

Bank Alkhair B.S.C. (c)

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

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Bank Alkhair B.S.C. (c)

INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS 30 September 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 September 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 nine 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 consolidated interim financial statements of the Group for the quarter and nine months period ended 30 September 2018 were reviewed by another auditor who expressed an unmodified review conclusion on those statements in their report dated 13 November 2018. The annual audit for the year ended 31 December 2018 were audited by another auditor who expressed an unmodified 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 condensed consolidated interim financial information does not present fairly, in all material respects, the financial position of the Group as at 30 September 2019, and of its financial performance and its cash flows for the quarter and nine 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 on the basis of preparation of these condensed consolidated interim 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 November 2019



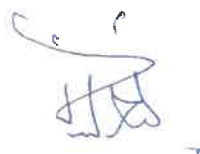
Bank Alkhair B.S.C. (c)

INTERIM CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 September 2019 (Reviewed)

		<i>Reviewed</i> 30 September 2019 <i>US\$ '000</i>	<i>Audited</i> 31 December 2018 <i>US\$ '000</i>
ASSETS			
Cash and balances with banks		2,042	3,777
Placements with financial institutions		34	5,056
Financing receivables	4	1,539	1,911
Investments	5	68,844	73,342
Investment in associates	6	130,176	127,440
Investments in real estate	7	183,944	222,310
Other assets	8	14,603	29,215
Equipment		55	7,821
TOTAL ASSETS		401,237	470,872
LIABILITIES AND OWNERS' EQUITY			
Liabilities			
Due to financial institutions		34,921	47,866
Due to customers		207,017	212,944
Other liabilities	9	21,915	26,371
Total liabilities		263,853	287,181
Owners' equity			
Share capital		207,962	207,962
Statutory reserve		664	664
Fair value reserve		207	242
Foreign currency translation reserve		(3,477)	(2,812)
Accumulated losses		(139,120)	(130,353)
Equity attributable to the shareholders of the Bank		66,236	75,703
Non-controlling interests		71,148	107,988
Total owners' equity		137,384	183,691
TOTAL LIABILITIES AND OWNERS' EQUITY		401,237	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 nine months period ended 30 September 2019 (Reviewed)

	Note	Three months ended		Nine months ended	
		30 September		30 September	
		2019	2018	2019	2018
		US\$ '000	US\$ '000	US\$ '000	US\$ '000
Income from non-banking operations		4,727	5,517	14,759	16,262
Fees and commission		-	309	451	924
Net (loss)/income from investments	10	(41)	1,440	1,368	4,660
Finance income		1	87	140	426
Share of profit from associates, net		767	920	1,125	1,477
Other income		13	36	57	71
Foreign exchange (loss)/gain		(6)	(19)	6	(316)
Total income		5,461	8,290	17,906	23,504
Expenses of non-banking operations		3,004	3,260	9,753	9,401
Staff cost		768	1,496	2,686	4,466
Finance cost		3,659	3,264	11,275	9,319
Legal and professional expenses		261	359	580	2,744
Depreciation		19	29	105	107
Premises cost		23	142	420	418
Business development expenses		3	29	31	98
Other operating expense		596	465	1,570	1,642
Total expenses		8,333	9,044	26,420	28,195
Loss for the period					
before impairment provision		(2,872)	(754)	(8,514)	(4,691)
Impairment reversal / (charge)		1,204	-	1,194	(937)
Profit from assets held for sale and discontinued operations	11	-	2,530	808	5,255
Net (loss)/gain on disposal/derecognition of subsidiaries	11	-	(3,190)	575	(3,190)
Loss for the period		(1,668)	(1,414)	(5,937)	(3,563)
Attributable to:					
Shareholders of the Bank		(2,517)	(3,570)	(8,767)	(9,235)
Non-controlling interests		849	2,156	2,830	5,672
		(1,668)	(1,414)	(5,937)	(3,563)

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 interim condensed consolidated financial information.

