

Liquidity Management Centre B.S.C. (c)

**INTERIM CONDENSED CONSOLIDATED
FINANCIAL STATEMENTS**

30 June 2019 (Reviewed)

REVIEW REPORT TO THE BOARD OF DIRECTORS OF LIQUIDITY MANAGEMENT CENTRE B.S.C. (c)

Introduction

We have reviewed the accompanying interim condensed consolidated financial statements of Liquidity Management Centre B.S.C. (c) (the "Bank") and its subsidiary (the "Group") as at 30 June 2019, comprising of the interim consolidated statement of financial position as at 30 June 2019 and the related interim consolidated statements of income for the three and six months period then ended, cash flows and changes in owners' equity for the six-month period then ended and other explanatory information. The Board of Directors is responsible for the preparation and presentation of these interim condensed consolidated financial statements in accordance with the accounting policies disclosed in note 2. Our responsibility is to express a conclusion on these interim condensed consolidated financial statements based on our review.

Scope of review

We conducted our review in accordance with International Standard on Review Engagements 2410, *Review of Interim Financial Information Performed by the Independent Auditor of the Entity*. A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying interim condensed consolidated financial statements are not prepared, in all material respects, in accordance with the accounting policies set out in note 2.



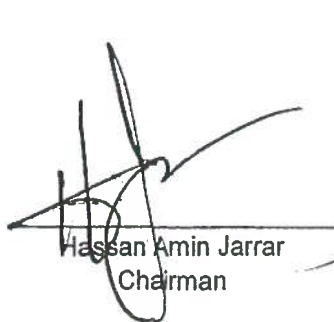
4 August 2019
Manama, Kingdom of Bahrain

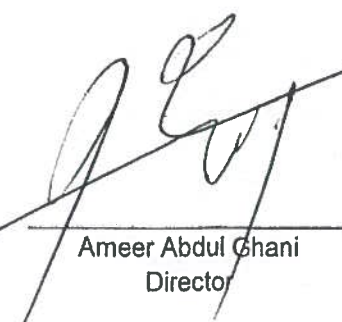
Liquidity Management Centre B.S.C. (c)

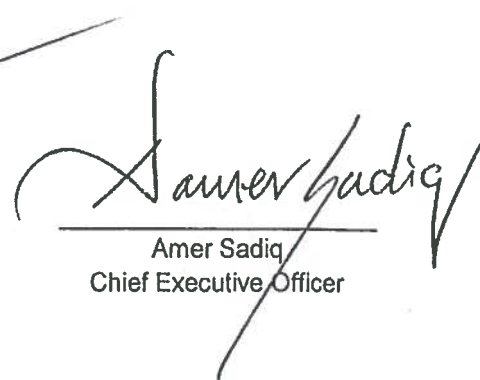
INTERIM CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 June 2019

		<i>Reviewed</i> 30 June 2019 US\$ '000	<i>Audited</i> 31 December 2018 US\$ '000
ASSETS			
Cash and balances with banks		1,708	1,206
Due from banks	3	996	8,496
Murabaha receivables	4	18,030	9,502
Mudaraba receivables	5	-	2,496
Financing receivables	6	839	841
Investment in sukuk	7	22,276	73,405
Investment in equities and funds	7	4,711	4,771
Equipment		136	137
Other assets		599	1,180
Investment in real estate	8	26,197	26,556
TOTAL ASSETS		75,492	128,590
LIABILITIES AND OWNERS' EQUITY			
Liabilities			
Due to short term sukuk investors and banks		24,184	74,271
Staff payables		562	1,494
Other liabilities		732	678
Total liabilities		25,478	76,443
Owners' Equity			
Share capital	10	59,039	59,039
Accumulated losses		(17,307)	(15,174)
Reserves		8,282	8,282
Total owners' equity		50,014	52,147
TOTAL LIABILITIES AND OWNERS' EQUITY		75,492	128,590


Hassan Amin Jarrar
Chairman


Ameer Abdul Ghani
Director

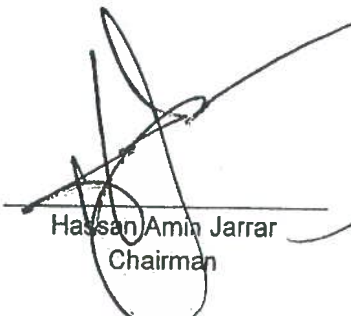

Amer Sadiq
Chief Executive Officer

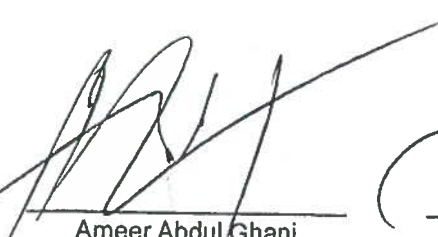
Liquidity Management Centre B.S.C. (c)


INTERIM CONSOLIDATED STATEMENT OF INCOME

For the six months ended 30 June 2019 (Reviewed)

