

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

30 JUNE 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 subsidiaries (together "the Group") as at 30 June 2010, comprising of the interim condensed consolidated balance sheet as at 30 June 2010 and the related interim condensed consolidated statements of income, statement of changes in equity and cash flows 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 disclosed in note 3. 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 3.



12 July 2010
Manama, Kingdom of Bahrain

Capital Management House B.S.C.(c)
INTERIM CONDENSED CONSOLIDATED BALANCE SHEET
 At 30 June 2010 (Unaudited)

	Notes	<i>Unaudited</i> 30 June 2010 USD'000	<i>Audited</i> 31 December 2009 USD'000
ASSETS			
Cash and bank balances		2,246	2,364
Due from financial institutions	4	28,567	10,501
Investments	5	128,513	131,875
Fixed assets		1,597	1,867
Other assets		796	991
TOTAL ASSETS		161,719	147,598
LIABILITIES AND EQUITY			
Liabilities			
Due to financial institutions		38,525	23,059
Due to non financial institutions		1,165	465
Other liabilities		316	596
Total liabilities		40,006	24,120
Equity			
Share capital		100,000	100,000
Share premium		17,579	17,579
Reserves		4,134	5,899
Total equity		121,713	123,478
TOTAL LIABILITIES AND EQUITY		161,719	147,598
COMMITMENTS AND CONTINGENT LIABILITIES	6	2,267	5,868

Khalid Abdulla Al Bassam
Chairman

Khalid Mohamed Najibi
Managing Director and Chief
Executive Officer

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

INTERIM CONDENSED CONSOLIDATED STATEMENT OF INCOME

For period ended 30 June 2010 (Unaudited)

	<i>Unaudited</i>		<i>Unaudited</i>	
	<i>Three months ended</i>		<i>Six months ended</i>	
	30 June	<i>30 June</i>	30 June	<i>30 June</i>
	<i>2010</i>	<i>2009</i>	<i>2010</i>	<i>2009</i>
	USD'000	<i>USD'000</i>	USD'000	<i>USD'000</i>
INCOME				
Income from Islamic financing contracts	197	642	297	977
(Loss) Income from investments	(4)	2,736	1,023	3,744
Placement, arranging and underwriting fees	2	2,196	4	2,198
Fair value gain on investment property	-	-	-	1,024
Total income	195	5,574	1,324	7,943
EXPENSES				
Profit payable on Islamic financing contracts	99	144	173	232
Staff costs	704	801	1,391	1,449
General and administrative expenses	645	792	1,221	1,335
Total expenses	1,448	1,737	2,785	3,016
NET (LOSS) / INCOME FOR THE PERIOD BEFORE PROVISION	(1,253)	3,837	(1,461)	4,927
Impairment provisions	(1,096)	(1,435)	(1,096)	(1,855)
NET (LOSS) / INCOME FOR THE PERIOD AFTER PROVISION	(2,349)	2,402	(2,557)	3,072

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 30 June 2010 (Unaudited)

	<i>Unaudited</i>	
	<i>Six months ended</i>	
	30 June	30 June
	2010	2009
	USD'000	USD'000
OPERATING ACTIVITIES		
Net (loss) / income for the period	(2,557)	3,072
Adjustments for:		
Depreciation	277	284
Fair value gain on investment property	-	(1,024)
Impairment provisions on available for sale investments	1,096	1,855
Loss / (Gain) on sale of investments	150	(2,361)
Share grant reserve	125	942
Operating (loss) / profit before changes in operating assets and liabilities	(909)	2,768
Working capital adjustments:		
Due from financial institutions with original maturities of more than 90 days	(2,806)	(19,500)
Other assets	195	2,825
Due to financial institutions	15,466	18,722
Due to non financial institutions	700	(8)
Other liabilities	(280)	(1,810)
Net cash from operating activities	12,366	2,997
INVESTING ACTIVITIES		
Proceeds from investments	17,420	(37,102)
Purchase of investments	(14,637)	22,387
Purchase of fixed assets	(7)	(559)
Net cash from / (used in) investing activities	2,776	(15,274)
INCREASE / (DECREASE) IN CASH AND CASH EQUIVALENTS	15,142	(12,277)
Cash and cash equivalents at beginning of the period	12,365	51,236
CASH AND CASH EQUIVALENTS AT END OF THE PERIOD	27,507	38,959
Cash and cash equivalents comprise of:		
Cash and bank balances	2,246	10,967
Due from financial institutions with original maturities of less than 90 days	25,261	27,992
	27,507	38,959

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 30 June 2010 (Unaudited)

	Reserves							Total Equity		
	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	-	-	-	-	667	-	-	-	667	667
Net loss for the period	-	-	-	-	-	(2,557)	-	-	(2,557)	(2,557)
Share grant vesting charge (FY 2010) (note 7)	-	-	-	-	-	-	-	125	125	125
Balance at 30 June 2010	100,000	17,579	2,179	563	2,134	(1,928)	-	1,186	4,134	121,713

	Reserves							Total Equity		
	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	-	-	-	-	(1,151)	-	-	-	(1,151)	(1,151)
Net income for the period	-	-	-	-	1,024	3,072	-	-	3,072	3,072
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)	-	-	-	-	-	-	-	206	206	206
Proposed dividends	8,619	-	-	-	-	-	(8,619)	-	(8,619)	-
Balance at 30 June 2009	100,000	17,579	2,071	563	8,368	2,181	-	942	14,125	131,704

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

At 30 June 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;
- Asset management; and
- Islamic deposit products and unrestricted accounts to customers.

