

First Energy Bank B.S.C. (c)

**INTERIM CONDENSED CONSOLIDATED
FINANCIAL STATEMENTS**

31 MARCH 2012

**REVIEW REPORT TO THE BOARD OF DIRECTORS OF
FIRST ENERGY BANK B.S.C. (c)***Introduction*

We have reviewed the accompanying interim consolidated statement of financial position of First Energy Bank B.S.C. (c) ("the Bank") and its subsidiaries ("the Group") as of 31 March 2012, and the related interim consolidated statements of income, changes in owners' equity, cash flows and sources and uses of zakah and charity fund for the three month period then ended and other explanatory information. The Board of Directors is responsible for the preparation and presentation of these interim condensed consolidated financial statements in accordance with the accounting policies disclosed in note 2. Our responsibility is to express a conclusion on these interim condensed consolidated financial statements based on our review.

Scope of Review

We conducted our review in accordance with International Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity". 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 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 accompanying interim condensed consolidated financial statements are not prepared, in all material respects, in accordance with the accounting policies disclosed in note 2.



9 May 2012
Manama, Kingdom of Bahrain

First Energy Bank B.S.C. (c)

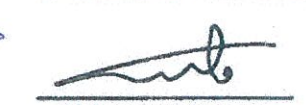
INTERIM CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 March 2012 (Unaudited)

		31 March 2012 US\$ '000	Audited 31 December 2011 US\$ '000
ASSETS	<i>Notes</i>		
Cash and bank balances		10,073	3,019
Due from financial institutions	3	336,606	425,848
Financing receivables	4	-	317,008
Investment in ijarah assets	5	528,842	-
Investment securities	6	325,591	328,826
Investment in associates	7	58,258	92,116
Other assets		70,170	52,791
Property and equipment		10,470	11,089
TOTAL ASSETS		1,340,009	1,230,697
LIABILITIES AND OWNERS' EQUITY			
Liabilities			
Due to financial institutions	8	80,943	89,527
Term financing	9	71,364	-
Other liabilities		49,356	98,468
Total liabilities		201,663	187,995
Owners' equity			
Equity attributable to shareholders of the parent			
Share capital		1,000,000	1,000,000
Statutory reserve		1,800	1,800
Foreign exchange translation reserve		(2,170)	(2,170)
Retained earnings		25,615	5,481
Total equity attributable to shareholders of the parent		1,025,245	1,005,111
Non-controlling interest	12	113,101	37,591
Total owners' equity		1,138,346	1,042,702
TOTAL LIABILITIES AND OWNERS' EQUITY		1,340,009	1,230,697
COMMITMENTS	11	63,325	85,296


H.E. Khadim Al Qubaisi
Chairman


Ebrahim Hussain Ebrahim
Board Member


Mohammad Ghanem
Acting Chief Executive Officer

The attached notes 1 to 13 form part of these interim condensed consolidated financial statements.

First Energy Bank B.S.C. (c)

INTERIM CONSOLIDATED STATEMENT OF INCOME

For the three month period ended 31 March 2012 (Unaudited)

	Notes	Three months ended	
		31 March 2012 US\$ '000	31 March 2011 US\$ '000 Restated
INCOME			
Profit from Islamic financing		4,479	3,953
Profit on Islamic financing		(202)	(206)
Net income on Islamic financing		4,277	3,747
Rental income from investment in ijarah assets		2,001	-
Financing cost relating to term financing obtained to purchase ijarah assets	9	(535)	-
Net income on investment in ijarah assets		1,466	-
Income from investments		2,780	1,516
Share of results of associates		(1,780)	-
Gain arising on conversion of associate to subsidiary	7	21,759	-
Other income		20	-
Total income		28,522	5,263
EXPENSES			
Staff costs		2,736	2,783
Investment banking expenses		271	123
Depreciation and amortisation		1,287	710
Other expenses		2,543	1,701
Total expenses		6,837	5,317
NET INCOME (LOSS) FOR THE PERIOD BEFORE IMPAIRMENT PROVISION		21,685	(54)
Collective impairment provision		(1,340)	-
NET INCOME (LOSS) FOR THE PERIOD		20,345	(54)
Attributable to:			
Shareholders of the parent		20,365	(31)
Non-controlling interest		(20)	(23)
		20,345	(54)

The attached notes 1 to 13 form part of these interim condensed consolidated financial statements.

