

First Energy Bank B.S.C. (c)
INTERIM CONDENSED CONSOLIDATED
FINANCIAL STATEMENTS

30 JUNE 2013

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 30 June 2013, and the related interim consolidated statements of income, changes in equity, cash flows and sources and uses of zakah and charity fund for the six 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.



31 July 2013
Manama, Kingdom of Bahrain

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

INTERIM CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 June 2013 (Unaudited)

		<i>Unaudited</i>	<i>Audited</i>
		<i>30 June</i>	<i>31 December</i>
		<i>2013</i>	<i>2012</i>
	<i>Notes</i>	<i>US\$ '000</i>	<i>US\$ '000</i>
ASSETS			
Cash and bank balances		22,649	15,654
Due from financial institutions	3	179,628	158,403
Investment in ijarah assets	4	521,597	529,363
Investment securities	5	401,226	497,387
Investment in associates	6	104,256	101,049
Other assets	7	153,813	89,263
Property and equipment		9,340	9,345
TOTAL ASSETS		1,392,509	1,400,464
LIABILITIES AND EQUITY			
Liabilities			
Due to financial institutions	8	50,013	59,612
Murabaha payable	9	49,818	54,081
Term financing	10	66,052	68,200
Other liabilities		64,086	58,992
Total liabilities		229,969	240,885
Equity			
Equity attributable to shareholders of the parent			
Share capital		1,000,000	1,000,000
Statutory reserve		4,784	4,784
Investment fair value reserve		(446)	-
Foreign exchange translation reserve		(2,170)	(2,170)
Retained earnings		31,954	32,104
Total equity attributable to shareholders of the parent		1,034,122	1,034,718
Non-controlling interest		128,418	124,861
Total equity		1,162,540	1,159,579
TOTAL LIABILITIES AND EQUITY		1,392,509	1,400,464


H.E. Khadem Al Qubaisi
Chairman


Mohamed Al Fahim
Board Member


Mohammad Ghanem
Acting Chief Executive Officer

The attached notes 1 to 16 form part of these interim condensed consolidated financial statements.


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

INTERIM CONSOLIDATED STATEMENT OF INCOME

For the six months period ended 30 June 2013 (Unaudited)

	Three months ended 30 June		Six months ended 30 June	
	2013 US\$ '000	2012 US\$ '000	2013 US\$ '000	2012 US\$ '000
INCOME				
Profit from Islamic financing	97	283	205	4,762
Profit on Islamic financing	(127)	(415)	(260)	(617)
Net (loss) income from Islamic financing	(30)	(132)	(55)	4,145
Rental income from investment in ijarah assets	18,776	8,791	36,736	10,792
Financing cost relating to term financing obtained to purchase ijarah assets	10 (614)	(669)	(1,233)	(1,204)
Profit on Islamic financing against investment in ijarah assets	(424)	-	(1,013)	-
Net income on investment in ijarah assets	17,738	8,122	34,490	9,588
Income from securities	6,925	4,746	14,615	7,526
Share of results of associates	2,543	(7,509)	3,207	(9,289)
Profit on subordinated loan	15 770	9,099	1,533	9,099
Gain arising on conversion of associate to subsidiary	6 -	-	-	21,759
Other (losses) income - net	(2)	-	(11)	20
Total income	27,944	14,326	53,779	42,848
EXPENSES				
Staff costs	2,649	2,840	4,622	5,576
Investment banking expenses	98	153	280	424
Depreciation and amortisation	3,494	2,790	7,791	4,077
Other expenses	5,488	3,832	12,764	6,375
Total expenses	11,729	9,615	25,457	16,452
NET INCOME FOR THE PERIOD BEFORE IMPAIRMENT PROVISION	16,215	4,711	28,322	26,396
Collective impairment provision	-	(809)	-	(2,149)
NET INCOME FOR THE PERIOD	16,215	3,902	28,322	24,247
Attributable to:				
Shareholders of the parent	13,515	(209)	24,744	20,156
Non-controlling interest	2,700	4,111	3,578	4,091
	16,215	3,902	28,322	24,247


H.E. Khadem Al Qubaisi
Chairman


Mohamed Al Fahim
Board Member


Mohammad Ghanem
Acting Chief Executive Officer

The attached notes 1 to 16 form part of these interim condensed consolidated financial statements.

