

Capital Management House B.S.C. (c)
INTERIM CONDENSED CONSOLIDATED FINANCIAL
STATEMENTS

31 MARCH 2010 (UNAUDITED)

REVIEW REPORT TO THE BOARD OF DIRECTORS OF CAPITAL MANAGEMENT HOUSE B.S.C. (c)

Introduction

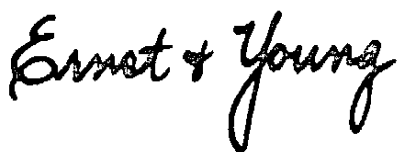
We have reviewed the accompanying interim condensed consolidated financial statements of Capital Management House B.S.C.(c) ("the Bank") and its subsidiary (together "the Group") as at 31 March 2010, comprising of the interim condensed consolidated balance sheet as at 31 March 2010 and the related interim condensed consolidated statements of income, statement of changes in equity and cash flows for the three 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 disclosed in note 3. Our responsibility is to issue a report 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 fairly, in all material respects, in accordance with the accounting policies in note 3.

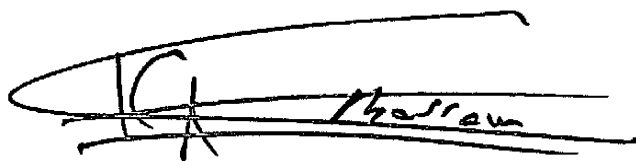


9 May 2010
Manama, Kingdom of Bahrain

CAPITAL MANAGEMENT HOUSE B.S.C.(c)
INTERIM CONDENSED CONSOLIDATED BALANCE SHEET

At 31 March 2010 (Unaudited)

		<i>Unaudited</i> 31 March 2010 <i>USD'000</i>	<i>Audited</i> 31 December 2009 <i>USD'000</i>
ASSETS			
Cash and bank balances		5,450	2,364
Due from financial institutions	4	21,561	10,501
Investments	5	121,043	131,875
Fixed assets		1,731	1,867
Other assets		1,266	991
TOTAL ASSETS		151,051	147,598
LIABILITIES AND EQUITY			
Liabilities			
Due to financial institutions		26,049	23,059
Due to non financial institutions		242	465
Other liabilities		237	596
Total liabilities		26,528	24,120
Equity			
Share capital		100,000	100,000
Share premium		17,579	17,579
Reserves		6,944	5,899
Total equity		124,523	123,478
TOTAL LIABILITIES AND EQUITY		151,051	147,598
COMMITMENTS AND CONTINGENT LIABILITIES	6	7,803	5,868



Khalid Abdulla Al Bassam
Chairman



Khalid Mohamed Najibi
Managing Director

Capital Management House B.S.C.(c)

INTERIM CONDENSED CONSOLIDATED STATEMENT OF INCOME

For period ended 31 March 2010 (Unaudited)

	<i>Unaudited</i>	
	<i>Three months ended</i>	
	31 March	31 March
	2010	2009
	USD'000	USD'000
INCOME		
Income from Islamic finances	100	335
Income from investments	1,027	1,008
Placement, arranging and underwriting fees	2	2
Fair value gain on investment property	-	1,024
Total income	<u>1,129</u>	<u>2,369</u>
EXPENSES		
Profit payable on Islamic finances	74	88
Staff costs	687	648
General and administrative expenses	576	543
Total expenses	<u>1,337</u>	<u>1,279</u>
NET (LOSS) / INCOME FOR THE PERIOD BEFORE PROVISION	(208)	1,090
Provision against receivables	-	(420)
NET (LOSS) / INCOME FOR THE PERIOD AFTER PROVISION	(208)	670

The attached explanatory notes 1 to 10 form part of these interim condensed consolidated financial statements.

