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

**INTERIM CONDENSED CONSOLIDATED
FINANCIAL STATEMENTS**

30 September 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 September 2019, comprising of the interim consolidated statement of financial position as at 30 September 2019, the related interim consolidated statement of income for the three and nine months period then ended and the related interim consolidated statement of cash flows and changes in owners' equity for the nine-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.




6 November 2019
Manama, Kingdom of Bahrain


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

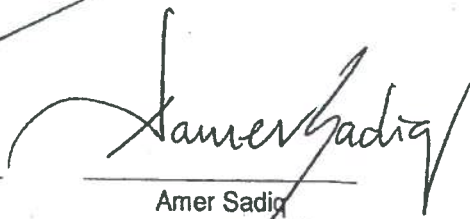
INTERIM CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 September 2019

		<i>Reviewed</i> 30 September 2019 US\$ '000	<i>Audited</i> 31 December 2018 US\$ '000
ASSETS			
Cash and balances with banks		1,474	1,206
Due from banks	3	996	8,496
Murabaha receivables	4	-	9,502
Mudaraba receivables	5	-	2,496
Financing receivables	6	839	841
Investment in sukuk	7	16,293	73,405
Investment in equities and funds	7	4,691	4,771
Equipment		135	137
Other assets		656	1,180
Investment in real estate	8	26,025	26,556
TOTAL ASSETS		51,109	128,590
LIABILITIES AND OWNERS' EQUITY			
Liabilities			
Due to short term sukuk investors and banks		-	74,271
Staff payables		897	1,494
Other liabilities		624	678
Total liabilities		1,521	76,443
Owners' Equity			
Share capital	10	59,039	59,039
Accumulated losses		(17,733)	(15,174)
Reserves		8,282	8,282
Total owners' equity		49,588	52,147
TOTAL LIABILITIES AND OWNERS' EQUITY		51,109	128,590


Hassan Amin Jarrar
Chairman


Ameer Abdul Ghani
Director


Amer Sadiq
Chief Executive Officer

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


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

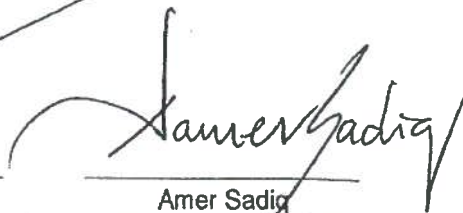
INTERIM CONSOLIDATED STATEMENT OF INCOME

For the nine months ended 30 September 2019 (Reviewed)

	Notes	Three months ended 30 September		Nine months ended 30 September	
		2019	2018	2019	2018
		US\$ '000	US\$ '000	US\$ '000	US\$ '000
Income from:					
Investment in sukuk	11	175	846	234	2,605
Investment in equities and funds		11	1	89	60
Due from banks and Murabaha receivables		38	68	132	161
Financing receivables		19	622	19	752
Mudaraba receivables		-	11	16	44
Less: Return to short term sukuk investors and banks		(72)	(573)	(823)	(1,587)
		171	975	(333)	2,035
Investment banking fees		71	217	215	358
Ijarah income		336	308	973	965
Other income		-	7	2	242
Foreign exchange loss		-	-	(1)	(2)
OPERATING INCOME		578	1,507	856	3,598
Staff costs		543	541	2,049	1,775
Depreciation		173	181	533	543
Other general and administrative expenses	12	288	250	881	708
OPERATING EXPENSES		1,004	972	3,463	3,026
NET (LOSS) PROFIT FOR THE PERIOD BEFORE IMPAIRMENT PROVISION		(426)	535	(2,607)	572
Net reversals for credit losses	9	-	-	-	280
Unrealised fair value loss on investments in funds		-	-	-	(285)
Impairment recoveries (provision) on investments - net		-	(14)	48	9
NET (LOSS) PROFIT FOR THE PERIOD		(426)	521	(2,559)	576


Hassan Amin Jarrar
Chairman


Ameer Abdul Ghani
Director


Amer Sadig
Chief Executive Officer

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 CASH FLOWS
For the nine months ended 30 September 2019 (Reviewed)

