

BANK ALKHAIR B.S.C. (c)
CONDENSED CONSOLIDATED INTERIM
FINANCIAL INFORMATION

30 JUNE 2013

Commercial registration	:	53462 (registered with Central Bank of Bahrain as a wholesale Islamic bank).
Registered Office	:	4 th Floor Building No. 2304, Road 2830, Seef District 428 PO Box 31700, Manama, Kingdom of Bahrain
Directors	:	Yousef A. Al-Shelash, <i>Chairman</i> Hethloul Saleh Al-Hethloul Abdullatif Abdullah Al-Shalash Ayman Ismail Abudawood Abdulaziz Naif Al Orayer Ahmed Saleh Dehailan Khalid Shaheen Khalid Ateeq Abdullah Al Dubaikhi Majed Abdulrahman Al Qassem Sultan Abalkhail Abdulrazaq Al Wohaib Ali Saleh Al Othaim Khalid Abdulrahim Waleed Alasfoor
Acting Chief Executive Officer	:	Jonathan H. Holley
Auditors	:	KPMG Fakhro

CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION
for the six months ended 30 June 2013

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INDEPENDENT AUDITORS' REPORT ON REVIEW OF CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

To
The Board of Directors
Bank Alkhair B.S.C. (c)
Seef
Kingdom of Bahrain

3 August 2013

Introduction

We have reviewed the accompanying 30 June 2013 condensed consolidated interim financial information of Bank Alkhair B.S.C. (c) (the "Bank") and its subsidiaries (the "Group"), which comprises:

- the condensed consolidated statement of financial position as at 30 June 2013;
- the condensed consolidated income statement for the three month and six month periods ended 30 June 2013;
- the condensed consolidated statement of changes in equity for the six month period ended 30 June 2013;
- the condensed consolidated statement of cash flows for the six month period ended 30 June 2013;
- the condensed consolidated statement of changes in restricted investment accounts for the six month period ended 30 June 2013; and
- notes to the condensed consolidated interim financial information.

The Board of Directors of the Bank is responsible for the preparation and presentation of this condensed consolidated interim financial information in accordance with Financial Accounting Standards issued by the Accounting and Auditing Organisation for Islamic Financial Institutions. Our responsibility is to express a conclusion on this condensed consolidated interim financial information based on our review.

Scope of review

We conducted our review in accordance with the 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 Auditing Standards for Islamic Financial Institutions 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 30 June 2013 condensed consolidated interim financial information is not prepared, in all material respects, in accordance with the Financial Accounting Standards issued by the Accounting and Auditing Organisation for Islamic Financial Institutions.



CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
as at 30 June 2013

US\$ 000's

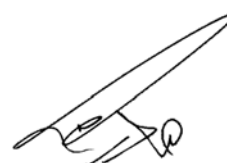
	note	30 June 2013 (reviewed)	31 December 2012 (audited)
ASSETS			
Cash and balances with banks		25,511	7,985
Placements with financial institutions		86,560	63,733
Financing receivables	6	89,343	86,623
Investment securities	7	82,593	112,905
Assets held-for-sale	8	224,166	18,932
Equity-accounted investees	9	106,689	106,006
Investment property		17,706	17,706
Other assets	10	4,954	25,988
Equipment		1,636	2,277
TOTAL ASSETS		639,158	442,155
LIABILITIES AND EQUITY			
LIABILITIES			
Due to financial institutions	11	110,272	153,121
Due to customers		150,999	68,176
Liabilities held-for-sale	8	106,609	-
Other liabilities	12	23,595	24,978
TOTAL LIABILITIES		391,475	246,275
EQUITY			
Share capital		207,862	207,862
Statutory reserve		337	337
Fair value reserve		391	114
Foreign currency translation reserve		(9,217)	(8,485)
Accumulated losses		(28,419)	(32,715)
Equity attributable to the shareholders of the Parent		170,954	167,113
Non-controlling interests		28,036	28,767
Non-controlling interests related to assets held-for-sale	8	48,693	-
TOTAL EQUITY (page 4)		247,683	195,880
TOTAL LIABILITIES AND EQUITY		639,158	442,155

The Board of Directors approved the condensed consolidated interim financial information consisting of pages 2 to 19 on 3 August 2013.



