

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

**INTERIM CONDENSED CONSOLIDATED  
FINANCIAL STATEMENTS**

**30 JUNE 2017**



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## **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 2017, comprising of the interim consolidated statement of financial position as at 30 June 2017 and the related interim consolidated statements of income, 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.

20 July 2017  
Manama, Kingdom of Bahrain

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

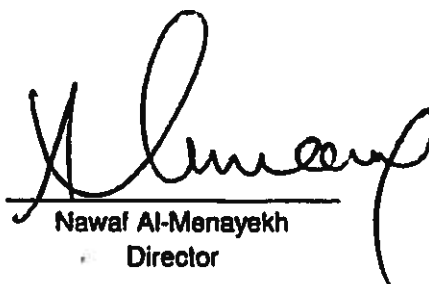
INTERIM CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 June 2017

		<i>Reviewed</i> 30 June 2017 US\$ '000	<i>Audited</i> 31 December 2016 US\$ '000
<b>ASSETS</b>			
Cash and balances with banks		4,267	2,079
Due from banks		8,500	8,500
Mudaraba receivables		10,539	5,022
Financing receivables		6,762	7,362
Investment in sukuks	3	74,941	73,548
Investment in equities and funds	3	5,921	5,924
Investment in real estate	4	27,906	28,265
Equipment		142	145
Other assets		1,656	1,887
<b>TOTAL ASSETS</b>		<b>140,634</b>	<b>132,732</b>
<b>LIABILITIES AND OWNERS' EQUITY</b>			
<b>Liabilities</b>			
Due to short term sukuk investors and banks		85,806	76,046
Staff payables		839	3,923
Other liabilities		740	739
<b>Total liabilities</b>		<b>87,385</b>	<b>80,708</b>
<b>Owners' Equity</b>			
Share capital	6	59,039	59,039
Reserves		8,355	8,355
Retained earnings		(14,145)	(15,370)
<b>Total owners' equity</b>		<b>53,249</b>	<b>52,024</b>
<b>TOTAL LIABILITIES AND OWNERS' EQUITY</b>		<b>140,634</b>	<b>132,732</b>



Mohammed Hassan  
Chairman



Nawaf Al-Menayekh  
Director



Ahmed Abbas  
Chief Executive Officer


The attached explanatory notes 1 to 11 form part of these interim condensed consolidated financial statements.

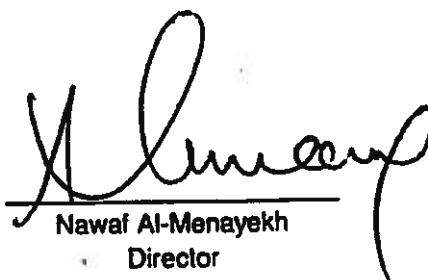
Liquidity Management Centre B.S.C. (c)

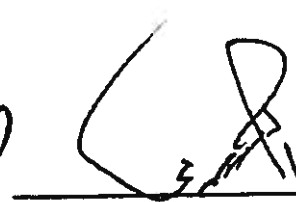
**INTERIM CONSOLIDATED STATEMENT OF INCOME**

For the six months ended 30 June 2017 (Reviewed)

	Note	Three months ended		Six months ended	
		30 June		30 June	
		2017	2016	2017	2016
		US\$ '000	US\$ '000	US\$ '000	US\$ '000
<b>Income</b>					
Investment in sukuk	7	1,930	918	2,866	2,283
Investment in equities and funds		10	908	29	852
Due from banks		9	20	27	42
Financing receivables		54	70	187	147
Mudaraba receivables		39	10	51	30
Less: Return to short term sukuk investors and banks		(435)	(457)	(803)	(950)
		<b>1,607</b>	<b>1,469</b>	<b>2,357</b>	<b>2,404</b>
Investment banking fees		197	4	265	15
Ijarah income		391	389	781	776
Foreign exchange (loss) gain		(1)	(1)	21	2
Other income		87	28	114	281
<b>OPERATING INCOME</b>		<b>2,281</b>	<b>1,889</b>	<b>3,538</b>	<b>3,478</b>
Staff costs		745	671	1,415	1,418
General and administrative expenses		293	260	503	536
Depreciation		181	180	362	361
<b>OPERATING EXPENSES</b>		<b>1,219</b>	<b>1,111</b>	<b>2,280</b>	<b>2,315</b>
<b>NET PROFIT FOR THE PERIOD BEFORE IMPAIRMENT PROVISION</b>		<b>1,062</b>	<b>778</b>	<b>1,258</b>	<b>1,163</b>
Impairment provision - net	5	-	(276)	(33)	(2,833)
<b>NET PROFIT (LOSS) FOR THE PERIOD</b>		<b>1,062</b>	<b>502</b>	<b>1,225</b>	<b>(1,670)</b>

