

Bank Alkhair B.S.C. (c)

**Condensed consolidated interim financial
information for the quarter and six months
period ended 30 June 2019
(Reviewed)**

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Bank Alkhair B.S.C. (c)

INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS 30 June 2019 (REVIEWED)

Commercial registration no.	53462-1 obtained on 29 April 2004	
CBB Licence no.	WB/050 obtained on 6 January 2004	
Board of Directors	Yousef A. S Al Shelash	- Chairman
	Majed Abdulrahman Alqasem	- Vice Chairman
	Dr. Ahmed Saleh S. Al Dehailan	
	Khaled Shaheen Saqer Shaheen	
	Abdullah Ali A Aldubaikhi (resigned with effect from 2.5.2019)	
	Abdullatiff Abdullah S. Al Shelash (resigned with effect from 2.5.2019)	
	Abdulrazaq M A O Alwohaib (resigned with effect from 2.5.2019)	
	Dr. Abdulaziz Naif O Al Orayer (resigned with effect from 2.5.2019)	
	Meshari Al Mulla (resigned with effect from 2.5.2019)	
Audit & Risk Committee	Dr. Ahmed Al Dehailan	- Chairman
	Majed Abdulrahman Alqasem	
	Khaled Shaheen Saqer Shaheen	
Nomination, Remuneration and Governance Committee	Majed Abdulrahman Alqasem	- Chairman
	Yousef A. S Al Shelash	
	Dr. Nizam Yaqouby	
	Abdullah Ali A Aldubaikhi (resigned with effect from 2.5.2019)	
Shari'a Supervisory Board	Dr. Ali Muhyealdin Al-Quradaghi	- Chairman
	Dr. Mohammad Daud Bakar	
	Dr. Nizam Mohammad Saleh	
Registered office	Flat No. 2601, Building No. 1459 Road No. 4626, Block No. 346 Manama Sea Front PO Box 31700 Kingdom of Bahrain	
Principal bankers	Al Salam Bank Ahli United Bank Bahrain Middle East Bank	
Auditors	BDO 17 th Floor Diplomat Commercial Office Tower PO Box 787 Manama Kingdom of Bahrain	

Review report on the condensed consolidated interim financial information to the Board of Directors of Bank Alkhair B.S.C. (c)

Introduction

We have reviewed the accompanying condensed consolidated interim statement of financial position of Bank Alkhair B.S.C. (c) (“the Bank”) and its subsidiaries (collectively referred to as “the Group”) as at 30 June 2019, the condensed consolidated interim statement of income, the condensed consolidated interim statement of changes in owners’ equity, the condensed consolidated interim statement of cash flows for the quarter and six months period then ended, and selected explanatory notes. The Board of Directors 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 and the Shari’a Rules and Principles as determined by the Shari’a Supervisory Board of the Group. 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 International Standard on Review Engagements 2410 - “Review of Interim Financial Information Performed by the Independent Auditor of the Entity”. A review of condensed consolidated 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.

Other matters

The condensed interim financial statements of the Group for the quarter and six months period ended 30 June 2018 were reviewed by another auditor who expressed an unqualified review conclusion on those statements in their report dated 14 August 2018. The annual audit for the year ended 31 December 2018 were audited by another auditor who expressed an unqualified audit opinion on those statements in their report dated 28 March 2019.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying consolidated condensed interim financial information does not present fairly, in all material respects, the financial position of the Group as at 30 June 2019, and of its financial performance and its cash flows for the quarter and six months period then ended in accordance with Financial Accounting Standards issued by the Accounting and Auditing Organisation for Islamic Financial Institutions and the Sharia’a Rules and Principles as determined by the Sharia’a Supervisory Board of the Group.

Emphasis of matter

We draw attention to Note 2 to the condensed consolidated interim financial information which explains certain matters relating to the Group’s liquidity position, accumulated losses and regulatory capital adequacy requirements, implications of these matters for the basis of preparation of these condensed interim consolidated financial information and management’s action plans to deal with these matters. Our conclusion is not modified in respect of these matters.