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

INTERIM CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months period ended 30 June 2013 (Unaudited)

	Equity attributable to shareholders of the parent							
	Share capital US\$ '000	Statutory reserve US\$ '000	Investment fair value reserve US\$ '000	Foreign exchange translation reserve US\$ '000	Retained earnings US\$ '000	Total US\$ '000	Non-controlling interest US\$ '000	Total equity US\$ '000
As at 1 January 2013	1,000,000	4,784	-	(2,170)	32,104	1,034,718	124,861	1,159,579
Net profit for the period	-	-	-	-	24,744	24,744	3,578	28,322
Movement in investment fair value reserve	-	-	(446)	-	-	(446)	-	(446)
Transfer to zakah and charity fund	-	-	-	-	(894)	(894)	-	(894)
Dividend declared	-	-	-	-	(24,000)	(24,000)	-	(24,000)
Dividends of subsidiary	-	-	-	-	-	-	(21)	(21)
As at 30 June 2013	1,000,000	4,784	(446)	(2,170)	31,954	1,034,122	128,418	1,162,540
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	-	-	-	-	20,156	20,156	4,091	24,247
Transfer to zakah and charity fund	-	-	-	-	(231)	(231)	-	(231)
Dividends of subsidiary	-	-	-	-	-	-	(8)	(8)
Movement in non-controlling interest	-	-	-	-	-	-	80,115	80,115
As at 30 June 2012	1,000,000	1,800	-	(2,170)	25,406	1,025,036	121,789	1,146,825

The attached notes 1 to 16 form part of these interim condensed consolidated financial statements.

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

INTERIM CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months period ended 30 June 2013 (Unaudited)

	30 June 2013 US\$ '000	30 June 2012 US\$ '000
OPERATING ACTIVITIES		
Net profit for the period	28,322	24,247
Adjustments for :		
Depreciation and amortisation	7,791	4,077
Amortisation of premium	1,622	817
Fair valuation loss on equity option	-	1,386
Collective impairment provision	-	2,149
Share of results of associates	(3,207)	9,289
Gain arising on conversion of associate to subsidiary	-	(21,759)
Gain on sale of investment	(8,210)	(2,284)
Operating profit before changes in operating assets and liabilities	26,318	17,922
Net changes in operating assets and liabilities:		
Financing receivables	-	317,008
Due from financial institutions with original maturity of more than 90 days	4,206	19,424
Other assets	(67,663)	(36,323)
Due to financial institutions	(9,599)	(20,408)
Other liabilities	(19,445)	(49,826)
Payment to charities	(355)	(151)
Net cash (used in) from operating activities	(66,538)	247,646
INVESTING ACTIVITIES		
Purchase of investment securities	(146,881)	(210,104)
Disposal/ maturity of investment securities	252,209	88,394
Net changes in investment in associates	-	32,078
Write off / (investment) in ijarah assets	115	(509,920)
Net purchase of property and equipment	(41)	(152)
Purchase of software	(6)	(30)
Net cash from (used in) investing activities	105,396	(599,734)
FINANCING ACTIVITIES		
Net changes in non-controlling interest	-	80,107
Dividends paid to non-controlling interest	(21)	-
Murabaha payable	(4,263)	55,016
Term financing	(2,148)	70,307
Net cash (used in) from financing activities	(6,432)	205,430
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	32,426	(146,658)
Cash and cash equivalents at 1 January	169,851	398,442
CASH AND CASH EQUIVALENTS AT END OF THE PERIOD	202,277	251,784
For the purpose of the interim consolidated statement of cash flows, cash and cash equivalents comprised of the following:		
Cash and bank balances	22,649	12,991
Due from financial institutions with original maturity of 90 days or less	179,628	238,793
	202,277	251,784