Bank Alkhair B.S.C. (c)

INTERIM CONSOLIDATED STATEMENT OF CHANGES IN OWNERS' EQUITY

For the nine months period ended 30 September 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	-	-	-	-	(8,767)	(8,767)	2,830	(5,937)
Foreign currency translation differences	-	-	-	(4)	-	(4)	-	(4)
Share of changes in reserves of investment in associates	-	-	(35)	(661)	-	(696)	-	(696)
Adjustment on sale of subsidiary	-	-	-	-	-	-	(39,670)	(39,670)
As at 30 September 2019	207,962	664	207	(3,477)	(139,120)	66,236	71,148	137,384
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

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 nine months period ended 30 September 2019 (Reviewed)

	<i>Nine months ended</i>	
	<i>30 September</i>	
	2019	2018
	US\$ '000	US\$ '000
OPERATING ACTIVITIES		
Loss for the period	(5,937)	(3,563)
Adjustments for:		
Gain on sale of investments	(220)	(5,383)
Fair value gain on investments	(1,043)	(699)
Share of profit from associates	(1,428)	(1,477)
Depreciation	216	1,318
Sukuk amortisation	3	137
Impairment charge	(1,194)	937
Net (gain)/loss on disposal/derecognition of subsidiary	(575)	3,179
	(10,178)	(5,551)
Changes in:		
Financing receivables	4,157	4,702
Other assets	(6,029)	(1,697)
Due to financial institutions	(5,201)	(13,109)
Due to customers	(5,927)	20,934
Other liabilities	3,178	(6,358)
Net cash used in operating activities	(20,000)	(1,079)
INVESTING ACTIVITIES		
Disposal / (purchase) of equipment, net	212	(135)
Proceeds from sale of investments	38,444	42,842
Purchase of investment securities	(6,744)	(17,680)
Purchase of investments in real estate	(156)	(1,664)
Dividend received	353	-
Net cash out flow from sale of subsidiary	(11,102)	(20)
Investment in associates	-	-
Net cash from investing activities	21,007	23,343
FINANCING ACTIVITY		
Repayment of financing liabilities	(7,760)	(3,548)
Net cash used in financing activity	(7,760)	(3,548)
NET (DECREASE) / INCREASE IN CASH AND CASH EQUIVALENTS	(6,753)	18,716
Effect of exchange rate changes on cash and cash equivalents	(4)	(243)
Cash and cash equivalents at the beginning of the period	8,833	14,760
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD	2,076	33,233
Cash and cash equivalents comprise:		
Cash and balances with banks	2,042	5,020
Placements with financial institutions	34	28,213
	2,076	33,233

Non-cash transactions:

The addition of investment in associate amounted to USD5,232k during the current period has been eliminated from statement of cash flows of the nine months period ended 30 September 2019, being a non-cash transaction.

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 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 Banks'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 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 three months period ended 30 September 2019.

As at 30 September 2019 (Reviewed)

2 BASIS OF PREPARATION AND ACCOUNTING POLICIES (continued)

2.1 Basis of Preparation (continued)

Going concern

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

Subsidiaries	Ownership for 2019	Ownership for 2018	Year of Incorporation/ acquisition	Country of incorporation
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 into 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 nine months results reported in the interim condensed consolidated financial statements may not represent a proportionate share of the overall annual results.

As at 30 September 2019 (Reviewed)

4 FINANCING RECEIVABLES

	<i>Reviewed</i> 30 September 2019 US\$ '000	<i>Audited</i> 31 December 2018 US\$ '000
Gross murabaha receivables	11,427	12,901
Less: Deferred profits	(135)	(42)
Net murabaha receivables	11,292	12,859
Less: Specific impairment allowances	(9,495)	(10,699)
Less: Collective impairment allowances	(258)	(249)
	1,539	1,911

5 INVESTMENTS

	<i>Reviewed</i> 30 September 2019 US\$ '000	<i>Audited</i> 31 December 2018 US\$ '000
Equity type instruments		
At fair value through statement of income		
Equity securities		
- Quoted	-	22,448
- Unquoted	47,860	4,975
Total equity securities	47,860	27,423
Mutual funds		
- Quoted	3	3,785
- Unquoted	20,981	38,489
Total mutual funds	20,984	42,274
Total fair value through statement of income	68,844	69,697
Debt type instruments		
At amortised costs :		
- Sukuk	-	3,645
	68,844	73,342

6 INVESTMENT IN ASSOCIATES

	<i>Reviewed</i> 30 September 2019 US\$ '000	<i>Audited</i> 31 December 2018 US\$ '000
BFC Group Holdings Ltd.	117,163	117,366
T'azur Company B.S.C. (c)	7,534	7,484
Independent Logistics and Warehousing	5,479	-
Alkhair Capital Dubai	-	2,590
	130,176	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\$ 45.6 million. The Group's share of the commitment is US\$ 11.8 million.

