KUWAIT ENERGY plc GROUP

Kuwait Energy

CONDENSED CONSOLIDATED FINANCIAL STATEMENTS AND INDEPENDENT REVIEW REPORT FOR SIX MONTHS ENDED 30 JUNE 2013

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INDEPENDENT REVIEW REPORT TO KUWAIT ENERGY plc

We have been engaged by the company to review the condensed consolidated set of financial statements in the half-yearly financial report for the six months ended 30 June 2013 which comprises the condensed consolidated income statement, condensed consolidated statement of comprehensive income, the condensed consolidated balance sheet, the condensed consolidated statement of changes in equity, the condensed consolidated cash flow statement and related notes 1 to 18. We have read the other information contained in the half-yearly financial report and considered whether it contains any apparent misstatements or material inconsistencies with the information in the condensed set of financial statements.

This report is made solely to the company in accordance with International Standard on Review Engagements (UK and Ireland) 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the Auditing Practices Board. Our work has been undertaken so that we might state to the company those matters we are required to state to it in an independent review report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company, for our review work, for this report, or for the conclusions we have formed.

Directors' responsibilities

The half-yearly financial report is the responsibility of, and has been approved by, the directors.

As disclosed in note 2, the annual financial statements of the group are prepared in accordance with IFRSs as adopted by the European Union. The condensed set of financial statements included in this half-yearly financial report has been prepared in accordance with International Accounting Standard 34, "Interim Financial Reporting," as adopted by the European Union.

Our responsibility

Our responsibility is to express to the Company a conclusion on the condensed set of financial statements in the half-yearly financial report based on our review.

Scope of review

We conducted our review in accordance with International Standard on Review Engagements (UK and Ireland) 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the Auditing Practices Board for use in the United Kingdom. A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing (UK and Ireland) and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the condensed set of financial statements in the half-yearly financial report for the six months ended 30 June 2013 is not prepared, in all material respects, in accordance with International Accounting Standard 34 as adopted by the European Union.

Deloitte LLP

Deloitte LLP
Chartered Accountants
London, United Kingdom
11 / 11 / 2013

	Notes	6 Months ended 30.06.13 Unaudited USD 000's	6 Months ended 30.06.12 Unaudited USD 000's	Year ended 31.12.12 Audited USD 000's
Continuing Operations				
Revenue	4	139,052	113,324	225,267
Cost of sales		(88,500)	(54,051)	(120,564)
Gross profit		50,552	59,273	104,703
Impairment losses	9	(17,458)	-	(25,492)
Exploration expenditure written off	8	(40,254)	-	(3,680)
General and administrative expenses		(17,923)	(12,921)	(26,485)
Operating (loss) / profit		(25,083)	46,352	49,046
Gain on held for trading derivative		158	112	266
Fair value loss on convertible loan	13	(5,799)	(652)	(4,528)
Other income		1,144	2,877	3,375
Foreign exchange (loss) / gain		(3,416)	(44)	151
Finance costs (net)	5	(4,728)	(1,275)	(1,393)
(Loss) / profit before tax		(37,724)	47,370	46,917
Taxation credit / (charge)	6	596	(4,161)	(1,953)
(Loss) / profit for the period		(37,128)	43,209	44,964
Earnings per share				
- Basic (cents)	7	(11.5)	13.6	14.1
- Diluted (cents)	7	(11.5)	13.6	14.1

	Note	6 Months ended 30.06.13 Unaudited	6 Months ended 30.06.12 Unaudited	Year ended 31.12.12 Audited
		USD 000's	USD 000's	USD 000's
(Loss) / profit for the period		(37,128)	43,209	44,964
Other comprehensive income				
Items that may be reclassified subsequently to profit and loss				
Exchange differences on translation of foreign operations		(1,100)	20	8
Other comprehensive (loss) / income for the period		(1,100)	20	8
Total comprehensive (loss) / income for the period		(38,228)	43,229	44,972

