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

INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

30 SEPTEMBER 2013

EY
Building a better working world

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

Introduction
We have reviewed the accompanying interim condensed consolidated financial statements of First Energy Bank B.S.C. (c) (the "Bank") and its subsidiaries (the "Group") as at 30 September 2013, comprising of the interim consolidated statement of financial position as at 30 September 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 nine 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.

Ernst + Young

7 November 2013
Manama, Kingdom of Bahrain

INTERIM CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 September 2013 (Unaudited)

	Notes	**Unaudited 30 September 2013 US$ '000**	*Audited 31 December 2012 US$ '000*
ASSETS			
Cash and bank balances		**24,681**	15,654
Due from financial institutions	3	**206,654**	158,403
Investment in ijarah assets	4	**519,349**	529,363
Investment securities	5	**451,782**	497,387
Investment in associates	6	**106,536**	101,049
Other assets	7	**87,164**	89,263
Property and equipment		**9,495**	9,345
TOTAL ASSETS		**1,405,661**	1,400,464
LIABILITIES AND EQUITY			
Liabilities			
Due to financial institutions		**50,002**	59,612
Murabaha payable	8	**48,489**	54,081
Term financing	9	**64,972**	68,200
Other liabilities		**61,942**	58,992
Total liabilities		**225,405**	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	5	**12,974**	-
Foreign exchange translation reserve		**(2,170)**	(2,170)
Retained earnings		**34,174**	32,104
Total equity attributable to shareholders of the parent		**1,049,762**	1,034,718
Non-controlling interest		**130,494**	124,861
Total equity		**1,180,256**	1,159,579
TOTAL LIABILITIES AND EQUITY		**1,405,661**	1,400,464

H.E. Khadem Al Qubaisi	Mohamed Al Fahim	Mohammad Ghanem
Chairman	Board Member	Acting Chief Executive Officer

The attached notes 1 to 18 form part of these interim condensed consolidated financial statements.

INTERIM CONSOLIDATED STATEMENT OF INCOME

For the nine month period ended 30 September 2013 (Unaudited)

	Notes	*Three months ended 30 September* **2013** **US$ '000**	*Three months ended 30 September* 2012 US$ '000	*Nine months ended 30 September* **2013** **US$ '000**	*Nine months ended 30 September* 2012 US$ '000
INCOME					
Profit from Islamic financing		**135**	194	**340**	4,956
Profit on Islamic financing		**(145)**	(156)	**(405)**	(512)
Net (loss) income from Islamic financing		**(10)**	38	**(65)**	4,444
Rental income from investment in ijarah assets		**17,805**	11,726	**54,541**	22,518
Financing cost relating to term financing obtained to purchase ijarah assets	9	**(610)**	(658)	**(1,843)**	(1,862)
Profit on Islamic financing against investment in ijarah assets	8	**(417)**	(485)	**(1,430)**	(746)
Depreciation on investment in ijarah assets	4	**(3,474)**	(2,129)	**(11,124)**	(4,845)
Other operating expenses relating to ijarah assets	10	**(5,069)**	(2,513)	**(16,248)**	(5,341)
Net income on investment in ijarah assets		**8,235**	5,941	**23,896**	9,724
Income from securities		**2,416**	6,162	**17,031**	13,688
Share of results of associates	6	**2,280**	1,223	**5,487**	(8,066)
Profit on subordinated loan	16	**610**	779	**2,143**	9,878
Gain arising on conversion of associate to subsidiary	6	**-**	-	**-**	21,759
Other income - net		**5**	2	**(6)**	22
Total income		**13,536**	14,145	**48,486**	51,449
EXPENSES					
Staff costs		**2,905**	2,715	**7,527**	8,291
General and administrative expenses		**249**	1,680	**2,114**	5,651
Depreciation and amortisation		**65**	644	**206**	2,005
Total expenses		**3,219**	5,039	**9,847**	15,947
NET INCOME FOR THE PERIOD BEFORE PROVISIONS / WRITE OFF		**10,317**	9,106	**38,639**	35,502
Provisions / write off	11	**(6,009)**	(342)	**(6,009)**	(2,491)
NET INCOME FOR THE PERIOD		**4,308**	8,764	**32,630**	33,011
Attributable to:					
Shareholders of the parent		**2,220**	6,712	**26,964**	26,869
Non-controlling interest		**2,088**	2,052	**5,666**	6,142
		4,308	8,764	**32,630**	33,011

H.E. Khadem Al Qubaisi
Chairman

Mohamed Al Fahim
Board Member

Mohammad Ghanem
Acting Chief Executive Officer

The attached notes 1 to 18 form part of these interim condensed consolidated financial statements.