	Notes	Nine months ended 30 September	
		2019 US\$ '000	2018 US\$ '000
OPERATING ACTIVITIES			
Net (loss) profit for the period		(2,559)	576
Adjustments for:			
Depreciation		533	543
Amortisation of discount on investments		19	(129)
Net loss from sale of investments at amortised cost	11	984	17
Unrealized fair value losses on investment through equity		-	285
Impairment recoveries on investments - net		(48)	(9)
Net recoveries for credit losses	9	-	(280)
Operating (loss) profit before changes in operating assets and liabilities		(1,071)	1,003
Changes in:			
Mudaraba receivables		2,497	2,586
Financing receivables		-	1,557
Other assets		524	(1,136)
Due to short term sukuk investors and banks		(74,271)	(10,722)
Staff payables		(597)	(7)
Other liabilities		(54)	646
Purchase of investments at amortised cost		-	(3,000)
Sale proceeds of investments at amortised cost		56,108	3,500
Capital redemption / sale of investments at fair value through equity		128	508
Net cash used in operating activities		(16,736)	(5,065)
NET CHANGE IN CASH AND CASH EQUIVALENTS		(16,736)	(5,065)
Cash and cash equivalents at 1 January		19,210	30,327
CASH AND CASH EQUIVALENTS AT 30 SEPTEMBER		2,474	25,262
Cash and cash equivalents comprise:			
Cash and balances with banks		1,474	1,431
Murabaha receivables		-	15,840
Due from banks with original maturity of 90 days or less		1,000	7,991
		2,474	25,262

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 nine months ended 30 September 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	-	-	-	-	-	(2,559)
Balance at 30 September 2019	59,039	3,881	2,226	2,175	8,282	49,588
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	-	-	-	-	-	576
Cumulative changes in fair value	-	-	-	(285)	(285)	285
Balance at 30 September 2018	59,039	3,881	2,226	2,175	8,282	52,710

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 September 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 Group's total equity as at 30 September 2019 is US\$ 49.588 million (31 December 2018: US\$ 52.147 million) which is less than the minimum capital requirement of US\$ 100 Million required under LR Module of Volume 2 of the Central Bank of Bahrain (CBB) rule book (LR- 2.5.2B), and 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 6 November 2019.

2 BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES

2.1 Basis of preparation

The interim condensed consolidated financial statements for the nine month period ended 30 September 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 nine month period ended 30 September 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.

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

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

At 30 September 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 nine month period ended 30 September 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 September 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 September 2019</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>Total 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 September 2019

4 MURABAHA RECEIVABLES

	<i>Reviewed</i> 30 September 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	-	-	-	-	9,504
Less: Allowance for credit losses	-	-	-	-	(2)
	-	-	-	-	9,502

5 MUDARABA RECEIVABLES

	<i>Reviewed</i> 30 September 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 September 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 Nine month period ended 30 September 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 September 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	16,570	-	-	16,570
Equity type				
Unquoted investments - Equity shares and funds	-	55	4,650	4,705
	16,570	55	4,650	21,275
Less: Allowance for credit losses / impairment	(277)	(14)	-	(291)
At 30 September 2019	16,293	41	4,650	20,984

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

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

At 30 September 2019

7 INVESTMENTS (continued)

	<i>Audited</i>			
	<i>31 December 2018</i>			
	<i>Amortised cost</i>	<i>Fair value through equity</i>	<i>Fair value through statement of income</i>	<i>Total</i>
	<i>US\$ '000</i>	<i>US\$ '000</i>	<i>US\$ '000</i>	<i>US\$ '000</i>
<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\$ 17 million (31 December 2018: US\$ 70 million).

Under unquoted investments which are held at fair value through equity are investments amounting to US\$ 41 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 for investments held at amortised cost. The amounts presented are gross of impairment allowances.

	<i>30 September 2019</i>				<i>31 December 2018</i>
	<i>Stage 1</i>	<i>Stage 2</i>	<i>Stage 3</i>	<i>Total</i>	<i>Total</i>
	<i>US '000</i>	<i>US '000</i>	<i>US '000</i>	<i>US '000</i>	<i>US '000</i>
Good (1-4)	-	-	-	-	40,900
Satisfactory (5-7)	5,024	11,546	-	16,570	32,781
Default (8-10)	-	-	-	-	21,435
	5,024	11,546	-	16,570	95,116

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

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

At 30 September 2019

7 INVESTMENTS (continued)

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

	<i>Reviewed</i> <i>Nine months ended</i> <i>30 September 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)	-
Reclassification	2	-	-	2	-
Amounts written off	-	-	(21,435)	(21,435)	-
Balance at the end of the period/ year	39	238	-	277	21,711

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

Investments include an amount of US\$ 16.6 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 4.0 % to 5.3 % per annum (31 December 2018: 2.8 % to 7.9 % per annum).