KUWAIT ENERGY plc GROUP

CONDENSED CONSOLIDATED BALANCE SHEET

As at 30 June 2013

Kuwait Energy

	Notes	30.06.13 Unaudited USD 000's	31.12.12 Audited USD 000's
ASSETS			
Non-current assets			
Intangible exploration and evaluation assets	8	192,399	182,968
Property, plant and equipment	9	592,764	480,738
Advance for acquisition of subsidiary		-	30,000
Other non -current assets		6,883	7,647
Deferred tax asset		9,733	8,404
		801,779	709,757
Current assets			
Inventories		25,108	19,865
Trade and other receivables	10	205,408	220,020
Cash and bank balances	11	31,496	48,384
		262,012	288,269
Total assets		1,063,791	998,026
EQUITY AND LIABILITIES			
Equity			
Share capital		502,800	500,857
Share premium		189,291	188,526
Merger reserve		(36,140)	(36,140)
Other reserves		(4,885)	(8,766)
Retained earnings		70,357	112,466
Total equity		721,423	756,943
Non-current liabilities			
Long-term bank loans	12	-	60,000
Convertible loans	13	101,786	83,213
Long-term provisions		4,170	3,471
Deferred tax liability		20,663	24,053
		126,619	170,737
Current liabilities			
Trade and other payables		74,522	60,936
Current tax payable		9,144	8,926
Derivative financial instruments		327	484
Current portion of long-term bank loans	12	125,000	-
Current portion of convertible loans	13	6,756	-
		215,749	70,346
Total liabilities		342,368	241,083
Total equity and liabilities		1,063,791	998,026

Aboukhamseen

Manssour Aboukhamseen
Chairman and Managing Director

7 NOV 2013

	Share capital	Share premium	Merger reserve	Other reserves	Retained earnings	Total
	USD 000's	USD 000's	USD 000's	USD 000's	USD 000's	USD 000's
At 1 January 2012 (audited)	492,373	181,737	(36,140)	5,757	90,565	734,292
Total comprehensive income	-	-	-	20	43,209	43,229
Recognition of share-based Payments	-	-	-	743	-	743
Issue of shares under employee incentive scheme	1,310	1,131	-	(2,441)	-	-
Dividends	-		-	-	(23,062)	(23,062)
At 30 June 2012 (unaudited)	493,683	182,868	(36,140)	4,079	110,712	755,202
At 1 January 2013 (audited)	500,857	188,526	(36,140)	(8,766)	112,466	756,943
Total comprehensive loss			-	(1,100)	(37,128)	(38,228)
Issue of shares under employee incentive scheme	1,943	765	-	-	-	2,708
Shares to be issued to IFC (note 18)	-	-	-	4,981	(4,981)	-
At 30 June 2013 (unaudited)	502,800	189,291	(36,140)	(4,885)	70,357	721,423

KUWAIT ENERGY plc GROUP

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

Kuwait Energy

Six months ended 30 June 2013

	Notes	6 Months ended 30.06.13 Unaudited USD 000's	6 Months ended 30.06.12 Unaudited USD 000's	Year ended 31.12.12 Audited USD 000's
OPERATING ACTIVITIES				
(Loss)/profit before tax		(37,724)	47,370	46,917
Adjustments for:				
Depreciation, depletion and amortisation		52,724	29,234	67,723
Exploration expenditure written off		40,254	-	3,680
Impairment losses		17,458	-	25,492
(Gain) / Loss on held for trading derivative		(158)	(112)	(266)
Fair value loss on convertible loan		5,799	652	4,528
(Gain) / loss on sale of other assets		-	-	295
Loss on disposal of oil and gas assets		-	330	120
Finance costs		4,728	1,275	1,393
Interest income		(384)	(14)	(138)
Reversal of accounts payables		-	-	(2,675)
Foreign exchange loss / gain		3,416	-	-
Share-based compensation expense		-	743	742
Provision for retirement benefit obligation		349	256	364
Operating cash flow before movement in working capital		86,462	79,734	148,175
Decrease / (increase) in trade and other receivables		9,128	(65,763)	(38,200)
Increase / (decrease) in trade and other payables		13,908	(1,309)	5,949
Increase in inventories oil & gas		(760)	-	(372)
Tax paid		(3,954)	(8,861)	(8,777)
Net cash generated by operating activities		104,784	3,801	106,775
INVESTING ACTIVITIES				
Purchase of intangible exploration and evaluation assets		(46,888)	(16,119)	(35,248)
Purchase of property, plant and equipment		(48,532)	(28,146)	(75,289)
Acquisition of subsidiary, net of cash acquired	14	(102,765)	-	(30,000)
Decrease / (increase) in producing inventory stores		4,092	(1,604)	(3,252)
Purchase of other fixed assets		(789)	(2,701)	(3,254)
Prepayment for capital expenditure		-	-	(5,000)
Proceeds from disposal of other assets		-	-	8
Interest received		385	14	138
Net cash used in investing activities		(194,497)	(48,556)	(151,896)
FINANCING ACTIVITIES				
Proceeds from short term loans		40,000	-	-
Increase in long term loans		50,000	-	57,353
Repayment of short term loans		(25,000)	(8,000)	(58,000)
Proceeds from convertible loan		17,000	50,000	83,000
Dividend paid		-	-	(23,279)
Finance costs paid		(9,175)	-	(6,053)
Net cash generated by financing activities		72,825	42,000	53,021
Effect of foreign currency translation		-	20	8
Net (decrease) / increase in cash and bank balances		(16,888)	(2,735)	7,907
Cash and bank balances at beginning of the period		48,384	40,477	40,477
Cash and bank balances at end of the period	11	31,496	37,742	48,384