Yousef Abdullah Al-Shelash

Chairman



Hethloul Saleh Al-Hethloul

Board Member

CONDENSED CONSOLIDATED INCOME STATEMENT
for the six months ended 30 June 2013

US\$ 000's

	Note	Six months ended		Three months ended	
		30 June 2013 (reviewed)	30 June 2012 (reviewed)	30 June 2013 (reviewed)	30 June 2012 (reviewed)
Finance income		3,623	4,010	1,819	1,978
Finance expense		(3,808)	(4,019)	(2,073)	(1,883)
Net finance (expense) / income		(185)	(9)	(254)	95
Income from investment securities	13	5,449	(10,968)	3,076	(4,974)
Fees and commission	14	3,310	1,356	2,155	751
Share of profit of equity-accounted investees	9	3,106	7,150	1,577	1,965
Gain on acquisition of assets held-for-sale	8	14,003	-	14,003	-
Other income		381	396	145	209
Total income		26,064	(2,075)	20,702	(1,954)
Staff cost		8,209	10,031	4,035	5,262
Legal and professional expenses		7,914	2,368	6,472	1,396
Premises cost		1,401	1,476	708	703
Business development expenses		226	545	100	233
Depreciation		739	1,000	333	448
Other operating expenses		2,151	2,717	1,172	1,346
Total expenses		20,640	18,137	12,820	9,388
Profit / (loss) for the period before Zakah and impairment		5,424	(20,212)	7,882	(11,342)
Provision for Zakah (Charge) / reversal of impairment on receivables		(720)	(1,000)	(340)	(500)
		(1,200)	1,500	(1,200)	500
Profit / (loss) for the period from continuing operations		3,504	(19,712)	6,342	(11,342)
Income from assets held-for-sale and discontinued operations		180	(356)	180	-
Profit / (loss) for the period		3,684	(20,068)	6,522	(11,342)
Attributable to:					
Shareholders of the Parent		4,296	(18,424)	6,732	(10,479)
Non-controlling interests		(701)	(1,644)	(299)	(863)
Non-controlling interests relating to assets held-for-sale		89	-	89	-
		3,684	(20,068)	6,522	(11,342)

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
for the six months ended 30 June 2013

US\$ 000's

	Attributable to the shareholders of the Parent					Non-controlling interests	Non-controlling interests related to assets held-for-sale	Total equity	
	Share capital	Statutory reserve	Investments fair value reserve	Foreign currency translation reserve	Accumulated losses				Total
30 June 2013 (reviewed)									
As at 1 January 2013	207,862	337	114	(8,485)	(32,715)	167,113	28,767	-	195,880
Profit / (loss) for the period	-	-	-	-	4,296	4,296	(701)	89	3,684
Foreign currency translation differences	-	-	-	(353)	-	(353)	(30)	-	(383)
Fair value reserve			277			277			277
Share of changes in reserves of equity-accounted investees	-	-	-	(379)	-	(379)	-	-	(379)
Total recognised income and expense for the period	-	-	277	(732)	4,296	3,841	(731)	89	3,199
Non-controlling interests related to assets held-for-sale	-	-	-	-	-	-	-	48,604	48,604
As at 30 June 2013	207,862	337	391	(9,217)	(28,419)	170,954	28,036	48,693	247,683

The condensed consolidated interim financial information consists of pages 2 to 19.