The attached notes 1 to 16 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 six months period ended 30 June 2013 (Unaudited)

	30 June 2013 US\$ '000	30 June 2012 US\$ '000
Sources of zakah and charity funds		
Undistributed zakat and charity funds at the beginning of the period	25	1
Contributions by the Bank	894	231
Total sources of zakah and charity funds during the period	919	232
Uses of zakah and charity fund		
Contributions for charitable purposes	355	151
Total uses of funds during the period	355	151
Undistributed zakat and charity fund at end of the period	564	81

The attached notes 1 to 16 form part of these interim condensed consolidated financial statements.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

At 30 June 2013 (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 license 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 Shari'a rules and principles.

The interim condensed consolidated financial statements were authorised for issue by the Board of Directors on 31 July 2013.

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 six month period ended 30 June 2013 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 2012. In addition, results for the six month period ended 30 June 2013 are not necessarily indicative of the results that may be expected for the financial year ending 31 December 2013.

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 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 2012, except for the adoption of new standards and interpretations effective as of 1 January 2013.

IAS 34 Interim financial reporting and segment information for total assets and liabilities (Amendment)

The amendment clarifies the requirements in IAS 34 relating to segment information for total assets and liabilities for each reportable segment to enhance consistency with the requirements in IFRS 8 Operating Segments. Total assets and liabilities for a reportable segment need to be disclosed only when the amounts are regularly provided to the chief operating decision maker and there has been a material change in the total amount disclosed in the entity's previous annual consolidated financial statements for that reportable segment. The Group has made the applicable disclosures as required by IAS 34.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

At 30 June 2013 (Unaudited)

2 BASIS OF PREPARATION AND ACCOUNTING POLICIES (continued)

2.3 Significant accounting policies (continued)

IFRS 7 Financial Instruments: Disclosures - Offsetting Financial Assets and Financial Liabilities - Amendments to IFRS 7

The amendment requires an entity to disclose information about rights to set-off financial instruments and related arrangements (e.g., collateral agreements). The disclosures would provide users with information that is useful in evaluating the effect of netting arrangements on an entity's financial position. The new disclosures are required for all recognised financial instruments that are set off in accordance with IAS 32. The disclosures also apply to recognised financial instruments that are subject to an enforceable master netting arrangement or similar agreement, irrespective of whether the financial instruments are set off in accordance with IAS 32. As the Group does not set off financial instruments in accordance with IAS 32 and does not have relevant offsetting arrangements, the amendment does not have an impact on the Group.

IFRS 10 Consolidated Financial Statements and IAS 27 Separate Financial Statements

IFRS 10 establishes a single control model that applies to all entities including special purpose entities. IFRS 10 replaces the parts of previously existing IAS 27 *Consolidated and Separate Financial Statements* that dealt with consolidated financial statements and SIC-12 *Consolidation - Special Purpose Entities*. IFRS 10 changes the definition of control such that an investor controls an investee when it 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. To meet the definition of control in IFRS 10, all three criteria must be met, including:

IFRS 10 Consolidated Financial Statements and IAS 27 Separate Financial Statements (continued)

- (a) an investor has power over an investee;
- (b) the investor has exposure, or rights, to variable returns from its involvement with the investee; and
- (c) the investor has the ability to use its power over the investee to affect the amount of the investor's returns.

IFRS 10 had no impact on the consolidation of investments held by the Group.

IFRS 13 Fair Value Measurement

IFRS 13 establishes a single source of guidance under IFRS for all fair value measurements. IFRS 13 does not change when an entity is required to use fair value, but rather provides guidance on how to measure fair value under IFRS when fair value is required or permitted. The application of IFRS 13 has not materially impacted the fair value measurements carried out by the Group.