The activities of the Bank and its wholly owned subsidiaries (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 30 June 2010 were authorised for issue in accordance with a resolution of the Board of Directors on 12 July 2010.

2 INVESTMENTS IN SUBSIDIARY

As at 30 June 2010, the Bank had the following subsidiaries 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
Suffun Investments I	Special purpose vehicle for investment in Skaugen Gulf Petchem Carriers B.S.C.	2010	Kingdom of Bahrain	100

Suffun Investments I has been incorporated in June 2010 and is anticipated to be operational as an Investment Holding company for proprietary and fiduciary investments in Skaugen Gulf Petchem Carriers B.S.C. As at 30 June 2010, the subsidiary is not operational.

3 BASIS OF PREPARATION AND ACCOUNTING POLICIES**Basis of preparation**

The interim condensed consolidated financial statements for the six month ended 30 June 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 six month period ended 30 June 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 Group uses the International Financial Reporting Standards.

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

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

At 30 June 2010 (Unaudited)

4 DUE FROM FINANCIAL INSTITUTIONS

	<i>Unaudited</i> 30 June 2010 USD'000	<i>Audited</i> 31 December 2009 USD'000
Commodity Murabaha receivables	11,506	4,001
Mudaraba investments	13,000	8,000
Wakala receivables	4,500	-
Balance with bank in Escrow account*	1,061	-
	<u>30,067</u>	<u>12,001</u>
Less: Provision against Commodity Murabaha receivable	(1,500)	(1,500)
	<u>28,567</u>	<u>10,501</u>

* 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 awaiting the closure of rights issue.

5 INVESTMENTS

	<i>Unaudited</i> 30 June 2010 USD'000	<i>Audited</i> 31 December 2009 USD'000
Available- for-sale investments through equity		
Quoted securities	9,244	10,823
Unquoted securities	74,989	71,284
Quoted sukuks	18,441	17,907
Unquoted sukuks	5,000	9,346
Musharaka	6,836	7,416
	<u>114,510</u>	<u>116,776</u>
Less Impairment provision	(4,474)	(3,378)
	<u>110,036</u>	<u>113,398</u>
Available- for-sale investments through statement of income		
Unquoted securities	13,290	13,290
	<u>13,290</u>	<u>13,290</u>
Investment property	5,787	5,787
	<u>5,787</u>	<u>5,787</u>
Total	129,113	132,475
Less collective provision	(600)	(600)
Total	<u>128,513</u>	<u>131,875</u>

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.

At 30 June 2010 (Unaudited)

6 COMMITMENTS AND CONTINGENT LIABILITIES (continued)

The Group has the following credit related commitments.

	<i>Unaudited</i> 30 June 2010 USD'000	<i>Audited</i> 31 December 2009 USD'000
Promise to purchase foreign exchange commitment	451	3,373
Uncalled capital commitment	564	1,064
	<u>1,015</u>	<u>4,437</u>

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

	<i>Unaudited</i> 30 June 2010 USD'000	<i>Audited</i> 31 December 2009 USD'000
Rentals	1,107	1,269
Commitments related to project developments	133	133
	<u>1,240</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> 30 June 2010 USD'000	<i>Audited</i> 31 December 2009 USD'000
Within one year	12	29
Total commitments and contingent liabilities	<u>2,267</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 incentives 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 30 June 2010 is USD 125 thousands (2009: USD 206 thousands) and is included under Share Grant Reserve in the statements of changes in equity.

At 30 June 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> 30 June 2010 USD'000	<i>Audited</i> 31 December 2009 USD'000
Assets:		
Cash and bank balances	220	1,347
Due from financial institutions	2,061	2,000
Investments	18,999	18,719
Investment SPVs with nominee representation	30,042	21,282
Liabilities:		
Due to financial institutions	19,000	10,000
Commitments and contingent liabilities	564	1,064

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

	<i>Unaudited</i> <i>Six months ended</i>	
	30 June 2010 USD'000	30 June 2009 USD'000
Income from Islamic finances	14	96
Placement, arranging and underwriting fees	-	2,175
Income from investments	-	-
Gain on sale investments	58	-
Profit payable on Islamic finances	(82)	(113)
General and administrative costs	(57)	(47)

Compensation of the key management personnel is as follows:

	<i>Unaudited</i> <i>Six months ended</i>	
	30 June 2010 USD'000	30 June 2009 USD'000
Long term employee benefits	125	206
Short term employee benefits	316	468
	441	674

At 30 June 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	
	<i>Unaudited</i>	<i>Audited</i>	<i>Unaudited</i>	<i>Audited</i>	<i>Unaudited</i>	<i>Audited</i>
	30 June 2010	31 December 2009	30 June 2010	31 December 2009	30 June 2010	31 December 2009
Geographical region						
North America	3,525	2,637	-	-	-	-
Europe	8,043	8,535	7,525	8,059	452	3,373
Middle East	131,212	116,169	31,347	15,636	1,251	1,431
Africa	18,938	20,256	1,134	425	564	1,064
Asia	1	1	-	-	-	-
	161,719	147,598	40,006	24,120	2,267	5,868
Industry sector						
Trading and manufacturing	41,486	21,313		425	564	1,064
Banks and financial institutions	60,077	50,731	38,525	23,076	451	3,373
Others	60,156	75,554	1,481	619	1,252	1,431
	161,719	147,598	40,006	24,120	2,267	5,868

Exposures to banks and non banks which exceeds 15% of the Bank's Regulatory Capital is US\$ 37,930 thousand (31 December 2009 US\$ 19,640 thousand).

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.