

Bank Alkhair B.S.C. (c)

**INTERIM CONDENSED CONSOLIDATED
FINANCIAL STATEMENTS**

30 September 2018 (REVIEWED)

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

Introduction

We have reviewed the accompanying interim condensed consolidated statement of financial position of Bank Alkhair B.S.C.(c) ("the Bank") and its subsidiaries ("the Group") as of 30 September 2018, and the related interim consolidated statements of income, changes in owners' equity and cash flows for the nine month period then ended and explanatory notes. 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 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 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.

Emphasis of matter

Without qualifying our conclusion, we draw attention to note 2 to the interim condensed consolidated financial statements which discusses certain matters relating to the Group's liquidity position and regulatory capital adequacy requirements, implications of these matters for the basis of preparation of the interim condensed consolidated financial statements and management's action plans to deal with these matters. Our opinion is not modified in respect of these matters.



13 November 2018
Manama, Kingdom of Bahrain

Bank Alkhair B.S.C. (c)

INTERIM CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 September 2018 (Reviewed)

		<i>Reviewed</i> 30 September <i>2018</i> US\$ '000	<i>Audited</i> 31 December <i>2017</i> US\$ '000
ASSETS			
Cash and balances with banks		5,020	8,172
Placements with financial institutions		28,213	6,588
Financing receivables	5	3,317	8,956
Investments	6	51,427	70,644
Investment in associates	7	125,773	125,035
Investments in real estate	8	226,537	224,873
Other assets	9	29,880	28,483
Equipment		8,608	9,491
TOTAL ASSETS		478,775	482,242
LIABILITIES AND OWNERS' EQUITY			
Liabilities			
Due to financial institutions		54,748	71,342
Due to customers		188,306	167,372
Other liabilities	10	47,212	53,570
Total liabilities		290,266	292,284
Owners' equity			
Share capital		207,962	207,962
Statutory reserve		664	664
Fair value reserve		244	487
Foreign currency translation reserve		(2,811)	(5,179)
Accumulated losses		(124,922)	(115,687)
Equity attributable to the shareholders of the Bank		81,137	88,247
Non-controlling interests		107,372	101,711
Total owners' equity		188,509	189,958
TOTAL LIABILITIES AND OWNERS' EQUITY		478,775	482,242



Yousef Abdullah Al-Shelash
Chairman



Majid Al Qasem
Vice Chairman

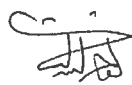
The notes 1 to 17 form an integral part of these condensed consolidated interim financial information.

Bank Alkhair B.S.C. (c)

INTERIM CONSOLIDATED STATEMENT OF INCOME

For the nine month period ended 30 September 2018 (Reviewed)

	Note	Three months ended		Nine months ended	
		30 September		30 September	
		2018	2017	2018	2017
		US\$ '000	US\$ '000	US\$ '000	US\$ '000
Income from non-banking operations		7,856	7,549	23,513	22,477
Fees and commission		4,927	4,391	11,643	12,798
Net income / (loss) from investments	11	1,402	195	6,098	(1,854)
Rental income		606	606	1,817	1,817
Finance income		87	281	426	899
Share of profit / (loss) from associates, net		920	661	1,477	(286)
Other income		222	229	549	487
Foreign exchange (loss) / gain		(19)	96	(316)	254
Total income		16,001	14,008	45,207	36,592
Expenses of non-banking operations		5,333	5,072	15,918	14,720
Staff cost		3,849	3,444	11,311	10,354
Finance cost		3,264	2,954	9,319	8,527
Legal and professional expenses		418	205	2,976	1,218
Depreciation		434	390	1,318	1,337
Premises cost		284	229	831	706
Business development expenses		205	100	469	341
Other operating expense		722	1,115	2,764	3,098
Total expenses		14,509	13,509	44,906	40,301
Income / (loss) for the period before impairment provision		1,492	499	301	(3,709)
Impairment (charge) / reversal		-	-	(937)	994
Income / (loss) for the period from continuing operations		1,492	499	(636)	(2,715)
Discontinued operations					
Income / (loss) from discontinued operations	12	284	(9)	263	(81)
Net loss on sale of subsidiary	12	(3,190)	-	(3,190)	-
(Loss) / Income for the period		(1,414)	490	(3,563)	(2,796)
Attributable to:					
Shareholders of the Bank		(3,570)	(1,543)	(9,235)	(8,836)
Non-controlling interests		2,156	2,033	5,672	6,040
		(1,414)	490	(3,563)	(2,796)