  
 Mohammed Hassan  
 Chairman

  
 Nawaf Al-Menayekh  
 Director

  
 Ahmed Abbas  
 Chief Executive Officer

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

**INTERIM CONSOLIDATED STATEMENT OF CASH FLOWS**

For the six months ended 30 June 2017 (Reviewed)

	<i>Six months ended</i>	
	<i>30 June</i>	
	<i>2017</i>	<i>2016</i>
<i>Note</i>	<i>US\$ '000</i>	<i>US\$ '000</i>
<b>OPERATING ACTIVITIES</b>		
Net profit (loss) for the period	1,225	(1,670)
Adjustments for:		
Depreciation	362	361
Amortisation of discount on investments	(46)	(206)
Net gain on sale of investment at fair value through equity	-	(1,162)
Net loss on liquidation of investment at fair value through equity	-	318
Net gain from sale of investments at amortised cost	(921)	(288)
Impairment provision - net	7 33	2,833
Operating profit before changes in operating assets and liabilities	<u>653</u>	<u>186</u>
Changes in:		
Mudaraba receivables	(5,517)	1,026
Financing receivables	600	546
Other assets	231	150
Due to short term sukuk investors and banks	9,760	(25,222)
Staff payables	(3,084)	(166)
Other liabilities	1	(29)
Purchase of investments at amortised cost	(31,601)	(5,166)
Sale proceeds of investments at amortised cost	31,142	10,857
Capital redemption / sale of investments at fair value through equity	3	2,275
Net cash from (used in) operating activities	<u>2,188</u>	<u>(15,543)</u>
<b>INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>	<b>2,188</b>	<b>(15,543)</b>
Cash and cash equivalents at 1 January	10,579	27,451
<b>CASH AND CASH EQUIVALENTS AT 30 JUNE</b>	<u><b>12,767</b></u>	<u><b>11,908</b></u>
<b>Cash and cash equivalents comprise:</b>		
Cash and balances with banks	4,267	7,908
Due from banks with original maturity of 90 days or less	8,500	4,000
	<u><b>12,767</b></u>	<u><b>11,908</b></u>

The attached explanatory notes 1 to 11 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 2017 (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 at 1 January 2017	59,039	3,669	2,226	2,460	8,355	52,024
Net profit for the period	-	-	-	-	-	1,225
<b>Balance at 30 June 2017</b>	<b>59,039</b>	<b>3,669</b>	<b>2,226</b>	<b>2,460</b>	<b>8,355</b>	<b>53,249</b>
Balance at 1 January 2016	56,228	3,669	2,226	3,799	9,694	70,967
Cumulative changes in fair value - net	-	-	-	(1,339)	(1,339)	(1,339)
Net loss for the period	-	-	-	-	-	(1,670)
Transfer to paid-up capital	2,811	-	-	-	-	(2,811)
<b>Balance at 30 June 2016</b>	<b>59,039</b>	<b>3,669</b>	<b>2,226</b>	<b>2,460</b>	<b>8,355</b>	<b>67,958</b>

The attached explanatory notes 1 to 11 form part of these interim condensed consolidated financial statements.

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

## NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

At 30 June 2017

### 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 (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 interim condensed consolidated financial statements have been authorised for issue by the Board of Directors on 20 July 2017.

### 2 BASIS OF PREPARATION AND ACCOUNTING POLICIES

#### 2.1 Basis of preparation

The interim condensed consolidated financial statements of the Group have been prepared in accordance with IAS 34 Interim Financial Reporting. The interim condensed consolidated financial statements do not contain all 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 2016. In addition, the results for the six-month period ended 30 June 2017 are not necessarily indicative of the results that may be expected for the financial year ending 31 December 2017.