	Notes	Three months ended		Six months ended	
		30 June		30 June	
		2019	2018	2019	2018
		US\$ '000	US\$ '000	US\$ '000	US\$ '000
Income (Loss) from:					
Investment in sukuk	11	(73)	882	59	1,759
Investment in equities and funds		31	51	78	59
Due from banks and Murabaha receivables		22	37	94	93
Financing receivables		-	34	-	130
Mudaraba receivables		5	17	16	33
Less: Return to short term sukuk investors and banks		(283)	(531)	(751)	(1,014)
		(298)	490	(504)	1,060
Investment banking fees		140	73	144	141
Ijarah income		319	327	637	657
Other income		-	-	2	235
Foreign exchange loss		(1)	(2)	(1)	(2)
OPERATING INCOME		160	888	278	2,091
Staff costs		863	609	1,506	1,234
Depreciation		180	181	360	362
Other general and administrative expenses	12	311	266	593	458
OPERATING EXPENSES		1,354	1,056	2,459	2,054
NET (LOSS) PROFIT FOR THE PERIOD BEFORE CREDIT LOSSES / IMPAIRMENT PROVISION		(1,194)	(168)	(2,181)	37
Net reversals for credit losses	9	-	-	-	280
Unrealised fair value loss on investments in funds		-	-	-	(285)
Impairment recoveries on investments		48	23	48	23
NET (LOSS) PROFIT FOR THE PERIOD		(1,146)	(145)	(2,133)	55


 Hassan Amin Jarrar
 Chairman


 Ameer Abdul Ghani
 Director


 Amer Sadiq
 Chief Executive Officer

Liquidity Management Centre B.S.C. (c)

INTERIM CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 June 2019 (Reviewed)

	Notes	Six months ended	
		30 June	
		2019	2018
		US\$ '000	US\$ '000
OPERATING ACTIVITIES			
Net (loss) profit for the period		(2,133)	55
Adjustments for:			
Depreciation		360	362
Amortisation of discount on investments		20	(55)
Net loss from sale of investments at amortised cost	11	958	17
Unrealized fair value losses on investment through equity		-	285
Impairment recoveries on investments		(48)	(23)
Net reversals for credit losses	9	-	(280)
Operating (loss) profit before changes in operating assets and liabilities		(843)	361
Changes in:			
Mudaraba receivables		2,497	2,719
Financing receivables		-	882
Other assets		581	(1,537)
Due to short term sukuk investors and banks		(50,087)	(15,186)
Staff payables		(932)	(32)
Other liabilities		54	143
Sale proceeds of investments at amortised cost		50,152	-
Capital redemption / sale of investments at fair value through equity		108	389
Net cash from (used in) operating activities		1,530	(12,261)
NET CHANGE IN CASH AND CASH EQUIVALENTS		1,530	(12,261)
Cash and cash equivalents at 1 January		19,210	30,327
CASH AND CASH EQUIVALENTS AT 30 JUNE		20,740	18,066
Cash and cash equivalents comprise:			
Cash and balances with banks		1,708	1,564
Murabaha receivables		18,032	8,002
Due from banks with original maturity of 90 days or less		1,000	8,500
		20,740	18,066

The attached explanatory notes 1 to 16 form part of these interim condensed consolidated financial statements.

Liquidity Management Centre B.S.C. (c)

INTERIM CONSOLIDATED STATEMENT OF CHANGES IN OWNERS' EQUITY

For the six months ended 30 June 2019 (Reviewed)

	Reserves					Total owners' equity US\$ '000
	Share capital US\$ '000	Statutory reserve US\$ '000	General reserve US\$ '000	Investment fair value reserve US\$ '000	Total reserves US\$ '000	
Balance as of 1 January 2019	59,039	3,881	2,226	2,175	8,282	52,147
Net loss for the period	-	-	-	-	(2,133)	(2,133)
Balance at 30 June 2019	59,039	3,881	2,226	2,175	8,282	50,014
Balance at 1 January 2018	59,039	3,881	2,226	2,460	8,567	54,141
Transition adjustment on adoption of FAS 30 as of 1 January 2018	-	-	-	-	-	(2,007)
Restated balance as of 1 January 2018	59,039	3,881	2,226	2,460	8,567	52,134
Net profit for the period	-	-	-	-	-	55
Cumulative changes in fair value	-	-	-	(285)	(285)	-
Balance at 30 June 2018	59,039	3,881	2,226	2,175	8,282	52,189

The attached explanatory notes 1 to 16 form part of these interim condensed consolidated financial statements.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

At 30 June 2019

1 INCORPORATION AND ACTIVITIES

Liquidity Management Centre B.S.C. (c) (the "Bank") is a closed joint stock company incorporated in the Kingdom of Bahrain on 31 July 2002, under Commercial Registration (CR) number 49092. The Bank operates under an Islamic Wholesale Banking license issued by the Central Bank of Bahrain (the "CBB"). The Bank's registered office is Building 852, Road 3618, Block 436, Seef District, Kingdom of Bahrain.