Yousef Abdullah Al-Shelash
Chairman



Majid Al Qasem
Vice Chairman

The notes 1 to 17 form an integral part of these interim condensed consolidated financial information.

Bank Alkhair B.S.C. (c)

INTERIM CONSOLIDATED STATEMENT OF CHANGES IN OWNERS' EQUITY

For the nine month period ended 30 September 2018 (Reviewed)

	Equity attributable to the shareholders of the Bank							
	Share capital US\$ '000	Statutory reserve US\$ '000	Investments fair value reserve US\$ '000	Foreign currency translation reserve US\$ '000	Accumulated losses US\$ '000	Total US\$ '000	Non-controlling interests US\$ '000	Total equity US\$ '000
As at 1 January 2018	207,962	664	487	(5,179)	(115,687)	88,247	101,711	189,958
(Loss) / income for the period	-	-	-	-	(9,235)	(9,235)	5,672	(3,563)
Foreign currency translation differences	-	-	-	(243)	-	(243)	-	(243)
Share of changes in reserves of investment in associates	-	-	(243)	(559)	-	(802)	-	(802)
Adjustment on sale of subsidiary	-	-	-	3,170	-	3,170	(11)	3,159
As at 30 September 2018	207,962	664	244	(2,811)	(124,922)	81,137	107,372	188,509
As at 1 January 2017	207,962	664	151	(6,469)	(98,478)	103,830	94,246	198,076
(Loss) / income for the period	-	-	-	-	(8,836)	(8,836)	6,040	(2,796)
Foreign currency translation differences	-	-	-	43	-	43	-	43
Share of changes in reserves of investment in associates	-	-	387	1,196	-	1,583	-	1,583
As at 30 September 2017	207,962	664	538	(5,230)	(107,314)	96,620	100,286	196,906

The notes 1 to 17 form an integral part of these condensed consolidated interim financial information.

INTERIM CONSOLIDATED STATEMENT OF CASH FLOWS

For the nine month period ended 30 September 2018 (Reviewed)

	<i>Nine months ended</i>	
	<i>30 September</i>	
	2018	2017
	US\$ '000	US\$ '000
OPERATING ACTIVITIES		
Loss for the period	(3,563)	(2,796)
Adjustments for:		
Gain on sale of investments	(5,383)	(322)
Fair value (gain) / loss on investments	(699)	2,442
Share of (profit) / loss from associates	(1,477)	286
Depreciation	1,318	1,337
Sukuk amortisation	137	(237)
Charge / (reversal) of Impairment	937	(994)
Loss on sale of subsidiary	3,179	-
	(5,551)	(284)
Changes in:		
Financing receivables	4,702	7,597
Other assets	(1,697)	(1,855)
Due to financial institutions	(13,109)	1,966
Due to customers	20,934	10,534
Other liabilities	(6,358)	3,995
Net cash (used in) / from operating activities	(1,079)	21,953
INVESTING ACTIVITIES		
Purchase of equipment, net	(135)	(791)
Proceeds from sale of investments	42,842	25,322
Purchase of investment securities	(17,680)	(22,215)
Purchase of investments in real estate	(1,664)	(95)
Net cash flow from sale of subsidiary	(20)	-
Net cash from investing activities	23,343	2,221
FINANCING ACTIVITY		
Repayment of financing liabilities	(3,548)	(8,093)
Net cash used in financing activity	(3,548)	(8,093)
NET INCREASE IN CASH AND CASH EQUIVALENTS	18,716	16,081
Effect of exchange rate changes on cash and cash equivalents	(243)	43
Cash and cash equivalents at the beginning of the period	14,760	23,881
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD	33,233	40,005
Cash and cash equivalents comprise:		
Cash and balances with banks	5,020	25,005
Placements with financial institutions	28,213	15,000
	33,233	40,005