INTERIM CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the nine month period ended 30 September 2013 (Unaudited)

		Equity attributable to shareholders of the parent							
	Notes	*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		-	-	-	-	26,964	26,964	5,666	32,630
Unrealised gain on remeasurement to fair value	5	-	-	12,974	-	-	12,974	-	12,974
Transfer to zakah and charity fund		-	-	-	-	(894)	(894)	-	(894)
Dividend declared	15	-	-	-	-	(24,000)	(24,000)	-	(24,000)
Dividends of subsidiary		-	-	-	-	-	-	(33)	(33)
As at 30 September 2013		**1,000,000**	**4,784**	**12,974**	**(2,170)**	**34,174**	**1,049,762**	**130,494**	**1,180,256**
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		-	-	-	-	26,869	26,869	6,142	33,011
Transfer to zakah and charity fund		-	-	-	-	(231)	(231)	-	(231)
Dividends of subsidiary		-	-	-	-	-	-	(19)	(19)
Movement in non-controlling interest		-	-	-	-	-	-	80,115	80,115
As at 30 September 2012		1,000,000	1,800	-	(2,170)	32,119	1,031,749	123,829	1,155,578

The attached notes 1 to 18 form part of these interim condensed consolidated financial statements.

INTERIM CONSOLIDATED STATEMENT OF CASH FLOWS

For the nine month period ended 30 September 2013 (Unaudited)

	Notes	***30 September 2013 US$ '000***	*30 September 2012 US$ '000*
OPERATING ACTIVITIES			
Net profit for the period		**32,630**	33,011
Adjustments for :			
Depreciation on investment in ijarah assets	4	**11,124**	4,845
Depreciation and amortisation		**206**	2,005
Amortisation of premium		**2,295**	2,142
Fair valuation loss on equity option		**-**	1,386
Provisions / write off	11	**6,009**	2,491
Share of results of associates	6	**(5,487)**	8,066
Gain arising on conversion of associate to subsidiary	6	**-**	(21,759)
Gain on disposal of securities		**(8,285)**	(5,794)
Operating profit before changes in operating assets and liabilities		**38,492**	26,393
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**	30,425
Other assets		**7,821**	(88,787)
Due to financial institutions		**(9,610)**	(16,542)
Other liabilities		**(7,480)**	(48,010)
Payment to charities		**(853)**	(203)
Net cash from operating activities		**32,576**	220,284
INVESTING ACTIVITIES			
Purchase of securities		**(198,572)**	(340,764)
Proceeds from disposal / maturity of securities		**257,284**	182,485
Net changes in investment in associates		**-**	32,078
Net investment in ijarah assets		**(1,110)**	(513,034)
Purchase of property and equipment		**(215)**	(31)
Purchase of software		**(6)**	(175)
Net cash from (used in) investing activities		**57,381**	(639,441)
FINANCING ACTIVITIES			
Changes in non-controlling interest		**-**	80,115
Dividend paid		**(19,620)**	-
Dividend paid to non-controlling interest		**(33)**	(19)
Murabaha payable		**(5,592)**	53,775
Repayment of term financing		**(3,228)**	69,269
Net cash (used in) from financing activities		**(28,473)**	203,140
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS		**61,484**	(216,017)
Cash and cash equivalents at 1 January		**169,851**	398,442
CASH AND CASH EQUIVALENTS AT END OF THE PERIOD		**231,335**	182,425

For the purpose of the interim consolidated statement of cash flows, cash and cash equivalents comprise of the following:

Cash and bank balances		**24,681**	13,786
Due from financial institutions with original maturity of 90 days or less		**206,654**	168,639
		231,335	182,425

The attached notes 1 to 18 form part of these interim condensed consolidated financial statements.