IFRS 13 also requires specific disclosures on fair values, some of which replace existing disclosure requirements in other standards, including IFRS 7 *Financial Instruments Disclosures*. Some of these disclosures are specifically required for financial instruments by IAS 34.16A(j), thereby affecting the interim condensed consolidated financial statements. The Group has made the applicable disclosures as required by IFRS 13.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

At 30 June 2013 (Unaudited)

2 BASIS OF PREPARATION AND ACCOUNTING POLICIES (continued)

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 30 June 2013:

<i>Name of subsidiary</i>	<i>Equity interest</i>	<i>Nature of business</i>
North Africa Investment Company, Kingdom of Bahrain *	100%	To hold the Group's 40% associate stake in Arab Drilling and Workover Company, Libya.
First Energy-Oman, Cayman Islands *	100%	To hold 15% stake in Al Izz Islamic bank in Oman.
FEB-Novus Aircraft Holding Company, Bahamas *	98.5%	To purchase and lease one A330-300 aircraft to Malaysian Airlines System.
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.
MENAdrill Investment Company, Cayman Islands **	59.44%	Development and lease of jack up oil rigs
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.

* These subsidiaries are consolidated in these interim condensed consolidated financial statements based on unaudited 30 June 2013 management accounts.

** This subsidiary is consolidated in these interim condensed consolidated financial statements based on 30 June 2013 reviewed accounts.

3 DUE FROM FINANCIAL INSTITUTIONS

	<i>Unaudited 30 June 2013 US\$ '000</i>	<i>Audited 31 December 2012 US\$ '000</i>
Commodity murabaha contracts	150,573	109,409
Wakala contracts	29,067	49,024
	179,640	158,433
Less: Deferred profits	(12)	(30)
	179,628	158,403

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

Due within 90 days	179,628	154,197
Due after 90 days	-	4,206
	179,628	158,403

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

At 30 June 2013 (Unaudited)

4 INVESTMENT IN IJARAH ASSETS

	<i>Aircraft</i> US\$ '000	<i>Oil rigs</i> US\$ '000	<i>Total</i> US\$ '000
Cost:			
At 1 January 2013	100,000	440,889	540,889
Write off *	-	(115)	(115)
At 30 June 2013	100,000	440,774	540,774
Depreciation:			
At 1 January 2013	3,300	8,226	11,526
Charge for the period	1,800	5,851	7,651
At 30 June 2013	5,100	14,077	19,177
Net book value:			
As at 30 June 2013	94,900	426,697	521,597
As at 31 December 2012	96,700	432,663	529,363

An Aircraft with a carrying value of US\$ 94,900 thousand (31 December 2012: US\$ 96,700 thousand) has been mortgaged against the term financing availed by Norddeutsche Landesbank Girozentrale.

* This relates to write off of certain expenditures that were capitalised previously which are not allowable.

5 INVESTMENT SECURITIES

At 30 June 2013 (Unaudited)

	<i>Amortised</i> <i>Cost</i> US\$ '000	<i>Fair value</i> <i>through</i> <i>equity</i> US\$ '000	<i>Total</i> US\$ '000
Debt type			
<i>Quoted investments</i>			
Sukuk	294,371	-	294,371
<i>Unquoted investments</i>			
Debt securities*	83,056	-	83,056
Equity type			
<i>Quoted investments</i>			
Equity shares	-	2,804	2,804
<i>Unquoted investments</i>			
Equity shares*	-	40,995	40,995
	377,427	43,799	421,226
Provision for impairment	-	(20,000)	(20,000)
	377,427	23,799	401,226

*The Group has converted US\$ 3,841 thousand from contingent and standby equity in Al Dur Energy Investment Company ("ADEIC") of US\$ 5,205 thousand into an interest free shareholder loan. Additionally, a balance of US\$ 369 thousand of standby equity is to be returned by ADEIC, of which US\$ 292 thousand has been utilized to top-up the liability reserve account (note 7).

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

At 30 June 2013 (Unaudited)

5 INVESTMENT SECURITIES (continued)

At 31 December 2012 (audited)

	<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	392,967	-	392,967
<i>Unquoted investments</i>			
Debt securities	79,215	-	79,215
Equity type			
<i>Unquoted investments</i>			
Equity shares	-	45,205	45,205
	<u>472,182</u>	<u>45,205</u>	<u>517,387</u>
Provision for impairment	-	(20,000)	(20,000)
	<u><u>472,182</u></u>	<u><u>25,205</u></u>	<u><u>497,387</u></u>

Under unquoted investments which are held at fair value through equity are investments amounting to US\$ 20,995 thousand (31 December 2012: US\$ 25,205 thousand) which are held at cost less provision for impairment in the absence of a reliable measure of fair value.