1. INCORPORATION AND ACTIVITIES

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

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

The condensed financial statements represent a 'condensed set of financial statements'. Accordingly, they 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 2012, which were prepared in accordance with International Financial Reporting Standards (IFRS) adopted for use by the European Union (EU). The financial information for the year ended 31 December 2012 in this report does not constitute statutory accounts. This information has been derived from the statutory accounts for the year ended 31 December 2012, 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. SIGNIFICANT ACCOUNTING POLICIES

The annual financial statements of Kuwait Energy plc are prepared in accordance with IFRS as adopted by the European Union. The condensed set of financial statements included in this half-yearly financial report have been prepared in accordance with International Accounting Standard 34, 'Interim Financial Reporting', as adopted by the European Union.

Basis of preparation

The accounting policies used in the preparation of this interim condensed consolidated financial information are consistent with those used in the most recent annual audited consolidated financial statements for the year ended 31 December 2012.

In 2012, a number of new standards and interpretations became effective as noted in the 2012 Annual Report and accounts. The adoption of these standards and interpretations has not had a material impact on the financial statements of the Group. Since the 2012 Annual report and accounts were published no significant new standards and interpretations have been issued. The following new and revised standards became effective during 2013:

- IAS 1 Presentation of Items of Other Comprehensive income – Amendments to IAS 1
- IAS 19 (revised) Employee benefits
- IFRS 7 (amended) Disclosures – Offsetting Financial Assets and Financial Liabilities
- IFRS 13 Fair Value Measurement

The amendments to IAS 1 require items of other comprehensive income to be grouped by those items that will be reclassified subsequently to profit or loss and those that will never be reclassified, together with their associated income tax. The amendments have been applied retrospectively, and hence the presentation of items of comprehensive income has been restated to reflect the change.

IAS 19 (revised 2011) and the related consequential amendments have impacted the accounting for the Group's defined benefit scheme, by replacing interest cost and expected return on plan assets with a net interest charge on the net defined benefit liability.

IFRS 13 has impacted the measurement of fair value for certain assets and liabilities as well as introducing new disclosures for the interim financial statements, as set out in note 16.

Other than noted above, the adoption of these standards has not had a material impact on the financial statements of the Group.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Basis of preparation (continued)

In addition, the following standards, which are endorsed by the EU but are not effective until 1 January 2014, will be adopted for the period beginning 1 January 2014:

- IFRS 10 Consolidated Financial Statements
- IFRS 11 Joint Arrangements
- IFRS 12 Disclosure of Interests in Other Entities
- IAS 27 (revised) Separate Financial Statements
- IAS 28 (revised) Investment in Associates and Joint Ventures

The Directors do not expect that the adoption of these standards will have a material impact on the financial statements of the Group in future periods.

Going concern

The Group has significant levels of planned capital expenditure during the next 12 months, although the majority of this is discretionary. As at 30 June 2013 the Group was funded principally by a combination of its cash balances (see note 11), equity and long term debt (see notes 12 and 13). It continues to face challenges in collecting the amounts owed from its major customer in Egypt, EGPC, but is actively pursuing collection of these balances, as evidenced by the significant amounts collected during the first half of 2013 and subsequently (see note 10). In order to provide additional funding flexibility, on 25 September 2013, the Group signed an agreement providing financing of USD 60 million from Arab Bank in the form of a long term loan. The loan is secured by a pledge over its assets in Yemen.

The Group's projections, taking into account reasonably possible changes in trading conditions, indicate that it should have enough cash flows to meet its minimum commitments, including loan repayments, and continue its operations. Accordingly the Directors have, at the time of approving these condensed financial statements, a reasonable expectation that the Company and the Group have adequate resources to continue in operational existence for the foreseeable future, being 12 months from the date of approval of these interim financial statements. Thus the Directors continue to adopt the going concern basis of accounting in preparing these condensed consolidated financial statements.

3. SEGMENTAL INFORMATION

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

The accounting policies of the reportable segments are the same as the Group's accounting policies described in the annual audited financial statements for the year ended 31 December 2012. Segment profit represents the operating profit earned by each segment. This is the measure reported to the chief operating decision maker for the purposes of resource allocation and assessment of segment performance.