First Energy Bank B.S.C. (c)

INTERIM CONSOLIDATED STATEMENT OF CHANGES IN OWNERS' EQUITY

For the three month period ended 31 March 2012 (Unaudited)

	Equity attributable to shareholders of the parent						Total owners' equity US\$ '000
	Share capital US\$ '000	Statutory reserve US\$ '000	Foreign exchange translation reserve US\$ '000	Retained earnings US\$ '000	Total US\$ '000	Non-controlling interest US\$ '000	
As at 1 January 2012	1,000,000	1,800	(2,170)	5,481	1,005,111	37,591	1,042,702
Net profit for the period	-	-	-	20,365	20,365	(20)	20,345
Transfer to zakah and charity fund	-	-	-	(231)	(231)	-	(231)
Movement in non-controlling interest	-	-	-	-	-	75,530	75,530
As at 31 March 2012	1,000,000	1,800	(2,170)	25,615	1,025,245	113,101	1,138,346
As at 1 January 2011	1,000,000	1,437	(2,170)	2,252	1,001,519	37,599	1,039,118
Net loss for the period	-	-	-	(31)	(31)	(23)	(54)
Transfer to zakah and charity fund	-	-	-	(38)	(38)	-	(38)
As at 31 March 2011 (restated - note 13)	1,000,000	1,437	(2,170)	2,183	1,001,450	37,576	1,039,026

First Energy Bank B.S.C. (c)

INTERIM CONSOLIDATED STATEMENT OF CASH FLOWS

For the three month period ended 31 March 2012 (Unaudited)

	31 March 2012 US\$ '000	31 March 2011 US\$ '000 Restated
OPERATING ACTIVITIES		
Net profit (loss) for the period	20,345	(54)
Adjustments for :		
Depreciation and amortisation	1,287	710
Amortisation of discount	(72)	(669)
Fair valuation loss on equity option	1,386	549
Collective impairment provision	1,340	-
Share of results of associates	1,780	-
Gain arising on conversion of associate to subsidiary	(21,759)	-
Operating profit before changes in operating assets and liabilities	<u>4,307</u>	<u>536</u>
Net changes in operating assets and liabilities:		
Financing receivables	317,008	(11,223)
Due from financial institutions	4,073	44,693
Other assets	(18,729)	(1,299)
Due to financial institutions	(8,584)	(36,495)
Term financing	71,364	-
Other liabilities	(50,678)	940
Net cash from (used in) operating activities	<u>318,761</u>	<u>(2,848)</u>
INVESTING ACTIVITIES		
Purchase of investments	(21,693)	(16,320)
Maturity of investments	25,000	-
Net changes in investment in associates	32,078	1,646
Investment in ijara assets	(507,683)	-
Purchase of premises and equipment	(1)	(17)
Purchase of software	(103)	(2)
Net cash used in investing activities	<u>(472,402)</u>	<u>(14,693)</u>
FINANCING ACTIVITIES		
Net changes in non-controlling interest	75,530	-
Payment to charities	(5)	(40)
Net cash from (used in) financing activities	<u>75,525</u>	<u>(40)</u>
NET DECREASE IN CASH AND CASH EQUIVALENTS	(78,116)	(17,581)
Cash and cash equivalents at 1 January	<u>398,442</u>	<u>495,975</u>
CASH AND CASH EQUIVALENTS AT END OF THE PERIOD	<u>320,326</u>	<u>478,394</u>
For the purpose of the interim cash flows statement, cash and cash equivalents comprised of the following:		
Cash and bank balances	10,073	4,779
Due from financial institutions with original maturity of 90 days or less	310,253	473,615
	<u>320,326</u>	<u>478,394</u>

The attached notes 1 to 13 form part of these interim condensed consolidated financial statements.

First Energy Bank B.S.C. (c)

**INTERIM CONSOLIDATED STATEMENT OF SOURCES AND USES OF
ZAKAH AND CHARITY FUND**

For the three month period ended 31 March 2012 (Unaudited)

	31 March 2012 US\$ '000	31 March 2011 US\$ '000
Sources of zakah and charity funds		
Undistributed zakat and charity funds at the beginning of the period	1	140
Contributions by the Bank	231	38
Total sources of zakah and charity funds during the period	232	178
Uses of zakah and charity fund		
Contributions for charitable purposes	5	40
Total uses of funds during the period	5	40
Undistributed zakat and charity fund at end of the period	227	138

The attached notes 1 to 13 form part of these interim consolidated financial statements.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

At 31 March 2012 (Unaudited)

1 INCORPORATION AND ACTIVITIES

First Energy Bank B.S.C. (c) (the "Bank") is a closed shareholding company incorporated in the Kingdom of Bahrain on 23 June 2008, under Commercial Registration No. 69089. The Bank operates under an Islamic Wholesale Banking licence issued by the Central Bank of Bahrain (the "CBB"). The Bank's registered office is at Building 1398, Road 4626, Block 346, Manama, Kingdom of Bahrain.