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

For the nine month period ended 30 September 2013 (Unaudited)

	30 September 2013 US$ '000	*30 September 2012 US$ '000*
Sources of zakah and charity funds		
Undistributed zakah 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	**853**	203
Total uses of funds during the period	**853**	203
Undistributed zakah and charity fund at end of the period	**66**	29

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 7 November 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 nine month period ended 30 September 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 nine month period ended 30 September 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$"), being the reporting and functional currency of the Group's operations. All values are rounded to the nearest US$ '000 except when otherwise indicated.

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.

FAS 26 Investment in Real Estate
FAS 26 covers the recognition, measurement, presentation and disclosure of investment in real estate that is acquired for the purpose of earning periodical income or held for future capital appreciation or both. The adoption of this standard did not have any impact on the accounting policies, financial position or performance of the Group.

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 in note 14.

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 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 in note 17.

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 September 2013:

Name of subsidiary	*Equity interest*	*Nature of business*
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 September 2013 management accounts.

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

3 DUE FROM FINANCIAL INSTITUTIONS

	Unaudited 30 September 2013 US$ '000	*Audited 31 December 2012 US$ '000*
Commodity murabaha contracts	**151,544**	109,409
Wakala contracts	**55,126**	49,024
	206,670	158,433
Less: Deferred profits	**(16)**	(30)
	206,654	158,403

The original maturity of commodity murabaha and wakala contracts with financial institutions is as follows:

Due within 90 days	**206,654**	154,197
Due after 90 days	**-**	4,206
	206,654	158,403

4 INVESTMENT IN IJARAH ASSETS

	Aircraft US$ '000	*Oil rigs US$ '000*	*Total US$ '000*
Cost:			
At 1 January 2013	100,000	440,889	540,889
Additions	-	1,225	1,225
Write off *	-	(115)	(115)
At 30 September 2013	**100,000**	**441,999**	**541,999**
Depreciation:			
At 1 January 2013	3,300	8,226	11,526
Charge for the period	2,700	8,424	11,124
At 30 September 2013	**6,000**	**16,650**	**22,650**
Net book value:			
As at 30 September 2013	**94,000**	**425,349**	**519,349**
As at 31 December 2012	96,700	432,663	529,363

An aircraft with a carrying value of US$ 94,000 thousand (31 December 2012: US$ 96,700 thousand) has been mortgaged against the term financing availed by Norddeutsche Landesbank Girozentrale (note 9).

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

5 INVESTMENT SECURITIES

	30 September 2013 (Unaudited)		
	Amortised Cost	***Fair value through equity***	***Total***
	US$ '000	***US$ '000***	***US$ '000***
Debt type			
Quoted investments			
Sukuk	**314,555**	**-**	**314,555**
Unquoted investments			
Debt securities*	**83,056**	**-**	**83,056**
Equity type			
Quoted investment			
Equity shares	**-**	**33,176**	**33,176**
Unquoted investments			
Equity shares*	**-**	**40,995**	**40,995**
	397,611	**74,171**	**471,782**
Provision for impairment	**-**	**(20,000)**	**(20,000)**
	397,611	**54,171**	**451,782**

*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 has been returned by ADEIC, of which US$ 292 thousand has been utilized to top-up the liability reserve account (note 7).

The Group's quoted investment in equity shares held at fair value through equity amounting to US$ 33,176 thousand as of 30 September 2013 (31 December 2012: Nil) and includes unrealised gain on remeasurement to fair value of US$ 12,974 thousand (31 December 2012: Nil).

	31 December 2012 (audited)		
	Amortised Cost	*Fair value through equity*	*Total*
	US$ '000	*US$ '000*	*US$ '000*
Debt type			
Quoted investments			
Sukuk	392,967	-	392,967
Unquoted investments			
Debt securities	79,215	-	79,215
Equity type			
Unquoted investments			
Equity shares	-	45,205	45,205
	472,182	45,205	517,387
Provision for impairment	-	(20,000)	(20,000)
	472,182	25,205	497,387

The Group's investments in sukuk held at amortised cost amounting to US$ 314,555 thousand as of 30 September 2013 (31 December 2012: US$ 392,967 thousand) have a fair value of US$ 315,279 thousand (31 December 2012: US$ 402,646 thousand).

