

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

**INTERIM CONDENSED CONSOLIDATED
FINANCIAL STATEMENTS**

30 June 2020

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 2020, comprising of the interim consolidated statement of financial position as at 30 June 2020 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 basis of preparation and accounting policies as set out in Note 2.



27 August 2020
Manama, Kingdom of Bahrain

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

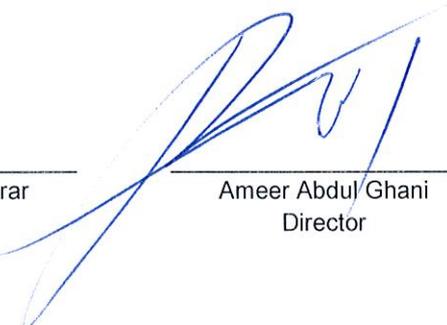
INTERIM CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 June 2020

		<i>Reviewed</i> 30 June 2020 US\$ '000	<i>Audited</i> <i>31 December</i> <i>2019</i> <i>US\$ '000</i>
	<i>Notes</i>		
ASSETS			
Cash and balances with banks		2,376	2,233
Due from banks	3	1,000	1,000
Financing receivables	4	-	560
Investment in sukuk	5	16,331	16,560
Investment in equities and funds	5	4,691	4,691
Equipment		143	135
Other assets		730	388
Investment in real estate	6	23,553	25,866
TOTAL ASSETS		48,824	51,433
LIABILITIES AND OWNERS' EQUITY			
Liabilities			
Staff payables		1,312	1,254
Other liabilities		408	636
Total liabilities		1,720	1,890
Owners' Equity			
Share capital	8	59,039	59,039
Accumulated losses		(20,217)	(17,778)
Reserves		8,282	8,282
Total owners' equity		47,104	49,543
TOTAL LIABILITIES AND OWNERS' EQUITY		48,824	51,433



 Hassan Amin Jarrar
 Chairman



 Ameer Abdul Ghani
 Director



 Amer Sadiq
 Chief Executive Officer

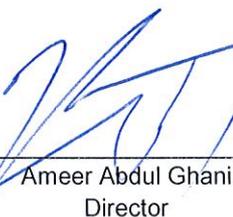
The attached explanatory notes 1 to 14 form part of these interim condensed consolidated financial statements.

Liquidity Management Centre B.S.C. (c)
INTERIM CONSOLIDATED STATEMENT OF INCOME
 For the six months ended 30 June 2020

	Notes	Six months ended 30 June	
		2020	2019
		US\$ '000	US\$ '000
Income from:			
Investment in sukuk	9	389	59
Investment in equities and funds		-	78
Due from banks and Murabaha receivables		10	94
Mudaraba receivables		-	16
Less: Return to short term sukuk investors and banks		-	(751)
		399	(504)
Investment banking fees		167	144
Ijarah income		643	637
Other income		364	2
Foreign exchange loss		-	(1)
OPERATING INCOME		1,573	278
Staff costs		485	1,506
Depreciation		315	360
Other general and administrative expenses	10	422	593
OPERATING EXPENSES		1,222	2,459
NET PROFIT (LOSS) FOR THE PERIOD BEFORE IMPAIRMENT PROVISION		351	(2,181)
Net allowance for credit losses	7	(790)	-
Impairment (provision) recoveries on investments (including investment in real estate)	6	(2,000)	48
NET (LOSS) PROFIT FOR THE PERIOD		(2,439)	(2,133)



Hassan Amin Jarrar
Chairman



Ameer Abdul Ghani
Director



Amer Sadiq
Chief Executive Officer

The attached explanatory notes 1 to 14 form part of these interim condensed consolidated financial statements.