The notes 1 to 17 form an integral part of these condensed consolidated interim financial information.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

As at 30 September 2018 (Reviewed)

1 INCORPORATION AND PRINCIPAL ACTIVITY

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 26th floor, West Tower Bahrain Financial Harbour, Building No. 1459, Road No. 4626, Manama Sea Front 346, Kingdom of Bahrain.

Shareholders of the Bank at an Extra Ordinary General Meeting held on 22 February 2018 have approved a restructuring which will, inter alia, involve the surrender of the banking license and the conversion of the Bank into a holding company. The appropriate application has been submitted with the CBB and the process is expected to be completed by the end of December subject to CBB and other required approvals. The Group through its regulated subsidiaries will continue to undertake Islamic Capital Market activities in Saudi Arabia and Dubai.

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 AND ACCOUNTING POLICIES

2.1 Basis of Preparation

The interim condensed consolidated financial statements have 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 Standards. Accordingly, the interim condensed consolidated financial statements have been presented in condensed form in accordance with the guidance provided by International Accounting Standard 34 – '*Interim Financial Reporting*'. The interim condensed consolidated financial statements do 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 2017. 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 2017.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

As at 30 September 2018 (Reviewed)

2 BASIS OF PREPARATION AND ACCOUNTING POLICIES (continued)

2.1 Basis of Preparation (continued)

Going concern

As at 30 September 2018, the current contractual liabilities of the Group exceeded its liquid assets. As a result, the ability of the Group to meet its obligations when due, depends on its ability to roll over short term liabilities and timely disposal of assets. Further, the Bank's capital adequacy ratio and equity as of 30 September 2018 was below the minimum regulatory capital requirements. These factors indicate the existence of material uncertainties, which may cast doubt about the Group's ability to continue as a going concern. To address these, the management has taken a number of initiatives including discussions with creditors who have shown willingness in the past to roll over short term placements, putting together a robust assets sales plan and particularly the ongoing support from major shareholders who have also in the past provided support when it was needed. The management is also working on the conversion of the Bank into a holding company as approved by the shareholders. The Board of Directors has reviewed these initiatives and is satisfied with the appropriateness of the going concern assumption for preparation of the interim condensed consolidated financial statements. Moreover, the accumulated deficit of the Group exceeded 50% of its paid-up capital as at the reporting date. The Bahrain Commercial Companies Law requires that, where the accumulated losses of the Group exceed its share capital by more than 50%, the shareholders should resolve to continue with the operations of the Group.

2.2 Accounting convention

The interim condensed consolidated financial statements are prepared on historical cost basis, except for investments in real estate and equity-type instruments carried at fair value through income and through equity that have been measured at fair value.

The interim condensed consolidated financial statements have been presented in United States Dollars ("US\$"), being the functional and presentation currency of the Group. All values are rounded to the nearest thousand (US\$ '000) except when indicated otherwise.

2.3 Basis of consolidation

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

The following are the principle subsidiaries of the Bank, which are consolidated in these interim condensed consolidated financial statements:

	<i>Ownership for 2018</i>	<i>Ownership for 2017</i>	<i>Year of Incorporation/ acquisition</i>	<i>Country of incorporation</i>
Subsidiaries				
Alkhair International Islamic Bank Malaysia Berhad	100%	100%	2004	Malaysia
Alkhair Capital Menkul Degerler A.S.	0%	95.8%	2007	Turkey
Alkhair Portfoy Yonetimi A.S.	99.6%	99.6%	2007	Turkey
Al-Tajamouat for Touristic Projects Co Plc	50.6%	50.6%	2013	Jordan
Tintoria International Limited	52.1%	52.1%	2014	UAE
Alkhair Capital Saudi Arabia	53.3%	53.3%	2009	Kingdom of Saudi Arabia