The Group's investments in sukuk held at amortised cost amounting to US\$ 294,371 thousand as of 30 June 2013 (31 December 2012: US\$ 392,967 thousand) has a fair value amounting to US\$ 294,684 thousand (31 December 2012: US\$ 402,646 thousand).

6 INVESTMENT IN ASSOCIATES

	<i>Unaudited 30 June 2013 US\$ '000</i>	<i>Audited 31 December 2012 US\$ '000</i>
Balance at beginning of the period/ year	101,049	92,116
Acquisitions during the period/ year	-	48,078
Elimination of intra-group transactions	-	(1,078)
Share of results of associates	3,207	(7,067)
Conversion of an associate to subsidiary	-	(31,000)
	<u><u>104,256</u></u>	<u><u>101,049</u></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 now consolidated in these interim condensed consolidated financial statements.

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.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

At 30 June 2013 (Unaudited)

6 INVESTMENT IN ASSOCIATES (continued)

Investment in associates comprise the following:

<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
Al Izz Islamic Bank **	Oman	15%	Islamic Banking

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

	<i>30 June 2013 US\$ '000</i>	<i>31 December 2012 US\$ '000</i>
Total assets	469,257	458,407
Total liabilities	56,155	54,700
Total revenues	39,930	52,094
Total net income (loss)	5,488	(18,615)

* Based on the unaudited management accounts received from Arab Drilling and Workover Company, the management has estimated a profit of US\$ 9,535 thousand for the 6 month period ended 31 May 2013 which has been equity accounted for in these interim condensed consolidated financial statements.

** Based on the unaudited management accounts received from Al Izz Islamic Bank, the management has estimated losses of US\$ 4,047 thousand for the 8 month period ended 30 June 2013 which have been equity accounted for in these interim condensed consolidated financial statements.

7 OTHER ASSETS

	<i>Unaudited 30 June 2013 US\$ '000</i>	<i>Audited 31 December 2012 US\$ '000</i>
Project work-in-progress *	48,085	46,101
Advance for investment **	60,768	-
Liability reserve receivable ***	11,438	11,136
Profit receivable on subordinated loan (note 15)	12,191	10,657
Ijarah receivable	9,079	4,910
Deferred expenses	3,676	5,134
Goodwill	2,309	2,309
Advances paid	1,511	1,656
Intangible assets – software	160	248
Due from associate	68	67
Others	4,528	7,045
	153,813	89,263

*Project work-in-progress comprises costs incurred for the acquisition and development of a project in the Kingdom of Saudi Arabia by Cosmos Industrial Investment Corporation B.S.C. (c).

** This relates to an advance paid towards the acquisition of an additional 143.8 million shares in a targeted company through a rights issue.

*** Liability reserve receivable represents an amount that has been funded by ADEIC to Al Dur Power and Water Company to meet the liquidity reserve account (LRA) funding requirement under the common term agreement entered into on 29 June 2009, whereby the shareholders are required to fund such account in meeting the repayment of senior debt obligations.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

At 30 June 2013 (Unaudited)

8 DUE TO FINANCIAL INSTITUTIONS

	<i>Unaudited</i> 30 June 2013 US\$ '000	<i>Audited</i> 31 December 2012 US\$ '000
Wakala contracts	50,013	59,612
	50,013	59,612

9 MURABAHA PAYABLE

The following table shows the movement of Murabaha payable during the period/ year:

	<i>Unaudited</i> 30 June 2013 US\$ '000	<i>Audited</i> 31 December 2012 US\$ '000
Balance at beginning of the period/ year	53,755	-
Additions	-	55,000
Repayments	(3,955)	(1,245)
	49,800	53,755
Accrued profit	18	326
	49,818	54,081

On 10 May 2012, MENAdriil Investment Company refinanced a facility of US\$ 130,000 thousand granted by the Bank of which US\$ 55,000 thousand was advanced by another bank.