Manama, Kingdom of Bahrain
12 September 2019



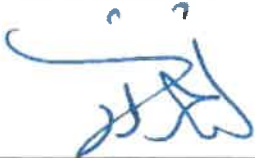
Bank Alkhair B.S.C. (c)

INTERIM CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2019 (Reviewed)

		<i>Reviewed</i> 30 June 2019 US\$ '000	<i>Audited</i> 31 December 2018 US\$ '000
ASSETS			
Cash and balances with banks		2,418	3,777
Placements with financial institutions		26	5,056
Financing receivables	4	1,539	1,911
Investments	5	68,777	73,342
Investment in associates	6	130,216	127,440
Investments in real estate	7	183,924	222,310
Other assets	8	16,591	29,215
Equipment		72	7,821
TOTAL ASSETS		403,563	470,872
LIABILITIES AND OWNERS' EQUITY			
Liabilities			
Due to financial institutions		36,862	47,866
Due to customers		205,349	212,944
Other liabilities	9	21,846	26,371
Total liabilities		264,057	287,181
Owners' equity			
Share capital		207,962	207,962
Statutory reserve		664	664
Fair value reserve		242	242
Foreign currency translation reserve		(3,059)	(2,812)
Accumulated losses		(136,602)	(130,353)
Equity attributable to the shareholders of the Bank		69,207	75,703
Non-controlling interests		70,299	107,988
Total owners' equity		139,506	183,691
TOTAL LIABILITIES AND OWNERS' EQUITY		403,563	470,872

These reviewed condensed consolidated interim financial information was approved for issue by the Board of Directors and signed on their behalf by:



 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 six month period ended 30 June 2019 (Reviewed)

	Note	Three months ended 30 June		Six months ended 30 June	
		2019	2018	2019	2018
		US\$ '000	US\$ '000	US\$ '000	US\$ '000
Income from non-banking operations		5,139	5,294	10,032	10,745
Fees and commission		146	313	451	615
Net income from investments	10	1,344	3,193	1,409	3,220
Finance income		68	88	139	339
Share of profit from associates, net		629	642	358	557
Other income		17	9	44	35
Foreign exchange gain / (loss)		10	(361)	12	(297)
Total income		7,354	9,178	12,445	15,214
Expenses of non-banking operations		3,466	3,217	6,749	6,141
Staff cost		523	1,437	1,918	2,970
Finance cost		3,789	3,069	7,616	6,055
Legal and professional expenses		125	119	319	2,385
Depreciation		19	36	86	78
Premises cost		72	137	397	276
Business development expenses		12	20	28	69
Other operating expense		226	564	974	1,177
Total expenses		8,232	8,599	18,087	19,151
(Loss) / income for the period before impairment provision		(878)	579	(5,642)	(3,937)
Impairment reversal / (charge)		40	(1,003)	(9)	(937)
Profit from assets held for sale and discontinued operations		944	2,706	808	2,725
Net gain on disposal/derecognition of subsidiaries		477		575	-
Income / (loss) for the period		583	2,282	(4,268)	(2,149)
Attributable to:					
Shareholders of the Bank		(680)	9	(6,249)	(5,665)
Non-controlling interests		1,263	2,273	1,981	3,516
		583	2,282	(4,268)	(2,149)

These reviewed condensed consolidated interim financial information was approved for issue by the Board of Directors and signed on their behalf by:


 Yousef Abdullah Al-Shelash
 Chairman


 Mejid 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 six month period ended 30 June 2019 (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 2019	207,962	664	242	(2,812)	(130,353)	75,703	107,988	183,691
(Loss) / income for the period	-	-	-	-	(6,249)	(6,249)	1,981	(4,268)
Foreign currency translation differences	-	-	-	(6)	-	(6)	-	(6)
Share of changes in reserves of investment in associates	-	-	-	(241)	-	(241)	-	(241)
Adjustment on sale of subsidiary	-	-	-	-	-	-	(39,670)	(39,670)
As at 30 June 2019	207,962	664	242	(3,059)	(136,602)	69,207	70,299	139,506
As at 1 January 2018	207,962	664	487	(5,179)	(115,687)	88,247	101,711	189,958
(Loss) / income for the period	-	-	-	-	(5,665)	(5,665)	3,516	(2,149)
Foreign currency translation differences	-	-	-	(100)	-	(100)	-	(100)
Share of changes in reserves of investment in associates	-	-	(243)	(321)	-	(564)	-	(564)
As at 30 June 2018	207,962	664	244	(5,600)	(121,352)	81,918	105,227	187,145