Capital Management House B.S.C.(c)

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For period ended 31 March 2010 (Unaudited)

	<i>Unaudited</i>	
	<i>Three months ended</i>	
	31 March 2010 USD'000	31 March 2009 USD'000
OPERATING ACTIVITIES		
Net (loss) / income for the period	(208)	670
Adjustments for:		
Depreciation	139	135
Fair value gain on investment property	-	(1,024)
Gain on sale of investments	(414)	(207)
Share grant reserve	63	839
Operating (loss) / profit before changes in operating assets and liabilities	(420)	413
Working capital adjustments:		
Due from financial institutions with original maturities of more than 90 days	-	-
Other assets	(275)	3,622
Due to financial institutions	2,990	13,514
Due to non financial institutions	(223)	(5)
Other liabilities	(359)	(1,952)
Net cash from operating activities	1,713	15,592
INVESTING ACTIVITIES		
Proceeds from investments	15,561	(8,093)
Purchase of investments	(3,125)	2,375
Purchase of fixed assets	(3)	(16)
Net cash from / (used in) investing activities	12,433	(5,734)
INCREASE IN CASH AND CASH EQUIVALENTS	14,146	9,858
Cash and cash equivalents at beginning of the period	12,365	51,236
CASH AND CASH EQUIVALENTS AT END OF THE PERIOD	26,511	61,094
Cash and cash equivalents comprise of:		
Cash and bank balances	5,450	540
Due from financial institutions with original maturities of less than 90 days	21,061	60,554
	26,511	61,094

The attached explanatory notes 1 to 10 form part of these interim condensed consolidated financial statements.

Capital Management House B.S.C.(c)
STATEMENT OF CHANGES IN EQUITY

For period ended 31 March 2010 (Unaudited)

	Reserves							Total Equity USD'000		
	Share capital USD'000	Share premium USD'000	Statutory reserve USD'000	General reserves USD'000	Cumulative changes in fair value reserve USD'000	Retained earnings USD'000	Proposed dividend USD'000		Share grant reserve USD'000	Total reserve USD'000
Balance at 1 January 2010	100,000	17,579	2,179	563	1,467	629	-	1,061	5,899	123,478
Fair value gain on available-for-sale investments	-	-	-	-	1,190	-	-	-	1,190	1,190
Net loss for the period	-	-	-	-	-	(208)	-	-	(208)	(208)
Share grant reserve (FY 2010) (note 7)	-	-	-	-	-	-	-	63	63	63
Proposed dividends	-	-	-	-	-	-	-	-	-	-
Balance at 31 March 2010	100,000	17,579	2,179	563	2,657	421	-	1,124	6,944	124,523

	Reserves							Total Equity USD'000		
	Share capital USD'000	Share premium USD'000	Statutory reserve USD'000	General reserves USD'000	Cumulative changes in fair value reserve USD'000	Retained earnings USD'000	Proposed dividend USD'000		Share grant reserve USD'000	Total reserve USD'000
Balance at 1 January 2009	91,381	17,579	2,071	563	8,495	133	8,619	-	19,881	128,841
Fair value loss on available-for-sale investments	-	-	-	-	(1,434)	-	-	-	(1,434)	(1,434)
Net income for the period	-	-	-	-	1,024	670	-	-	670	670
Fair value gain on investment properties	-	-	-	-	(1,024)	(1,024)	-	-	-	-
Share grant reserve (FY 2008) (note 7)	-	-	-	-	-	-	-	736	736	736
Share grant vesting charge (FY 2009) (note 7)	-	-	-	-	-	-	-	103	103	103
Proposed dividends	8,619	-	-	-	-	-	(8,619)	-	(8,619)	-
Balance at 31 March 2009	100,000	17,579	2,071	563	8,085	(221)	-	839	11,337	128,916

The attached explanatory notes 1 to 10 form part of these interim condensed consolidated financial statements.

Capital Management House B.S.C.(c)

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

At 31 March 2010 (Unaudited)

1 INCORPORATION AND ACTIVITIES

Capital Management House B.S.C.(c) ("the Bank") was incorporated in the Kingdom of Bahrain in accordance with and subject to the provisions of the Bahrain Commercial Companies Law, Decree no (21) of 2001 and its Implementation Regulations issued as per Ministerial Order No (6) of 2002 and registered with the Ministry of Industry and Commerce under Commercial Registration (CR) number 61045 on 15 May 2006. Until 7 October 2009 the Bank operated under an Investment Firm (Category I) License issued by the Central Bank of Bahrain (CBB) and from 7 October 2009 CBB has upgraded its license to a "Wholesale Islamic Bank". The Bank's registered office is at Office 81, Building B1, Road 365, Block 316, Bahrain World Trade Center, Manama Center, Kingdom of Bahrain. The principle activities of the Bank includes:

- Short term investments;
- Capital market: Sukuk securities, equity linked offering, initial public offering and rights issues;
- Advisory services: Mergers and acquisitions, private placement, divestitures and real estate developments; and
- Asset management.
- Islamic deposit products and unrestricted accounts to customers.

