

CAPITAL MANAGEMENT HOUSE B.S.C.(c)
INTERIM CONDENSED CONSOLIDATED FINANCIAL
STATEMENTS

30 June 2009 (UNAUDITED)

**REPORT ON REVIEW OF THE INTERIM CONDENSED CONSOLIDATED
FINANCIAL STATEMENTS 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 Company') as at 30 June 2009, comprising of the interim consolidated balance sheet as at 30 June 2009 and the related interim 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 fairly, in all material respects, in accordance with the accounting policies disclosed in note 3.



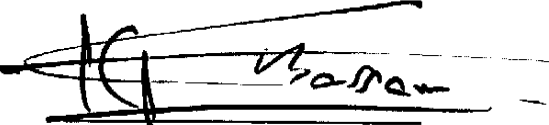
16 August 2009
Manama, Kingdom of Bahrain

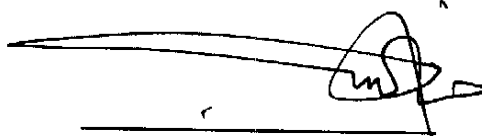
CAPITAL MANAGEMENT HOUSE B.S.C.(c)

INTERIM CONSOLIDATED BALANCE SHEET

30 JUNE 2009 (UNAUDITED)

	<i>Notes</i>	<i>Unaudited 30 June 2009 USD'000</i>	<i>Audited 31 December 2008 USD'000</i>
ASSETS			
Cash and bank balances		10,967	482
Due from financial institutions	4	46,492	50,754
Investments	5	98,038	81,524
Fixed assets		2,134	1,859
Other assets		3,035	6,280
TOTAL ASSETS		160,666	140,899
LIABILITIES AND EQUITY			
Liabilities			
Due to financial institutions		28,419	9,697
Accounts payable		32	40
Other liabilities		511	2,321
Total liabilities		28,962	12,058
Equity			
Share capital		100,000	91,381
Share premium		17,579	17,579
Reserves		14,125	19,881
Total equity		131,704	128,841
TOTAL LIABILITIES AND EQUITY		160,666	140,899
COMMITMENTS AND CONTINGENT LIABILITIES	6	29,678	34,730


 Khalid Abdulla Al Bassam
 Chairman


 Khalid Mohamed Najibi
 Vice Chairman and Managing
 Director

CAPITAL MANAGEMENT HOUSE B.S.C.(c)**INTERIM CONSOLIDATED STATEMENT OF INCOME**

Six month period ended 30 June 2009 (Unaudited)

	<i>Unaudited</i>		<i>Unaudited</i>	
	<i>Three months ended</i>		<i>Six months ended</i>	
	<i>30 June</i>	<i>30 June</i>	<i>30 June</i>	<i>30 June</i>
	<i>2009</i>	<i>2008</i>	<i>2009</i>	<i>2008</i>
	<i>USD'000</i>	<i>USD'000</i>	<i>USD'000</i>	<i>USD'000</i>
INCOME				
Income from islamic finances	642	19	977	318
Income from investments	2,736	542	3,744	1,640
Placement, arranging and underwriting fees	2,196	8,390	2,198	10,742
Fair value gain on investments designated at fair value through profit and loss	-	4,536	-	4,536
Fair value gain on investment property	-	-	1,024	-
Total income	5,574	13,487	7,943	17,236
EXPENSES				
Profit on islamic payables	144	213	232	624
Staff costs	801	3,843	1,449	4,320
General and administrative costs	792	871	1,335	1,241
Total expenses	1,737	4,927	3,016	6,185
NET INCOME FOR THE PERIOD BEFORE PROVISION	3,837	8,560	4,927	11,051
Impairment provisions	(1,435)	-	(1,855)	-
NET INCOME FOR THE PERIOD AFTER PROVISIONS	2,402	8,560	3,072	11,051

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

CAPITAL MANAGEMENT HOUSE B.S.C.(c)
INTERIM CONSOLIDATED CASH FLOWS STATEMENT

Six month period ended 30 June 2009 (Unaudited)

	<i>Unaudited</i>	
	<i>Six months ended</i>	
	30 June	30 June
	2009	2008
	USD'000	USD'000
OPERATING ACTIVITIES		
Net income for the period	3,072	11,051
Adjustments for:		
Depreciation	284	142
Fair value gain on investments designated at fair value through profit and loss	-	(4,536)
Fair value gain on investment property	(1,024)	-
Impairment provisions on available for sale investments	1,855	-
Gain on sale of investments	(2,361)	(285)
Share grant reserve	942	-
Operating profit before changes in operating assets and liabilities	2,768	6,372
Working capital adjustments:		
Other assets	2,825	(1,184)
Due to financial institutions	18,722	4,774
Due from financial institutions	(19,500)	-
Accounts payable	(8)	(25,522)
Other liabilities	(1,810)	3,285
Net cash from (used in) operating activities	2,997	(12,275)
INVESTING ACTIVITIES		
Purchase of investments	(37,102)	(24,438)
Proceeds from investments	22,387	11,280
Net movement in fixed assets	(559)	(793)
Net cash used in investing activities	(15,274)	(13,951)
FINANCING ACTIVITY		
Dividend paid	-	(2,385)
Net cash used in financing activity	-	(2,385)
DECREASE IN CASH AND CASH EQUIVALENTS	(12,277)	(28,611)
Cash and cash equivalents at beginning of the period	51,236	29,262
CASH AND CASH EQUIVALENTS AT END OF THE PERIOD	38,959	651
Cash and cash equivalents comprise of:		
Cash and bank balances	10,967	253
Due from financial institutions with original maturities of less than 90 days	27,992	398
	38,959	651