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 CASH FLOWS

For the six month period ended 30 June 2019 (Reviewed)

	<i>Six months ended</i>	
	<i>30 June</i>	
	2019	2018
	US\$ '000	US\$ '000
OPERATING ACTIVITIES		
Loss for the period	(4,268)	(2,149)
Adjustments for:		
Gain on sale of investments	(220)	(4,872)
Fair value loss on investments	(1,084)	191
Share of (profit) / loss from associates	(661)	(557)
Depreciation	197	884
Sukuk amortisation	3	(85)
Charge of Impairment	9	937
Net Loss on disposal/derecognition of susidiary	(575)	-
	(6,599)	(5,651)
Changes in:		
Financing receivables	2,954	4,686
Other assets	(8,015)	(9,693)
Due to financial institutions	(5,199)	(13,151)
Due to customers	(7,595)	12,248
Other liabilities	3,109	783
Net cash used in operating activities	(21,345)	(10,778)
INVESTING ACTIVITIES		
Disposal / (purchase) of equipment, net	214	(211)
Proceeds from sale of investments	43,666	33,872
Purchase of investment securities	(6,626)	(6,848)
Purchase of investments in real estate	(137)	(9)
Net cash OUT flow from sale of subsidiary	(11,102)	-
Investment in associates	(5,232)	-
Net cash from investing activities	20,783	26,804
FINANCING ACTIVITY		
Repayment of financing liabilities	(5,821)	(1,608)
Net cash used in financing activity	(5,821)	(1,608)
NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS	(6,383)	14,418
Effect of exchange rate changes on cash and cash equivalents	(6)	(100)
Cash and cash equivalents at the beginning of the period	8,833	14,760
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD	2,444	29,078
Cash and cash equivalents comprise:		
Cash and balances with banks	2,418	5,512
Placements with financial institutions	26	23,566
	2,444	29,078

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

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL
INFORMATION

As at 30 June 2019 (Reviewed)

1 INCORPORATION AND PRINCIPAL ACTIVITY

Bank Alkhair B.S.C. (c) ("the Bank") is a Bahraini closed shareholding company registered with the Ministry of Industry, Commerce and Tourism in the Kingdom of Bahrain and operates under commercial registration number 53462 obtained on 29 April 2004.

The Bank operates as an Islamic Wholesale Bank under a license granted by the Central Bank of Bahrain ("CBB") and accordingly the Bank's activities are regulated by the CBB and supervised by a Religious Supervisory Board ("the Shari'a Supervisory Board").

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. Necessary applications have been submitted with the CBB and is in the process. The Group through its regulated subsidiaries will continue to undertake Islamic Capital Market activities in Saudi Arabia.

The Bank and its subsidiaries (together referred to as "the Group") aims to provide a full range of investment banking products and services that are compliant with Shari'a 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 condensed consolidated interim financial information have been prepared in accordance with the Financial Accounting Standards issued by the Accounting and Auditing Organisation for Islamic Financial Institutions ('AAOIFI'), the Shari'a Rules and Principles as determined by the Shari'a Supervisory Advisor of the Group. For matters for which no AAOIFI standard exists, the Group uses the relevant International Financial Reporting Standards ('the IFRS') issued by International Accounting Standards Board.

Accordingly, in absence of relevant standards in AAOIFI relating to interim financial statements, the guidance from International Accounting Standard 34 - "Interim Financial Reporting" is used in preparation of this interim condensed consolidated financial information for the six months period ended 30 June 2019.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

As at 30 June 2019 (Reviewed)

2 BASIS OF PREPARATION AND ACCOUNTING POLICIES (continued)**2.1 Basis of Preparation (continued)***Going concern*

As at 30 June 2019, 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 June 2019 was below the minimum regulatory capital requirements. 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. 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 these interim condensed consolidated financial information.