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

INTERIM CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 June 2020

	<i>six months ended</i>	
	<i>30 June</i>	
Notes	2020	2019
	US\$ '000	US\$ '000
OPERATING ACTIVITIES		
Net loss for the period	(2,439)	(2,133)
Adjustments for:		
Depreciation	315	360
Amortisation of discount on investments	(1)	20
Net loss from sale of investments at amortised cost	9	958
Impairment provision (recoveries) on investments (including investment in real estate)	6	(48)
Net allowance for credit losses	7	-
Operating profit (loss) before changes in operating assets and liabilities	665	(843)
Changes in:		
Mudaraba receivables	-	2,497
Financing receivables	-	-
Other assets	(342)	581
Due to short term sukuk investors and banks	-	(50,087)
Staff payables	58	(932)
Other liabilities	(228)	54
Sale proceeds of investments at amortised cost	-	50,152
Capital redemption / sale of investments at fair value through equity	-	108
Net cash flow from operating activities	153	1,530
INVESTING ACTIVITY		
Purchase of equipment	(10)	-
Cash used in investing activity	(10)	-
NET CHANGE IN CASH AND CASH EQUIVALENTS	143	1,530
Cash and cash equivalents at 1 January	3,233	19,210
CASH AND CASH EQUIVALENTS AT 30 JUNE	3,376	20,740
Cash and cash equivalents comprise:		
Cash and balances with banks	2,376	1,708
Murabaha receivables	-	18,032
Due from banks with original maturity of 90 days or less	1,000	1,000
	3,376	20,740

The attached explanatory notes 1 to 14 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 2020

	<i>Reserves</i>					<i>Accumulated losses</i> US\$ '000	<i>Total owners' equity</i> US\$ '000
	<i>Share capital</i> US\$ '000	<i>Statutory reserve</i> US\$ '000	<i>General reserve</i> US\$ '000	<i>Investment fair value reserve</i> US\$ '000	<i>Total reserves</i> US\$ '000		
Balance as of 1 January 2020	59,039	3,881	2,226	2,175	8,282	(17,778)	49,543
Net loss for the period	-	-	-	-	-	(2,439)	(2,439)
Balance at 30 June 2020	59,039	3,881	2,226	2,175	8,282	(20,217)	47,104
Balance at 1 January 2019	59,039	3,881	2,226	2,175	8,282	(15,174)	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	(17,307)	50,014

The attached explanatory notes 1 to 14 form part of these interim condensed consolidated financial statements.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

At 30 June 2020

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 June 2020 is US\$ 47.104 million (31 December 2019: US\$ 49.543 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 27 April 2020, passed a resolution approving the conversion of the Bank's license from an Islamic Wholesale Bank to a Bahrain Shareholding Company subject to CBB approval.

Impact of COVID-19

During the period ended 30 June 2020, there was an outbreak of coronavirus (COVID-19). The existing and anticipated effects of the outbreak on the global economy is expected to continue to evolve. While these developments continue to impact the Group's operations, the scale and duration of further developments remain uncertain at this stage and could potentially further impact the Bank's financial position, financial performance and cash flows in the future, the extent of which is presently undeterminable.

The interim condensed consolidated financial statements have been authorised for issue by the Board of Directors on 27 August 2020.

2 BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES

2.1 Basis of preparation

The interim condensed consolidated financial statements of the Group have been prepared in accordance with applicable rules and regulations issued by the Central Bank of Bahrain ("CBB") including the recently issued CBB circulars on regulatory concessionary measures in response to COVID-19. These rules and regulations, in particular CBB circular OG/226/2020 dated 21 June 2020, require the adoption of all Financial Accounting Standards ("FAS") issued by the Accounting and Auditing Organisation of Islamic Financial Institutions (AAOIFI) with two exceptions which are set out below. In accordance with the AAOIFI framework, for matters not covered by FAS, the Group uses the requirements of the relevant International Financial Reporting Standards ("IFRS") issued by the International Accounting Standards Board ("IASB"). This framework is referred to as "FAS issued by AAOIFI".

The two exceptions mentioned above are as follows:

(a) recognition of modification losses on financial assets arising from payment holidays provided to customers impacted by COVID-19 without charging additional profits, in equity instead of the profit or loss account as required by FAS issued by AAOIFI. Any other modification gain or loss on financial assets are recognised in accordance with the requirements of FAS issued by AAOIFI. Please refer to note 14 for further details; and

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

At 30 June 2020

2 BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (continued)**2.1 Basis of preparation (continued)**

(b) recognition of financial assistance received from the government and regulators in response to its COVID-19 support measures that meets the government grant requirement, in equity, instead of profit or loss. This will only be to the extent of any modification loss recorded in equity as a result of (a) above, and the balance amount to be recognized in profit or loss. Any other financial assistance is recognised in accordance with the relevant requirements of FAS issued by AAOIFI. Please refer to note 14 for further details.