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

As at 30 September 2018 (Reviewed)

2 BASIS OF PREPARATION AND ACCOUNTING POLICIES (continued)**2.4 Significant accounting policies**

These interim condensed consolidated financial statements have been prepared using accounting policies, which are consistent with those used in the preparation of the annual consolidated financial statements for the year ended 31 December 2017. There have been no new standards, interpretations and amendments effective during the period that might have any material impact on the interim condensed consolidated financial statements of the Group.

3 PROSPECTIVE CHANGES IN ACCOUNTING POLICIES**New standard issued but not yet effective**

Standards issued but not yet effective up to the date of issuance of the Group's interim condensed consolidated financial statements are listed below. This listing is of the relevant standards and interpretations issued, which the Group reasonably expects to be applicable at a future date. The Group intends to adopt those standards (where applicable) when they become effective:

FAS 30 - Impairment, credit losses and onerous commitments

FAS 30 was issued in November 2017. The requirements relating to impairment and credit losses of FAS 30 represent a significant change from FAS 11 "Provisions and Reserves". The standard is effective from the financial periods beginning on or after 1 January 2020, where early adoption is permitted. However based on CBB circular EDBS/KH/C/57/2017 dated 29 November 2017, the CBB required banks to implement FAS 30 with effect from 1 January 2018. However the Group has sought an extension from CBB until 1 January 2019 in its letter dated 18 March 2018.

FAS 28 - Murabaha and other deferred payment sales (effective from 1 January 2019)**FAS 31 - Investment Agency (Al Wakala Bi-Al Istithmar) (effective from 1 January 2020)****FAS 35 - Risk reserves (effective from 1 January 2021)****4 SEASONALITY**

Due to nature of the Group's business, the nine months results reported in the interim condensed consolidated financial statements may not represent a proportionate share of the overall annual results.

5 FINANCING RECEIVABLES

	<i>Reviewed</i> 30 September <i>2018</i> <i>US\$ '000</i>	<i>Audited</i> 31 December <i>2017</i> <i>US\$ '000</i>
Gross murabaha receivables	13,406	18,216
Less: Deferred profits	-	(107)
Net murabaha receivables	13,406	18,109
Less: Specific impairment allowances	(10,055)	(9,070)
Less: Collective impairment allowances	(34)	(83)
	3,317	8,956

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

As at 30 September 2018 (Reviewed)

6 INVESTMENTS

	<i>Reviewed</i> 30 September 2018 US\$ '000	<i>Audited</i> 31 December 2017 US\$ '000
Equity type instruments		
At fair value through statement of income		
Equity securities		
- Quoted	-	18,477
- Unquoted	4,445	9,573
Total equity securities	<u>4,445</u>	<u>28,050</u>
Mutual funds		
- Quoted	3,548	4,158
- Unquoted	32,518	29,121
Total mutual funds	<u>36,066</u>	<u>33,279</u>
Total fair value through statement of income	<u>40,511</u>	<u>61,329</u>
Debt type instruments		
At amortised cost :		
- Sukuk	10,916	9,315
	<u>51,427</u>	<u>70,644</u>

The fair value of the investments carried at amortised cost as at 30 September 2018 is US\$ 10,896 thousands (31 December 2017: US\$ 9,023 thousands).

7 INVESTMENT IN ASSOCIATES

	<i>Reviewed</i> 30 September 2018 US\$ '000	<i>Audited</i> 31 December 2017 US\$ '000
BFC Group Holdings Ltd.	117,035	116,296
T'azur Company B.S.C. (c)	8,738	8,739
	<u>125,773</u>	<u>125,035</u>

T'azur Company B.S.C (c) has a commitment to provide a qard hassan to the extent of the accumulated deficit in the participants' fund of US\$ 47.1 million. The Group's share of the commitment is US\$ 12.2 million.