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

CAPITAL MANAGEMENT HOUSE B.S.C.(c)

STATEMENT OF CHANGES IN EQUITY

Six month period ended 30 June 2009 (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	Total	
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	-	-	-	-	3,072	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	

	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	Total	
Balance at 1 January 2008	47,700	-	631	563	3,003	327	2,385	-	6,909	54,609	
Fair value gain on available-for-sale investments	-	-	-	-	1,018	-	-	-	1,018	1,018	
Net income for the period	-	-	-	-	-	11,051	-	-	11,051	11,051	
Fair value gain on investments designated at fair value through profit and loss	-	-	-	-	4,536	(4,536)	-	-	-	-	
Proposed dividends	-	-	-	-	-	-	(2,385)	-	(2,385)	(2,385)	
Balance at 30 June 2008	47,700	-	631	563	8,557	6,842	-	-	16,593	64,293	

The attached explanatory notes 1 to 8 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 30 June 2009 (Unaudited)

1 INCORPORATION AND ACTIVITIES

Capital Management House B.S.C.(c) ("the Company") 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. The Company operates under an Investment Firm (Category I) License issued by the Central Bank of Bahrain (CBB). The Company's registered office is at Office 81, Building B1, Road 365, Block 316, World Trade Center, Manama Center, Kingdom of Bahrain.

The Company aims to provide a full range of Shari'a compliant investment banking products and services as principal/agent. The principle activities of the Company includes:

- Short term investments;
- Capital market: Sukuk securities, equity linked offering, initial public offering and rights issues;
- Advisory services: Mergers and acquisitions, private placement, divestures and real estate developments; and
- Asset management.

At 30 June 2009 the Company has murabaha contracts of \$28.4 million outstanding. This represents shari'ah money placement or deposit accepted by the Company on commercial profit rates from various financial institutions. This activity is not permissible under the Authorisation module (AU-1.1.25) of Volume 4 of the Rule Book issued by CBB for Category-1 licence. The Company has initiated and obtained an in principle approval for upgrade of license to wholesale Islamic investment bank and in accordance with the CBB approval, has increased its paid up capital to US\$ 100 million. The statutory process in respect of the upgrade of license is in progress and the Company expects that this non-compliance will be resolved upon issue of notification of upgrade of license by CBB.

2 INVESTMENT IN SUBSIDIARIES

As at 30 June 2009, the Company has the following subsidiaries (together "the Group"):

<i>Name</i>	<i>Activities/Status</i>	<i>Year of Incorporation</i>	<i>Country of incorporation</i>	<i>Ownership %</i>
CMH Fund Corporation	Incorporated for CMH Enterprise Fund	2007	Cayman Island	100
CMH (Nobelis Capital) limited	Special purpose vehicle for investment	2007	Cayman Island	100
Tamkeen Investment Company B.S.C. (c)	Special purpose vehicle to administer MIP	2008	Kingdom of Bahrain	100

As at 30 June 2009 only Tamkeen Investment Company B.S.C. (c) is operational and has been consolidated.

CAPITAL MANAGEMENT HOUSE B.S.C.(c)

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

At 30 June 2009 (Unaudited)

3 SIGNIFICANT ACCOUNTING POLICIES

The interim condensed consolidated financial statements for the six months ended 30 June 2009 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 2008. In addition, results for six month period ended 30 June 2009 are not necessarily indicative of the results that may be expected for the financial year ended 31 December 2009.

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 (except for the change in accounting policy as mentioned below), for the year ended 31 December 2008, which were prepared in accordance with Financial Accounting Standards issued by Accounting and Auditing Organization for Islamic Financial Institutions (the "AAOIFI"), the Shari'a 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.

The Company changed its accounting policy for investments in properties as follows:

Properties held for rental, or for capital appreciation purposes, or both are classified as investments in properties. Investments in properties are initially recorded at cost, being the fair value of the consideration given and acquisition charges associated with the property. Subsequent to initial recognition, investments in properties are measured at fair value and changes in fair value are recognised in the interim condensed consolidated statement of income.

In accordance with AAOIFI, such gains or losses are appropriated to an investment fair value reserve at the year end. Upon realisation of these gains/losses, these are transferred to retained earnings from investments fair value reserve.

The above change has increased the net income of the Company by USD 1,024 thousands, which has been transferred from retained earnings to cumulative fair value reserve in shareholders equity.