The principal activities of the Bank and its wholly owned subsidiary (together the "Group") include the following:

- Facilitating the creation of an Islamic inter-bank money market that will allow Islamic Financial Services Institutions ("IFSI") to effectively manage their assets and liabilities;
- Providing short-term liquid, tradable asset-backed treasury instruments (Sukuk) based on Islamic Shari'a principles where IFSI can invest their surplus liquidity; and
- Providing short-term investment opportunities based on Islamic Shari'a principles.

The Bank is regulated by the CBB and supervised by the Shari'a Supervisory Board for compliance with Shari'a rules and principles.

The Shareholders of the Bank, in their Extraordinary General Meeting ("EGM") held on 28 March 2019, passed a resolution approving the conversion of the Bank's license from an Islamic Wholesale Bank to an Investment Firm Category 1, subject to CBB approval.

The interim condensed consolidated financial statements have been authorised for issue by the Board of Directors on 4 August 2019.

2 BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES

2.1 Basis of preparation

The interim condensed consolidated financial statements for the six month period ended 30 June 2019 have been prepared in accordance with the guidance given by International Accounting Standard 34 "Interim Financial Reporting". 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 2018, except for adoption of new standard effective from 1 January 2019 as stated in note 2.4. The annual consolidated financial statements for the year ended 31 December 2018 were prepared in accordance with Financial Accounting Standards ("FAS") issued by the Accounting and Auditing Organization for Islamic Financial Institutions ("AAOIFI") and in conformity with the Bahrain Commercial Companies Law and the CBB and Financial Institutions Law. For matters which are not covered by FAS, including "Interim Financial Reporting", the Group uses the International Financial Reporting Standards ("IFRS"). The interim condensed consolidated financial statements do not contain all the information and disclosures required in the annual consolidated financial statements, and should be read in conjunction with the Group's annual consolidated financial statements as at 31 December 2018. In addition, results for the six month period ended 30 June 2019 are not necessarily indicative of the results that may be expected for the financial year ending 31 December 2019.

2.2 Accounting convention

The interim condensed consolidated financial statements have been prepared on a historical cost basis, except for equity type instruments carried at fair value through equity and equity type instruments carried at fair value through statement of income that have been measured at fair value. The interim condensed consolidated financial statements have been presented in United States Dollar ("US\$"), being the reporting and functional currency of the Group's operations. All values are rounded to the nearest thousand (US\$ '000) unless otherwise indicated.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

At 30 June 2019

2 BASIS OF PREPARATION AND ACCOUNTING POLICIES (continued)**2.3 Basis of consolidation**

These interim condensed consolidated financial statements comprise the financial statements of the Group for the six month period ended 30 June 2019. The financial statements of the subsidiary are prepared for the same reporting period as the Bank, using consistent accounting policies.

All intra-group balances, transactions, income and expenses and profits and losses resulting from intra-group transactions are eliminated in full.

The Bank has the following subsidiary:

	<i>Ownership 2019 and 2018</i>	<i>Year and country of incorporation</i>	<i>Activity</i>
The Short Term Sukok Center B.S.C. (c)	100%	2003 Kingdom of Bahrain	Investment in Sukuk

The subsidiary is consolidated in these interim condensed consolidated financial statements based on unaudited 30 June 2019 management accounts.

2.4 Significant accounting policies

The accounting policies adopted in the preparation of the interim condensed consolidated financial statements are consistent with those used in the preparation of the annual consolidated financial statements of the Group for the year ended 31 December 2018, except for the adoption of FAS 28.

FAS 28 Murabaha and Other Deferred Payment Sale

This standard is effective from 1 January 2019 and prescribes the accounting and reporting principles and requirements for Murabaha and deferred payment sales transactions and different elements of such transactions, excluding Tawarruq and commodity Murabaha transactions. FAS 28 supersedes the earlier FAS 2 "Murabaha and Murabaha to the Purchase Order" and FAS 20 "Deferred Payment Sale", where it aims at setting out the accounting rules for measurement, recognition and disclosure of the transactions of Murabaha and other deferred payment sales that are carried out by Islamic banks or Islamic Financial Institutions. Also, this standard shall not apply to investments made in investment instruments e.g. equity instruments or Sukuk, where the underlying asset for such instrument is a Murabaha or deferred payment sale. The standard is not likely to have a significant impact on the Group's consolidated financial statements and the required disclosures will be included in 2019 annual consolidated financial statements.