As at 30 June 2019 and 31 December 2018, the Bank owned the following subsidiaries:

	<i>Ownership for 2019</i>	<i>Ownership for 2018</i>	<i>Year of Incorporation/ acquisition</i>	<i>Country of incorporation</i>
Subsidiaries				
AKIIM Sdn Bhd (formerly Alkhair International Islamic Bank Malaysia Berhad)	100%	100%	2004	Malaysia
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 (Cleanswift)	0.0%	52.1%	2014	UAE
Alkhair Capital Saudi Arabia	16.0%	53.3%	2009	Kingdom of Saudi Arabia

During the period, banking license for Alkhair International Islamic Bank Malaysia Berhad was surrendered to the regulator (Bank Negara Malaysia) and the entity was converted in to Sdn Bhd.

2.2 Significant accounting policies

The accounting policies used in the preparation of the condensed consolidated interim financial information are consistent with those used in the audited consolidated financial statements of the Group prepared as at, and for the year ended 31 December 2018, as described in those financial statements. The condensed consolidated interim financial information should therefore be read in conjunction with the audited consolidated financial statements prepared as at, and for the year ended 31 December 2018, which have been prepared in accordance with Financial Accounting Standards issued by the Accounting and Auditing Organization for Islamic Financial Institutions and International Financial Reporting Standards.

3 SEASONALITY

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

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

As at 30 June 2019 (Reviewed)

4 FINANCING RECEIVABLES

	<i>Reviewed</i> 30 June 2019 <i>US\$ '000</i>	<i>Audited</i> 31 December 2018 <i>US\$ '000</i>
Gross murabaha receivables	12,510	12,901
Less: Deferred profits	(13)	(42)
Net murabaha receivables	12,497	12,859
Less: Specific impairment allowances	(10,699)	(10,699)
Less: Collective impairment allowances	(259)	(249)
	1,539	1,911

5 INVESTMENTS

	<i>Reviewed</i> 30 June 2019 <i>US\$ '000</i>	<i>Audited</i> 31 December 2018 <i>US\$ '000</i>
Equity type instruments		
At fair value through statement of income		
Equity securities		
- Quoted	-	22,448
- Unquoted	47,744	4,975
Total equity securities	47,744	27,423
Mutual funds		
- Quoted	12	3,785
- Unquoted	21,021	38,489
Total mutual funds	21,033	42,274
Total fair value through statement of income	68,777	69,697
Debt type instruments		
At amortised cost :		
- Sukuk	-	3,645
	68,777	73,342

6 INVESTMENT IN ASSOCIATES

	<i>Reviewed</i> 30 June 2019 <i>US\$ '000</i>	<i>Audited</i> 31 December 2018 <i>US\$ '000</i>
BFC Group Holdings Ltd.	117,214	117,366
T'azur Company B.S.C. (c)	7,484	7,484
Independent Logistics and Warehousing	5,518	-
Alkhair Capital Dubai	-	2,590
	130,216	127,440

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\$ 42.2 million. The Group's share of the commitment is US\$ 10.9 million.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

As at 30 June 2019 (Reviewed)

7 INVESTMENTS IN REAL ESTATE

	<i>Reviewed</i> 30 June 2019 US\$ '000	<i>Audited</i> 31 December 2018 US\$ '000
Land and building – Jordan	183,924	183,789
Land and building – Kingdom of Saudi Arabia	-	38,521
	183,924	222,310

8 OTHER ASSETS

	<i>Reviewed</i> 30 June 2019 US\$ '000	<i>Audited</i> 31 December 2018 US\$ '000
Rental income receivable	11,545	9,620
Accounts receivable	1,243	8,327
Prepayments and advances	1,879	2,781
Fees and expenses recoverable	1,240	2,541
Intangible assets	36	11
Receivable from employees	7	3
Others	2,910	8,201
	18,860	31,484
Less: Provision for impairment	(2,269)	(2,269)
	16,591	29,215