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

The interim condensed consolidated financial statements for the period ended 31 March 2010 were authorised for issue in accordance with a resolution of the Board of Directors on 9 May 2010.

2 INVESTMENTS IN SUBSIDIARY

As at 31 March 2010, the Bank had the following subsidiary which has been consolidated:

<i>Name</i>	<i>Activities/Status</i>	<i>Year of Incorporation</i>	<i>Country of incorporation</i>	<i>Ownership %</i>
Tamkeen Investment Company B.S.C. (c)	Special purpose vehicle to administer MIP	2008	Kingdom of Bahrain	100

3 BASIS OF PREPARATION AND ACCOUNTING POLICIES

Basis of preparation

The interim condensed consolidated financial statements for the three month ended 31 March 2010 have been prepared in accordance with the International Accounting Standard 34 "Interim Financial Reporting". The interim condensed consolidated financial statements do not contain all the information and disclosures required in the annual financial statements, and should be read in conjunction with the annual financial statements as at 31 December 2009. In addition, results for the three month period ended 31 March 2010 are not necessarily indicative of the results that may be expected for the financial year ended 31 December 2010.

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 financial statements for the year ended 31 December 2009, which were prepared in accordance with Financial Accounting Standards issued by Accounting and Auditing Organization for Islamic Financial Institutions (the "AAOIFI"), the Shari'ah Rules and Principles, the Bahrain Commercial Companies Law, CBB and Financial Institutions Law. For matters which are not covered by AAOIFI standards, including "Interim Financial Reporting", the Company uses the International Financial Reporting Standards.

Capital Management House B.S.C.(c)

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

At 31 March 2010 (Unaudited)

4 DUE FROM FINANCIAL INSTITUTIONS

	<i>Unaudited</i> 31 March 2010 USD'000	<i>Audited</i> 31 December 2009 USD'000
Commodity Murabaha receivables	4,000	4,001
Mudaraba investments	18,000	8,000
Balance with bank in Escrow account*	1,061	-
	23,061	12,001
Less: Provision against Commodity Murabaha receivable	(1,500)	(1,500)
	21,561	10,501

* The Group has committed to participate in the rights issue under an investment in a real estate SPV and has paid in USD 1,061 thousands to the designated receiving bank and awaiting the closure of rights issue.

5 INVESTMENTS

	<i>Unaudited</i> 31 March 2010 USD'000	<i>Audited</i> 31 December 2009 USD'000
Available- for-sale investments through equity		
Quoted securities	8,511	10,823
Unquoted securities	72,893	73,888
Quoted sukuks	10,670	17,907
Unquoted sukuks	9,346	9,346
Musharaka	4,524	4,812
	105,944	116,776
Less Impairment provision	(3,378)	(3,378)
	102,566	113,398
Available- for-sale investments through statement of income		
Unquoted securities	13,290	13,290
Investment property	5,787	5,787
Total	121,643	132,475
Less collective provision	(600)	(600)
Total	121,043	131,875

6 COMMITMENTS AND CONTINGENT LIABILITIES

Credit related commitments

These include commitments to enter into financing contracts which are designed to meet the requirements of the Group's customers.

Commitments represent contractual commitments under Murabaha receivables. Commitments generally have fixed expiration dates, or other termination clauses. Since commitments may expire without being drawn upon, the total contract amounts do not necessarily represent future cash flow requirements.

Capital Management House B.S.C.(c)

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

At 31 March 2010 (Unaudited)

6 COMMITMENTS AND CONTINGENT LIABILITIES (continued)

The Group has the following credit related commitments.

	<i>Unaudited</i> 31 March 2010 USD'000	<i>Audited</i> 31 December 2009 USD'000
Promise to purchase foreign exchange commitment	3,402	3,373
Uncalled capital commitment	1,064	1,064
Quoted Sukuk purchase commitment	1,933	-
Quoted share purchase commitment	63	-
	<u>6,462</u>	<u>4,437</u>

The Group has commitments relating to the leasehold improvements, rentals and projects as follows:

	<i>Unaudited</i> 31 March 2010 USD'000	<i>Audited</i> 31 December 2009 USD'000
Rentals	1,188	1,269
Commitments related to project developments	133	133
	<u>1,321</u>	<u>1,402</u>