As at 30 September 2019 (Reviewed)

7 INVESTMENTS IN REAL ESTATE

	<i>Reviewed</i> 30 September 2019 US\$ '000	<i>Audited</i> 31 December 2018 US\$ '000
Land and building – Jordan	183,944	183,789
Land and building – Kingdom of Saudi Arabia	-	38,521
	183,944	222,310

8 OTHER ASSETS

	<i>Reviewed</i> 30 September 2019 US\$ '000	<i>Audited</i> 31 December 2018 US\$ '000
Rental income receivable	10,785	9,620
Accounts receivable	1,126	8,327
Prepayments and advances	1,510	2,781
Fees and expenses recoverable	1,025	2,541
Intangible assets	-	11
Receivable from employees	2	3
Others	2,424	8,201
	16,872	31,484
Less: Provision for impairment	(2,269)	(2,269)
	14,603	29,215

9 OTHER LIABILITIES

	<i>Reviewed</i> 30 September 2019 US\$ '000	<i>Audited</i> 31 December 2018 US\$ '000
Advance rental income	10,407	8,807
Trade and other payables	8,815	11,530
Accruals and other provisions	1,955	2,243
Staff-related payables	738	3,372
Restructuring provision	-	419
	21,915	26,371

10 NET (LOSS)/INCOME FROM INVESTMENTS

	<i>Reviewed</i>		<i>Reviewed</i>	
	<i>Three months ended</i> 30 September 2019 US\$ '000	<i>Three months ended</i> 30 September 2018 US\$ '000	<i>Nine months ended</i> 30 September 2019 US\$ '000	<i>Nine months ended</i> 30 September 2018 US\$ '000
Fair value (loss)/gain on investments	(41)	949	1,043	1,063
Gain on sale of investments	-	490	205	3,563
Sukuk income				
- Sukuk profit	-	1	105	16
- Gain on sale of sukuku	-	-	15	18
	(41)	1,440	1,368	4,660

As at 30 September 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 September 2019:

	Reviewed		Reviewed	
	Three months ended 30 September 2019 US\$ '000	Three months ended 30 September 2018 US\$ '000	Nine months ended 30 September 2019 US\$ '000	Nine months ended 30 September 2018 US\$ '000
Revenue:				
Tintoria International Limited	-	2,339	2,516	7,251
Alkhair Capital Saudi Arabia	-	5,373	5,137	14,453
Alkhair Capital Turkey	-	283	-	283
	-	7,995	7,653	21,987
Expenses:				
Tintoria International Limited	-	(2,322)	(2,258)	(7,263)
Alkhair Capital Saudi Arabia	-	(3,143)	(4,587)	(9,448)
Alkhair Capital Turkey	-	-	-	(21)
	-	(5,465)	(6,845)	(16,732)
	-	2,530	808	5,255

Net Gain on Disposal / De-recognition of subsidiaries:

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

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)
	2,688	(13,790)	(11,102)

12 COMMITMENTS AND CONTINGENCIES

	Reviewed 30 September 2019 US\$ '000	Audited 31 December 2018 US\$ '000
Commitment to invest	-	9,500
Lease commitments	132	72
	132	9,572

As at 30 September 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 has 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 6.

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 September 2019	<i>30 September 2018</i>
	US\$ '000	<i>US\$ '000</i>
Short term employee benefits	1,907	5,811
Post-employment benefits	294	611
	2,201	6,422

Bank Alkhair B.S.C. (c)

