

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

30 September 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

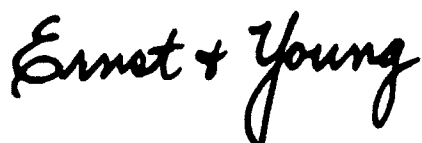
We have reviewed the accompanying interim condensed consolidated financial statements of Capital Management House B.S.C.(c) ('the Company') as at 30 September 2009, comprising of the interim consolidated balance sheet as at 30 September 2009 and the related interim consolidated statements of income, statement of changes in equity and cash flows for the nine 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.

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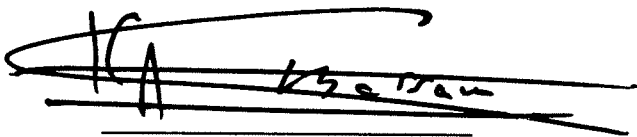
25 October 2009
Manama, Kingdom of Bahrain

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

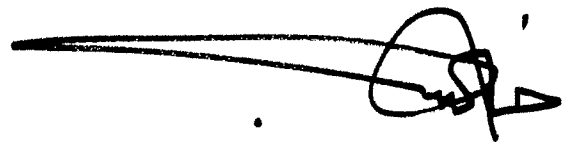
INTERIM CONSOLIDATED BALANCE SHEET

At 30 September 2009 (Unaudited)

	Notes	<i>Unaudited</i> 30 September 2009 USD'000	<i>Audited</i> 31 December 2008 USD'000
ASSETS			
Cash and bank balances		2,291	482
Due from financial institutions	4	32,834	50,754
Investments	5	122,558	81,524
Fixed assets		2,003	1,859
Other assets		1,789	6,280
TOTAL ASSETS		161,475	140,899
LIABILITIES AND EQUITY			
Liabilities			
Due to financial institutions		26,584	9,697
Due to non financial institutions		1,293	40
Other liabilities		230	2,321
Total liabilities		28,107	12,058
Equity			
Share capital		100,000	91,381
Share premium		17,579	17,579
Reserves		15,789	19,881
Total equity		133,368	128,841
TOTAL LIABILITIES AND EQUITY		161,475	140,899
COMMITMENTS AND CONTINGENT LIABILITIES	6	12,028	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

Nine month period ended 30 September 2009 (Unaudited)

	<i>Unaudited</i>		<i>Unaudited</i>	
	<i>Three months ended</i>		<i>Nine months ended</i>	
	30 September	30 September	30 September	30 September
	2009	2008	2009	2008
	USD'000	USD'000	USD'000	USD'000
INCOME				
Income from islamic finances	336	23	1,313	341
Income from investments	1,170	964	4,914	2,604
Placement, arranging and underwriting fees	1,557	1,162	3,755	11,904
Fair value gain on investments designated at fair value through profit and loss	-	-	-	4,536
Fair value gain on investment property	-	-	1,024	-
Total income	3,063	2,149	11,006	19,385
EXPENSES				
Profit on islamic payables	136	209	368	833
Staff costs	762	361	2,211	4,681
General and administrative costs	584	299	1,824	1,128
Project costs	443	11	538	423
Total expenses	1,925	880	4,941	7,065
NET INCOME FOR THE PERIOD BEFORE PROVISION	1,138	1,269	6,065	12,320
Impairment provisions	(949)	-	(2,804)	-
NET INCOME FOR THE PERIOD AFTER PROVISIONS	189	1,269	3,261	12,320

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
 Nine month period ended 30 September 2009 (Unaudited)

	<i>Unaudited</i>	
	<i>Nine months ended</i>	
	30 September	30 September
	2009	2008
	USD'000	USD'000
OPERATING ACTIVITIES		
Net income for the period	3,261	12,320
Adjustments for:		
Depreciation	422	214
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	2,804	-
Gain on sale of investments	(3,486)	(731)
Share grant reserve	1,045	-
Operating profit before changes in operating assets and liabilities	3,022	7,267
Working capital adjustments:		
Other assets	4,491	(688)
Due to financial institutions	16,887	3,174
Due from financial institutions	(7,001)	28,976
Due to non financial institutions	1,253	(24,923)
Other liabilities	(2,091)	3,219
Net cash from operating activities	16,561	17,025
INVESTING ACTIVITIES		
Purchase of investments	(66,288)	(24,019)
Proceeds from investments	28,681	11,763
Net movement in fixed assets	(566)	(1,075)
Net cash used in investing activities	(38,173)	(13,331)
FINANCING ACTIVITIES		
Dividend paid	-	(2,385)
Purchase of treasury shares	-	(3,750)
Proceeds from treasury shares	-	4,336
Net cash used in financing activity	-	(1,799)
(DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS	(21,612)	1,895
Cash and cash equivalents at beginning of the period	51,236	286
CASH AND CASH EQUIVALENTS AT END OF THE PERIOD	29,624	2,181
Cash and cash equivalents comprise of:		
Cash and bank balances	2,291	428
Due from financial institutions with original maturities of less than 90 days	27,333	1,753
	29,624	2,181