3. SEGMENTAL INFORMATION (CONTINUED)

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

- there are no assets used jointly by any reportable segment; and
- there are no liabilities for which any segment is jointly liable other than the facilities from Deutsche Bank and International Finance Corporation (see note 12) amounting to USD 110 Million (31 December 2012: USD 60 Million) which has been utilised jointly by the Company, Kuwait Energy Egypt Ltd and Kuwait Energy Yemen Ltd.

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

Revenue from major products and services

The Group's revenues from oil and gas are disclosed in note 4 to these consolidated financial statements.

Information about major customers

Included in revenues arising from Egypt for the half year is revenue of approximately USD 85,481 thousand (2012: USD 85,174 thousand) which arose from sales to the Group's largest customer. Revenue arising in Yemen for the half year amounting to USD 24,920 thousand (2012: nil) was all sold to Exxon Mobil in Yemen.

3. SEGMENTAL INFORMATION (CONTINUED)

	Egypt	Yemen	Iraq	Oman	Ukraine	Russia	Others	Total
	USD 000's	USD 000's	USD 000's	USD 000's	USD 000's	USD 000's	USD 000's	USD 000's
30 June 2013								
Segment revenues	85,481	31,621	-	9,901	5,822	6,227	-	139,052
Segment results	46,817	(1,943)	(146)	931	(8,767)	(24,524)	(37,451)	(25,083)
Gain on held for trading derivative								158
Fair value Loss on convertible loan								(5,799)
Other income								1,144
Foreign exchange loss								(3,416)
Finance costs (net)								(4,728)
Profit before tax								(37,724)
Taxation								596
Profit for the period								(37,128)
Segment assets	483,961	189,839	60,976	13,101	176,690	102,718	36,506	1,063,791
E&E assets	108,189	44,597	18,003	-	7,500	-	14,110	192,399
PP&E	189,767	112,731	38,003	5,250	150,001	92,403	4,609	592,764
Segment liabilities	42,199	9,310	8,701	3,317	20,857	7,427	250,557	342,368
Other information								
Additions to E&E	9,834	3,402	18,003	-	-	96	20,793	52,128
Additions to PP&E	17,328	2,269	14,306	6,310	9,174	2,076	1,074	52,537

3. SEGMENTAL INFORMATION (CONTINUED)

	Egypt	Yemen	Iraq	Oman	Ukraine	Russia	Others	Total
	USD 000's	USD 000's	USD 000's	USD 000's	USD 000's	USD 000's	USD 000's	USD 000's
30 June 2012								
Segment revenues	85,174	7,640	-	9,887	3,607	7,016	-	113,324
Segment results	51,744	2,584	(660)	2,861	(615)	(2,305)	(7,257)	46,352
Gain on held for trading derivative								112
Fair value Loss on convertible loan								(652)
Other income								2,877
Foreign exchange loss								(44)
Finance costs (net)								(1,275)
Profit before tax								47,370
Taxation								(4,161)
Profit for the period								43,209
Segment assets	538,504	50,869	8,235	16,870	180,007	145,374	21,262	961,121
E&E assets	88,774	37,698	-	-	7,500	10,776	20,740	165,488
PP&E	205,450	2,707	8,098	6,993	139,886	123,405	5,936	492,475
Segment liabilities	26,885	6,050	2,309	3,274	20,513	13,929	132,959	205,919
Other information								
Additions to E&E	12,357	2,174	-	-	-	121	1,635	16,287
Additions to PP&E	3,881	11	3,614	5,463	1,329	12,143	2,488	28,929

3. SEGMENTAL INFORMATION (CONTINUED)

	Egypt	Yemen	Iraq	Oman	Ukraine	Russia	Others	Total
	USD 000's	USD 000's	USD 000's	USD 000's	USD 000's	USD 000's	USD 000's	USD 000's
31 December 2012								
Segment revenues	168,241	14,735	-	20,607	8,031	13,653	-	225,267
Segment results	94,039	(21)	-	3,480	1,858	(35,753)	(14,557)	49,046
Gain on held for trading derivative								266
Fair value Loss on convertible loan								(4,528)
Other income								3,375
Foreign exchange loss								151
Finance costs (net)								(1,393)
Profit before tax								46,917
Taxation								(1,953)
Profit for the period								44,964
Segment assets	506,699	55,935	24,015	14,161	180,367	122,212	94,637	998,026
E&E assets	100,797	41,195	-	-	7,500	11,026	22,450	182,968
PP&E	190,776	4,007	23,696	6,359	153,377	101,278	1,245	480,738
Segment liabilities	30,800	5,138	2,701	5,106	21,606	8,673	167,059	241,083
Other information								
Additions to E&E	24,381	9,351	-	-	-	372	3,343	37,447
Additions to PP&E	14,145	2,778	19,212	12,973	8,987	21,397	2,878	82,370