The principal activities of the Bank and its subsidiaries (the "Group") include Shari'a compliant investment advisory services, participation in project development, joint ventures, mergers and acquisitions and the purchase of assets and asset portfolios primarily related to the energy sector. The Bank is regulated by the CBB and supervised by a Shari'a Supervisory Board for compliance with the Shari'a rules and principles.

The interim condensed consolidated financial statements were authorised for issue by the Board of Directors on 9 May 2012.

2 BASIS OF PREPARATION AND ACCOUNTING POLICIES

2.1 Basis of preparation

The interim condensed consolidated financial statements of the Bank and its subsidiaries (together "the Group") for the three month period ended 31 March 2012 have been prepared in accordance with the guidance given by International Accounting Standard 34 - "Interim Financial Reporting". The interim condensed consolidated financial statements do not contain all information and disclosures required in the annual consolidated financial statements, and should be read in conjunction with the Group's annual consolidated financial statements as at 31 December 2011. In addition, results for the three month period ended 31 March 2012 are not necessarily indicative of the results that may be expected for the financial year ending 31 December 2012.

2.2 Accounting convention

The interim condensed consolidated financial statements have been prepared on a historical cost basis, except for certain investments classified as "fair value through statement of owners' equity" that have been measured at fair value.

The interim condensed consolidated financial statements have been presented in United States Dollar ("US\$"), being the reporting and functional currency of the Group's operations.

2.3 Significant accounting policies

The accounting policies adopted in the preparation of the interim condensed consolidated financial statements are consistent with those used in the preparation of the annual consolidated financial statements for the year ended 31 December 2011, except for the following:

Investment in ijarah assets

Investments in ijarah assets are stated at cost less accumulated depreciation and accumulated impairment / provision. Changes in the expected useful life are accounted for by changing the depreciation period or method, as appropriate, and treated as changes in accounting estimates.

Depreciation is calculated using the straight-line method to write down the cost of ijarah assets to their residual values over their useful life.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

At 31 March 2012 (Unaudited)

2 BASIS OF PREPARATION AND ACCOUNTING POLICIES (continued)

2.3 Significant accounting policies (continued)

Investment in ijarah assets (continued)

Ijarah assets are derecognised on disposal or when no future economic benefits are expected from their use. Any gain or loss arising on derecognition of the ijarah asset (calculated as the difference between the net disposal proceeds and the carrying amount of the ijarah asset) is recognised in the consolidated statement of income in the year the asset is derecognised.

2.4 Basis of consolidation

These interim condensed consolidated financial statements include the financial statements of the Bank and its subsidiaries after elimination of inter group transactions and balances.

The following are the Group's significant subsidiaries as at 31 March 2012:

<i>Name of subsidiary</i>	<i>Equity interest</i>	<i>Nature of business</i>
Cosmos Industrial Investment Corporation B.S.C. (c), Bahrain *	93%	Holding company for investment in a project for development and operation of a polycrystalline silicon plant in the Kingdom of Saudi Arabia.
Al Dur Energy Investment Company, Cayman Islands **	59%	To hold 15% indirect interest in a power and water plant project in the Kingdom of Bahrain.
North Africa Investment Company, Cayman Islands **	100%	To hold the Group's 40% associate stake in Arab Drilling and Workover Company, Libya.
FEB-Novus Aircraft Holding Company, Bahamas **	98.5%	To purchase and lease one A330-300 aircraft to Malaysian Airlines System.
MENAdrill Investment Company **	59.44%	Development and lease of jack up oil rigs

* Cosmos Industrial Investment Corporation B.S.C. (c), Bahrain is consolidated in these interim condensed consolidated financial statements based on 31 December 2011 audited financial statements.

** These subsidiaries are consolidated in these interim condensed consolidated financial statements based on 31 March 2012 management accounts.

3 DUE FROM FINANCIAL INSTITUTIONS

	<i>Audited</i>	<i>Audited</i>
	<i>31 March</i>	<i>31 December</i>
	<i>2012</i>	<i>2011</i>
	<i>US\$ '000</i>	<i>US\$ '000</i>
Commodity murabaha contracts	219,421	342,259
Wakala contracts	117,273	83,670
	336,694	425,929
Less: Deferred profits	(89)	(81)
	336,605	425,848

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

At 31 March 2012 (Unaudited)

3 DUE FROM FINANCIAL INSTITUTIONS (continued)

The original maturity of placements with financial institutions is as follows:

Due within 90 days	310,253	395,423
Due after 90 days	26,352	30,425
	<u>336,605</u>	<u>425,848</u>

4 FINANCING RECEIVABLES

	<i>Audited</i> 31 March 2012 <i>US\$ '000</i>	<i>Audited</i> 31 December 2011 <i>US\$ '000</i>
Murabaha financing	-	317,008
	<u>-</u>	<u>317,008</u>

This represents the murabaha financing facility provided by the Bank to one of its associate companies. This associate was converted into a subsidiary upon conversion of the convertible portion of the above murabaha on 29 March 2012. The remaining financing receivables balance has been eliminated in full on consolidation.