9 OTHER LIABILITIES

	<i>Reviewed</i> 30 June 2019 US\$ '000	<i>Audited</i> 31 December 2018 US\$ '000
Advance rental income	10,411	8,807
Trade and other payables	8,416	11,530
Accruals and other provisions	1,855	2,243
Staff-related payables	1,164	3,372
Restructuring provision	-	419
	21,846	26,371

10 NET INCOME / (LOSS) FROM INVESTMENTS

	<i>Reviewed</i>	
	30 June 2019 US\$ '000	30 June 2018 US\$ '000
Fair value gain/(loss) on investments	1,084	115
Gain on sale of investments	205	3,110
Sukuk income		
- Sukuk profit	105	14
- Gain/(loss) on sale of sukuks	15	(19)
	1,409	3,220

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

As at 30 June 2019 (Reviewed)

11 DISCONTINUED OPERATIONS

During first quarter of 2019, the Group sold its total stake of 52.1% in one of its subsidiary, Cleanswift UAE held through Tintoria International Limited and during second quarter of the year, the Group's holding in its subsidiary Alkhair Capital Saudi Arabia ("ACSA") was diluted from 53.33% to 16% due to new capital issue at ACSA.

Accordingly, the Group has derecognized the operations of both the subsidiaries on loss of control. Profit from operations of the subsidiaries till the date of loss of control has been presented as "Discontinued Operations" in the interim consolidated statement of income. The disposals have the following impact on the condensed consolidated interim financial information for the period ended 30 June 2019:

	<i>Reviewed</i>	
	30 June	30 June
	2019	2018
	US\$ '000	US\$ '000
Revenue:		
Tintoria International Limited	2,516	4,912
Alkhair Capital Saudi Arabia	5,137	9,080
Alkhair Capital Turkey	-	-
	<u>7,653</u>	<u>13,992</u>
Expenses:		
Tintoria International Limited	(2,258)	(4,941)
Alkhair Capital Saudi Arabia	(4,587)	(6,305)
Alkhair Capital Turkey	-	(21)
	<u>(6,845)</u>	<u>(11,267)</u>
	<u>808</u>	<u>2,725</u>

Net Gain on Disposal / De-recognition of subsidiaries:

	Tintoria Internation- al Ltd	Alkhair Capital Saudi Arabia	Total
	<i>US\$ '000</i>	<i>US\$ '000</i>	<i>US\$ '000</i>
Gross consideration	2,987	42,769	45,756
Less: Net assets derecognised	(2,889)	(42,292)	(45,181)
Gain recognised for the period	<u>98</u>	<u>477</u>	<u>575</u>

The effect of disposal for the purpose of cash flow statement is given below:

Gross consideration	2,987	-	2,987
Less: Cash derecognised	(299)	(13,790)	(14,089)
	<u>2,688</u>	<u>(13,790)</u>	<u>(11,102)</u>

12 COMMITMENTS AND CONTINGENCIES

	<i>Reviewed</i>	<i>Audited</i>
	30 June	31 December
	2019	2018
	US\$ '000	US\$ '000
Commitment to invest	9,500	9,500
Lease commitments	-	72
	<u>9,500</u>	<u>9,572</u>

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

As at 30 June 2019 (Reviewed)

12 COMMITMENTS AND CONTINGENCIES (continued)*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.

13 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 June 2019 US\$ '000	30 June 2018 US\$ '000
Short term employee benefits	1,523	3,936
Post-employment benefits	272	391
	1,795	4,327

Bank Alkhair B.S.C. (c)

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

As at 30 June 2019 (Reviewed)

13 RELATED PARTY TRANSACTIONS (continued)

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

	30 June 2019 (Reviewed)		31 December 2018 (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	-	-	-	-	-	-	-	-
Investment securities	21,022	42,769	-	4,987	33,150	-	-	10,296
Investment in associates	130,216	-	-	-	127,440	-	-	-
Other assets	258	246	4	1,474	1,286	236	-	1,551
Liabilities								
Due to financial institutions	-	-	-	-	5,184	-	-	-
Due to customers	-	205,349	-	-	833	209,547	-	-
Other liabilities	21	188	1,196	73	21	422	2,458	42
	Six months ended 30 June 2019 (Reviewed)		Six months ended 30 June 2018 (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	1,288	120	-	102	3,272	19	-	(19)
Fees and commission	441	-	-	-	548	-	-	4,457
Net finance expense	(48)	(7,505)	-	-	(137)	(5,714)	-	-
Share of income from associates	358	-	-	-	557	-	-	-
Directors' and Shari'ah board remuneration and expenses	-	(80)	-	-	-	(212)	-	-