FAS issued by AAOIFI alongwith the two exceptions is referred to as "FAS issued by AAOIFI as modified by the CBB" and has been applied retrospectively and did not result in any change to the financial information reported for the comparative period. The interim condensed consolidated financial statements of the Group has been prepared in accordance with the guidance provided by International Accounting Standard 34 – 'Interim Financial Reporting' using FAS issued by AAOIFI as modified by the CBB framework.

The accounting policies used in the preparation of annual audited consolidated financial statements of the Group for the year ended 31 December 2019 were in accordance with FAS as issued by AAOIFI. However, except for the above-mentioned modifications to accounting policies and the adoption of new standards (as set out in note 2.4 below) that have been applied retrospectively, all other accounting policies remain the same and have been consistently applied in this interim condensed consolidated financial statement. The retrospective application of the change in accounting policies did not result in any change to the financial information reported for the comparative period.

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 2019. In addition, results for the six month period ended 30 June 2020 are not necessarily indicative of the results that may be expected for the financial year ending 31 December 2020.

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 functional currency of the Bank. 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 Group for the six month period ended 30 June 2020. 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:

	Ownership 2020 and 2019	Year and country of incorporation	Activity
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 management accounts for the six month period ended 30 June 2020.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

At 30 June 2020

2 BASIS OF PREPARATION AND ACCOUNTING POLICIES (continued)**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 2019, except for the modification mentioned above and the changes due to adoption of new standards as mentioned below:

FAS 33 Investment in sukuk, shares and similar instruments

This standard aims at setting out principles for the classification, recognition, measurement, presentation, and disclosure of investment in Sukuk, shares and other similar instruments of investments made by Islamic financial institution. The standard defines the key types of instruments of Shari'ah compliant investments and the primary accounting treatments commensurate to the characteristic and business model of institution under which the investments are made, managed and held.

The Groups's assessment indicates the above accounting standard does not have an impact on the Group's interim condensed consolidated financial statements.

FAS 34 Financial Reporting for Sukuk -holders

This standard prescribes the accounting principles and reporting requirements for underlying assets of a sukuk instrument. It requires the originator to prepare or cause to prepare financing reports as needed under this standard. This standard shall be effective from the financial periods beginning on or after 1 January 2020, with early adoption permitted.

The Groups's assessment indicates the above accounting standard does not have an impact on the Group's interim condensed consolidated financial statements as the Group does not have any sukuk issued.

FAS 31 Investment Agency (Al-Wakala Bi Al-Istithmar)

This standard defines the accounting principles and reporting requirements for investment agency (Al-Wakala Bi Al-Istithmar) transactions and instruments, in the hands of both the principal and the agent. This standard shall be effective beginning on or after 1 January 2020, with early adoption permitted. The standard requires the principal to evaluate the nature of the investment as either a) a pass-through investment or b) wakala venture.

The Groups's assessment indicates the above accounting standard does not have an impact on the Group's interim condensed consolidated financial statements.

3 DUE FROM BANKS

	<i>Reviewed</i>			<i>Audited</i>	
	<i>30 June 2020</i>			<i>31 December</i>	
	<i>Stage 1</i>	<i>Stage 2</i>	<i>Stage 3</i>	<i>Total</i>	<i>2019</i>
	<i>US\$ '000</i>	<i>US\$ '000</i>	<i>US\$ '000</i>	<i>US\$ '000</i>	<i>US\$ '000</i>
Due from banks	1,000	-	-	1,000	1,000
Less: Allowance for credit losses	-	-	-	-	-
	1,000	-	-	1,000	1,000

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

At 30 June 2020

4 FINANCING RECEIVABLES

	<i>Reviewed</i> 30 June 2020				<i>Audited</i> 31 December 2019
	<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	-	-	2,800	2,800	2,800
Less: Allowance for credit losses	-	-	(2,800)	(2,800)	(2,240)
	-	-	-	-	560

An additional provision for expected credit losses of US\$ 560 thousand has been recognised during the period (six month ended 30 June 2019: US\$ 2 thousand).