5 INVESTMENT IN IJARAH ASSETS

	<i>Aircraft</i> <i>US\$ '000</i>	<i>Oil rigs</i> <i>US\$ '000</i>	<i>Total</i> <i>US\$ '000</i>
Cost:			
At 1 January 2012	-	-	-
Additions	100,000	-	100,000
Conversion of an associate to subsidiary (note 7)	-	433,509	433,509
At 31 March 2012	<u>100,000</u>	<u>433,509</u>	<u>533,509</u>
Depreciation:			
At 1 January 2012	-	-	-
Charge for the period	600	-	600
Conversion of an associate to subsidiary (note 7)	-	4,067	4,067
At 31 March 2012	<u>600</u>	<u>4,067</u>	<u>4,667</u>
Net book value:			
As at 31 March 2012	<u>99,400</u>	<u>429,442</u>	<u>528,842</u>
As at 31 December 2011	<u>-</u>	<u>-</u>	<u>-</u>

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

At 31 March 2012 (Unaudited)

6 INVESTMENT SECURITIES

At 31 March 2012

	<i>Amortised Cost US\$ '000</i>	<i>Fair value through equity US\$ '000</i>	<i>Total US\$ '000</i>
Debt type			
<i>Quoted investments</i>			
Sukuk	221,171	-	221,171
Equity type			
<i>Unquoted investments</i>			
Equity shares	-	124,420	124,420
	<u>221,171</u>	<u>124,420</u>	<u>345,591</u>
Provision for impairment	-	(20,000)	(20,000)
	<u>221,171</u>	<u>104,420</u>	<u>325,591</u>

At 31 December 2011

	<i>Amortised Cost US\$ '000</i>	<i>Fair value through equity US\$ '000</i>	<i>Total US\$ '000</i>
Debt type			
<i>Quoted investments</i>			
Sukuk	224,406	-	224,406
Equity type			
<i>Unquoted investments</i>			
Equity shares	-	124,420	124,420
	<u>224,406</u>	<u>124,420</u>	<u>348,826</u>
Provision for impairment	-	(20,000)	(20,000)
	<u>224,406</u>	<u>104,420</u>	<u>328,826</u>

7 INVESTMENT IN ASSOCIATES

	<i>Audited 31 March 2012 US\$ '000</i>	<i>31 December 2011 US\$ '000</i>
At 1 January	92,116	97,342
Elimination for intra-group transactions	(1,078)	(6,057)
Share of net profit of associates	(1,780)	831
Conversion of an associate to subsidiary	(31,000)	-
	<u>58,258</u>	<u>92,116</u>

On 29 March 2012, the Bank exercised its equity conversion option on a murabaha financing facility provided to one of its associate companies which resulted in a gain of US\$ 21,759 thousand and the conversion of the associate into a 59.44% owned subsidiary which is consolidated in these interim condensed consolidated financial statements.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

At 31 March 2012 (Unaudited)

7 INVESTMENT IN ASSOCIATES (continued)

Intra-group gains on transactions between the Group and its equity accounted associates are eliminated to the extent of the Group's interest in the investees.

Summarised financial information of the associates that have been equity accounted not adjusted for the percentage ownership held by the Group.

<i>Name</i>	<i>Country of incorporation</i>	<i>% holding</i>	<i>Nature of business</i>	
Arab Drilling and Workover Company	Libya	40%	Lease of oil drilling rigs	
			<i>Audited</i>	
			31 March	31 December
			2012	2011
			US\$ '000	US\$ '000
Total assets			237,369	683,299
Total liabilities			106,809	399,193
Total revenues			-	17,052
Total net (loss) income			(6,000)	2,044

The last management accounts received from Arab Drilling and Workover Company (the "Associate") are up to November 2010. However, as the Associate has partially commenced its commercial operations towards the end of 2011, management has estimated losses of US\$ 6,000 thousand up to 31 December 2011 which have been accounted for in these interim condensed consolidated financial statements.

