

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

**INTERIM CONDENSED CONSOLIDATED  
FINANCIAL STATEMENTS**

**30 JUNE 2009 (UNAUDITED)**

**REPORT ON REVIEW OF INTERIM CONDENSED CONSOLIDATED  
FINANCIAL STATEMENTS 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 [together "the Group"] as at 30 June 2009, comprising of the interim condensed consolidated balance sheet as at 30 June 2009 and the related interim condensed consolidated statements of income, cash flows and changes in equity for the six month period then ended and explanatory notes. The Board of Directors is responsible for the preparation and presentation of these interim condensed consolidated financial statements in accordance with the accounting policies discussed 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 the 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 discussed in note 2.

15 July 2009  
Manama, Kingdom of Bahrain

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

INTERIM CONDENSED CONSOLIDATED BALANCE SHEET

At 30 June 2009 (Unaudited)

	<i>Note</i>	<b>30 June 2009 (Unaudited) US\$ '000</b>	<i>31 December 2008 (Audited) US\$ '000</i>
<b>ASSETS</b>			
Cash and balances with banks		2,061	1,149
Murabaha receivables		-	13,807
Due from bank		4,000	-
Investments	4	260,066	257,598
Other assets		5,969	3,868
Equipments		949	369
<b>TOTAL ASSETS</b>		<b>273,045</b>	<b>276,791</b>
<b>LIABILITIES AND EQUITY</b>			
<b>LIABILITIES</b>			
Due to Short Term Sukuk - investors		126,531	161,748
Due to banks		83,198	42,997
Due to non banks		-	13,604
Other liabilities		3,166	2,132
		<b>212,895</b>	<b>220,481</b>
<b>EQUITY</b>			
Share capital		51,000	51,000
Reserves		7,395	5,555
Retained earnings (cumulated deficit)		1,755	(245)
		<b>60,150</b>	<b>56,310</b>
<b>TOTAL LIABILITIES AND EQUITY</b>		<b>273,045</b>	<b>276,791</b>

\_\_\_\_\_  
Emad Al Monayea  
Deputy Chairman

\_\_\_\_\_  
Khalid Al Dossari  
Director

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Ahmad Abbas  
Chief Executive Officer

The attached explanatory notes 1 to 8 form part of these interim condensed consolidated financial statements.

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

INTERIM CONDENSED CONSOLIDATED STATEMENT OF INCOME

For the six months ended 30 June 2009 (Unaudited)

	<i>Three month ended</i>		<i>Six month ended</i>	
	<b>30 June 2009 US\$ '000</b>	<i>30 June 2008 US\$ '000</i>	<b>30 June 2009 US\$ '000</b>	<i>30 June 2008 US\$ '000</i>
Income from investments	<b>3,307</b>	3,725	<b>6,441</b>	7,820
Income from Murabaha and Wakala receivables	<b>1</b>	158	<b>11</b>	379
Less: Return to Short Term Sukuk - investors	<b>(871)</b>	(1,867)	<b>(1,787)</b>	(4,281)
Less: Return to banks	<b>(859)</b>	(98)	<b>(1,655)</b>	(171)
Less: Return to non banks	<b>(19)</b>	(15)	<b>(223)</b>	(128)
	<b>1,559</b>	1,903	<b>2,787</b>	3,619
Investment banking fees	<b>3,100</b>	33	<b>3,100</b>	373
Other income	<b>112</b>	-	<b>112</b>	-
Fair value adjustments	-	1,686	-	5,462
Foreign exchange loss	<b>(229)</b>	-	<b>(202)</b>	-
<b>OPERATING INCOME</b>	<b>4,542</b>	3,622	<b>5,797</b>	9,454
Staff costs	<b>748</b>	864	<b>1,616</b>	2,616
Depreciation	<b>21</b>	23	<b>45</b>	44
General and administrative expenses	<b>444</b>	316	<b>696</b>	751
<b>OPERATING EXPENSES</b>	<b>1,213</b>	1,203	<b>2,357</b>	3,411
<b>NET PROFIT FOR THE YEAR BEFORE IMPAIRMENT PROVISION</b>	<b>3,329</b>	2,419	<b>3,440</b>	6,043
Impairment loss on investments	<b>(1,440)</b>	-	<b>(1,440)</b>	-
<b>NET PROFIT FOR THE PERIOD</b>	<b>1,889</b>	2,419	<b>2,000</b>	6,043

The attached explanatory notes 1 to 8 form part of these interim condensed consolidated financial statements.