#### 2.2 Statement of compliance

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.

#### 2.3 Basis of consolidation

These interim condensed consolidated financial statements comprise the financial statements of the Bank and its subsidiary for the six month period ended 30 June 2017. The financial statements of the subsidiary are prepared for the same reporting year 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:

	<u>Ownership</u> <u>2017 and 2016</u>	<u>Year and country of</u> <u>incorporation</u>	<u>Activity</u>
The Short Term Sukuk Center B.S.C. (c)	100%	2003 Kingdom of Bahrain	Investments in Sukuk

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

## NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

At 30 June 2017

### 2 ACCOUNTING POLICIES (continued)

#### 2.3 Basis of consolidation (continued)

The subsidiary is consolidated in these interim condensed consolidated financial statements based on unaudited 30 June 2017 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 for the year ended 31 December 2016.

### 3 INVESTMENTS

	<i>Reviewed</i> 30 June 2017			
	<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
<i>Debt type</i>				
Quoted investments - Sukuk	71,043	-	-	71,043
Unquoted investments - sukuk	26,340	-	-	26,340
<i>Equity type</i>				
Unquoted investments - Equity shares	-	3,828	4,935	8,763
	<b>97,383</b>	<b>3,828</b>	<b>4,935</b>	<b>106,146</b>
Less: Impairment provision	(22,442)	(2,842)	-	(25,284)
<b>At 30 June 2017</b>	<b>74,941</b>	<b>986</b>	<b>4,935</b>	<b>80,862</b>
	<i>Audited</i> 31 December 2016			
	<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
<i>Debt type</i>				
Quoted investments - Sukuk	69,655	-	-	69,655
Unquoted investments - Sukuk	26,318	-	-	26,318
<i>Equity type</i>				
Unquoted investments - Equity shares	-	3,831	4,935	8,766
	<b>95,973</b>	<b>3,831</b>	<b>4,935</b>	<b>104,739</b>
Less: Impairment provision	(22,425)	(2,842)	-	(25,267)
<b>At 31 December 2016</b>	<b>73,548</b>	<b>989</b>	<b>4,935</b>	<b>79,472</b>

The Group's investments in quoted sukuk held at amortised cost have a fair value of US\$ 71 million (31 December 2016: US\$ 69 million).

Under unquoted investments which are held at fair value through equity are investments amounting to US\$ 0.716 million (31 December 2016: US\$ 0.719 million) 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.

Investments which are impaired as of 30 June 2017 amounted to US\$ 24.4 million (31 December 2016: US\$ 25.8 million).



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

### NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

At 30 June 2017

#### 3 INVESTMENTS (continued)

Investments include an amount of US\$ 71 million (31 December 2016: US\$ 69.7 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 1 to 36 years and the effective profit rate on these investments range between 2.7 % to 7.9 % per annum (31 December 2016: 2.7 % to 7.9 % per annum).

The Group is party to a long term financing arrangement with a third party international financial institution for which certain of the Group's investments amounting to US\$ 60 million (31 December 2016: US\$ 61 million) have been pledged as collateral as of 30 June 2017.

#### 4 INVESTMENT IN REAL ESTATE

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

	<i>Reviewed 30 June 2017 US\$ '000</i>	<i>Audited 31 December 2016 US\$ '000</i>
Cost	31,963	31,943
Addition	-	20
	<u>31,963</u>	<u>31,963</u>
Accumulated depreciation	(4,057)	(3,698)
	<u>27,906</u>	<u>28,265</u>

As at 30 June 2017, the Bank's headquarters had a fair value of 24.4 million (31 December 2016: US\$ 24.4 million) and its other investment property had a fair value of 3.7 million (31 December 2016: US\$ 3.7 million).