8 DUE TO FINANCIAL INSTITUTIONS

		<i>Audited</i>
	31 March	31 December
	2012	2011
	US\$ '000	US\$ '000
Commodity murabaha contracts	10,002	33,616
Wakala contracts	70,941	55,911
	80,943	89,527

9 TERM FINANCING

In January 2012, FEB-Novus Fin One Ltd (the "Company") raised term financing of US\$ 72,000 thousand to partially fund the acquisition of an Airbus A330-300 aircraft. The term financing matures in January 2024 and bears a profit rate of 1 month Libor plus 345bps per annum. This Company is consolidated in FEB-Novus Aircraft Holding Company, Bahamas (98.5% owned subsidiary of the Bank) in compliance with AAOIFI "Statement of financial accounting No.1: Conceptual Framework for the financial reporting by Islamic Financial Institutions".

First Energy Bank B.S.C. (c)

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL

At 31 March 2012 (Unaudited)

10 RELATED PARTY TRANSACTIONS

Related parties comprise major shareholders, directors, shari'a supervisory board, external auditors and executive management of the Group and/or entities over which they exercise control and/or significant influence.

The significant balances with related parties were as follows:

	Associates		Key management personnel/ Shari'a board members		Significant shareholders / entities in which directors are interested		Key management personnel/ Shari'a board members		Significant shareholders / entities in which directors are interested		Audited 31 December 2011
	US\$ '000	US\$ '000	US\$ '000	US\$ '000	US\$ '000	US\$ '000	US\$ '000	US\$ '000	US\$ '000	US\$ '000	
Assets											
Cash and bank balances	-	-	-	133	-	-	-	-	375	-	375
Due from financial institutions	-	-	-	28,005	-	-	-	-	15,003	-	15,003
Financing receivables	-	-	-	-	-	317,007	-	-	-	-	317,007
Investment securities	-	-	-	28,177	-	-	-	-	20,000	-	20,000
Investment in associates	58,258	-	-	-	-	92,116	-	-	-	-	92,116
Other assets	51	-	-	-	-	3,694	-	-	-	-	3,694
Liabilities											
Due to financial institutions	-	-	-	15,003	-	-	-	-	15,403	-	15,403
Other liabilities	-	-	535	33,022	4,505	625	32,939	-	-	-	38,069

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NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL

At 31 March 2012 (Unaudited)

10 RELATED PARTY TRANSACTIONS (continued)

The transactions with the related parties included in the interim consolidated statement of income were as follows:

	Associates US\$ '000	Key management/ personnel/ Shari'a board members US\$ '000	Significant shareholders / entities in which directors are interested US\$ '000	Three months ended 31 March 2012 US\$ '000	Associates US\$ '000	Key management/ personnel/ Shari'a board members US\$ '000	Significant shareholders / entities in which directors are interested US\$ '000	Three months ended 31 March 2011 US\$ '000
Income								
Profit from Islamic financing	4,072	-	7	4,079	2,402	-	278	2,680
Profit on Islamic financing	-	-	(86)	(86)	-	-	(91)	(91)
Income from investments	-	-	24	24	-	-	229	229
Share of results of associates	(1,780)	-	-	(1,780)	-	-	-	-
Gain arising on conversion of associate to subsidiary	21,759	-	-	21,759	-	-	-	-
Other income	20	-	-	20	-	-	-	-
Expenses								
Staff costs	-	408	-	408	-	906	-	906
Other expenses	1,386	168	-	1,554	(549)	-	165	(384)

First Energy Bank B.S.C. (c)

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

At 31 March 2012 (Unaudited)

11 COMMITMENTS

	31 March	<i>Audited</i>
	2012	<i>31 December</i>
	US\$ '000	<i>2011</i>
		<i>US\$ '000</i>
Other capital commitments	62,049	61,856
Operating lease commitments	1,276	1,531
Forward treasury commitments	-	21,909
	<u>63,325</u>	<u>85,296</u>

12 NON-CONTROLLING INTEREST

	31 March	<i>Audited</i>
	2012	<i>31 December</i>
	US\$ '000	<i>2011</i>
		<i>US\$ '000</i>
At 1 January	37,591	37,599
Net loss for the period/ year	(20)	(86)
Conversion of an associate to subsidiary (note 7)	74,882	-
Acquisition of a new subsidiary	462	-
Increase in share capital	186	78
	<u>113,101</u>	<u>37,591</u>

13 COMPARATIVE FIGURES

The comparative amount for income from investments in the interim consolidated statement of income has been restated from US\$ 2,022 thousand to US\$ 1,516 thousand. This restatement has been made to reflect a change in accounting for debt-type investments in Quarter 2 of 2011. As a result of this restatement, the comparative net income for the period and the comparative retained earnings at 31 March 2011 have decreased by US\$ 506 thousand.