8 INVESTMENT IN REAL ESTATE

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

	<i>Reviewed</i> <i>30 September</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	(5,938)	(5,407)
	26,025	26,556

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

At 30 September 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>Nine months ended</i>	
	<i>30 September</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
	<u>-</u>	<u>280</u>

10 SHARE CAPITAL

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

11 INCOME FROM INVESTMENT IN SUKUK

	<i>Reviewed</i>		<i>Reviewed</i>	
	<i>Three months ended</i>		<i>Nine months ended</i>	
	<i>30 September</i>		<i>30 September</i>	
	2019	2018	2019	2018
	US\$ '000	US\$ '000	US\$ '000	US\$ '000
Income from sukuk	201	863	1,218	2,622
Loss on sale of sukuk	(26)	(17)	(984)	(17)
	<u>175</u>	<u>846</u>	<u>234</u>	<u>2,605</u>

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

At 30 September 2019

12 OTHER GENERAL AND ADMINISTRATIVE EXPENSES

	<i>Reviewed</i>		<i>Reviewed</i>	
	<i>Three months ended</i>		<i>Nine months ended</i>	
	<i>30 September</i>		<i>30 September</i>	
	2019	2018	2019	2018
	US\$ '000	US\$ '000	US\$ '000	US\$ '000
Legal and professional fees	70	71	262	202
Premises expenses	51	58	151	162
Others	167	121	468	344
	288	250	881	708

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 September 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	-	210	210	-	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	538	-	538	845	-	845
Other liabilities	198	-	198	162	-	162

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

At 30 September 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 September 2019			Reviewed 30 September 2018		
	<i>Board members/ key management personnel/ Shari'a board members/ external auditors</i> US\$ '000	<i>Significant shareholders/entities in which directors are interested</i> US\$ '000	<i>Total</i> US\$ '000	<i>Board members/ key management personnel/ Shari'a board members/ external auditors</i> US\$ '000	<i>Significant shareholders/entities in which directors are interested</i> US\$ '000	<i>Total</i> US\$ '000
Income						
Income from						
in investments sukuk	-	90	90	-	271	271
Return to short term sukuk investors and banks	-	25	25	-	334	334
Expenses						
Staff costs	1,478	-	1,478	1,161	-	1,161
General and administrative expenses	228	-	228	209	-	209

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 Nine months ended 30 September	
	2019 US\$ '000	2018 US\$ '000
Salary and other benefits	1,478	1,161

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 September 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 September 2019 and 31 December 2018:

	<i>Reviewed</i>		<i>Audited</i>	
	<i>30 September 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\$ 41 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 September 2019 and 31 December 2018.

15 SEGMENTAL INFORMATION

(a) Industry sector

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

	<i>Reviewed</i>					
	<i>30 September 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	1,465	-	-	9	-	1,474
Due from banks	1,000	-	-	-	(4)	996
Financing receivables	2,756	-	-	-	(1,917)	839
Investment in sukuk	-	11,546	-	5,024	(277)	16,293
Investment in equities and funds	-	-	4,691	-	-	4,691
Equipment	-	-	-	135	-	135
Other assets	46	320	-	290	-	656
Investment in real estate	-	-	26,025	-	-	26,025
Total assets	5,267	11,866	30,716	5,458	(2,198)	51,109
Liabilities						
Staff payables	-	-	-	897	-	897
Other liabilities	-	42	-	582	-	624
Total liabilities	-	42	-	1,479	-	1,521

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

At 30 September 2019

15 SEGMENTAL INFORMATION (continued)

(a) Industry sector (continued)

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

	<i>Reviewed</i>				
	<i>30 September 2019</i>				
	<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)	406	91	45	234
Investment in equities and funds	42	-	47	-	89
Due from banks and Murabaha receivables	132	-	-	-	132
Financing receivables	19	-	-	-	19
Mudaraba receivables	16	-	-	-	16
Less: Return to short term sukuk investors and banks	(823)	-	-	-	(823)
Investment banking fees	-	-	206	9	215
Ijarah income	-	610	-	363	973
Foreign exchange loss	(1)	-	-	-	(1)
Other income	-	-	-	2	2
Total (loss) income	(923)	1,016	344	419	856
Expenses					
Staff costs	-	-	-	2,049	2,049
Depreciation	-	-	-	533	533
Other general and administrative expenses	17	30	-	834	881
Total expenses	17	30	-	3,416	3,463
Impairment recoveries on investments	-	-	48	-	48

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

At 30 September 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 September 2019

15 SEGMENTAL INFORMATION (continued)

(a) Industry sector (continued)