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

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

At 30 June 2017

5 IMPAIRMENT PROVISION

	<i>Reviewed</i> 30 June 2017				
	<i>Investments at fair value</i>				
	<i>Investments at amortised cost</i>	<i>through equity</i>	<i>Investments in real - estate</i>	<i>Other receivables</i>	<i>Total</i>
	<i>US\$ 000</i>	<i>US\$ 000</i>	<i>US\$ 000</i>	<i>US\$ 000</i>	<i>US\$ 000</i>
<b>Specific provision</b>					
At 1 January	19,949	2,842	298	581	23,670
Charge for the period / year	17	-	-	16	33
Write offs	-	-	-	(318)	(318)
	<u>19,966</u>	<u>2,842</u>	<u>298</u>	<u>279</u>	<u>23,385</u>
<b>Collective provision</b>					
At 1 January	2,476	-	-	-	2,476
<b>TOTAL</b>	<u>22,442</u>	<u>2,842</u>	<u>298</u>	<u>279</u>	<u>25,861</u>
	<i>Audited</i> 31 December 2016				
	<i>Investments at fair value</i>				
	<i>Investments at amortised cost</i>	<i>through equity</i>	<i>Investments in real - estate</i>	<i>Other receivables</i>	<i>Total</i>
	<i>US\$ 000</i>	<i>US\$ 000</i>	<i>US\$ 000</i>	<i>US\$ 000</i>	<i>US\$ 000</i>
<b>Specific provision</b>					
At 1 January	5,807	5,504	80	302	11,693
Charge for the period / year	13,392	2,364	218	279	16,253
Reclassification	750	-	-	-	750
Write offs	-	(5,026)	-	-	(5,026)
	<u>19,949</u>	<u>2,842</u>	<u>298</u>	<u>581</u>	<u>23,670</u>
<b>Collective provision</b>					
At 1 January	991	-	-	-	991
Charge for the period / year	2,192	-	-	-	2,192
Reclassification	(707)	-	-	-	(707)
	<u>2,476</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>2,476</u>
<b>TOTAL</b>	<u>22,425</u>	<u>2,842</u>	<u>298</u>	<u>581</u>	<u>26,146</u>

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

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

At 30 June 2017

**5 IMPAIRMENT PROVISION (continued)**

	<b>2017</b>	<b>2016</b>
	<b>US\$ '000</b>	<b>US\$ '000</b>
<b>Charge for the period/ year</b>		
Investments at fair value through equity	-	2,364
Investments at amortised cost	17	13,392
Investments in real estate	-	218
Other receivables	16	279
General provision	-	2,192
	<u>33</u>	<u>18,445</u>

**6 SHARE CAPITAL**

	<i>Reviewed</i>	<i>Audited</i>
	<i>30 June</i>	<i>31 December</i>
	<i>2017</i>	<i>2016</i>
	<i>US\$ '000</i>	<i>US\$ '000</i>
<b>Authorised:</b>		
200,000,000 ordinary shares of US\$ 1 each	<u>200,000</u>	<u>200,000</u>
<b>Issued, subscribed and paid-up:</b>		
At the beginning of the year: 59,038,875 (2016: 56,227,500) ordinary shares of US\$ 1 (2016: US\$ 1) each	59,039	56,228
Issued during the period: nil (2016: 2,811,375) ordinary shares of US\$ 1 (2016: US\$ 1) each	-	2,811
At the end of the year: 59,038,875 (2016: 59,038,875) ordinary shares of US\$ 1 (2016: US\$ 1) each	<u>59,039</u>	<u>59,039</u>

**7 INCOME FROM INVESTMENT IN SUKUK**

	<i>Reviewed</i>		<i>Reviewed</i>	
	<i>Three months ended</i>		<i>Six months ended</i>	
	<i>30 June</i>		<i>30 June</i>	
	<i>2017</i>	<i>2016</i>	<i>2017</i>	<i>2016</i>
	<i>US\$ '000</i>	<i>US\$ '000</i>	<i>US\$ '000</i>	<i>US\$ '000</i>
Income from sukuk	1,031	918	1,945	1,995
Gain on sale of sukuk	899	-	921	288
	<u>1,930</u>	<u>918</u>	<u>2,866</u>	<u>2,283</u>

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

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

At 30 June 2017

8 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>	
	<i>2017</i>	<i>2016</i>	<i>2017</i>	<i>2016</i>
	<i>US\$ '000</i>	<i>US\$ '000</i>	<i>US\$ '000</i>	<i>US\$ '000</i>
Legal and professional fees	73	60	118	101
Premises expenses	54	58	96	105
Board remuneration	83	43	130	126
Others	83	99	159	204
	<b>293</b>	<b>260</b>	<b>503</b>	<b>536</b>

