commercially viable.

NOTES TO THE CONDENSED SET OF FINANCIAL STATEMENTS

Three months ended 31 March 2016

6. PROPERTY PLANT AND EQUIPMENT

	Oil and gas assets	Other fixed assets	Total
Cost	USD 000's	USD 000's	USD 000's
As at 1 January 2015 (audited)	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	10,349	-	10,349
As at 31 December 2015 (audited)	1,067,280	23,661	1,090,941
Additions	34,460	136	34,596
Disposal	-	(484)	(484)
As at 31 March 2016 (unaudited)	1,101,740	23,313	1,125,053
Accumulated Depreciation, depletion, amortisation and impairment			
As at 1 January 2015 (audited)	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)
As at 31 December 2015 (audited)	459,657	9,713	469,370
Charge for the period	18,479	13	18,492
Disposal	-	(484)	(484)
As at 31 March 2016 (unaudited)	478,136	9,242	487,378
Carrying amount			
As at 31 March 2016 (unaudited)	623,604	14,071	637,675
As at 31 December 2015 (audited)	607,623	13,948	621,571

The additions to oil and gas assets include USD 3.9 million (31 December 2015: USD 16.5 million) of finance costs on qualifying assets capitalised during the year and USD 0.4 million (31 December 2015: USD 1.7 million) of fair value loss on convertible loans capitalised.

7. TRADE AND OTHER RECEIVABLES

	31 March 2016 Unaudited USD 000's	31 December 2015 Audited USD 000's
Trade receivables	29,771	30,167
Advance due from joint ventures partners	7,961	5,444
Prepayments, deposits and advances	2,974	2,609
Amount due from a related party	1,645	1,647
Other receivables	7,895	8,331
	50,246	48,198

Included in the Group's trade receivables balance were debtors arising in Egypt amounting to USD nil (31 December 2015: USD 1,599 thousand, falling under aging bracket of 61-90 days) 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.

NOTES TO THE CONDENSED SET OF FINANCIAL STATEMENTS

Three months ended 31 March 2016

8. CASH AND CASH EQUIVALENTS

	31 March 2016 Unaudited USD 000's	31 December 2015 Audited USD 000's
Cash and cash equivalents	68,627	105,297
	<u>68,627</u>	<u>105,297</u>

Bank balances amounting to USD 7.5 million (31 December 2015: USD 7.5 million) were restricted against issue of letters of guarantee for work performance obligations in Karim Small Fields in Oman under the new service contract. Subsequent to the period end, restricted bank balance decreased to USD 4 million.

9. TRADE AND OTHER PAYABLES

	31 March 2016 Unaudited USD 000's	31 December 2015 Audited USD 000's
Trade Payables	87,528	95,001
Accruals and joint venture partners payables	7,360	13,658
Accrued interest payable	4,514	10,251
Salaries and bonus payables	830	749
	<u>100,232</u>	<u>119,659</u>

10. CONTINGENT LIABILITIES AND CAPITAL COMMITMENTS

	31 March 2016 Unaudited USD 000's	31 December 2015 Audited USD 000's
a) Contingent liabilities - letters of guarantee	7,500	7,500
b) Capital commitments (other than covered by letters of guarantee)	42,925	46,725
c) Agreement to purchase shares	7,121	7,121

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

11. FAIR VALUE OF FINANCIAL INSTRUMENTS

As at 31 March 2016 and 31 December 2015 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.

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

	31 March 2016 Unaudited USD 000's	31 December 2015 Audited USD 000's
At 1 January	119,400	117,829
Change in fair value	4,000	10,974
Payment of coupon interest	(2,100)	(9,403)
At 31 March/December	<u>121,300</u>	<u>119,400</u>