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

	<i>Reviewed</i> 30 September 2018				
	<i>Banks and financial institutions</i> US\$ '000	<i>Government</i> US\$ '000	<i>Real estate</i> US\$ '000	<i>Others</i> US\$ '000	<i>Total</i> US\$ '000
<i>Income</i>					
Income from:					
Investment in sukuk	1,469	658	141	337	2,605
Investment in equities and funds	51	-	9	-	60
Due from banks and Murabaha receivables	161	-	-	-	161
Financing receivables	111	-	641	-	752
Mudaraba receivables	44	-	-	-	44
Less: Return to short term sukuk investors and banks	(1,587)	-	-	-	(1,587)
Investment banking fees	-	-	347	11	358
Ijarah income	-	610	-	355	965
Foreign exchange loss	(2)	-	-	-	(2)
Other income	-	-	-	242	242
Total income	247	1,268	1,138	945	3,598
<i>Expenses</i>					
Staff costs	-	-	-	1,775	1,775
Depreciation	-	-	-	543	543
Other general and administrative expenses	7	81	-	620	708
Total expenses	7	81	-	2,938	3,026
Net reversals for credit losses	280	-	-	-	280
Unrealised fair value loss on investments in funds	-	-	285	-	285
Impairment recoveries (provision) on investments - net	9	-	-	-	9

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

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

At 30 September 2019

15 SEGMENTAL INFORMATION (continued)

(b) Geographic sector

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

	<i>Reviewed</i>				
	<i>30 September 2019</i>				
	<i>Kingdom of Bahrain</i>	<i>Other GCC countries</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>
Assets					
Cash and balances with banks	332	-	1,142	-	1,474
Due from banks	1,000	-	-	(4)	996
Murabaha receivables	-	-	-	-	-
Financing receivables	-	2,756	-	(1,917)	839
Investment in sukuk	11,546	5,024	-	(277)	16,293
Investment in equities and funds	4,650	41	-	-	4,691
Equipment	135	-	-	-	135
Other assets	516	103	37	-	656
Investment in real estate	26,025	-	-	-	26,025
Total assets	44,204	7,924	1,179	(2,198)	51,109
Liabilities					
Due to short term sukuk investors and banks	-	-	-	-	-
Staff payables	897	-	-	-	897
Other liabilities	624	-	-	-	624
Total liabilities	1,521	-	-	-	1,521

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

	<i>Reviewed</i>				
	<i>30 September 2019</i>				
	<i>Kingdom of Bahrain</i>	<i>Other GCC countries</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					
income (loss) from:					
Investment in sukuk	408	(55)	(119)	234	
Investment in equities and funds	46	1	42	89	
Due from banks and Murabaha receivables	88	-	44	132	
Financing Receivables	-	19	-	19	
Mudaraba receivables	16	-	-	16	
Less: Return to short term sukuk investors and banks	(270)	(25)	(528)	(823)	
Investment banking fees	215	-	-	215	
Ijarah income	973	-	-	973	
Foreign exchange loss	(1)	-	-	(1)	
Other income	2	-	-	2	
Total income (loss)	1,477	(60)	(561)	856	
Expenses					
Staff costs	2,049	-	-	2,049	
Depreciation	533	-	-	533	
Other general and administrative expenses	835	-	46	881	
Total expenses	3,417	-	46	3,463	
Impairment recoveries on investments	-	48	-	48	

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

At 30 September 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 September 2019

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

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

	<i>Reviewed</i>			<i>Total</i>
	<i>30 September 2018</i>			
	<i>Kingdom of Bahrain US\$ '000</i>	<i>Other GCC countries US\$ '000</i>	<i>Others US\$ '000</i>	<i>US\$ '000</i>
<i>Income</i>				
<i>Income from:</i>				
Investment in sukuk	661	1,673	271	2,605
Investment in equities and funds	-	9	51	60
Due from banks and Murabaha receivables	128	-	33	161
Financing Receivables	640	112	-	752
Mudaraba receivables	44	-	-	44
Less: Return to short term sukuk investors and banks	(314)	(334)	(939)	(1,587)
Investment banking fees	358	-	-	358
Ijarah income	965	-	-	965
Other income	-	-	242	242
Foreign exchange loss	(2)	-	-	(2)
Total income	2,480	1,460	(342)	3,598
<i>Expenses</i>				
Staff costs	1,775	-	-	1,775
Depreciation	543	-	-	543
Other general and administrative expenses	657	-	51	708
Total expenses	2,975	-	51	3,026
Net recoveries for credit losses	280	-	-	280
Unrealised fair value loss on investments in funds	(285)	-	-	(285)
Impairment recoveries on investments	-	9	-	9

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.