5 INVESTMENTS

	<i>Reviewed</i> 30 June 2020			
	<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	16,571	-	-	16,571
Equity type				
Unquoted investments - Equity shares and funds	-	55	4,650	4,705
	16,571	55	4,650	21,276
Less: Allowance for credit losses / impairment	(240)	(14)	-	(254)
At 30 June 2020	16,331	41	4,650	21,022
	<i>Audited</i> 31 December 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	-	55	4,650	4,705
	16,570	55	4,650	21,275
Less: Allowance for credit losses / impairment	(10)	(14)	-	(24)
At 31 December 2019	16,560	41	4,650	21,251

The Group's investments in quoted sukuk held at amortised cost have a fair value of US\$ 16 million (31 December 2019: US\$ 17 million).

Under unquoted investments which are held at fair value through equity are investments amounting to US\$ 41 thousand (31 December 2019: US\$ 41 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.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

At 30 June 2020

5 INVESTMENTS (continued)

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.

	30 June 2020			31 December 2019	
	Stage 1 US '000	Stage 2 US '000	Stage 3 US '000	Total US '000	Total US '000
Good (1-4)	-	-	-	-	-
Satisfactory (5-7)	-	16,571	-	16,571	16,570
Default (8-10)	-	-	-	-	-
	-	16,571	-	16,571	16,570

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

	Reviewed Six months ended 30 June 2020			Audited Year ended 31 December 2019	
	Stage 1: 12- month ECL USD '000	Lifetime ECL not credit- impaired USD '000	Stage 3: Lifetime ECL credit- impaired USD '000	Total ECL USD '000	Total USD '000
Balance at 1 January	10	-	-	10	21,711
Net remeasurement of loss allowance	-	230	-	230	1
Transfer	(10)	10	-	-	-
Reversals	-	-	-	-	(267)
Amounts written off	-	-	-	-	(21,435)
Balance at the end of the period/ year	-	240	-	240	10

During the period ended 30 June 2020, an exposure of US\$ 5,022 thousand and related allowance for credit losses of US\$ 10 thousand moved from stage 1 to stage 2.

The maturities of these investments range from 1 to 7 years and the effective profit rate on these investments range between 4.0 % to 5.3 % per annum (31 December 2019: 4.0 % to 5.3 % per annum).

6 INVESTMENT IN REAL ESTATE

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

	Reviewed 30 June 2020 US\$ '000	Audited 31 December 2019 US\$ '000
Cost	31,963	31,963
Accumulated depreciation and impairment (see note below)	(8,410)	(6,097)
	23,553	25,866

An impairment provision of US\$ 2,000 thousand has been recognised against the carrying value of Head Office building during the current period (2019: US\$ Nil).

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

At 30 June 2020

7 NET ALLOWANCE FOR CREDIT LOSSES

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

	<i>Reviewed</i> <i>Six months ended</i> <i>30 June</i>	
	2020	2019
	US\$ '000	US\$ '000
Mudaraba receivables	-	1
Financing receivables	(560)	(2)
Investment in sukuk	(230)	1
	(790)	-

8 SHARE CAPITAL

	<i>Reviewed</i> 30 June 2020 US\$ '000	<i>Audited</i> 31 December 2019 US\$ '000
Authorised: 200,000,000 ordinary shares of US\$ 1 each	200,000	200,000
Issued, subscribed and paid-up: 59,038,875 (2019: 59,038,875) ordinary shares of US\$ 1 (2019: US\$ 1) each	59,039	59,039

9 INCOME FROM INVESTMENT IN SUKUK

	<i>Reviewed</i> <i>Six months ended</i> <i>30 June</i>	
	2020	2019
	US\$ '000	US\$ '000
Income from sukuk	389	1,017
Loss on sale of sukuk	-	(958)
	389	59

10 OTHER GENERAL AND ADMINISTRATIVE EXPENSES

	<i>Reviewed</i> <i>Six months ended</i> <i>30 June</i>	
	2020	2019
	US\$ '000	US\$ '000
Legal and professional fees	129	192
Premises expenses	101	100
Others	192	301
	422	593