4. REVENUE

	6 Months ended 30.06.13 Unaudited	6 Months ended 30.06.12 Unaudited	Year ended 31.12.12 Audited
	USD 000's	USD 000's	USD 000's
Oil sales	133,303	109,717	217,236
Gas sales	5,749	3,607	8,031
	139,052	113,324	225,267

5. FINANCE COSTS

	6 Months ended 30.06.13 Unaudited	6 Months ended 30.06.12 Unaudited	Year ended 31.12.12 Audited
	USD 000's	USD 000's	USD 000's
Unwinding of decommissioning provision	99	74	158
Borrowing costs on bank overdrafts and loans	6,421	1,999	3,554
Less: amount capitalised in cost of qualifying assets	(1,792)	(798)	(2,319)
	4,728	1,275	1,393

6. INCOME TAX EXPENSE

	6 Months ended 30.06.13 Unaudited	6 Months ended 30.06.12 Unaudited	Year ended 31.12.12 Audited
Tax on profit on ordinary activities	USD 000's	USD 000's	USD 000's
Current tax:			
Corporation tax	4,123	5,541	8,713
Total current tax	4,123	5,541	8,713
Deferred tax:			
Origination and reversal of temporary differences	(4,719)	(1,380)	(6,760)
Total deferred tax	(4,719)	(1,380)	(6,760)
Tax (credit) / charge on profit on ordinary activities	(596)	4,161	1,953

7. EARNINGS PER SHARE

a) Basic earnings per share

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

	6 Months ended 30.06.13 Unaudited	6 Months ended 30.06.12 Unaudited	Year ended 31.12.12 Audited
	USD 000's	USD 000's	USD 000's
(Loss) / profit for the period	(37,128)	43,209	44,964
	Shares	Shares	Shares
Weighted average number of shares for the purposes of basic earnings per share (thousand)	323,055	317,727	319,515
Basic (loss) / earnings per share (cents)	(11.5)	13.6	14.1

b) Diluted earnings per share

The earnings used in the calculation of diluted earnings per share are as follows:

	6 Months ended 30.06.13 Unaudited	6 Months ended 30.06.12 Unaudited	Year ended 31.12.12 Audited
	USD 000's	USD 000's	USD 000's
Earnings used in the calculation of diluted earnings per share	(37,128)	43,209	44,964

The weighted average number of ordinary shares for the purposes of diluted earnings per share reconciles to the weighted average number of ordinary shares used in the calculation of basic earnings per share as follows:

	Shares	Shares	Shares
Weighted average number of ordinary shares used in the calculation of basic earnings per share (thousand)	323,055	317,727	319,515
Shares deemed to be issued for no consideration in respect of:			
Financing arrangement (thousand) – see below	-	-	-
Weighted average number of ordinary shares used in the calculation of diluted earnings per share (thousand)	323,055	317,727	319,515
Diluted (loss) / earnings per share (cents)	(11.5)	13.6	14.1

The shares to be issued represent 3,174,067 shares to be issued to IFC under equity participation which arose in the current period (see note 18) but are anti-dilutive as the group is loss making. This is therefore excluded from the diluted loss per share calculation.

The impact of the convertible loans, disclosed in note 13, on dilutive earnings per share is not included in the calculation above as the number of shares that could be exercised is dependent on certain future events.

8. INTANGIBLE EXPLORATION AND EVALUATION ASSETS

	Exploration and evaluation assets
	USD 000's
Cost	
As at 1 January 2012	149,201
Additions	37,447
Exploration expenditure written off	(3,680)
As at 31 December 2012	182,968
Additions	52,128
Exploration expenditure written off	(40,254)
Transfer to Property, plant and equipment	(2,443)
As at 30 June 2013	192,399

At 30 June 2013, exploration costs of USD 192,399 thousand (December 2012: 182,968 thousand) were not amortised, pending further evaluation of whether or not the related oil and gas properties are commercially viable.

Of the total amount held on the Balance Sheet, USD 46,770 thousand (December 2012: 41,771 thousand) relates to unsuccessful exploration expenditure that is supported by the estimated value of the residual exploration assets in the relevant cost pool.

Exploration expenditure written off of USD 40,254 thousand includes USD 29,133 thousand relating to Licence 1 in Latvia (reported within the "other" segment in note 3) where, due to unsuccessful exploration results, the Group has decided to exit the country. Further the Company has written off exploration expenditure amounting to USD 11,121 thousand related to Chikshinskoye field in Russia due to unsuccessful exploration results.