Ijarah Muntahia Bittamleek commitments

The Group has entered into Ijarah Muntahia Bittamleek for vehicles. These leases have an expected useful life of 4 years. Future minimum rentals payable under these leases are as follows:

	<i>Unaudited</i> 31 March 2010 USD'000	<i>Audited</i> 31 December 2009 USD'000
Within one year	20	29
Total commitments and contingent liabilities	<u>7,803</u>	<u>5,868</u>

7 MANAGEMENT INCENTIVE PROGRAM

On 27 March 2008, the Group has set up a "Management Incentive Program" (MIP) and has incorporated Tamkeen Investment Company B.S.C.(c) (a wholly owned subsidiary) to administer the program. The shareholders have authorised the issue of 15 million shares (maximum) under this program. The employees under this program are entitled to incentive comprising of cash and equity awards for each financial year based on achievement of performance parameters. The equity awards vest to the benefit of employees subject to the satisfaction of additional service conditions.

For the financial year 2008, the Bank granted 1,066,241 share award to the employees with the vesting period of five years (2008-2012). Of the above, 475,383 shares have vested as on 31 December 2009. The Group is currently in the process of completing the statutory formalities associated with the transfer of shares. The charge for the period ended 31 March 2010 is USD 62 thousands (2009: USD 390 thousands) and is included under Share Grant Reserve in the statements of changes in equity.

Capital Management House B.S.C.(c)

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

At 31 March 2010 (Unaudited)

8 RELATED PARTY TRANSACTIONS

The Group enters into transactions with major shareholders, directors, management and companies of which they are principal owners in the ordinary course of business at commercial rates. All the financing contracts with related parties are performing and are free of any impairment provision.

Balances with related parties included in the interim condensed consolidated balance sheet are as follows:

	<i>Unaudited</i> 31 March 2010 USD'000	<i>Audited</i> 31 December 2009 USD'000
Assets:		
Cash and bank balances	353	1,347
Due from financial institutions	2,061	2,000
Investments	18,718	18,719
Investment SPVs with board representation	30,042	21,282
Liabilities:		
Due to financial institutions	13,500	10,000
Commitments and contingent liabilities	1,064	1,064

Transactions with related parties included in the interim condensed consolidated statement of income are as follows:

	<i>Unaudited</i> <i>Three months ended</i>	
	31 March 2010 USD'000	31 March 2009 USD'000
Income from Islamic finances	12	124
Placement, arranging and underwriting fees	-	-
Income from investments	-	-
Profit payable on Islamic finances	(33)	(43)
General and administrative costs	(29)	(21)

Compensation of the key management personnel is as follows:

	<i>Unaudited</i> <i>Three months ended</i>	
	31 March 2010 USD'000	31 March 2009 USD'000
Long term employee benefits	63	103
Short term employee benefits	158	221
	221	324

Capital Management House B.S.C.(c)

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

At 31 March 2010 (Unaudited)

9 CONCENTRATIONS OF ASSETS, LIABILITIES, AND COMMITMENTS AND CONTINGENT LIABILITIES

The distribution by geographic region and industry sector was as follows:

	Assets USD '000		Liabilities USD '000		Commitments and contingent liabilities USD '000	
	Unaudited	Audited	Unaudited	Audited	Unaudited	Audited
	31 March 2010	1 December 2009	31 March 2010	31 December 2009	31 March 2010	31 December 2009
Geographical region						
North America	6,815	2,637	-	-	-	-
Europe	8,021	8,535	7,531	8,059	3,403	3,373
Middle East	116,455	116,169	18,938	15,636	3,336	1,431
Africa	19,759	20,256	59	425	1,064	1,064
Asia	1	1	-	-	-	-
	151,051	147,598	26,528	24,120	7,803	5,868
Industry sector						
Trading and manufacturing	21,655	21,313	60	425	3,059	1,064
Banks and financial institutions	57,925	50,731	26,268	23,076	3,403	3,373
Others	71,471	75,554	201	619	1,341	1,431
	151,051	147,598	26,529	24,120	7,803	5,868

Exposures to banks and non banks which exceeds 15% of the Bank's Regulatory Capital is US\$ 38,130 (31 December 2009 US\$ 19,640).

10 COMPARATIVE FIGURES

Certain of the prior period's figures have been reclassified to conform to the presentation adopted in the current period. Such reclassification has not affected net income, total assets, total liabilities and equity of the Group as previously reported.