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
 for the six months ended 30 June 2013 (continued)

US\$ 000's

	Attributable to the shareholders of the Parent					Non-controlling interests	Total equity	
	Share capital	Statutory reserve	Investments fair value reserve	Foreign currency translation reserve	Accumulated losses			Total
30 June 2012 (reviewed)								
As at 1 January 2012	207,862	337	(227)	(8,642)	4,153	203,483	31,683	235,166
Loss for the period	-	-	-	-	(18,424)	(18,424)	(1,644)	(20,068)
Foreign currency translation differences	-	-	-	93	-	93	(39)	54
Fair value changes	-	-	192	-	-	192	-	192
Share of changes in reserves of equity-accounted investees	-	-	149	-	-	149	-	149
Total recognised income and expense for the period	-	-	341	93	(18,424)	(17,990)	(1,683)	(19,673)
As at 30 June 2012	207,862	337	114	(8,549)	(14,271)	185,493	30,000	215,493

The condensed consolidated interim financial information consists of pages 2 to 19.

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS
for the six months ended 30 June 2013

US\$ 000's

	30 June 2013 (reviewed)	30 June 2012 (reviewed)
OPERATING ACTIVITIES		
Profit / (loss) for the period	3,684	(20,068)
Adjustments for:		
Provision for Zakah	720	1,000
Gain on sale of investment securities	(431)	(364)
Fair value changes in investment securities	(4,469)	11,848
Share of profit of equity-accounted investees	(3,106)	(7,150)
Depreciation and amortisation	739	1,000
Loss on disposal of equipment	-	19
Sukuk amortisation	(36)	(159)
Gain on acquisition of assets held-for-sale	(14,003)	-
Income from assets held-for-sale and discontinued operations	(180)	-
Charge / (reversal) of impairment	1,200	(1,500)
	(15,882)	(15,374)
Changes in:		
Financing receivables	(3,920)	733
Other assets	8,965	4,996
Due to financial institutions	(27,739)	(18,719)
Due to customers	82,823	(8,788)
Other liabilities	(3,233)	(1,689)
Proceeds from sale of investment securities	16,533	4,265
Purchase of investment securities	(3,818)	-
Net cash generated from / (used in) operating activities	53,729	(34,576)
INVESTING ACTIVITIES		
Net purchase of equipment	70	(246)
Dividends received	2,168	-
Net cash generated from / (used in) investing activities	2,238	(246)
FINANCING ACTIVITIES		
Draw down of bank financing	-	15,110
Repayment of bank financing	(15,110)	-
Net cash (used in) / generated from financing activities	(15,110)	15,110
NET INCREASE / (DECREASE) IN CASH AND CASH EQUIVALENTS	40,857	(19,712)
Effect of exchange rate changes on cash and cash equivalents	(504)	353
Cash and cash equivalents at the beginning of the period	71,718	77,558
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD	112,071	58,199
Cash and cash equivalents comprise:		
Cash and balances with banks	25,511	5,924
Placements with financial institutions	86,560	52,275
	112,071	58,199

The condensed consolidated interim financial information consists of pages 2 to 19.

**CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN RESTRICTED INVESTMENT
ACCOUNTS**

for the six months ended 30 June 2013

US\$ 000's

	At 1 January 2013	Deposit	Gross Income	Wakil Fee	Withdrawals	At 30 June 2013
30 June 2013 (reviewed)						
Wakala contract	-	500	8	(1)	-	507

	At 1 January 2012	Deposit	Gross Income	Wakil Fee	Withdrawals	At 30 June 2012
30 June 2012 (reviewed)						
Wakala contract	3,604	-	91	(36)	(3,659)	-

**NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION
for the six months ended 30 June 2013**

US\$ 000's

1. REPORTING ENTITY

Bank Alkhair B.S.C. (c) ("the Bank") was incorporated in the Kingdom of Bahrain and registered with the Ministry of Industry and Commerce under Commercial Registration No. 53462 on 29 April 2004 and operates under a wholesale Islamic banking license granted by the Central Bank of Bahrain (CBB). The Bank's registered office is at the 4th floor of Building No. 2304, Road No. 2830, Seef District 428, Manama, Kingdom of Bahrain.

The Bank and its subsidiaries (together referred to as "the Group") aim to provide a full range of investment banking products and services that are compliant with Shari'ah principles. The principal products and services offered by the Group are:

- financial advisory services;
- private equity, equity structuring, private placements and initial public offerings;
- facility structuring, restructuring and placement including project finance, securitisation and Sukuk;
- structuring and marketing of both open and closed end mutual funds as well as client portfolio management and brokerage services that aim to meet investor driven return and asset criteria;
- advisory and investment services for takaful (Islamic insurance) and retakaful (Islamic reinsurance) providers; and
- mergers and acquisitions, including deal sourcing, structuring, valuations and advisory.