3 DUE FROM BANKS

	<i>Reviewed 30 June 2019</i>			<i>Total</i>	<i>Audited 31 December 2018</i>
	<i>Stage 1 US\$ '000</i>	<i>Stage 2 US\$ '000</i>	<i>Stage 3 US\$ '000</i>	<i>US\$ '000</i>	<i>US\$ '000</i>
Due from banks	1,000	-	-	1,000	8,500
Less: Allowance for credit losses	(4)	-	-	(4)	(4)
	996	-	-	996	8,496

Liquidity Management Centre B.S.C. (c)

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

At 30 June 2019

4 MURABAHA RECEIVABLES

	<i>Reviewed</i> 30 June 2019				<i>Audited</i> 31 December 2018
	<i>Stage 1</i> US\$ '000	<i>Stage 2</i> US\$ '000	<i>Stage 3</i> US\$ '000	<i>Total</i> US\$ '000	US\$ '000
Murabaha receivables	18,032	-	-	18,032	9,504
Less: Allowance for credit losses	(2)	-	-	(2)	(2)
	18,030	-	-	18,030	9,502

5 MUDARABA RECEIVABLES

	<i>Reviewed</i> 30 June 2019				<i>Audited</i> 31 December 2018
	<i>Stage 1</i> US\$ '000	<i>Stage 2</i> US\$ '000	<i>Stage 3</i> US\$ '000	<i>Total</i> US\$ '000	US\$ '000
Mudaraba receivables	-	-	-	-	2,497
Less: Allowance for credit losses	-	-	-	-	(1)
	-	-	-	-	2,496

6 FINANCING RECEIVABLES

	<i>Reviewed</i> 30 June 2019				<i>Audited</i> 31 December 2018
	<i>Stage 1</i> US\$ '000	<i>Stage 2</i> US\$ '000	<i>Stage 3</i> US\$ '000	<i>Total</i> US\$ '000	US\$ '000
Murabaha receivable *	-	-	2,756	2,756	2,756
Less: Allowance for credit losses *	-	-	(1,917)	(1,917)	(1,915)
	-	-	839	839	841

*During the period ended 30 June 2019, the above murabaha receivable and its allowance for credit losses has been transferred from Stage 2 to Stage 3.

7 INVESTMENTS

	<i>Reviewed</i> 30 June 2019			
	<i>Amortised cost</i> US\$ '000	<i>Fair value through equity</i> US\$ '000	<i>Fair value through statement of income</i> US\$ '000	<i>Total</i> US\$ '000
Debt type				
Quoted investments - Sukuk	22,551	-	-	22,551
Equity type				
Unquoted investments - Equity shares and funds	-	75	4,650	4,725
	22,551	75	4,650	27,276
Less: Allowance for credit losses / impairment	(275)	(14)	-	(289)
At 30 June 2019	22,276	61	4,650	26,987

Liquidity Management Centre B.S.C. (c)

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

At 30 June 2019

7 INVESTMENTS (continued)

	<i>Audited</i> 31 December 2018			<i>Total</i> US\$ '000
	<i>Amortised cost</i> US\$ '000	<i>Fair value through equity</i> US\$ '000	<i>Fair value through statement of income</i> US\$ '000	
<i>Debt type</i>				
Quoted investments - Sukuk	73,681	-	-	73,681
Unquoted investments - Sukuk	21,435	-	-	21,435
<i>Equity type</i>				
Unquoted investments - Equity shares	-	3,173	4,650	7,823
	95,116	3,173	4,650	102,939
Less: Allowance for credit losses / impairment	(21,711)	(3,052)	-	(24,763)
At 31 December 2018	73,405	121	4,650	78,176

The Group's investments in quoted sukuk held at amortised cost have a fair value of US\$ 22 million (31 December 2018: US\$ 70 million).

Under unquoted investments which are held at fair value through equity are investments amounting to US\$ 61 thousand (31 December 2018: US\$ 121 thousand) which are held at cost less provision for impairment due to the unpredictable nature of their future cash flows and the lack of other suitable methods for arriving at a reliable fair value for these investments.

The table below shows the credit quality and the maximum exposure to credit risk based on the Bank's internal credit rating system and period-end stage classification. The amounts presented are gross of impairment allowances.

	30 June 2019			31 December 2018	
	<i>Stage 1</i> US '000	<i>Stage 2</i> US '000	<i>Stage 3</i> US '000	<i>Total</i> US '000	<i>Total</i> US '000
Good (1-4)	1,981	-	-	1,981	40,900
Satisfactory (5-7)	13,337	7,233	-	20,570	32,781
Default (8-10)	-	-	-	-	21,435
	15,318	7,233	-	22,551	95,116

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NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

At 30 June 2019

7 INVESTMENTS (continued)

7.1 Movements in allowance for credit losses on investments at amortised cost

	<i>Reviewed</i> <i>Six months ended</i> <i>30 June 2019</i>			<i>Audited</i> <i>Year ended</i> <i>31 December</i> <i>2018</i>	
	<i>Stage 1:</i> <i>12-month</i> <i>ECL</i> <i>USD '000</i>	<i>Stage 2:</i> <i>Lifetime ECL</i> <i>not credit-</i> <i>impaired</i> <i>USD '000</i>	<i>Stage 3:</i> <i>Lifetime ECL</i> <i>credit-impaired</i> <i>USD '000</i>	<i>Total ECL</i> <i>USD '000</i>	<i>Total</i> <i>USD '000</i>
Balance at 1 January	37	239	21,435	21,711	21,592
Net remeasurement of loss allowance	-	-	-	-	119
Reversals	-	(1)	-	(1)	-
Amounts written off	-	-	(21,435)	(21,435)	-
Balance at the end of the period/ year	37	238	-	275	21,711

During the period ended 30 June 2019, no exposures or ECL moved between stages.