8 INVESTMENTS IN REAL ESTATE

	<i>Reviewed</i> 30 September 2018 US\$ '000	<i>Audited</i> 31 December 2017 US\$ '000
Land and building – Jordan	188,016	186,352
Land and building – Kingdom of Saudi Arabia	38,521	38,521
	<u>226,537</u>	<u>224,873</u>

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

As at 30 September 2018 (Reviewed)

9 OTHER ASSETS

	<i>Reviewed</i> 30 September 2018 <i>US\$ '000</i>	<i>Audited</i> 31 December 2017 <i>US\$ '000</i>
Rental income receivable	10,876	10,529
Accounts receivable	11,445	7,467
Prepayments and advances	3,264	6,572
Fees and expenses recoverable	2,266	2,320
Other receivables	4,276	3,844
Receivable from employees	6	6
Intangible assets	16	14
	32,149	30,752
Less: Provision for impairment	(2,269)	(2,269)
	29,880	28,483

10 OTHER LIABILITIES

	<i>Reviewed</i> 30 September 2018 <i>US\$ '000</i>	<i>Audited</i> 31 December 2017 <i>US\$ '000</i>
Advance received for partial sale of a subsidiary*	20,143	20,143
Advance rental income	9,334	10,217
Trade and other payables	11,174	11,530
Deal-related payables	-	4,725
Accruals and other provisions	2,831	3,394
Staff-related payables	3,252	3,056
Restructuring provision	419	419
Provision for legal and professional expenses	59	86
	47,212	53,570

* This represents advance received for sale of 33% stake of a subsidiary in Kingdom of Saudi Arabia. The sale is pending due to regulatory approvals from Capital Market Authority of Kingdom of Saudi Arabia.

11 NET INCOME / (LOSS) FROM INVESTMENTS

	<i>Reviewed</i>	
	30 September 2018 <i>US\$ '000</i>	30 September 2017 <i>US\$ '000</i>
Fair value gain/(loss) on investments	699	(2,442)
Gain on sale of investments	5,365	315
Sukuk income		
- Sukuk profit	16	266
- Gain on sale of sukuks	18	7
	6,098	(1,854)

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

As at 30 September 2018 (Reviewed)

12 DISCONTINUED OPERATIONS

During third quarter 2018, the Group sold its total stake of 95.8% in one of its subsidiary, Alkhair Capital Turkey. Accordingly, the Group has derecognized the operations of the subsidiary on loss of control. Total profit of US\$ 263 thousand from operations of the subsidiary till the date of loss of control has been presented as "Discontinued Operations" in the interim consolidated statement of income. The disposal has the following impact on the condensed consolidated interim financial information for the period ended 30th September 2018:

	<i>US\$ '000</i>
Gross consideration	150
Less: Net assets derecognised	(170)
Loss on sale	(20)
Adjustment for reclassification of foreign exchange reserves	(3,170)
Loss recognised for the period	(3,190)
The effect of disposal for the purpose of cash flow statement is given below:	
Gross consideration	150
Less: Cash derecognised	(170)
	(20)

13 COMMITMENTS AND CONTINGENCIES

	<i>Reviewed 30 September 2018 US\$ '000</i>	<i>Audited 31 December 2017 US\$ '000</i>
Commitment to invest	10,030	10,030
Guarantees	5,000	5,103
Lease commitments	143	81
	15,173	15,214

Litigations and claims

The Group has filed a number of legal cases against the former Chief Executive Officer before the Civil and Criminal Courts of the Kingdom of Bahrain and the UK. The Bahraini Courts have ruled in favour of the Group in a number of the civil and criminal cases. The case in the UK was filed by the Group to remedy the damages resulting from defamation and unlawful conspiracy which is now ended.

A number of employment claims have been filed against the Group by former employees. The Group's external legal counsel has confirmed that the Group has strong grounds to successfully defend itself against these claims. No disclosure regarding contingent liabilities arising from the employment claims has been made as the directors of the Group believe that such disclosures may be prejudicial to the Group's legal position.