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

At 30 June 2020

11 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> 30 June 2020			<i>Audited</i> 31 December 2019		
	<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
Assets						
Cash and balances with banks	-	171	171	-	138	138
Liabilities						
Staff payables	792	-	792	743	-	743
Other liabilities	133	-	133	208	-	208

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

	<i>Reviewed</i> 30 June 2020			<i>Reviewed</i> 30 June 2019		
	<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
Return to short term sukuk investors and banks	-	-	-	-	25	25
Expenses						
Staff costs	254	-	254	867	-	867
General and administrative expenses	134	-	134	163	-	163

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

At 30 June 2020

11 RELATED PARTY TRANSACTIONS AND BALANCES (continued)

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> <i>Six months ended</i> <i>30 June</i>	
	2020	2019
	US\$ '000	US\$ '000
Salary and other benefits	254	867

12 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.

The following table shows an analysis of financial instruments recorded at fair value by level of the fair value hierarchy at 30 June 2020 and 31 December 2019:

	<i>Reviewed</i> <i>30 June 2020</i>		<i>Audited</i> <i>31 December 2019</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 2019: US\$ 41 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 5).

Except as disclosed in note 5 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 2020 and 31 December 2019.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

At 30 June 2020

13 SEGMENTAL INFORMATION

(a) Industry sector

The industrial distribution of the Group's assets and liabilities as of 30 June 2020 is as follows:

	<i>Reviewed</i>					
	<i>30 June 2020</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	2,371	-	-	5	-	2,376
Due from banks	1,000	-	-	-	-	1,000
Financing receivables	2,800	-	-	-	(2,800)	-
Investment in sukuk	-	11,549	-	5,022	(240)	16,331
Investment in equities and funds	-	-	4,691	-	-	4,691
Equipment	-	-	-	143	-	143
Other assets	-	316	164	250	-	730
Investment in real estate	-	-	23,553	-	-	23,553
Total assets	6,171	11,865	28,408	5,420	(3,040)	48,824
Liabilities						
Staff payables	-	-	-	1,312	-	1,312
Other liabilities	-	42	-	366	-	408
Total liabilities	-	42	-	1,678	-	1,720

The industrial distribution of the Group's income and expenses as of 30 June 2020 is as follows:

	<i>Reviewed</i>					
	<i>30 June 2020</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>US\$ '000</i>
Income						
income from:						
Investment in sukuk	-	260	-	129	-	389
Investment in equities and funds	-	-	-	-	-	-
Due from banks and Murabaha receivables	10	-	-	-	-	10
Mudaraba receivables	-	-	-	-	-	-
Less: Return to short term sukuk						
investors and banks	-	-	-	-	-	-
Investment banking fees	-	-	162	5	-	167
Ijarah income	-	409	-	234	-	643
Foreign exchange loss	-	-	-	-	-	-
Other income	-	160	-	204	-	364
Total (loss) income	10	829	162	572	-	1,573
Expenses						
Staff costs	-	-	-	485	-	485
Depreciation	-	-	-	315	-	315
Other general and administrative expenses	1	20	-	401	-	422
Total expenses	1	20	-	1,201	-	1,222
Net allowance for credit losses	790	-	-	-	-	790
Impairment provision on investments (including investment in real estate)	-	-	2,000	-	-	2,000

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

At 30 June 2020

13 SEGMENTAL INFORMATION (continued)

(a) Industry sector (continued)

The industrial distribution of the Group's assets and liabilities as of 31 December 2019 is as follows:

	<i>Audited</i>					
	<i>31 December 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>
<i>Assets</i>						
Cash and bank balances	2,222	-	-	11	-	2,233
Due from banks	1,000	-	-	-	-	1,000
Financing receivables	2,800	-	-	-	(2,240)	560
Investment in sukuk	-	11,547	-	5,023	(10)	16,560
Investment in equities and funds	-	-	4,691	-	-	4,691
Equipment	-	-	-	135	-	135
Other assets	-	209	5	174	-	388
Investment in real estate	-	-	25,866	-	-	25,866
Total assets	6,022	11,756	30,562	5,343	(2,250)	51,433
<i>Liabilities</i>						
Due to short term sukuk investors and banks	-	-	-	-	-	-
Staff payables	-	-	-	1,254	-	1,254
Other liabilities	-	42	-	594	-	636
Total liabilities	-	42	-	1,848	-	1,890