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

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 June 2009 (Unaudited)

	<b>30 June 2009 US\$ '000</b>	<b>30 June 2008 US\$ '000</b>
<b>OPERATING ACTIVITIES</b>		
Net profit for the period	<b>2,000</b>	6,043
Adjustment for:		
Depreciation	<b>45</b>	44
Amortisation of discount on investments	<b>(154)</b>	(677)
Fair value adjustments	-	(5,462)
Impairment of investments	<b>1,440</b>	-
Operating profit/(loss) before changes in operating assets and liabilities:	<b>3,331</b>	(52)
Changes in:		
Other assets	<b>(2,101)</b>	6,133
Due to Short Term Sukuk - investors	<b>(35,217)</b>	13,296
Due to banks	<b>40,201</b>	-
Due to non banks	<b>(13,604)</b>	(17,000)
Other liabilities	<b>1,034</b>	(1,059)
Purchase of investments held-to-maturity	<b>(15,000)</b>	(13,070)
Redemption proceeds from investments held-to-maturity	<b>3,092</b>	27,253
(Purchase)/sale proceeds of available-for-sale investments	<b>(5,840)</b>	(7,181)
Redemption of investment available-for-sale	<b>833</b>	677
Purchase of available-for-sale investments through statement of income	-	(861)
Net cash used in operating activities	<b>(23,271)</b>	8,136
<b>INVESTING ACTIVITIES</b>		
Purchase of equipment	<b>(624)</b>	(7)
Net cash used in investing activities	<b>(624)</b>	(7)
<b>(DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS</b>	<b>(23,895)</b>	8,129
Cash and cash equivalents at 1 January	<b>29,956</b>	13,610
<b>CASH AND CASH EQUIVALENTS AT 30 JUNE</b>	<b>6,061</b>	21,739
Cash and cash equivalents at period end comprise of:		
Cash and balances with banks	<b>2,061</b>	615
Murabaha receivables maturing within ninety days	-	16,124
Wakala receivable maturing within ninety days	<b>4,000</b>	15,000
Wakala payable maturing within ninety days	-	(10,000)
	<b>6,061</b>	21,739

The attached explanatory notes 1 to 8 form part of these interim condensed consolidated financial statements.

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

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2009 (Unaudited)

	Share capital US\$ '000	Reserves				Total reserves US\$ '000	Retained earnings US\$ '000	Total equity US\$ '000
		Statutory reserve US\$ '000	General reserve US\$ '000	Investments fair value reserve US\$ '000	Foreign exchange translations			
Balance at 1 January 2009	51,000	1,930	1,930	2,199	(504)	5,555	(245)	56,310
Cumulative changes in fair value	-	-	-	1,653	-	1,653	-	1,653
Foreign currency translation	-	-	-	-	187	187	-	187
<b>The income recognised directly in equity</b>	-	-	-	1,653	187	1,840	-	1,840
Net profit for the period	-	-	-	-	-	-	2,000	2,000
<b>Total income and expenses recognised for the period</b>	-	-	-	1,653	187	1,840	2,000	3,840
Appropriations	-	-	-	-	-	-	-	-
<b>Balance at 30 June 2009</b>	<b>51,000</b>	<b>1,930</b>	<b>1,930</b>	<b>3,852</b>	<b>(317)</b>	<b>7,395</b>	<b>1,755</b>	<b>60,150</b>
Balance at 1 January 2008	51,000	818	818	419	-	2,055	4,955	58,010
Cumulative changes in fair value	-	-	-	(8)	-	(8)	-	(8)
Transfer of fair value loss to reserve, net	-	-	-	(156)	-	(156)	156	-
<i>Income recognised directly in equity</i>	-	-	-	(164)	-	(164)	156	(8)
Net profit for the period	-	-	-	-	-	-	2,948	2,948
<b>Total income and expenses recognised during for the period</b>	-	-	-	(164)	-	(164)	3,104	2,940
Dividend paid	-	-	-	-	-	-	(3,825)	(3,825)
<b>Balance at 30 June 2008</b>	<b>51,000</b>	<b>818</b>	<b>818</b>	<b>255</b>	<b>-</b>	<b>1,891</b>	<b>4,234</b>	<b>57,125</b>

The attached explanatory notes 1 to 8 form part of these interim condensed consolidated financial statements.

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NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

At 30 June 2009 (Unaudited)

**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 and registered with Ministry of Industry and Commerce under commercial registration (CR) number 49092. The Bank operates in the Kingdom of Bahrain under wholesale banking license issued by the Central Bank of Bahrain (CBB). The Bank is engaged in the following activities:

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

The activities of the Bank and its wholly owned subsidiary (the "Group") are to carry out operations in accordance with the teachings of Islam (Shari'a). The Bank's Shari'a Supervisory Board is entrusted to ensure the Bank's adherence to Shari'a rules and principles in its transactions and activities.