10 TERM FINANCING

The following table shows the movement of term financing during the period/ year:

	<i>Unaudited</i> 30 June 2013 US\$ '000	<i>Audited</i> 31 December 2012 US\$ '000
Balance at beginning of the period/ year	68,165	-
Additions	-	72,000
Repayments	(2,160)	(3,835)
	66,005	68,165
Accrued profit	47	35
	66,052	68,200

In January 2012, FEB-Novus Fin One Ltd ("FEB-Novus") 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. FEB-Novus 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". The financing arrangement is between FEB-Novus and the ultimate finance provider.

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

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

At 30 June 2013 (Unaudited)

11 RELATED PARTY TRANSACTIONS AND BALANCES

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 US\$ '000	Key management personnel/ Shari'a board members/ external auditors US\$ '000	Significant shareholders / entities in which directors have an interest US\$ '000	Unaudited 30 June 2013 US\$ '000	Associates US\$ '000	Key management personnel/ Shari'a board members/ external auditors US\$ '000	Significant shareholders / entities in which directors have an interest US\$ '000	Audited 31 December 2012 US\$ '000
Assets								
Cash and bank balances	-	-	765	765	-	-	417	417
Due from financial institutions	-	-	-	-	-	-	11,801	11,801
Investment securities	-	-	31,064	31,064	-	-	70,291	70,291
Investment in associates	104,256	-	-	104,256	101,049	-	-	101,049
Other assets	68	-	-	68	67	-	-	67
Liabilities								
Due to financial institutions	-	-	-	-	-	-	9,601	9,601
Other liabilities	-	668	38,852	39,520	-	488	34,372	34,860

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

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

At 30 June 2013 (Unaudited)

11 RELATED PARTY TRANSACTIONS AND BALANCES (continued)

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

	Associates US\$ '000	Key management personnel/ Shari'a board members/ external auditors US\$ '000	Significant shareholders / entities in which directors have an interest US\$ '000	Unaudited Six months ended 30 June 2013 US\$ '000	Associates US\$ '000	Key management personnel/ Shari'a board members/ external auditors US\$ '000	Significant shareholders / entities in which directors have an interest US\$ '000	Unaudited Six months ended 30 June 2012 US\$ '000
Income								
Profit from Islamic financing	-	-	5	5	4,072	-	321	4,393
Profit on Islamic financing	-	-	(176)	(176)	-	-	(174)	(174)
Income from securities	-	-	2,482	2,482	-	-	281	281
Share of results of associates	3,207	-	-	3,207	(9,289)	-	-	(9,289)
Gain arising on conversion of associate to subsidiary	-	-	-	-	21,759	-	-	21,759
Other income	-	-	-	-	20	-	-	20
Expenses								
Staff costs	-	779	-	779	-	785	-	785
Other expenses	-	123	233	356	1,386	356	-	1,742

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NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

At 30 June 2013 (Unaudited)

12 COMMITMENTS

	<i>Unaudited</i> 30 June 2013 US\$ '000	<i>Audited</i> 31 December 2012 US\$ '000
Other capital commitments	67,856	67,856
Forward treasury commitments	-	9,602
Operating lease commitments	1,297	510
	69,153	77,968

13 SEGMENTAL INFORMATION

The activities of the Group are performed on an integrated basis. Therefore, any segmentation of operating income, expenses, assets and liabilities is not relevant. As such, operating income, expenses, assets and liabilities are not segmented.