The Group's share of commitments arising from its investment in associates is disclosed in note 7.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

As at 30 September 2018 (Reviewed)

14 RELATED PARTY TRANSACTIONS

Parties are considered to be related if one party has the ability to control the other party or exercise significant influence over the other party in making financial and operating decisions. Related parties include significant shareholders and entities over which the Group and shareholders exercise significant influence, directors, members of Shari'ah Supervisory Board, executive management and external auditors of the Group.

Compensation of key management personnel

Key management personnel of the Group comprise of the Board of Directors and key members of management having authority and responsibility for planning, directing and controlling the activities of the Group. The key management personnel compensation during the period is as follows:

	<i>Reviewed</i>	
	30 September	30 September
	2018	2017
	US\$ '000	US\$ '000
Short term employee benefits	5,811	6,725
Post-employment benefits	611	499
	6,422	7,224

Bank Alkhair B.S.C. (c)

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

As at 30 September 2018 (Reviewed)

14 RELATED PARTY TRANSACTIONS (continued)

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

	30 September 2018 (Reviewed)		31 December 2017 (Audited)					
	Associates US\$ '000	Significant shareholders/ entities in which directors have interest US\$ '000	Key management US\$ '000	Other entities US\$ '000	Associates US\$ '000	Significant shareholders/ entities in which directors have interest US\$ '000	Key management US\$ '000	Other entities US\$ '000
Assets								
Financing receivables	-	-	-	-	-	-	-	986
Investment securities	32,518	10,165	-	6,647	34,207	6,805	-	8,603
Investment in associates	125,773	-	-	-	125,035	-	-	-
Other assets	884	236	-	1,905	815	163	-	480
Liabilities								
Due to financial institutions	5,125	-	-	-	9,133	-	-	-
Due to customers	909	183,950	-	-	918	158,655	-	-
Other liabilities	21	899	2,721	59	75	882	2,062	140
	Nine months ended 30 September 2018 (Reviewed)		Nine months ended 30 September 2017 (Reviewed)					
	Associates US\$ '000	Significant shareholders/ entities in which directors have interest US\$ '000	Key management US\$ '000	Other entities US\$ '000	Associates US\$ '000	Significant shareholders/ entities in which directors have interest US\$ '000	Key management US\$ '000	Other entities US\$ '000
Income / (expenses)								
Income / (loss) from investments	4,719	19	-	(72)	(2,497)	247	-	202
Fees and commission	825	-	-	8,775	1,676	-	-	7,614
Net finance expense	(179)	(8,895)	-	-	(256)	(7,709)	-	(2)
Share of income from associates	1,477	-	-	-	899	-	-	-
Directors' and Shari'ah board remuneration and expenses	-	(324)	-	-	-	(513)	-	(64)

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

As at 30 September 2018 (Reviewed)

15 SEGMENT INFORMATION

For the nine months ended 30 September 2018 (Reviewed)

	<i>Investment Banking & Alkhair Capital Menkul Degerler A.S US\$ '000</i>	<i>Alkhair International Islamic Bank Malaysia Berhad US\$ '000</i>	<i>Alkhair Capital Saudi Arabia US\$ '000</i>	<i>Inter- company US\$ '000</i>	<i>Total US\$ '000</i>
Net finance (expense) / income	(9,239)	346	-	-	(8,893)
Income from investments	4,645	14	1,439	-	6,098
Fees and commission	921	3	10,719	-	11,643
Share of profit from investment in associates	1,477	-	-	-	1,477
Income from non-banking operations	23,513	-	-	-	23,513
Rental income	-	-	1,817	-	1,817
Other income	44	26	479	-	549
Foreign exchange loss	(300)	(16)	-	-	(316)
Inter-segment (loss) / income	(70)	70	-	-	-
Total income	20,991	443	14,454	-	35,888
Total operating expenses	(24,541)	(1,597)	(9,449)	-	(35,587)
Impairment (charge) / reversal	(986)	49	-	-	(937)
Profit from discontinued operations	263	-	-	-	263
Net loss on sale of subsidiary	(3,190)	-	-	-	(3,190)
(Loss) / income for the period	(7,463)	(1,105)	5,005	-	(3,563)
Investment in associates	125,773	-	-	-	125,773
Segment assets	379,969	20,981	84,996	(7,171)	478,775
Segment liabilities	285,655	1,420	10,362	(7,171)	290,266