2. BASIS OF PREPARATION

The condensed consolidated interim financial information has been prepared in accordance with Financial Accounting Standards ('FAS') issued by the Accounting and Auditing Organisation for Islamic Financial Institutions (AAOIFI). In line with the requirement of AAOIFI and the CBB Rule Book, for matters that are not covered by FAS, the Group uses guidance from the relevant International Financial Reporting Standard. Accordingly, the condensed consolidated interim financial information has been presented in condensed form in accordance with the guidance provided by International Accounting Standard 34 – '*Interim Financial Reporting*'. The condensed consolidated interim financial information does not include all of the information required for full annual consolidated financial statements and should be read in conjunction with the audited consolidated financial statements of the Group for the year ended 31 December 2012. However, selected explanatory notes are included to explain events and transactions that are significant to an understanding of the changes in the Group's financial position and performance since the last annual consolidated financial statements as at and for the year ended 31 December 2012.

Going concern

The Bank's management has made an assessment of the Bank's ability to continue as a going concern and is satisfied that the Bank has the resources to continue in business for foreseeable future. The management is not aware of any material uncertainties that may cast significant doubt upon the Bank's ability to continue as a going concern, and accordingly, the condensed consolidated interim financial information has been prepared on a going concern basis.

Accounting policies

The accounting policies and methods of computation applied by the Group in the preparation of the condensed consolidated interim financial information are the same as those used in the preparation of the audited consolidated financial statements for the year ended 31 December 2012 except for the adoption of applicable new accounting standards with effect from 1st January 2013 as referred to below.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION
for the six months ended 30 June 2013

US\$ 000's

2. BASIS OF PREPARATION *(continued)*
New standards and amendments

The Bank has adopted Financial Accounting Standard 26 ("FAS 26") "Investment in real estate" issued by AAOIFI during 2012, which is effective 1 January 2013. Previously, the Group was following the fair value model. On the date of adoption of the standard, the Group opted to measure investment properties using the cost model. The adoption of the new standard did not have any material impact on the Group.

Judgements and estimates

The preparation of condensed consolidated interim financial information requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expenses. Actual results may differ from these estimates.

In preparing these condensed consolidated interim financial information, the significant judgements made by management in applying the Group's accounting policies and the key sources of estimation uncertainties were the same as those applied to the audited consolidated financial statements for the year ended 31 December 2012.

During the period, the Group has acquired a business (note 8) and is currently in the process of determining fair values of the acquired identifiable assets and liabilities. The 30 June 2013 condensed consolidated interim financial information have been prepared using provisional accounting. It is possible that there may be adjustments to the recognised assets and liabilities in subsequent reporting periods that may require adjustments to the reported amounts and results in the 30 June 2013 condensed consolidated interim financial information.

Financial Risk Management

The Group's financial risk management objectives and policies are consistent with that disclosed in the audited consolidated financial statements for the year ended 31 December 2012.

3. The condensed consolidated interim financial information is reviewed, not audited. The comparatives for the condensed consolidated statement of financial position has been extracted from the audited consolidated financial statements for the year ended 31 December 2012 and comparatives for the condensed consolidated statements of income, changes in equity, cash flows and changes in restricted investment accounts have been extracted from the condensed consolidated interim financial information for the six months ended 30 June 2012.
4. Due to nature of the Bank's business, the six months' results reported in this condensed consolidated interim financial information may not represent a proportionate share of the overall annual results.
5. Appropriations of net profit, if any, are made only at the year end.