The industrial distribution of the Group's assets and liabilities is as follows:

	<i>Unaudited</i> 30 June 2013		<i>Audited</i> 31 December 2012	
	<i>Assets</i> US\$ '000	<i>Liabilities</i> US\$ '000	<i>Assets</i> US\$ '000	<i>Liabilities</i> US\$ '000
Segment				
Banks and financial institutions	459,278	199,326	499,155	215,165
Energy power and infrastructure	625,109	4,740	627,833	4,675
Others	308,122	25,903	273,476	21,045
	1,392,509	229,969	1,400,464	240,885

The geographical distribution of the Group's assets and liabilities is as follows:

	<i>Unaudited</i> 30 June 2013		<i>Audited</i> 31 December 2012	
	<i>Assets</i> US\$ '000	<i>Liabilities</i> US\$ '000	<i>Assets</i> US\$ '000	<i>Liabilities</i> US\$ '000
Segment				
MENA	798,014	157,555	752,632	165,253
Europe	32,396	66,052	57,494	68,200
America	444,815	5,718	460,361	7,417
Asia	117,284	644	129,977	15
	1,392,509	229,969	1,400,464	240,885

The Group's revenue and expenses are reviewed at a Group level and therefore no separate operating segment results and other disclosures are provided in these interim condensed consolidated financial statements.

14 DIVIDENDS DECLARED

At the Annual General Meeting held on 27 March 2013 the shareholders of the Group resolved to distribute US\$ 24,000 thousand as cash dividends.

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

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

At 30 June 2013 (Unaudited)

15 PROFIT ON SUBORDINATED LOAN

A profit of 3.85% per annum has been accrued on the outstanding principal amount of the subordinated loan of US\$ 79,215 thousand from 23 July 2009 granted by Al Dur Energy Investment Company to Al Dur Power and Water Company. The profit was not recognised until the commencement of commercial operations of the power plant, which occurred in February 2012. The commencement date was delayed, and management viewed it as conservative to start accrual of profit only after commencement of commercial operations.

16 FINANCIAL INSTRUMENTS

Set out below is an overview of financial instruments, other than cash and cash equivalents, held by the Group as at 30 June 2013:

	<i>Amortised Cost US\$ '000</i>	<i>Fair value through equity US\$ '000</i>
Financial assets:		
Investment securities	377,427	23,799
Other assets*	146,147	-
Total	523,574	23,799
Financial liabilities:		
Due to financial institutions	50,013	-
Murabaha payable	49,818	-
Term financing	66,052	-
Other liabilities (excluding provision for indemnity)	63,227	-
Total	229,110	-

*Other assets are excluding deferred expenses, goodwill, advances paid and intangible assets-software.

The fair values of other financial instruments on the interim consolidated statement of financial position are not significantly different from their carrying values, except as disclosed in note 5.

Fair value hierarchy

Fair value is the amount for which an asset could be exchanged or a liability settled between knowledgeable and willing parties in an arm's length transaction.

Fair values of quoted securities/sukuks are derived from quoted market prices in active markets, if available. For unquoted securities/sukuks, fair value is estimated using appropriate valuation techniques. Such techniques may include using recent arm's length market transactions; reference to the current fair value of another instrument that is substantially the same; discounted cash flow analysis or other valuation models.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

At 30 June 2013 (Unaudited)

16 FINANCIAL INSTRUMENTS (continued)

The Group uses the following hierarchy for determining and disclosing the fair value of financial instruments by valuation technique:

Level 1: quoted (unadjusted) prices in active markets for identical assets or liabilities;

Level 2: other techniques for which all inputs which have a significant effect on the recorded fair value are observable, either directly or indirectly; and

Level 3: techniques which use inputs which have a significant effect on the recorded fair value that are not based on observable market data.

The following table shows an analysis of financial instruments recorded at fair value by level of the fair value hierarchy at 30 June 2013:

	<i>Level 1</i> <i>US\$ '000</i>	<i>Level 2</i> <i>US\$ '000</i>	<i>Level 3</i> <i>US\$ '000</i>	<i>Total</i> <i>US\$ '000</i>
Fair value through equity				
Quoted equity shares	2,804	-	-	2,804

Under unquoted investments which are held at fair value through equity are investments amounting to US\$ 20,995 thousand (31 December 2012: US\$ 25,205 thousand) which are held at cost less provision for impairment in the absence of a reliable measure of fair value.