Investments include an amount of US\$ 22.5 million (31 December 2018: US\$ 73 million) representing the underlying assets of the secured Short Term Sukuk Program (STS Program) of The Short Term Sukuk Center B.S.C. (c) managed by the Bank. The maturities of these investments range from 2 to 8 years and the effective profit rate on these investments range between 3.6 % to 5.3 % per annum (31 December 2018: 2.8 % to 7.9 % per annum).

The Group is party to financing arrangements with third party international financial institution for which certain of the Group's investments amounting to US\$ 9 million (31 December 2018: US\$ 48 million) have been pledged as collateral as of 30 June 2019.

8 INVESTMENT IN REAL ESTATE

This mainly represents the Bank's headquarters building, the majority of which is leased under an operating Ijarah:

	<i>Reviewed</i> <i>30 June</i> <i>2019</i> <i>US\$ '000</i>	<i>Audited</i> <i>31 December</i> <i>2018</i> <i>US\$ '000</i>
Cost	31,963	31,963
Accumulated depreciation and impairment	(5,766)	(5,407)
	26,197	26,556

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

At 30 June 2019

9 NET REVERSALS (ALLOWANCES) FOR CREDIT LOSSES

The impairment allowance reversed (charged) in the statement of income is as follows:

	<i>Reviewed</i> <i>Six months ended</i> <i>30 June</i>	
	2019	2018
	US\$ '000	US\$ '000
Cash and balances with banks	-	2
Murabaha receivables	-	2
Due from banks	-	320
Mudaraba receivables	1	7
Financing receivables	(2)	(76)
Investment in sukuk	1	25
	-	280

10 SHARE CAPITAL

	<i>Reviewed</i> <i>30 June</i>	<i>Audited</i> <i>31 December</i>
	2019	2018
	US\$ '000	US\$ '000
Authorised:		
200,000,000 ordinary shares of US\$ 1 each	200,000	200,000
Issued, subscribed and paid-up:		
59,038,875 (2018: 59,038,875) ordinary shares of US\$ 1 (2018: US\$ 1) each	59,039	59,039

11 (LOSS) INCOME FROM INVESTMENT IN SUKUK

	<i>Reviewed</i> <i>Three months ended</i> <i>30 June</i>		<i>Reviewed</i> <i>Six months ended</i> <i>30 June</i>	
	2019	2018	2019	2018
	US\$ '000	US\$ '000	US\$ '000	US\$ '000
Income from sukuk	389	899	1,017	1,776
(Loss) on sale of sukuk	(462)	(17)	(958)	(17)
	(73)	882	59	1,759

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

At 30 June 2019

12 OTHER GENERAL AND ADMINISTRATIVE EXPENSES

	<i>Reviewed</i>		<i>Reviewed</i>	
	<i>Three months ended</i>		<i>Six months ended</i>	
	<i>30 June</i>		<i>30 June</i>	
	2019	2018	2019	2018
	US\$ '000	US\$ '000	US\$ '000	US\$ '000
Legal and professional fees	90	79	192	131
Premises expenses	67	65	100	104
Others	154	122	301	223
	311	266	593	458

13 RELATED PARTY TRANSACTIONS AND BALANCES

Parties are considered to be related if one party has the ability to control the other party or exercise significant influence or joint control over the other party in making financial and operating decisions. Related parties comprise major shareholders, directors, Shari'a supervisory board, external auditors and executive management of the Group entities over which they exercise control and significant influence.

The related party balances included in these interim condensed consolidated financial statements are as follows:

	<i>Reviewed</i>			<i>Audited</i>		
	<i>30 June 2019</i>			<i>31 December 2018</i>		
	<i>Board members/ key management personnel/ Shari'a board members/ external auditors</i>	<i>Significant shareholders/entities in which directors are interested</i>	<i>Total</i>	<i>Board members/ key management personnel/ Shari'a board members/ external auditors</i>	<i>Significant shareholders/entities in which directors are interested</i>	<i>Total</i>
	<i>US\$ '000</i>	<i>US\$ '000</i>	<i>US\$ '000</i>	<i>US\$ '000</i>	<i>US\$ '000</i>	<i>US\$ '000</i>
Assets						
Cash and balances with banks	-	201	201	-	313	313
Investment in sukuk	-	-	-	-	5,241	5,241
Other assets	-	-	-	216	148	364
Liabilities						
Due to short term sukuk investors and banks	-	-	-	-	13,004	13,004
Staff payables	356	-	356	845	-	845
Other liabilities	164	-	164	162	-	162

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

At 30 June 2019

13 RELATED PARTY TRANSACTIONS AND BALANCES (continued)

The related party transactions included in these interim condensed consolidated financial statements are as follows:

	Reviewed 30 June 2019			Reviewed 30 June 2018		
	Board members/ key management personnel/ Shari'a board members/ external auditors US\$ '000	Significant shareholders/ entities in which directors are interested US\$ '000	Total US\$ '000	Board members/ key management personnel/ Shari'a board members/ external auditors US\$ '000	Significant shareholders/ entities in which directors are interested US\$ '000	Total US\$ '000
Income						
(Loss) income from						
investments in sukuk	-	90	90	-	181	181
Return to short term sukuk investors and banks	-	25	25	-	230	230
Expenses						
Staff costs	867	-	867	813	-	813
General and administrative expenses	163	-	163	129	-	129

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

	Reviewed Six months ended 30 June	
	2019 US\$ '000	2018 US\$ '000
Salary and other benefits	867	813

14 FAIR VALUE OF FINANCIAL INSTRUMENTS

Fair value is the amount for which an asset could be exchanged or a liability settled between knowledgeable and willing parties in an arm's length transaction. Consequently, differences can arise between carrying values and fair value estimates.

Fair value hierarchy

Fair values of quoted securities are derived from quoted market prices in active markets, if available. For unquoted securities, fair value is estimated using appropriate valuation techniques. Such techniques may include using recent arm's length market transactions, reference to the current fair value of another instrument that is substantially the same and discounted cash flow analysis or other valuation models.

The Group uses the following hierarchy for determining and disclosing the fair value of financial instruments by valuation technique:

Level 1: quoted (unadjusted) prices in active markets for identical assets or liabilities;

Level 2: other techniques for which all inputs which have a significant effect on the recorded fair value are observable, either directly or indirectly; and

Level 3: techniques which use inputs which have a significant effect on the recorded fair value that are not based on observable market data.

Liquidity Management Centre B.S.C. (c)

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

At 30 June 2019

14 FAIR VALUE OF FINANCIAL INSTRUMENTS (continued)

The following table shows an analysis of financial instruments recorded at fair value by level of the fair value hierarchy at 30 June 2019 and 30 June 2018:

	<i>Reviewed</i>		<i>Audited</i>	
	<i>30 June 2019</i>		<i>31 December 2018</i>	
	<i>Level 2</i>	<i>Total</i>	<i>Level 2</i>	<i>Total</i>
	<i>US\$ '000</i>	<i>US\$ '000</i>	<i>US\$ '000</i>	<i>US\$ '000</i>
Investments carried at fair value through statement of income				
Equities and funds	4,650	4,650	4,650	4,650
	4,650	4,650	4,650	4,650

Under unquoted investments which are held at fair value through equity are investments amounting to US\$ 61 thousand (31 December 2018: US\$ 121 thousand) which are held at cost less provision for impairment due to the unpredictable nature of their future cash flows and the lack of other suitable methods for arriving at a reliable fair value for these investments (note 7).

Except as disclosed in note 7 for investments in Sukuk, the fair values of the Group's other financial instruments are not significantly different from their carrying values as at 30 June 2019 and 31 December 2018.

15 SEGMENTAL INFORMATION

(a) Industry sector

The industrial distribution of the Group's assets and liabilities as of 30 June 2019 is as follows:

	<i>Reviewed</i>					
	<i>30 June 2019</i>					
	<i>Banks and financial institutions</i>	<i>Government</i>	<i>Real estate</i>	<i>Others</i>	<i>ECL</i>	<i>Total</i>
	<i>US\$ '000</i>	<i>US\$ '000</i>	<i>US\$ '000</i>	<i>US\$ '000</i>	<i>US\$ '000</i>	<i>US\$ '000</i>
Assets						
Cash and balances with banks	1,700	-	-	8	-	1,708
Due from banks	1,000	-	-	-	(4)	996
Murabaha receivables	18,032	-	-	-	(2)	18,030
Financing receivables	2,756	-	-	-	(1,917)	839
Investment in sukuk	-	15,545	1,981	5,025	(275)	22,276
Investment in equities and funds	20	-	4,691	-	-	4,711
Equipment	-	-	-	136	-	136
Other assets	118	340	21	120	-	599
Investment in real estate	-	-	26,197	-	-	26,197
Total assets	23,626	15,885	32,890	5,289	(2,198)	75,492
Liabilities						
Due to short term sukuk investors and banks	24,184	-	-	-	-	24,184
Staff payables	-	-	-	562	-	562
Other liabilities	-	42	-	690	-	732
Total liabilities	24,184	42	-	1,252	-	25,478

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

At 30 June 2019

15 SEGMENTAL INFORMATION (continued)**(a) Industry sector (continued)**

The industrial distribution of the Group's income and expenses as of 30 June 2019 is as follows:

	<i>Reviewed</i> 30 June 2019				
	<i>Banks and financial institutions</i>	<i>Government</i>	<i>Real estate</i>	<i>Others</i>	<i>Total</i>
	<i>US\$ '000</i>	<i>US\$ '000</i>	<i>US\$ '000</i>	<i>US\$ '000</i>	<i>US\$ '000</i>
Income					
(Loss) income from:					
Investment in sukuk	(308)	291	94	(18)	59
Investment in equities and funds	31	-	47	-	78
Due from banks and Murabaha receivables	94	-	-	-	94
Mudaraba receivables	16	-	-	-	16
Less: Return to short term sukuk investors and banks	(751)	-	-	-	(751)
Investment banking fees	-	-	138	6	144
Ijarah income	-	407	-	230	637
Foreign exchange loss	(1)	-	-	-	(1)
Other income	-	-	-	2	2
Total (loss) income	(919)	698	279	220	278
Expenses					
Staff costs	-	-	-	1,506	1,506
Depreciation	-	-	-	360	360
Other general and administrative expenses	14	51	-	528	593
Total expenses	14	51	-	2,394	2,459
Impairment recoveries on investments	-	-	48	-	48

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

At 30 June 2019

15 SEGMENTAL INFORMATION (continued)

(a) Industry sector (continued)

The industrial distribution of the Group's assets and liabilities as of 31 December 2018 is as follows:

	<i>Audited</i>					
	<i>31 December 2018</i>					
	<i>Banks and financial institutions</i>	<i>Government</i>	<i>Real estate</i>	<i>Others</i>	<i>ECL</i>	<i>Total</i>
	<i>US\$ '000</i>	<i>US\$ '000</i>	<i>US\$ '000</i>	<i>US\$ '000</i>	<i>US\$ '000</i>	<i>US\$ '000</i>
<i>Assets</i>						
Cash and bank balances	1,198	-	-	8	-	1,206
Due from banks	8,500	-	-	-	(4)	8,496
Murabaha receivables	9,504	-	-	-	(2)	9,502
Mudaraba receivables	2,497	-	-	-	(1)	2,496
Financing receivables	2,756	-	-	-	(1,915)	841
Investment in sukuk	46,795	19,540	18,541	10,240	(21,711)	73,405
Investment in equities and funds	39	-	4,732	-	-	4,771
Equipment	-	-	-	137	-	137
Other assets	364	197	395	499	(275)	1,180
Investment in real estate	-	-	26,556	-	-	26,556
Total assets	71,653	19,737	50,224	10,884	(23,908)	128,590
<i>Liabilities</i>						
Due to short term sukuk investors and banks	74,271	-	-	-	-	74,271
Staff payables	-	-	-	1,494	-	1,494
Other liabilities	1	-	-	677	-	678
Total liabilities	74,272	-	-	2,171	-	76,443

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

At 30 June 2019

15 SEGMENTAL INFORMATION (continued)

(a) Industry sector (continued)

The industrial distribution of the Group's income and expenses as of 30 June 2018 is as follows:

	<i>Reviewed</i> 30 June 2018				
	<i>Banks and financial institutions</i>	<i>Government</i>	<i>Real estate</i>	<i>Others</i>	<i>Total</i>
	<i>US\$ '000</i>	<i>US\$ '000</i>	<i>US\$ '000</i>	<i>US\$ '000</i>	<i>US\$ '000</i>
<i>Income</i>					
<i>Income from:</i>					
Investment in sukuk	1,004	438	94	223	1,759
Investment in equities and funds	51	-	8	-	59
Due from banks and Murabaha receivables	93	-	-	-	93
Financing receivables	52	-	78	-	130
Mudaraba receivables	33	-	-	-	33
Less: Return to short term sukuk investors and banks	(1,014)	-	-	-	(1,014)
Investment banking fees	-	-	133	8	141
Ijarah income	-	406	-	251	657
Foreign exchange loss	(2)	-	-	-	(2)
Other income	-	-	-	235	235
Total income	217	844	313	717	2,091
<i>Expenses</i>					
Staff costs	-	-	-	1,234	1,234
Depreciation	-	-	-	362	362
Other general and administrative expenses	5	49	-	404	458
Total expenses	5	49	-	2,000	2,054
Net reversals for credit losses	280	-	-	-	280
Unrealised fair value loss on investments in funds	-	-	(285)	-	(285)
Impairment recoveries on investments	-	-	23	-	23

Liquidity Management Centre B.S.C. (c)

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

At 30 June 2019

15 SEGMENTAL INFORMATION (continued)

(b) Geographic sector

The geographical distribution of the Group's assets and liabilities as of 30 June 2019 is as follows:

	<i>Reviewed</i> 30 June 2019				
	<i>Kingdom of Bahrain US\$ '000</i>	<i>Other GCC countries US\$ '000</i>	<i>Others US\$ '000</i>	<i>ECL US\$ '000</i>	<i>Total US\$ '000</i>
Assets					
Cash and balances with banks	270	-	1,438	-	1,708
Due from banks	1,000	-	-	(4)	996
Murabaha receivables	-	-	18,032	(2)	18,030
Financing receivables	-	2,756	-	(1,917)	839
Investment in sukuk	12,547	10,004	-	(275)	22,276
Investment in equities and funds	4,650	41	20	-	4,711
Equipment	136	-	-	-	136
Other assets	473	115	11	-	599
Investment in real estate	26,197	-	-	-	26,197
Total assets	45,273	12,916	19,501	(2,198)	75,492
Liabilities					
Due to short term sukuk investors and banks	5,024	-	19,160	-	24,184
Staff payables	562	-	-	-	562
Other liabilities	732	-	-	-	732
Total liabilities	6,318	-	19,160	-	25,478