The industrial distribution of the Group's income and expenses 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>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>Income</i>						
(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	
Financing receivables	-	-	-	-	-	
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 income	(919)	698	279	220	278	
<i>Expenses</i>						
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 - net	-	-	48	-	48	

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

At 30 June 2020

13 SEGMENTAL INFORMATION (continued)

(b) Geographic sector

The geographical distribution of the Group's assets and liabilities as of 30 June 2020 is as follows:

	<i>Reviewed</i> 30 June 2020				
	<i>Kingdom of Bahrain</i> US\$ '000	<i>Other GCC countries</i> US\$ '000	<i>Others</i> US\$ '000	<i>ECL</i> US\$ '000	<i>Total</i> US\$ '000
Assets					
Cash and balances with banks	508	-	1,868	-	2,376
Due from banks	1,000	-	-	-	1,000
Financing receivables	-	2,800	-	(2,800)	-
Investment in sukuk	11,549	5,022	-	(240)	16,331
Investment in equities and funds	4,650	41	-	-	4,691
Equipment	143	-	-	-	143
Other assets	676	43	11	-	730
Investment in real estate	23,553	-	-	-	23,553
Total assets	42,079	7,906	1,879	(3,040)	48,824
Liabilities					
Staff payables	1,312	-	-	-	1,312
Other liabilities	408	-	-	-	408
Total liabilities	1,720	-	-	-	1,720

The geographical distribution of the Group's income and expenses as of 30 June 2020 is as follows:

	<i>Reviewed</i> 30 June 2020			
	<i>Kingdom of Bahrain</i> US\$ '000	<i>Other GCC countries</i> US\$ '000	<i>Others</i> US\$ '000	<i>Total</i> US\$ '000
Income				
income (loss) from:				
Investment in sukuk	260	129	-	389
Investment in equities and funds	-	-	-	-
Due from banks and Murabaha receivables	10	-	-	10
Financing Receivables	-	-	-	-
Mudaraba receivables	-	-	-	-
Less: Return to short term sukuk investors and banks	-	-	-	-
Investment banking fees	142	25	-	167
Ijarah income	643	-	-	643
Foreign exchange loss	-	-	-	-
Other income	364	-	-	364
Total income (loss)	1,419	154	-	1,573
Expenses				
Staff costs	485	-	-	485
Depreciation	315	-	-	315
Other general and administrative expenses	407	-	15	422
Total expenses	1,207	-	15	1,222
Net allowance for credit losses	-	790	-	790
Impairment provision on investments (including investment in real estate)	2,000	-	-	2,000

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

At 30 June 2020

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

The geographical distribution of the Group's assets and liabilities as of 31 December 2019 is as follows:

	<i>Audited</i>				<i>Total</i>
	<i>31 December 2019</i>				
	<i>Kingdom of Bahrain</i>	<i>Other GCC countries</i>	<i>Others</i>	<i>ECL</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	417	-	1,816	-	2,233
Due from banks	1,000	-	-	-	1,000
Financing receivables	-	2,800	-	(2,240)	560
Investment in sukuk	11,547	5,023	-	(10)	16,560
Investment in equities and funds	4,650	41	-	-	4,691
Equipment	135	-	-	-	135
Other assets	342	43	3	-	388
Investment in real estate	25,866	-	-	-	25,866
Total assets	43,957	7,907	1,819	(2,250)	51,433
<i>Liabilities</i>					
Staff payables	1,254	-	-	-	1,254
Other liabilities	636	-	-	-	636
Total liabilities	1,890	-	-	-	1,890

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

	<i>Reviewed</i>			
	<i>30 June 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>Income</i>				
(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
Other income	2	-	-	2
Foreign exchange loss	(1)	-	-	(1)
Total income	918	(89)	(551)	278
<i>Expenses</i>				
Staff costs	1,506	-	-	1,506
Depreciation	360	-	-	360
Other general and administrative expenses	560	-	33	593
Total expenses	2,426	-	33	2,459
Net recoveries for credit losses	-	-	-	-
Unrealised fair value loss on investments in funds	-	-	-	-
Impairment recoveries on investments - net	-	48	-	48

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL
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At 30 June 2020

14 GOVERNMENT GRANT

Government assistance amounting to USD 160 thousand is recorded in profit or loss during the current period as the Bank had no modification losses to be recorded in equity (in line with note 2). The amount was recorded as other income in the interim statement of profit or loss.