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

As at 30 September 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 September 2019 (Reviewed)					31 December 2018 (Audited)				
	Significant shareholders/entities in which directors have interest					Significant shareholders/entities in which directors have interest				
	Associates	Key management	Other entities	Associates	Other entities	Associates	Key management	Other entities	Associates	Other entities
	US\$ '000	US\$ '000	US\$ '000	US\$ '000	US\$ '000	US\$ '000	US\$ '000	US\$ '000	US\$ '000	US\$ '000
Assets										
Investment securities	20,982	-	5,090	42,769	-	33,150	-	-	10,296	-
Investment in associates	130,176	-	-	-	-	127,440	-	-	-	-
Other assets	88	247	1,023	-	-	1,286	-	236	-	1,551
Liabilities										
Due to financial institutions	-	-	-	-	-	5,184	-	-	-	-
Due to customers	-	207,017	-	-	-	833	-	209,547	-	-
Other liabilities	200	208	295	-	762	21	2,458	422	-	42
	Nine months ended 30 September 2019 (Reviewed)					Nine months ended 30 September 2018 (Reviewed)				
	Significant shareholders/entities in which directors have interest					Significant shareholders/entities in which directors have interest				
	Associates	Key management	Other entities	Associates	Other entities	Associates	Key management	Other entities	Associates	Other entities
	US\$ '000	US\$ '000	US\$ '000	US\$ '000	US\$ '000	US\$ '000	US\$ '000	US\$ '000	US\$ '000	US\$ '000
Income / (expenses)										
Income / (loss) from investments	1,248	120	-	-	-	4,719	-	19	-	(72)
Fees and commission	441	-	-	-	-	825	-	-	-	8,775
Net finance expense	(48)	(11,172)	-	-	-	(179)	-	(8,895)	-	-
Share of income from associates	1,125	-	-	-	-	1,477	-	-	-	-
Directors' and Shari'ah board remuneration and expenses	-	(160)	-	-	-	-	-	(324)	-	-

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

As at 30 September 2019 (Reviewed)

14 SEGMENT INFORMATION

For the nine months ended 30 September 2019 (Reviewed)

	<i>Investment Banking & Alkhair Portfoy US\$ '000</i>	<i>AKIIM Sdn 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	(11,259)	124	-	-	(11,135)
Income from investments	1,263	105	-	-	1,368
Fees and commission	441	10	-	-	451
Share of profit from investment in associates	1,125	-	-	-	1,125
Income from non-banking operations	14,759	-	-	-	14,759
Other income	48	9	-	-	57
Foreign exchange loss	(7)	13	-	-	6
Inter-segment (loss) / income	-	-	-	-	-
Total income	6,370	261	-	-	6,631
Total operating expenses	(13,936)	(1,209)	-	-	(15,145)
Impairment (charge) / reversal	1,204	(10)	-	-	1,194
Profit from discontinued operations	258	-	550	-	808
Net loss on sale of subsidiary	575	-	-	-	575
(Loss)/income for the period	(5,529)	(958)	550	-	(5,937)
Investment in associates	130,176	-	-	-	130,176
Segment assets	399,409	17,319	-	(15,491)	401,237
Segment liabilities	279,329	15	-	(15,491)	263,853

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

As at 30 September 2019 (Reviewed)

14 SEGMENT INFORMATION (continued)

For the nine months ended 30 September 2018 (Reviewed)

	<i>Investment Banking & Alkhair Portfoy US\$ '000</i>	<i>AKIIM Sdn 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	(9,239)	346	-	-	(8,893)
Income from investments	4,645	15	-	-	4,660
Fees and commission	921	3	-	-	924
Share of loss from investment in associates	1,477	-	-	-	1,477
Income from non-banking operations	16,262	-	-	-	16,262
Rental income	-	-	-	-	-
Other income	44	27	-	-	71
Foreign exchange loss	(300)	(16)	-	-	(316)
Inter-segment (loss) / income	(70)	70	-	-	-
Total income	13,740	445	-	-	14,185
Total operating expenses	(17,279)	(1,597)	-	-	(18,876)
Impairment (charge) / reversal	(986)	49	-	-	(937)
Profit from discontinued operations	250	-	5,005	-	5,255
Net loss on sale of subsidiary	(3,190)	-	-	-	(3,190)
(Loss)/income for the period	(7,465)	(1,103)	5,005	-	(3,563)
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 STATEMENTS

As at 30 September 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 STATEMENTS

As at 30 September 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 September 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	3	20,981	47,860	68,844
	3	20,981	47,860	68,844
<i>31 December 2018 (Audited)</i>				
	<i>Level 1 US\$ '000</i>	<i>Level 2 US\$ '000</i>	<i>Level 3 US\$ '000</i>	<i>Total US\$ '000</i>
<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 September 2019 (Reviewed) US\$ '000	30 September 2018 (Reviewed) US\$ '000
At 1 January	4,975	4,487
Purchases/Reclassified	42,885	-
	47,860	4,487

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 September 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.