6. FINANCING RECEIVABLES

	30 June 2013	31 December 2012
Gross murabaha receivables	91,649	87,735
Less: Deferred profits	(856)	(862)
Less: Specific impairment allowances	(1,200)	-
Less: Collective impairment allowances	(250)	(250)
	89,343	86,623

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION
for the six months ended 30 June 2013

US\$ 000's

7. INVESTMENT SECURITIES

	30 June 2013	31 December 2012
Equity type instruments		
<i>At fair value through income statement:</i>		
- Quoted equity securities (note 8)	-	23,691
- Unquoted equity securities	29,771	32,771
- Unquoted funds	27,138	28,397
- Quoted funds	1,884	1,983
	58,793	86,842
<i>At fair value through equity:</i>		
- Quoted equity securities	9,620	-
	68,413	86,842
Debt type instruments		
<i>At amortised cost:</i>		
- Sukuk	14,180	26,063
	82,593	112,905

8. ASSETS HELD-FOR-SALE

	30 June 2013	31 December 2012
Subsidiary held-for-sale		
- Assets	205,234	-
- Liabilities	(106,609)	-
Net assets	98,625	-
Equity-accounted investee	18,932	18,932

On 31 May 2013, the Group acquired additional stake of 4.17% in Al-Tajamouat for Touristic Projects Co Plc (TAJ), a company listed on the Amman Stock Exchange, Jordan and in which the Group already owned 46.46% resulting in TAJ becoming a subsidiary.

As per acquisition accounting requirements, the net identifiable assets and liabilities recognized on acquisition were measured at their fair values on the date of acquisition. The total consideration for the controlling stake amounted to US\$ 35,838 thousand. The Bank has provisionally recognised identifiable assets of US\$ 205,706 thousand and liabilities of US\$ 107,260 thousand at the date of acquisition which also represents the management's estimated fair value less cost to sell of the investment. As the fair value of the recognized net identifiable assets is in excess of the consideration paid, the excess of US\$ 14,003 thousand has been recognized as a gain on bargain purchase under "gain on acquisition of assets held-for-sale" in the condensed consolidated income statement. The gain on bargain purchase primarily arose from the fact that the previously held stake in TAJ was measured at the quoted market price, which was substantially below the fair value of the underlying net assets of TAJ.

The Group has an active plan to sell its stake in TAJ, and accordingly, the asset and liabilities acquired are classified as held-for-sale and presented in the condensed consolidated statement of financial position.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION
for the six months ended 30 June 2013

US\$ 000's

8. ASSETS HELD-FOR-SALE (continued)

Further, assets held-for-sale includes investment in Burj Bank Limited of US\$ 18,932 thousand, an equity-accounted investee, which was classified as held-for-sale in June 2012. The Bank has subsequently entered into a sale agreement with a buyer for the sale of its investment. However, the sale agreement is subject to regulatory approvals which is pending as of the date of these condensed consolidated interim financial information. The Group has extended the terms of the sale agreement with buyer and the management is confident that the sale process would be completed. Accordingly, the investment in Burj Bank Limited continues to be classified as held-for-sale.

9. EQUITY-ACCOUNTED INVESTEEES

	30 June 2013	31 December 2012
BFC Group Holdings Ltd.	93,809	93,205
t'azur Company B.S.C. (c)	12,880	12,801
	106,689	106,006

The movement on equity-accounted investees is as follows:

	2013	2012
At 1 January	106,006	114,952
Acquisitions during the period / year	-	-
Share of profits of equity-accounted investees	3,106	10,575
Share of reserves of equity-accounted investees	(255)	103
Transferred to assets held-for-sale	-	(16,372)
Dividends received	(2,168)	(3,252)
At 30 June / 31 December	106,689	106,006

t'azur Company B.S.C (c) has a commitment to provide a qard hassan loan to the extent of the accumulated deficit in the participants' fund of US\$ 34.1 million at 30 June 2013 (31 December 2012: US\$ 25.9 million). The Group's share of the commitment is US\$ 8.8 million (31 December 2012: US\$ 6.7 million).