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.

6 INVESTMENT IN ASSOCIATES

	Unaudited 30 September 2013 US$ '000	*Audited 31 December 2012 US$ '000*
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	**5,487**	(7,067)
Conversion of an associate to subsidiary	**-**	(31,000)
	106,536	101,049

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.

Investment in associates comprise the following:

Name	***Country of incorporation***	***% holding***	***Nature of business***
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

	30 September 2013 US$ '000	*31 December 2012 US$ '000*
Total assets	**490,350**	458,407
Total liabilities	**72,726**	54,700
Total revenues	**61,066**	52,094
Total net income (loss)	**11,189**	(18,615)

* Based on unaudited management accounts received from Arab Drilling and Workover Company, management has estimated a total profit of US$ 15,236 thousand for the 9 month period ended 31 August 2013. The Group has recognised US$ 6,094 thousand in these interim condensed consolidated financial statements representing their 40% share.

** Based on Al Izz Islamic Bank reviewed accounts, losses of US$ 4,047 thousand were recognised for the 8 month period ended 30 June 2013. The Group has recognised losses of US$ 607 thousand in these interim condensed consolidated financial statements representing their 15% share.

7 OTHER ASSETS

	Notes	***Unaudited 30 September 2013 US$ '000***	*Audited 31 December 2012 US$ '000*
Project work-in-progress *		**48,199**	46,101
Liability reserve receivable **		**11,438**	11,136
Profit receivable on subordinated loan	16	**12,801**	10,657
Ijarah receivable		**10,045**	4,910
Deferred expenses		**3,391**	5,134
Advances paid		**1,387**	1,656
Goodwill *		**500**	2,309
Intangible assets – software		**113**	248
Due from associate		**68**	67
Others		**3,422**	7,045
Provision *	11	**(4,200)**	-
		87,164	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). During the period, goodwill of US$ 1,809 thousand has been written off and a provision of US$ 4,200 thousand has been recognised against the project work in progress (note 11).

** Liability reserve receivable represents an amount that has been funded by ADEIC to Al Dur Power and Water Company to meet the liability 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.

8 MURABAHA PAYABLE

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

	Unaudited 30 September 2013 US$ '000	*Audited 31 December 2012 US$ '000*
Balance at beginning of the period / year	**53,755**	-
Additions	**-**	55,000
Repayments	**(5,270)**	(1,245)
	48,485	53,755
Accrued profit	**4**	326
	48,489	54,081

On 10 May 2012, MENAdrill 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.

9 TERM FINANCING

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

	Unaudited 30 September 2013 US$ '000	*Audited 31 December 2012 US$ '000*
Balance at beginning of the period / year	**68,165**	-
Additions	**-**	72,000
Repayments	**(3,245)**	(3,835)
	64,920	68,165
Accrued profit	**52**	35
	64,972	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.

10 OTHER OPERATING EXPENSES RELATING TO IJARAH ASSESTS

	Unaudited 30 September 2013 US$ '000	*Unaudited 30 September 2012 US$ '000*
Repairs and maintenance - rigs	**7,682**	2,437
Insurance - rigs	**3,380**	1,129
Professional and consultancy fee	**2,110**	896
Rental of cement unit	**1,110**	111
Miscellaneous expenses	**1,966**	768
	16,248	5,341

Comparative figures include expenses of Menadrill Investment Company from 29 March 2012, date of conversion from associate to subsidiary (note 6).

11 PROVISIONS / WRITE OFF

The following table shows the movement of provisions / write off during the period:

		Individual impairment	***Collective impairment***	***Total***	*Individual impairment*	*Collective impairment*	*Total*
		Nine months ended 30 September 2013			*Nine months ended 30 September 2012*		
	Note	***US$ '000***	***US$ '000***	***US$ '000***	*US$ '000*	*US$ '000*	*US$ '000*
Balance at beginning of the period		**-**	**4,077**	**4,077**	-	-	-
Charged during the period	7	**4,200**	**-**	**4,200**	-	2,491	2,491
Write off during the period	7	**1,809**	**-**	**1,809**	-	-	-
		6,009	**4,077**	**10,086**	-	2,491	2,491