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL
INFORMATION

As at 30 June 2019 (Reviewed)

14 SEGMENT INFORMATION

For the six months ended 30 June 2019 (Reviewed)

	<i>Investment Banking & Alkhair Portfoy 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	(7,600)	123	-	-	(7,477)
Income from investments	1,303	106	-	-	1,409
Fees and commission	441	10	-	-	451
Share of profit from investment in associates	358	-	-	-	358
Income from non- banking operations	10,032	-	-	-	10,032
Other income	35	9	-	-	44
Foreign exchange loss	(1)	13	-	-	12
Inter-segment (loss) / income	-	-	-	-	-
Total income	4,568	261	-	-	4,829
Total operating expenses	(9,265)	(1,206)	-	-	(10,471)
Impairment (charge) / reversal	-	(9)	-	-	(9)
Profit from discontinued operations	257	-	551	-	808
Net loss on sale of subsidiary	575	-	-	-	575
Loss for the period	(3,865)	(954)	551	-	(4,268)
Investment in associates	130,216	-	-	-	130,216
Segment assets	401,833	17,417	-	(15,687)	403,563
Segment liabilities	279,633	111	-	(15,687)	264,057

Bank Alkhair B.S.C. (c)

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

As at 30 June 2019 (Reviewed)

14 SEGMENT INFORMATION (continued)

For the six months ended 30 June 2018 (Reviewed)

	<i>Investment Banking & Alkhair Portfoy 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	(5,980)	264	-	-	(5,716)
Income from investments	3,206	14	-	-	3,220
Fees and commission	612	3	-	-	615
Share of loss from investment in associates	557	-	-	-	557
Income from non-banking operations	10,745	-	-	-	10,745
Rental income	-	-	-	-	-
Other income	35	-	-	-	35
Foreign exchange loss	(285)	(12)	-	-	(297)
Inter-segment (loss) / income	(70)	70	-	-	-
Total income	8,820	339	-	-	9,159
Total operating expenses	(11,987)	(1,109)	-	-	(13,096)
Reversal of Impairment	(986)	49	-	-	(937)
Profit from discontinued operations	(49)	-	2,774	-	2,725
Loss for the period	(4,202)	(721)	2,774	-	(2,149)
As at 31 December 2018					
Investment in associates	124,850	-	2,590	-	127,440
Segment assets	375,018	19,141	83,839	(7,126)	470,872
Segment liabilities	288,340	880	5,087	(7,126)	287,181

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL
INFORMATION

As at 30 June 2019 (Reviewed)

15 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.

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\$ 10.3 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 INFORMATION

As at 30 June 2019 (Reviewed)

15 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 June 2019 (Reviewed)	Level 1 US\$ '000	Level 2 US\$ '000	Level 3 US\$ '000	Total US\$ '000
<i>Investment securities</i>				
Equity type instruments carried at fair value through statement of income	12	21,021	47,744	68,777
	12	21,021	47,744	68,777
31 December 2018 (Audited)				
	Level 1 US\$ '000	Level 2 US\$ '000	Level 3 US\$ '000	Total US\$ '000
<i>Investment securities</i>				
Equity type instruments carried at fair value through statement of income	26,233	38,489	4,975	69,697
	26,233	38,489	4,975	69,697

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

	30 June 2019 (Reviewed) US\$ '000	30 June 2018 (Reviewed) US\$ '000
At 1 January	4,975	4,487
Loss recognised in income statement	-	(7)
Purchases	42,769	-
Settlements	-	-
Transfers into / (out) of Level 3	-	-
	47,744	4,480

16 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.

17 SUBSEQUENT EVENTS

There were no significant events subsequent to 30 June 2019 and occurring before the date of signing of the condensed consolidated interim financial information that would have a significant impact on this condensed consolidated interim financial information.