10. OTHER ASSETS

	30 June 2013	31 December 2012
Advance for purchase of investments	663	7,145
Fees and expenses recoverable	1,950	4,314
Prepayments and advances	1,339	1,353
Receivable from sale of investment securities	-	11,900
Others	3,911	5,044
	7,863	29,756
Less: Provision for impairment on others	(2,909)	(3,768)
	4,954	25,988

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION
for the six months ended 30 June 2013

US\$ 000's

11. DUE TO FINANCIAL INSTITUTIONS

	30 June 2013	31 December 2012
Placements from financial institutions	110,272	138,011
Bank financing	-	15,110
	110,272	153,121

In February 2013, the Group repaid the bank financing.

12. OTHER LIABILITIES

	30 June 2013	31 December 2012
Provision for legal and professional expenses	5,427	6,800
Accruals and other provisions	1,823	1,564
Restructuring provision	419	419
Deal-related payables	4,740	4,740
Staff-related payables	2,512	2,240
Trade and other payables	8,674	9,215
	23,595	24,978

13. INCOME FROM INVESTMENT SECURITIES

	30 June 2013	30 June 2012
Dividend income	-	24
Fair value gain / (loss) on investment securities	4,469	(11,848)
(Loss) / gain on sale of investment securities	(47)	282
Sukuk Income		
- Sukuk profit	549	492
- Gain on sale of sukuk	478	82
	5,449	(10,968)

14. FEES AND COMMISSION

	30 June 2013	30 June 2012
Advisory fees	174	-
Arrangement fees	1,686	336
Management fees	1,316	1,020
Brokerage fees	134	-
	3,310	1,356

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION
for the six months ended 30 June 2013

US\$ 000's

15. COMMITMENTS AND CONTINGENCIES

	30 June 2013	31 December 2012
Lease commitments	2,158	2,882
Guarantees	5,311	3,315
Financing	2,500	-
	9,969	6,197

Pursuant to the resolution of shareholders Extraordinary General Meeting held in October 2010, the Bank's Board of Directors was mandated by the General Assembly to bring legal action against the former Chief Executive Officer & Managing Director. Accordingly, the Bank has filed various legal proceedings against the former Chief Executive Officer & Managing Director before the Civil and Criminal Courts of the Kingdom of Bahrain. In view of the results made by the General Prosecutor and the advice received by the Bank from its legal counsel, management is confident that damages will be awarded to the Bank.

Employment claims against the Bank have been filed by former Bank employees. Based on the advice the Bank received from its external legal counsel, it is premature to quantify the amount or timing of liability, if any. The external legal counsel has also confirmed that the Bank has strong grounds to successfully defend itself against these claims. Accordingly, no additional provision for these claims has been made in the condensed consolidated interim financial information. No further disclosures regarding contingent liabilities arising from any of the employment claims are being made by the Bank as the directors of the Bank believe that such disclosures may be prejudicial to the Bank's position.

The Group's share of commitments arising from its equity-accounted investees is given in note 9.

**NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION
for the six months ended 30 June 2013**

US\$ 000's

16. RELATED PARTY TRANSACTIONS

The significant related party transactions and balances included in this condensed consolidated interim financial information are as follows:

	30 June 2013				31 December 2012			
	Associates	Significant shareholders/entities in which directors have interest	Senior management	Other entities	Associates	Significant shareholders/entities in which directors have interest	Senior management	Other entities
Assets								
Financing receivables	6,567	-	-	7,106	6,556	-	-	7,108
Investment securities	55,360	-	-	20,441	83,309	-	-	11,181
Assets held-for-sale	18,932	-	-	-	18,932	-	-	-
Equity-accounted investees	106,689	-	-	-	106,006	-	-	-
Other assets	1,555	-	46	916	2,536	-	90	842
Liabilities								
Due to financial institutions	25,393	-	-	-	26,191	-	-	-
Due to customers	-	-	-	661	-	-	-	660
Other liabilities	109	1,651	834	144	152	1,284	548	66
	Six months ended 30 June 2013				Six months ended 30 June 2012			
	Associates	Significant shareholders/entities in which directors have interest	Senior management	Other entities	Associates	Significant shareholders/entities in which directors have interest	Senior management	Other entities
Income / (expenses)								
Income from investment securities	3,819	-	-	438	(11,995)	-	-	147
Fees and commission	1,132	-	-	952	1,021	-	-	-
Net finance income / (expense)	(323)	-	-	277	(342)	-	-	245
Share of profit of equity-accounted investees	3,106	-	-	-	7,150	-	-	-
Directors' and Shari'ah board remuneration and expenses	-	(445)	-	(19)	-	(405)	-	(38)