9 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 2017</i>			<i>31 December 2016</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>
<b>Assets</b>						
<b>Cash and balances</b>						
with banks	-	275	275	-	234	234
Due from Banks	-	-	-	-	10,905	10,905
Due from banks and financial institutions	-	-	-	-	2,000	2,000
Investment in sukuk	-	8,886	8,886	-	10,905	10,905
Other assets	48	168	216	106	191	297
<b>Liabilities</b>						
<b>Due to short term sukuk investors and banks</b>						
	-	20,010	20,010	-	20,010	20,010
Staff payables	521	-	521	2,894	-	2,894
Other liabilities	199	-	199	283	-	283

**NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**

At 30 June 2017

**9 RELATED PARTY TRANSACTIONS AND BALANCES (continued)**

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

	<i>Reviewed</i> 30 June 2017			<i>Reviewed</i> 30 June 2016		
	<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
<b>Income</b>						
Income from investments in sukuk	-	298	298	-	359	359
Income from due from bank	-	13	13	-	-	-
Return to short term sukuk investors and bank	-	183	183	-	(439)	(439)
<b>Expenses</b>						
Staff costs	990	-	990	-	912	912
General and administrative expenses	192	-	192	188	-	188

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:

	<i>Reviewed</i> Six months ended 30 June	
	<i>2017</i> US\$ '000	<i>2016</i> US\$ '000
Salary and other benefits	990	912

**10 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.

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**NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**

At 30 June 2017

**10 FAIR VALUE OF FINANCIAL INSTRUMENTS (continued)**

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.

The following table shows an analysis of financial instruments recorded at fair value by level of the fair value hierarchy at 30 June 2017:

	<i>Level 1</i> <i>US\$ '000</i>	<i>Level 2</i> <i>US\$ '000</i>	<i>Level 3</i> <i>US\$ '000</i>	<i>Total</i> <i>US\$ '000</i>
<b>Investments carried at fair value through statement of income</b>				
Equities and funds	-	4,935	-	4,935
<b>Investments carried at fair value through equity</b>				
Equities and funds	-	270	-	270
	<u>-</u>	<u>5,205</u>	<u>-</u>	<u>5,205</u>

Under unquoted investments which are held at fair value through equity are investments amounting to US\$ 0.716 million (31 December 2016: US\$ 0.719 million) 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 3).

The fair values of the Group's other financial instruments are not significantly different from their carrying values as at 30 June 2017 and 31 December 2016.

At 30 June 2017

## 11 SEGMENTAL INFORMATION

## (a) Industry sector

The industrial distribution of the Group's assets and liabilities as of 30 June 2017 is as follows:

	<i>Reviewed</i>				
	<i>30 June 2017</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>
<b>Assets</b>					
Cash and balances with banks	4,260	-	-	7	4,267
Due from banks	8,500	-	-	-	8,500
Mudaraba receivables	10,539	-	-	-	10,539
Financing receivables	-	-	6,762	-	6,762
Investment in sukus	31,766	28,634	8,719	5,822	74,941
Investment in equities and funds	497	-	5,424	-	5,921
Investment in real estate	-	-	27,906	-	27,906
Equipment	-	-	-	142	142
Other assets	462	243	349	602	1,656
<b>Total assets</b>	<b>56,024</b>	<b>28,877</b>	<b>49,160</b>	<b>6,573</b>	<b>140,634</b>
<b>Liabilities</b>					
Due to short term sukuk investors and banks	85,806	-	-	-	85,806
Due to banks	-	-	-	-	-
Staff payables	-	-	-	839	839
Other liabilities	-	-	1	739	740
<b>Total liabilities</b>	<b>85,806</b>	<b>-</b>	<b>1</b>	<b>1,578</b>	<b>87,385</b>

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

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL

At 30 June 2017

11 SEGMENTAL INFORMATION (continued)

(a) Industry sector (continued)

The industrial distribution of the Group's income and expenses as of 30 June 2017 is as follows:

	<i>Reviewed</i>				
	<i>30 June 2017</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>
<b>Income</b>					
Income from:					
Investment in sukuk	933	1,146	708	79	2,866
Investment in equities and funds	20	-	9	-	29
Due from banks	27	-	-	-	27
Financing Receivables	72	-	115	-	187
Mudaraba receivables	51	-	-	-	51
Less: Return to short term sukuk investors and banks	(803)	-	-	-	(803)
Investment banking fees	-	-	60	205	265
Ijarah income	-	448	-	333	781
Foreign exchange gain	21	-	-	-	21
Other income	26	-	62	26	114
<b>Total income</b>	<b>347</b>	<b>1,594</b>	<b>954</b>	<b>643</b>	<b>3,538</b>
<b>Expenses</b>					
Staff costs	-	-	-	1,415	1,415
General and administrative expenses	24	54	-	425	503
Depreciation	-	-	362	-	362
<b>Total expenses</b>	<b>24</b>	<b>54</b>	<b>362</b>	<b>1,840</b>	<b>2,280</b>
<b>Impairment provision</b>	<b>(24)</b>	<b>-</b>	<b>(9)</b>	<b>-</b>	<b>(33)</b>



At 30 June 2017

## 11 SEGMENTAL INFORMATION (continued)

## (a) Industry sector (continued)

The industrial distribution of the Group's assets and liabilities as of 31 December 2016 is as follows:

	<i>Audited</i>				
	<i>31 December 2016</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>
<i>Assets</i>					
Cash and bank balances	2,074	-	-	5	2,079
Due from banks	8,500	-	-	-	8,500
Mudaraba receivables	5,022	-	-	-	5,022
Financing receivables	-	-	7,362	-	7,362
Investment in sukuk	25,205	34,817	13,526	-	73,548
Investment in equities and funds	500	-	5,424	-	5,924
Investment in real estate	-	-	28,265	-	28,265
Equipment	-	-	-	145	145
Other assets	545	337	614	391	1,887
<b>Total assets</b>	<b>41,846</b>	<b>35,154</b>	<b>55,191</b>	<b>541</b>	<b>132,732</b>
<i>Liabilities</i>					
Due to short term sukuk investors and banks	76,046	-	-	-	76,046
Staff payables	-	-	-	3,923	3,923
Other liabilities	87	-	-	652	739
<b>Total liabilities</b>	<b>76,133</b>	<b>-</b>	<b>-</b>	<b>4,575</b>	<b>80,708</b>

At 30 June 2017

## 11 SEGMENTAL INFORMATION (continued)

## (a) Industry sector (continued)

The industrial distribution of the Group's income and expenses as of 30 June 2016 is as follows:

	<i>Reviewed</i> 30 June 2016				
	<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>					
<i>Income from:</i>					
Investment in sukuks	1,120	807	356	-	2,283
Investment in equities and funds	-	-	(310)	1,162	852
Due from banks	42	-	-	-	42
Financing receivables	-	-	148	-	148
Mudaraba receivables	30	-	-	-	30
Less: Return to short term sukuk investors and banks	(950)	-	-	-	(950)
Investment banking fees	-	-	-	15	15
Ijarah income	-	451	-	325	776
Foreign exchange gain	2	-	-	-	2
Other income	-	-	-	281	281
<b>Total income</b>	<b>244</b>	<b>1,258</b>	<b>194</b>	<b>1,783</b>	<b>3,479</b>
<i>Expenses</i>					
Staff costs	-	-	-	1,418	1,418
General and administrative expenses	27	49	-	460	536
Depreciation	-	-	-	361	361
<b>Total expenses</b>	<b>27</b>	<b>49</b>	<b>-</b>	<b>2,239</b>	<b>2,315</b>
<b>Impairment provision</b>	<b>(333)</b>	<b>-</b>	<b>(2,300)</b>	<b>(200)</b>	<b>(2,833)</b>

At 30 June 2017

## 11 SEGMENTAL INFORMATION (continued)

## (b) Geographic sector

The geographical distribution of the Group's assets and liabilities as of 30 June 2017 is as follows:

	<i>Reviewed</i>			<i>Total</i>
	<i>30 June 2017</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>
<b>Assets</b>				
Cash and balances with banks	1,287	-	2,980	4,267
Due from banks	8,500	-	-	8,500
Mudaraba receivables	10,539	-	-	10,539
Financing receivables	3,488	3,274	-	6,762
Investment in sukuk	19,154	49,800	5,987	74,941
Investment in equities and funds	5,702	219	-	5,921
Investment in real estate	27,906	-	-	27,906
Equipment	142	-	-	142
Other assets	950	680	26	1,656
<b>Total assets</b>	<b>77,668</b>	<b>53,973</b>	<b>8,993</b>	<b>140,634</b>
<b>Liabilities</b>				
Due to short term sukuk investors and banks	27,769	20,010	38,027	85,806
Staff payables	839	-	-	839
Other liabilities	740	-	-	740
<b>Total liabilities</b>	<b>29,348</b>	<b>20,010</b>	<b>38,027</b>	<b>87,385</b>