9. PROPERTY PLANT AND EQUIPMENT

	Oil and gas assets	Other fixed assets	Total
	USD 000's	USD 000's	USD 000's
Cost			
As at 1 January 2012	693,164	11,195	704,359
Additions	78,614	3,756	82,370
Write-back off asset	5,374	-	5,374
Impairment reversal	540	-	540
Disposal	(763)	(511)	(1,274)
As at 31 December 2012	776,929	14,440	791,369
Additions	51,748	789	52,537
Transfer from E&E assets	2,443	-	2,443
Acquisition of subsidiary (note 14)	128,334	-	128,334
Disposal	(13)	-	(13)
Currency translation effect	(1,100)	-	(1,100)
As at 30 June 2013	958,341	15,229	973,570
Depreciation, depletion, amortisation and impairment losses			
As at 1 January 2012	208,134	3,098	211,232
Charge for the period	65,835	1,888	67,723
Impairment	30,862	-	30,862
Write-back of asset	1,308	-	1,308
Disposal	(282)	(212)	(494)
As at 31 December 2012	305,857	4,774	310,631
Charge for the year	51,735	989	52,724
Impairment	17,458	-	17,458
Disposal	(7)	-	(7)
As at 30 June 2013	375,043	5,763	380,806
Carrying amount			
As at 30 June 2013	583,298	9,466	592,764
As at 31 December 2012	471,072	9,666	480,738

During the period, the Group recognised a total impairment loss of USD 17,458 thousand (31 December 2012: USD 30,682) to match the carrying value of the assets to the recoverable value, measured on a value in use basis. The impairment relates to the Luzskoye field in Russia (USD 10,281 thousand), BC in Ukraine (USD 5,882 thousand), KSF in Oman (USD 418 thousand) and Yemen (USD 815 thousand) and primarily arose due to a combination of cost increases and falling commodity prices. The pre-tax real discount rate used in this calculation was between 10 - 13.75% (31 December 2012: 11.4%). The impairment charge seen in Russia and Ukraine is sensitive to, in particular, the discount rate used and a 1% change in the discount rate would alter the impairment charge seen on the assets by USD 11,033 thousand and USD 3,543 thousand respectively.

The additions to oil and gas assets include USD 1,792 thousand (31 December 2012: USD 4,053 thousand and 30 June 2012: USD 3,177 thousand) of finance costs on qualifying assets capitalised during the period using a weighted average interest rate of 6.02%.

The property, plant and equipment of certain subsidiary undertakings with a net book value of USD 208,157 thousand (31 December 2012: USD 445,835) are under registered mortgage to secure certain bank loans (see note 12).

10. TRADE AND OTHER RECEIVABLES

	30.06.13 Unaudited	31.12.12 Audited
	USD 000's	USD 000's
Trade receivables	144,154	169,427
Prepayments, deposits and advances	10,518	11,917
Other receivables	50,736	38,676
	205,408	220,020

Included in the Group's trade receivables balance are debtors with a carrying amount of USD 100,974 thousand (December 2012: USD 125,227 thousand) which are past due at the reporting date for which the Group has not provided against as there has not been a significant change in credit quality and the amounts are still considered recoverable.

Ageing of past due but not impaired

	30.06.13 Unaudited	31.12.12 Audited
	USD 000's	USD 000's
61 – 90 days	11,593	16,982
91 – 120 days	25,107	26,524
121 – 180 days	175	1,707
> 180 days	64,105	80,014
Total	100,974	125,227

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.

Debtor recoverability

The Group has significant trade receivables which are past due but not impaired. The majority of this balance is due from Egyptian General Petroleum Corporation ("EGPC"). During the course of 2012 and 2013 to date, the Egyptian political situation remained unstable due to the "Arab Spring" revolutions, which caused a significant delay in the receipt of amounts owed to the Group. However, management believes that all amounts owed at 30 June 2013 will be collected during the course of the coming year. In making this judgement, factors considered include EGPC's strong track record of ultimate settlement, the receipt of USD 25,000 thousand for directly allocated cargoes in August 2013 and other confirmed cargo receipts of approximately USD 25,000 thousand expected by the end of the year.

11. CASH AND BANK BALANCES

	30.06.13 Unaudited	31.12.12 Audited
	USD 000's	USD 000's
Cash and bank balances	31,496	48,384

Bank balances amounting to USD 1,809 thousand (31 December 2012: USD 1,833 thousand) are restricted against issue of letters of guarantee, and USD 936 thousand (31 December 2012: nil) are held in escrow for environmental restoration.