The attached financial information does not form part of the interim condensed consolidated financial statements

Liquidity Management Centre B.S.C. (c)
SUPPLEMENTARY FINANCIAL INFORMATION

At 30 June 2020

Liquidity Management Centre Supplementary Public Disclosure – Financial Impact of COVID-19

Following the Coronavirus outbreak, the World Health Organization (WHO) declared COVID-19 as a pandemic on 11th March 2020.

The Central Bank of Bahrain (CBB) in their circular dated 17th March 2020 (OG/106/2020) launched various set of measures to all concerned licensees to ease the liquidity conditions in the economy as well as assisting banks in complying with regulatory requirements.

In response, The government of Kingdom of Bahrain, in their efforts to combat the effects of COVID-19 negative outcomes, also announced a group of stimulus grants to support businesses during these challenging conditions represented in specified reimbursements of a portion of staff cost, waiver of fees levies and utility charges which the group has received.

The abovementioned measures have had the following effects upon the Group:

Due to the Bank's current situation the Bank is not require to recognize any modification losses as the Bank does not have credit facilities extended to customers in Bahrain. Therefore, the government grant received amounting to USD 160 thousand has been recognized in Other Income in the Interim Statement of Profit and Loss in accordance with the requirements of IAS 20.

- As part of the precautionary actions and to reflect the deterioration in the global markets resulting from the COVID-19 pandemic, the Group has recognized further expected credit losses allowances (ECL) to the Sukuk investments.
- Due to COVID-19, there is a high level of uncertainty and the situation is still evolving. Accordingly, the impact of the pandemic is based on the information available as of the date of this supplementary disclosure. Circumstances may change, however due to the lack of current data available related to the impact of COVID-19 on the local real estate market, the Group will continue to collect factual information with respect to any impact on its real estate investments based on market reviews issued by the relevant asset managers and specialized real estate advisory professionals. Following on from the above and in light of the current market conditions, the management and the Board of Directors have taken a prudent approach towards impairment provisioning with regards to its Headquarter Building in order to mitigate the risks related to various factors such as occupancy levels, average rental rates and the ability to retain tenants at lower rental rates.
- Given the conservative and precautionary actions taken by the Group in the recent past, including the repayment of all repo related and interbank liabilities and the effective management of the Liquid Sukuk through adjusted stress testing scenarios for the Expected Credit Loss (ECL); the Group has effectively managed its liquidity in light of the impact of current pandemic on the global economy.
- In complying with the Government directives, the Group has taken several steps toward providing its staff with safe and proper work environment while implementing a remote working policy.
- The Group has also taken proactive measures to maintain the safety for the tenants and customers residing in LMC's building by undertaking regular disinfection procedures

Financial summary of net impact on the Group's financial results: -

	Net Impact on the consolidated statement of Income	Net Impact on the consolidated statement of financial position
	US\$ '000	US\$ '000
Impairment provision on investment in real estate	(2,000)	(2,000)
ECL Allowances	(230)	(230)
General & Admin expenses	(1)	
Capital Expenditures	-	11
Government Support	160	-
Total	(2,071)	(2,219)

The above supplementary information is provided to comply with the CBB Circular number OG/259/2020 (Reporting of Financial Impact of COVID-19), dated 14th July 2020. This information should not be considered as an indication of the results of the entire year or relied upon for any other purposes. Since the situation of COVID-19 is uncertain and is still evolving, the above impact is as of the date of the preparation of this information. Circumstances may change which may result in this information to be out of date. In addition, this information does not represent a full comprehensive assessment of COVID-19 impact on the Group. This information has not been subject to a formal review by external auditors.