The geographical distribution of the Group's income and expenses as of 30 June 2017 is as follows:

	<i>Reviewed</i>			<i>Total</i>
	<i>30 June 2017</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>
<b>Income</b>				
Income from:				
Investment in sukuk	373	2,087	406	2,866
Investment in equities and funds	-	9	20	29
Due from banks	27	-	-	27
Financing Receivables	115	72	-	187
Mudaraba receivables	51	-	-	51
Less: Return to short term sukuk investors and banks	(173)	(183)	(447)	(803)
Investment banking fees	265	-	-	265
Ijarah income	781	-	-	781
Foreign exchange loss	(1)	22	-	21
Other income	27	-	87	114
<b>Total income</b>	<b>1,465</b>	<b>2,007</b>	<b>66</b>	<b>3,538</b>
<b>Expenses</b>				
Staff costs	1,415	-	-	1,415
General and administrative expenses	463	14	26	503
Depreciation	362	-	-	362
<b>Total expenses</b>	<b>2,240</b>	<b>14</b>	<b>26</b>	<b>2,280</b>
<b>Impairment provision</b>	<b>(6)</b>	<b>(21)</b>	<b>(6)</b>	<b>(33)</b>

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

## NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL

At 30 June 2017

### 11 SEGMENTAL INFORMATION (continued)

#### (b) Geographic sector (continued)

The geographical distribution of the Group's assets and liabilities as of 31 December 2016 is as follows:

	<i>Audited</i>			<i>Total</i>
	<i>31 December 2016</i>			
	<i>Kingdom of</i>	<i>Other GCC</i>	<i>Others</i>	<i>US\$ '000</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>Assets</i>				
Cash and bank balances	1,216	1	862	2,079
Due from banks and financial institutions	8,500	-	-	8,500
Mudaraba receivables	5,022	-	-	5,022
Financing receivables	4,088	3,274	-	7,362
Investment in sukuks	14,742	48,216	10,590	73,548
Investment in equities and funds	5,705	219	-	5,924
Investment in real estate	28,265	-	-	28,265
Equipment	145	-	-	145
Other assets	770	840	277	1,887
<b>Total assets</b>	<b>68,453</b>	<b>52,550</b>	<b>11,729</b>	<b>132,732</b>
<i>Liabilities</i>				
Due to short term sukuk investors and banks	54,036	22,010	-	76,046
Staff payables	3,923	-	-	3,923
Other liabilities	739	-	-	739
<b>Total liabilities</b>	<b>58,698</b>	<b>22,010</b>	<b>-</b>	<b>80,708</b>

The geographical distribution of the Group's income and expenses as of 30 June 2016 is as follows:

	<i>Reviewed</i>			<i>Total</i>
	<i>30 June 2016</i>			
	<i>Kingdom of</i>	<i>Other GCC</i>	<i>Others</i>	<i>US\$ '000</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 sukuks	454	1,198	631	2,283
Investment in equities and funds	(71)	923	-	852
Due from banks	42	-	-	42
Financing Receivables	147	-	-	147
Mudaraba receivables	30	-	-	30
Less: Return to short term sukuk investors and banks	(220)	(439)	(291)	(950)
Investment banking fees	15	-	-	15
Ijarah income	776	-	-	776
Foreign exchange loss	-	-	2	2
Other income	-	281	-	281
<b>Total income</b>	<b>1,173</b>	<b>1,963</b>	<b>342</b>	<b>3,478</b>
<i>Expenses</i>				
Staff costs	1,418	-	-	1,418
General and administrative expenses	499	4	33	536
Depreciation	361	-	-	361
<b>Total expenses</b>	<b>2,278</b>	<b>4</b>	<b>33</b>	<b>2,315</b>
Impairment provision	-	(2,633)	(200)	(2,833)