4 DUE FROM FINANCIAL INSTITUTIONS

	<i>Unaudited</i> 30 June 2009 USD'000	<i>Audited</i> 31 December 2008 USD'000
Commodity murabaha receivables	6,502	33,254
Mudaraba Investments	34,139	17,500
Wakala receivables	6,851	-
	47,492	50,754
Less: Provison against past due commodity murabaha receivables	(1,000)	-
	46,492	50,754

CAPITAL MANAGEMENT HOUSE B.S.C.(c)

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

At 30 June 2009 (Unaudited)

5 INVESTMENTS

	<i>Unaudited</i>			<i>Audited</i>		
	<i>30 June 2009</i>			<i>31 December 2008</i>		
	<i>Cumulative</i>	<i>Total</i>		<i>Cumulative</i>	<i>Total</i>	
	<i>fair value</i>	<i>Carrying</i>		<i>fair value</i>	<i>Carrying</i>	
	<i>Cost</i>	<i>adjustment</i>	<i>value</i>	<i>Cost</i>	<i>adjustment</i>	<i>value</i>
	<i>USD'000</i>	<i>USD'000</i>	<i>USD'000</i>	<i>USD'000</i>	<i>USD'000</i>	<i>USD'000</i>
Available-for- sale investments:						
Quoted investments						
Investment securities	5,807	(310)	5,497	2,191	419	2,610
Sukuk	3,683	34	3,717	-	-	-
	9,490	(276)	9,214	2,191	419	2,610
Unquoted investments						
Investment securities	60,692	1,981	62,673	47,003	2,436	49,439
Sukuk	8,043	(1,304)	6,739	12,883	(1,303)	11,580
	68,735	677	69,412	59,886	1,133	61,019
Total available-for- sale investments	78,225	401	78,626	62,077	1,552	63,629
Investments carried at fair value through statement of Income	6,039	6,943	12,982	5,546	6,943	12,489
Investment property*	5,406	1,024	6,430	5,406	-	5,406
Total investments	89,670	8,368	98,038	73,029	8,495	81,524

* Investment property amounting USD 5,406 thousand were pledged against revolving murabaha payable with a related party amounting to USD 2,759 thousand.

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 Company's customers.

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.

The Company has the following credit related commitments.

	<i>Unaudited</i>	<i>Audited</i>
	<i>30 June</i>	<i>31 December</i>
	<i>2009</i>	<i>2008</i>
	<i>USD'000</i>	<i>USD'000</i>
Underwriting commitment	-	15,000
Forward foreign exchange commitment	3,386	10,294
Uncalled capital commitment	24,664	7,436
	28,050	32,730

CAPITAL MANAGEMENT HOUSE B.S.C.(c)

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

At 30 June 2009 (Unaudited)

6 COMMITMENTS AND CONTINGENT LIABILITIES (continued)

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

	<i>Unaudited</i> 30 June 2009 USD'000	<i>Audited</i> 31 December 2008 USD'000
Rentals	1,431	1,620
Commitment related to leasehold improvements	-	159
Commitments related to project developments	133	133
	<u>1,564</u>	<u>1,912</u>

Ijarah Muntahia Bittamleek commitments

The Company 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 2009 USD'000	<i>Audited</i> 31 December 2008 USD'000
Within one year	48	48
After one year but not more than five years	16	40
	<u>64</u>	<u>88</u>
Total commitments and contingent liabilities	<u>29,678</u>	<u>34,730</u>

7 MANAGEMENT INCENTIVE PROGRAM

On 27 March 2008, the Company 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 Company granted 1,066,241 share award to the employees with the vesting period of five years (2008-2012). Of the above, 319,871 shares have vested on 25 March 2009. The Company is currently in the process of completing the statutory formalities associated with the transfer of shares.

CAPITAL MANAGEMENT HOUSE B.S.C.(c)

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

At 30 June 2009 (Unaudited)

8 RELATED PARTY TRANSACTIONS

The Company 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 consolidated balance sheet are as follows:

	Unaudited	Audited
	30 June	31 December
	2009	2008
	USD'000	USD'000
Assets:		
Cash and bank balances	3,412	109
Due from financial institutions	8,020	13,000
Investments	33,218	23,470
Liabilities:		
Due to financial institutions	12,759	4,674
Commitments and contingent liabilities	18,100	25,294

The transactions with related parties included in the interim consolidated statement of income are as follows:

	Unaudited	
	Six months ended	
	30 June	30 June
	2009	2008
	USD'000	USD'000
Income from Islamic finances	96	136
Profit on Islamic finances	(113)	(97)
Gain on sale of investments	-	283
Placement, arranging and underwriting fees	2,175	-
General and administrative costs	(47)	(6)

Compensation of the key management personnel is as follows:

	Unaudited	
	Six months ended	
	30 June	30 June
	2009	2008
	USD'000	USD'000
Long term employee benefits	206	-
Short term employee benefits	468	90
	674	90