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

As at 30 September 2018 (Reviewed)

15 SEGMENT INFORMATION (continued)

For the nine months ended 30 September 2017 (Reviewed)

	<i>Investment Banking & Alkhair Capital Menkul Degerler A.S US\$ '000</i>	<i>Alkhair International Islamic Bank Malaysia Berhad US\$ '000</i>	<i>Alkhair Capital Saudi Arabia US\$ '000</i>	<i>Inter- company US\$ '000</i>	<i>Total US\$ '000</i>
External revenue					
Net finance (expense) / income	(8,193)	565	-	-	(7,628)
(Loss) / income from investments	(2,290)	26	410	-	(1,854)
Fees and commission	1,816	13	10,969	-	12,798
Share of loss from investment in associates	(286)	-	-	-	(286)
Income from non-banking operations	22,477	-	-	-	22,477
Rental income	-	-	1,817	-	1,817
Other income	404	-	83	-	487
Foreign exchange gain / (loss)	243	19	(8)	-	254
Inter-segment (loss) / income	(178)	178	-	-	-
Total income	13,993	801	13,271	-	28,065
Total operating expenses	(22,552)	(1,497)	(7,725)	-	(31,774)
Reversal of Impairment	-	994	-	-	994
Profit from discontinued operations	(81)	-	-	-	(81)
(Loss) / income for the period	(8,640)	298	5,546	-	(2,796)
As at 31 December 2017					
Investment in associates	125,035	-	-	-	125,035
Segment assets	383,412	31,574	79,372	(12,116)	482,242
Segment liabilities	283,747	10,909	9,744	(12,116)	292,284

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

As at 30 September 2018 (Reviewed)

16 FINANCIAL INSTRUMENTS

Fair values

As disclosed in note 2.2, the Group's financial instruments are accounted for under historical cost basis, except for equity-type instruments carried at fair value through income and through equity that have been measured at fair value.

The fair values of the Group's financial assets and financial liabilities are not significantly different from their carrying values except for investments whose fair value is US\$ 51,407 thousand against the carrying value of US\$ 51,427 thousand (31 December 2017: fair value of US\$ 70,352 thousand against the carrying value US\$ 70,644 thousand).

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 and funds - 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\$ 5.5 million. The effect of decrease in the value of individual investments is expected to be equal and opposite to the effect of an increase.

Financing receivables

The fair values of financing receivables are principally estimated at 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.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

As at 30 September 2018 (Reviewed)

16 FINANCIAL INSTRUMENTS (continued)**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).

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

30 September 2018 (Reviewed)	Level 1	Level 2	Level 3	Total
	US\$ '000	US\$ '000	US\$ '000	US\$ '000
<i>Investment securities</i>				
Equity type instruments carried at fair value through statement of income	3,548	32,518	4,445	40,511
	3,548	32,518	4,445	40,511
<i>31 December 2017 (Audited)</i>				
	<i>Level 1</i>	<i>Level 2</i>	<i>Level 3</i>	<i>Total</i>
	<i>US\$ '000</i>	<i>US\$ '000</i>	<i>US\$ '000</i>	<i>US\$ '000</i>
<i>Investment securities</i>				
Equity type instruments carried at fair value through statement of income	22,635	34,207	4,487	61,329
	22,635	34,207	4,487	61,329

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

	30 September 2018	30 September 2017
	(Reviewed)	(Reviewed)
	US\$ '000	US\$ '000
At 1 January	4,487	4,490
Loss recognised in income statement	(42)	-
	4,445	4,490

17 COMPARATIVES

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