12. LONG-TERM BANK LOANS

	30.06.13 Unaudited	31.12.12 Audited
	USD 000's	USD 000's
Non-current portion		
Due to banks	-	60,000
Current portion		
Due to banks	125,000	-

The details of long-term loans are as follows:	30.06.13 Unaudited	31.12.11 Audited
	USD 000's	USD 000's
(ii) USD 15 million facility from Qatar First Bank that bears a fixed interest rate of 7% per annum.	15,000	-
(ii) USD 165 million facility from Deutsche Bank Syndicate that bears a floating interest rate of LIBOR plus 5% per annum.	110,000	60,000
	125,000	60,000

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

The reserve based facility of USD 165 million is secured by pledges on the assets of the subsidiaries Kuwait Energy Egypt Ltd and Kuwait Energy Ukraine Ltd (see note 9). The loan is repayable by 30 June 2017 and is measured at amortised cost using the effective interest method. During the period the Group failed to comply with certain financial and non-financial covenants within the loan agreement resulting in the potential event of default. Whilst the Group's lenders have historically never called any loans or issued any default notice in relation to the facility, the Group, prior to 30 June 2013, commenced discussions with the relevant lenders to renegotiate the loan terms. Although discussions were on-going, at the 30 June 2013 no covenant waiver had been provided. As a result the non-current debt associated with the facility was reclassified as current as at 30 June 2013. Since the period end the loan has been renegotiated and an amended and restated agreement was signed on 18 September 2013. Going forward, the directors expect to comply with the financial and non-financial covenants set out in the loan agreement. Accordingly, the loan will be classified as non-current going forward and should not fall due prior to its original maturity. At the 30 June 2013, the Group had undrawn loan facilities amounting to USD 55 million (31 December 2012: USD 105 million), although the amount available for immediate draw down was limited to USD nil based on the latest borrowing base approved by Deutsche Bank as determined by the forecast cash flows arising from the borrowing base assets. Since the period end, the Group has repaid $5 million of the loan in order to comply with the latest borrowing base, of $105 million.

13. CONVERTIBLE LOAN

	30.06.13 Unaudited	31.12.12 Audited
	USD 000's	USD 000's
Non-current portion	101,786	83,213
Current portion	6,756	-
	108,542	83,213

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 in the current period. Of the USD 200 million remaining on the loans USD 50 million has expired and the residual USD 150 million is subject to certain additional conditions precedent. The loans are repayable in three equal instalments payable at every six month interval starting from 66th month from the first draw down date. The loans carry a coupon interest of 8% and together with an additional interest uplift of 8% which is payable at conversion (total effective interest rate of 16%) will be converted into the equity shares of the Company or will be repaid in cash depending upon exercise of certain conversion or prepayment options by the lenders and the company. If the options are not exercised, the outstanding loans, without additional interest, are repaid in cash as per the repayment schedule.

If the conversion options are exercised, the outstanding loans, together with the additional 8% interest uplift, are convertible into shares of the Company based on the fair value of the shares on the conversion date. These embedded options are in the nature of embedded derivatives which have been determined not to be closely related to the loan arrangements. The group has opted to recognise the convertible loans as financial liabilities at fair value through the income statement.

The fair value of the total liability as at 30 June 2013 is determined at USD 108,542 thousand and the resulting loss of USD 7,639 thousand for the change in fair value since the prior period as a result of changes in the forecasted cash flows, is recognised in the income statement. Of this amount USD 1,840 thousand has been capitalised to qualifying assets in the period, see note 9.

The convertible loans are both classified as Level 3. Level 3 fair value measurements are those derived from inputs that are not based on observable market data (unobservable inputs).

14. ACQUISITION OF SUBSIDIARY

On the 31 January 2013 the Group completed the acquisition of 100% of Jannah Hunt Oil Company (Hunt), a company with oil and gas assets in Yemen. The acquisition of Hunt added a 15% participating interest in the producing Block 5 licence, adding to the Group's existing portfolio. The transaction had an effective date of 1 October 2012 but completed on 31 January 2013 and this is therefore the acquisition date. The transaction is accounted for in 2013 as a business combination in accordance with IFRS 3, 'Business Combinations'. The fair value allocation to the Jannah Hunt Oil Company assets is preliminary due to the timing and nature of the acquisition and will be reviewed in accordance with the provisions of IFRS 3 – Business Combinations. Due to the inherently uncertain nature of the oil and gas industry, the assumptions underlying the preliminary assigned values are judgemental in nature.

	Provisional fair value on acquisition USD 000's
Non-current assets	
Property, plant and equipment	128,334
Current assets and current liabilities	
Inventories	8,575
Trade and other receivables	175
Cash and cash equivalents	960
Trade and other payables	(3,411)
Non-current liabilities	
Future decommissioning provision	(908)
Purchase consideration paid in cash	**133,725***

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

The total purchase consideration equals the aggregate of the fair value of the identifiable assets and liabilities of Jannah Hunt Oil Company and therefore no goodwill has been recorded on acquisition.