The address of the Bank's registered office is Building 722, Road 1708, Block 317, Manama, Bahrain.

The Bank operates only in Bahrain. As of 30 June 2009, the total number of employees employed by the Group was 32 (2008: 25).

The interim condensed consolidated financial statements were authorised for issue by the Board of Directors on 15 July 2009.

**2 ACCOUNTING POLICIES**

**Basis of preparation**

The interim condensed consolidated financial statements for the six months ended 30 June 2009 have been prepared in accordance with the guidance provided by the International Accounting Standard 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 annual consolidated financial statements as at 31 December 2008. In addition, the results for the six months ended 30 June 2009 are not necessarily indicative of the results that may be expected for the financial year ending 31 December

**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 2008, which were prepared in accordance with the Financial Accounting Standards issued by the Accounting and Auditing Organisation for Islamic Financial Institutions (the 'AAOIFI'), the Shari'a rules and principles as determined by the Shari'a Supervisory Board of the Group, the Bahrain Commercial Companies Law, Central Bank of Bahrain and Financial Institutions Law. For matters which are not covered by the AAOIFI standards including "Interim Financial Reporting", the Group uses the International Financial Reporting Standards.

## NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

At 30 June 2009 (Unaudited)

**3 BASIS OF CONSOLIDATION**

These interim condensed consolidated financial statements incorporate the financial statements of the Bank and its wholly owned subsidiary "The Short Term Sukuk Centre B.S.C. (closed)" (STSC), a company incorporated in the Kingdom of Bahrain. A subsidiary is an entity over which the Bank has power to control, which is other than fiduciary in nature. The results of the subsidiary are included in the interim condensed consolidated financial statements from the effective date of formation or acquisition. All intercompany balances and transactions, including unrealised profits arising from intra-group transactions, have been eliminated in full.

**4 INVESTMENTS**

	<b>30 June 2009 (Unaudited) US\$ '000</b>	<b>31 December 2008 (Audited) US\$ '000</b>
Investments held-to-maturity	<b>211,880</b>	214,819
Available-for-sale investments through statement of income	<b>12,275</b>	12,275
Available-for-sale investments through equity	<b>35,818</b>	30,411
Trading investment	<b>93</b>	93
	<b><u>260,066</u></b>	<b><u>257,598</u></b>

**5 RELATED PARTY TRANSACTIONS**

The Group enters into transactions with its shareholders and their related concerns in the ordinary course of business. All the financing transactions with related parties are performing and are free of provisions for possible impairment.

The balances of major transactions with shareholders are as follows:

	<b>30 June 2009 (Unaudited) US\$ '000</b>	<b>31 December 2008 (Audited) US\$ '000</b>
Cash and balances with banks	<b>588</b>	1,137
Murabaha receivables	-	13,807
Other assets	-	20
Due to Short Term Sukuk - investors	<b>100,066</b>	108,006
Due to banks	<b>39,766</b>	16,794

The income and expenses arising from dealing with related parties comprising of shareholders included in the consolidated statement of income are as follows:

	<u>Three month ended</u>		<u>Six month ended</u>	
	<b>30 June 2009 US\$ '000</b>	<b>30 June 2008 US\$ '000</b>	<b>30 June 2009 US\$ '000</b>	<b>30 June 2008 US\$ '000</b>
Income from Murabaha receivables	<b>1</b>	149	<b>11</b>	168
Return to Short Term Sukuk - investors	<b>688</b>	593	<b>1,404</b>	779
Return to banks	<b>67</b>	31	<b>206</b>	32

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NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

At 30 June 2009 (Unaudited)

**6 SEGMENT INFORMATION**

The activities of the Group are performed on an integrated basis. Therefore, any segmentation of operating income, expenses, assets and liabilities is not relevant. As such, operating income, expenses, assets and liabilities are not segmented.

The Group operates solely in the Kingdom of Bahrain and, as such, no geographical segment information is presented.

**7 COMMITMENTS**

The Group has the following commitments:

	<b>30 June 2009 (Unaudited) US\$ '000</b>	<b>31 December 2008 (Audited) US\$ '000</b>
Investment related commitment	<b>580</b>	1,080
Ijara commitment	<b>26,525</b>	26,525

The Ijara commitment represents Ijara agreement entered with certain financial institutions for the Group's Headquarters.

**8 COMPARATIVE FIGURES**

Certain of the prior year's figures have been reclassified to conform to the presentation adopted in the current year. Such reclassifications did not affect previously reported net profit or equity.