The geographical distribution of the Group's income and expenses as of 30 June 2019 is as follows:

	<i>Reviewed</i> 30 June 2019				
	<i>Kingdom of Bahrain US\$ '000</i>	<i>Other GCC countries US\$ '000</i>	<i>Others US\$ '000</i>	<i>Total US\$ '000</i>	
Income					
(Loss) income from:					
Investment in sukuk	243	(65)	(119)	59	
Investment in equities and funds	46	1	31	78	
Due from banks and Murabaha receivables	77	-	17	94	
Financing Receivables	-	-	-	-	
Mudaraba receivables	16	-	-	16	
Less: Return to short term sukuk investors and banks	(246)	(25)	(480)	(751)	
Investment banking fees	144	-	-	144	
Ijarah income	637	-	-	637	
Foreign exchange loss	(1)	-	-	(1)	
Other income	2	-	-	2	
Total income (loss)	918	(89)	(551)	278	
Expenses					
Staff costs	1,506	-	-	1,506	
Depreciation	360	-	-	360	
Other general and administrative expenses	560	-	33	593	
Total expenses	2,426	-	33	2,459	
Impairment recoveries on investments	-	48	-	48	

Liquidity Management Centre B.S.C. (c)

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

At 30 June 2019

15 SEGMENTAL INFORMATION (continued)

(b) Geographic sector (continued)

The geographical distribution of the Group's assets and liabilities as of 31 December 2018 is as follows:

	<i>Audited</i>				<i>Total</i>
	<i>31 December 2018</i>				
	<i>Kingdom of</i>	<i>Other GCC</i>	<i>Others</i>	<i>ECL</i>	
	<i>Bahrain</i>	<i>countries</i>			
	<i>US\$ '000</i>	<i>US\$ '000</i>	<i>US\$ '000</i>	<i>US\$ '000</i>	<i>US\$ '000</i>
<i>Assets</i>					
Cash and bank balances	546	-	660	-	1,206
Due from banks	8,500	-	-	(4)	8,496
Murabaha receivables	5,000	-	4,504	(2)	9,502
Mudaraba receivables	2,497	-	-	(1)	2,496
Financing receivables	-	2,756	-	(1,915)	841
Investment in sukuk	15,519	71,356	8,241	(21,711)	73,405
Investment in equities and funds	4,051	81	639	-	4,771
Equipment	137	-	-	-	137
Other assets	593	714	148	(275)	1,180
Investment in real estate	26,556	-	-	-	26,556
Total assets	63,399	74,907	14,192	(23,908)	128,590
<i>Liabilities</i>					
Due to short term sukuk investors and banks	32,491	13,004	28,776	-	74,271
Staff payables	1,494	-	-	-	1,494
Other liabilities	678	-	-	-	678
Total liabilities	34,663	13,004	28,776	-	76,443

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

At 30 June 2019

15 SEGMENTAL INFORMATION (continued)**(b) Geographic sector (continued)**

The geographical distribution of the Group's income and expenses as of 30 June 2018 is as follows:

	<i>Reviewed</i>			<i>Total</i>
	<i>30 June 2018</i>			
	<i>Kingdom of</i>	<i>Other GCC</i>	<i>Others</i>	<i>Total</i>
	<i>Bahrain</i>	<i>countries</i>	<i>US\$ '000</i>	<i>US\$ '000</i>
	<i>US\$ '000</i>	<i>US\$ '000</i>	<i>US\$ '000</i>	<i>US\$ '000</i>
<i>Income</i>				
Income from:				
Investment in sukuk	468	1,111	180	1,759
Investment in equities and funds	-	8	51	59
Due from banks and Murabaha receivables	87	-	6	93
Financing Receivables	77	53	-	130
Mudaraba receivables	33	-	-	33
Less: Return to short term sukuk investors and banks	(187)	(230)	(597)	(1,014)
Investment banking fees	141	-	-	141
Ijarah income	657	-	-	657
Other income	235	-	-	235
Foreign exchange loss	(2)	-	-	(2)
Total income	<u>1,509</u>	<u>942</u>	<u>(360)</u>	<u>2,091</u>
<i>Expenses</i>				
Staff costs	1,234	-	-	1,234
Depreciation	362	-	-	362
Other general and administrative expenses	420	-	38	458
Total expenses	<u>2,016</u>	<u>-</u>	<u>38</u>	<u>2,054</u>
Net recoveries for credit losses	280	-	-	280
Unrealised fair value loss on investments in funds	(285)	-	-	(285)
Impairment recoveries on investments	-	23	-	23

16 COMPARATIVE FIGURES

Certain of the prior period figures have been reclassified to conform to the presentation adopted in the current period. Such reclassification does not affect previously reported net income or owners' equity.