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION
for the six months ended 30 June 2013

US\$ 000's

17. SEGMENT INFORMATION

	For the six months ended 30 June 2013				
	Investment Banking & Alkhair Capital Menkul Degerler A.S	Alkhair International Islamic Bank Malaysia Berhad	Alkhair Capital Saudi Arabia	Inter-company	Total
External revenue					
Net finance (expense) / income	(1,556)	1,371	-	-	(185)
Income from investment securities	4,421	1,028	-	-	5,449
Fees and commission	1,187	1,685	438	-	3,310
Share of profit of equity-accounted investees	3,106	-	-	-	3,106
Gain on acquisition of assets held-for-sale	14,003	-	-	-	14,003
Other income	390	(9)	-	-	381
Inter-segment income	(1,710)	291	1,419	-	-
Total income	19,841	4,366	1,857	-	26,064
Total operating expenses	(15,525)	(2,535)	(2,580)	-	(20,640)
(Charge) / reversal of impairment	-	(1,200)	-	-	(1,200)
Provision for Zakah	-	-	(720)	-	(720)
Income from assets held-for-sale	180	-	-	-	180
Profit / (loss) for the period	4,496	631	(1,443)	-	3,684
Equity-accounted investees	106,689	-	-	-	106,689
Segment assets	475,095	188,632	67,861	(92,430)	639,158
Segment liabilities	318,815	158,475	6,615	(92,430)	391,475

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION
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US\$ 000's

17. SEGMENT INFORMATION (continued)

For the six months ended 30 June 2012					
	Investment Banking & Alkhair Capital Menkul Degerler A.S	Alkhair International Islamic Bank Malaysia Berhad	Alkhair Capital Saudi Arabia	Inter-company	Total
External revenue					
Net finance expense	(1,268)	1,259	-	-	(9)
Income from investment securities	(11,542)	574	-	-	(10,968)
Fees and commission	1,031	325	-	-	1,356
Share of profit of equity-accounted investees	7,150	-	-	-	7,150
Other income	368	28	-	-	396
Inter-segment income	(1,503)	30	1,473	-	-
Total income	(5,764)	2,216	1,473	-	(2,075)
Total operating expenses	(12,421)	(1,876)	(3,840)	-	(18,137)
Reversal of impairment	1,500	-	-	-	1,500
Provision for tax	-	-	(1,000)	-	(1,000)
Income from assets held-for-sale	(356)	-	-	-	(356)
(Loss) / profit for the period	(17,041)	340	(3,367)	-	(20,068)
31 December 2012 (audited)					
Equity-accounted investees	106,006	-	-	-	106,006
Segment assets	272,538	185,567	70,099	(86,049)	442,155
Segment liabilities	167,888	156,990	7,446	(86,049)	246,275

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION
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18. FINANCIAL INSTRUMENTS**Fair values**

The Group's financial instruments are accounted for under the historical cost method with the exception of investment securities. By contrast, the fair value represents the price that would be received to sell an asset, or paid to transfer a liability, in an orderly transaction between market participants at the measurement date. Differences therefore can arise between book values under the historical cost method and fair value estimates. Underlying the definition of fair value is the presumption that the Group is a going concern without any intention or requirement to curtail materially the scale of its operation or to undertake a transaction on adverse terms. Generally accepted methods of determining fair value include reference to quoted prices and the use of valuation techniques such as discounted cash flow analysis.