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

From the date of acquisition, Jannah Hunt Oil Company has contributed USD 24.9 million to Group revenues and a profit of USD 370 thousand to the profit of the Group. If the acquisition had been completed on the first day of the financial year, Group revenues and loss for the period would have been USD 144.0 million and USD 37.1m respectively.

There were no acquisitions involving business combinations in 2012.

15. CONTINGENT LIABILITIES AND CAPITAL COMMITMENTS

a) Ukrnafta dispute

The Joint Activity Agreement # 410/95 as amended (JAA) governed the joint exploration and development of the Rudivsky-Chervonozavodsky gas condensate field in Ukraine (the RC Field) by Carpatsky Petroleum Corporation (CPC), a subsidiary undertaking of Kuwait Energy, and Ukrnafta OJSC (Ukrnafta).

In September 2007, CPC commenced arbitration proceedings against Ukrnafta for various breaches of the JAA including Ukrnafta's refusal to permit CPC to make additional investments in the JAA in violation of the provisions of the JAA permitting CPC to make such investments, in order to restore its investment in the RC Field from approximately 14.91% back to the 50% level envisaged by the JAA.

The arbitration tribunal issued its decision on 24 September 2010 awarding CPC damages in the amount of USD145.7 million plus post-award interest plus costs of approximately USD1.2 million, and declared the JAA terminated by reason of Ukrnafta' s breach. This decision was confirmed by an arbitration tribunal on 16 November 2010. CPC is still diligently pursuing collection of the award.

	30.06.13 Unaudited	31.12.12 Audited
	USD 000's	USD 000's
b) Other contingent liabilities - letters of guarantee	2,674	2,423
c) Capital commitments (other than covered by letters of guarantee)	136,700	114,200

d) Agreement to purchase shares

The Chief Operating Officer (COO) of the company has entered into an agreement with a third party on behalf of the company 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 company may be required to lend the COO the purchase price of the shares, approximately USD 11 million, until such time as the COO is able to sell the shares and repay the loan to the company.

16. FINANCIAL INSTRUMENTS

The Group held the following financial instruments at 30 June 2013.

	30.06.13 Unaudited	31.12.12 Audited
	USD 000's	USD 000's
Financial assets		
Loans and receivablesat amortised cost		
- Trade and other receivables	194,890	208,102
Cash and bank balances at amortised cost	31,496	48,384
Financial liabilities		
At amortised cost		
- Trade and other payables	66,278	53,016
- Long-term loans	-	60,000
- Current portion of long term loans	125,000	-
At fair value through profit and loss account (FVTPL)		
-Designated as FVTPL - convertible loans	108,542	83,213
-Derivative financial instruments	327	484

Fair value of financial instruments

(a) Cash, Bank, trade and other receivables balances approximates their fair value due to the short-term nature of these instruments.

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

(c) Financial assets and liabilities that are measured subsequent to initial recognition at fair value are derivatives and convertible loans (note 13).

The Group enters into a variety of derivative financial instruments to manage its exposure to interest rate in the form of interest rate caps.

Derivatives are initially recognised at fair value at the date the derivative contract is entered into and are subsequently re-measured to their fair value at the end of each reporting period. The resulting gain or loss is recognised in the consolidated statement of income immediately unless the derivative is designated and effective as a hedging instrument, in which event the timing of the recognition in the consolidated statement of income depends on the nature of the hedge relationship. A derivative with a positive fair value is recognised as a financial asset while a derivative with a negative fair value is recognised as a financial liability.

The Group's derivative financial instruments are all classified as Level 2 in both years. Level 2 fair value measurements are those derived from inputs other than quoted prices that are observable for the asset or liability either directly (i.e. as prices) or indirectly (i.e. derived from prices).

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.

The convertible loans are classified as Level 3 in both years. Level 3 fair value measurements are those derived from inputs that are not based on observable market data (unobservable inputs), see note 13.

There have been no transfers between categories during the period.

17. ANNUAL GENERAL ASSEMBLY

The Annual General Assembly of the Parent Company held on 28 March 2013 approved the annual audited consolidated financial statements of the Group for the year ended 31 December 2012.

18. SUBSEQUENT EVENTS

Subsequent to the period end, the Group has entered into a loan agreement with Arab Bank for USD 60 million, secured by a pledge over block 5 Yemen. The loan is repayable by 25 December 2016 and bears interest at LIBOR + 5%.

On 22 July 2013 the Group issued 3,174,067 shares to International Finance Corporation (IFC) in accordance with the terms of the 2010 share agreement signed with the lender. The par value of this obligation at 30 June 2013 of USD 4,981 thousand was recorded as "Shares to be Issued" within Other Reserves.