12 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 September 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	-	-	**794**	**794**	-	-	417	417
Due from financial institutions	-	-	-	-	-	-	11,801	11,801
Investment securities	-	-	**36,038**	**36,038**	-	-	70,291	70,291
Investment in associates	**106,536**	-	-	**106,536**	101,049	-	-	101,049
Other assets	**68**	-	-	**68**	67	-	-	67
Liabilities								
Due to financial institutions	-	-	-	-	-	-	9,601	9,601
Other liabilities	-	**523**	**37,929**	**38,452**	-	488	34,372	34,860

12 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 Nine months ended 30 September 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 Nine months ended 30 September 2012 US$ '000*
Income								
Profit from Islamic financing	**-**	**-**	**5**	**5**	4,072	-	27	4,099
Profit on Islamic financing	**-**	**-**	**(281)**	**(281)**	-	-	(267)	(267)
Income from securities	**-**	**-**	**2,600**	**2,600**	-	-	1,020	1,020
Share of results of associates	**5,487**	**-**	**-**	**5,487**	(8,066)	-	-	(8,066)
Gain arising on conversion of associate to subsidiary	**-**	**-**	**-**	**-**	21,759	-	-	21,759
Other income	**-**	**-**	**-**	**-**	20	-	-	20
Expenses								
Staff costs	**-**	**1,040**	**-**	**1,040**	-	1,163	-	1,163
General and administrative expenses	**-**	**182**	**(435)**	**(253)**	1,386	1,026	-	2,412

13 COMMITMENTS

	***Unaudited* 30 September 2013 US$ '000**	*Audited 31 December 2012 US$ '000*
Other capital commitments	**67,856**	67,856
Forward treasury commitments	**10,338**	9,602
Operating lease commitments	**1,226**	510
	79,420	77,968

14 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:

	***Unaudited* 30 September 2013**		*Audited 31 December 2012*	
	***Assets* US$ '000**	***Liabilities* US$ '000**	*Assets US$ '000*	*Liabilities US$ '000*
Segment				
Banks and financial institutions	**508,188**	**200,912**	499,155	215,165
Energy power and infrastructure	**631,304**	**3,417**	627,833	4,675
Others	**266,169**	**21,076**	273,476	21,045
	1,405,661	**225,405**	1,400,464	240,885

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

	***Unaudited* 30 September 2013**		*Audited 31 December 2012*	
	***Assets* US$ '000**	***Liabilities* US$ '000**	*Assets US$ '000*	*Liabilities US$ '000*
Segment				
MENA	**793,091**	**155,596**	752,632	165,253
Europe	**35,998**	**64,972**	57,494	68,200
America	**460,257**	**4,198**	460,361	7,417
Asia	**116,315**	**639**	129,977	15
	1,405,661	**225,405**	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.

15 DIVIDEND 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.

16 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.

17 FINANCIAL INSTRUMENTS

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

	Amortised Cost US$ '000	*Fair value through equity US$ '000*
Financial assets:		
Investment securities	**397,611**	**54,171**
Other assets*	**85,973**	**-**
Total	**483,584**	**54,171**
Financial liabilities:		
Due to financial institutions	**50,002**	**-**
Murabaha payable	**48,489**	**-**
Term financing	**64,972**	**-**
Other liabilities (excluding provision for indemnity)	**61,120**	**-**
Total	**224,583**	**-**

*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.

17 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 September 2013:

	Level 1	*Level 2*	*Level 3*	*Total*
	US$ '000	*US$ '000*	*US$ '000*	*US$ '000*
Fair value through equity				
Quoted equity shares	**33,176**	**-**	**-**	**33,176**

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 (note 5).

18 COMPARATIVES

Certain of the prior period's figures have been reclassified to conform to the presentation adopted in the current period. Such reclassification did not affect previously reported income or shareholders' equity. The effect of the above reclassifications on the interim consolidated statement of income for the period ended 30 September 2012 is as follows:

	US$ '000
Decrease in general and administrative expenses	(5,341)
Decrease in depreciation and amortisation	(4,845)
Increase in other operating expenses relating to ijarah assets	5,341
Increase in depreciation on investment in ijarah assets	4,845