Set out below is a comparison of the carrying amounts and fair values of financial instruments:

30 June 2013	Carrying amount	Fair value
Financial assets:		
Balances with banks	25,496	25,496
Placements with financial institutions	86,560	86,560
Financing receivables	89,343	89,343
Investment securities	82,593	83,015
Other assets	4,954	4,954
	288,946	289,368
Financial liabilities:		
Due to financial institutions	110,272	110,272
Due to customers	150,999	150,999
Other liabilities	20,664	20,664
	281,935	281,935
31 December 2012	Carrying amount	Fair value
Financial assets:		
Balances with banks	7,966	7,966
Placements with financial institutions	63,733	63,733
Financing receivables	86,623	86,623
Investment securities	112,905	114,101
Other assets	25,988	25,988
	297,215	298,411
Financial liabilities:		
Due to financial institutions	153,121	153,121
Due to customers	68,176	68,176
Other liabilities	22,319	22,319
	243,616	243,616

**NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION
for the six months ended 30 June 2013**

US\$ 000's

18. FINANCIAL INSTRUMENTS (continued)**Valuation techniques**

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

Investment securities

The Group measures the fair value of quoted investments using the market bid-prices in an active market for that instrument. A market is regarded as active if quoted prices are readily and regularly available and represent actual and regularly occurring market transactions on an arm's length basis.

If a market for a financial instrument is not active or the instrument is not quoted, the Group establishes fair value using a valuation technique. Valuation techniques include using recent arm's length transactions between knowledgeable, willing parties (if available), discounted cash flow analyses and other valuation models with accepted economic methodologies for pricing financial instruments.

*Sensitivity analysis**Unquoted securities - Investment securities carried at fair value through income statement:*

The effect on profit as a result of a change in the fair value of equity instruments due to a reasonable possible change (i.e. +/-15%) in the value of individual investments, with all other variables held constant, is US\$ 8.5 million. The effect of decrease in the value of individual investments is expected to be equal and opposite to the effect of an increase.

Quoted securities - Investment securities carried at fair value through equity:

The Group's listed equity investment is listed on Saudi Stock Exchange (Tadawul). This investment classified as investment carried at fair value through equity, a 2 percent increase in Saudi Stock Exchange Index at the end of the reporting period would have increased the equity as at 30 June 2013 by US\$ 140 thousand; an equal change in the opposite direction would have decreased the equity by US\$ 140 thousand.

Financing receivables

The fair values of financing receivables are principally estimated their carrying amount less impairment provisions as these are for short term (i.e. less than 12 months). Hence, the present value of expected future cash flows is not expected to be different from their carrying values.

Other financial instruments

Placements with financial institutions, due to financial institutions and due to customers are for short term tenure hence their carrying value is not different from the fair value. Fair value of other financial assets and liabilities are not significantly different from their carrying values due to their short term nature.

Fair value hierarchy

The table below analyses the financial instruments carried at fair value, by valuation method. The different levels have been defined as follows:

- Level 1: quoted prices (unadjusted) in active markets for identical assets and liabilities.
- Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e.as prices) or indirectly (i.e. derived from prices).
- Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

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18. FINANCIAL INSTRUMENTS (continued)

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

30 June 2013*Investment securities*

Equity type instruments carried at fair value through income statement

Equity type instruments carried at fair value through equity

	Level 1	Level 2	Level 3	Total
Equity type instruments carried at fair value through income statement	1,884	27,138	29,771	58,793
Equity type instruments carried at fair value through equity	9,620	-	-	9,620
	11,504	27,138	29,771	68,413

31 December 2012*Investment securities*

Equity type instruments carried at fair value through income statement

	Level 1	Level 2	Level 3	Total
Equity type instruments carried at fair value through income statement	25,674	28,397	32,771	86,842
	25,674	28,397	32,771	86,842

The following table analyses the movement in Level 3 financial assets during the period:

	30 June 2013	30 June 2012
At 1 January	32,771	32,771
Gains / (losses) in income statement	(3,000)	-
Purchases	-	-
Settlements	-	-
Transfers into (out) of Level 3	-	-
At 30 June	29,771	32,771

19. COMPARATIVES

Certain prior period amounts have been regrouped to conform to current period's presentation. Such regrouping did not affect previously reported loss or equity.