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

Nine month period ended 30 September 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
Balance at 1 January 2009	91,381	17,579	2,071	563	8,495	133	8,619	-	19,881	128,841
Fair value gain on available-for-sale investments	-	-	-	-	221	-	-	-	221	221
Net income for the period	-	-	-	-	1,024	3,261	-	-	3,261	3,261
Fair value gain on investment properties	-	-	-	-	(1,024)	-	-	-	-	-
Share grant reserve (FY 2008) (note 7)	-	-	-	-	-	-	-	736	736	736
Share grant vesting charge (FY 2009) (note 7)	-	-	-	-	-	-	-	309	309	309
Proposed dividends	-	-	-	-	-	-	(8,619)	-	(8,619)	-
Balance at 30 September 2009	100,000	17,579	2,071	563	9,740	2,370	-	1,045	15,789	133,368

	Reserves						Total Equity USD'000			
	Share capital USD'000	Share premium USD'000	Treasury shares 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	Total reserve USD'000
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	-	-	-	-	-	887	-	-	887	887
Net income for the period	-	-	-	-	-	-	12,320	-	12,320	12,320
Fair value gain on investments designated at fair value through profit and loss	-	-	-	-	-	4,536	(4,536)	-	-	-
Treasury shares purchased	-	-	(3,750)	-	-	-	-	-	-	-
Treasury shares reallocated	-	-	4,336	-	-	-	-	-	-	-
Transfer to share premium	-	586	(586)	-	-	-	-	-	-	586
Proposed dividends	-	-	-	-	-	-	-	(2,385)	(2,385)	(2,385)
Balance at 30 September 2008	47,700	586	-	631	563	8,426	8,111	-	17,731	66,017

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 September 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. Until 7 October 2009 the Company operated under an Investment Firm (Category I) License issued by the Central Bank of Bahrain (CBB) and from 7 October 2009 Central Bank of Bahrain has upgraded its license to a "Wholesale Islamic Bank". 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;
- Asset management; and
- Islamic deposit products and unrestricted accounts to customers.

2 INVESTMENT IN SUBSIDIARIES

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

3 SIGNIFICANT ACCOUNTING POLICIES

The interim condensed consolidated financial statements for the nine months ended 30 September 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 nine month period ended 30 September 2009 are not necessarily indicative of the results that may be expected for the financial year ended 31 December 2009.

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

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

At 30 September 2009 (Unaudited)

3 SIGNIFICANT ACCOUNTING POLICIES (continued)

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 September 2009 <i>USD'000</i>	<i>Audited</i> 31 December 2008 <i>USD'000</i>
Commodity murabaha receivables	13,310	33,254
Mudaraba Investments	21,024	17,500
	34,334	50,754
Less: Provison against past due from commodity murabaha receivables	(1,500)	-
	32,834	50,754

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

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

At 30 September 2009 (Unaudited)

5 INVESTMENTS

	<i>Unaudited</i> 30 September 2009			<i>Audited</i> 31 December 2008		
	<i>Cost</i> USD'000	<i>Cumulative fair value adjustment</i> USD'000	<i>Total Carrying value</i> USD'000	<i>Cost</i> USD'000	<i>Cumulative fair value adjustment</i> USD'000	<i>Total Carrying value</i> USD'000
Available-for- sale investments:						
Quoted investments						
Investment securities	5,807	(153)	5,654	2,191	419	2,610
Sukuk	6,072	443	6,515	-	-	-
	11,879	290	12,169	2,191	419	2,610
Unquoted investments						
Investment securities	82,322	1,483	83,805	47,003	2,436	49,439
Sukuk	7,172	-	7,172	12,883	(1,303)	11,580
	89,494	1,483	90,977	59,886	1,133	61,019
Total available-for- sale investments	101,373	1,773	103,146	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	112,818	9,740	122,558	73,029	8,495	81,524

* Investment property amounting USD 6,430 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> 30 September 2009 USD'000	<i>Audited</i> 31 December 2008 USD'000
Underwriting commitment	-	15,000
Forward foreign exchange commitment	3,429	10,294
Uncalled capital commitment	7,064	7,436
	10,493	32,730

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

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

At 30 September 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 September 2009 USD'000	<i>Audited</i> 31 December 2008 USD'000
Rentals	1,350	1,620
Commitment related to leasehold improvements	-	159
Commitments related to project developments	133	133
	1,483	1,912

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 September 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	4	40
	52	88
Total commitments and contingent liabilities	12,028	34,730

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 September 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 September	31 December
	2009	2008
	USD'000	USD'000
Assets:		
Cash and bank balances	422	109
Due from financial institutions	10,319	13,000
Investments	40,589	23,470
Liabilities:		
Due to financial institutions	12,259	4,674
Commitments and contingent liabilities	1,064	25,294

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

	Unaudited	
	Nine months ended	
	30 September	30 September
	2009	2008
	USD'000	USD'000
Income from islamic finances	409	142
Profit on islamic finances	(201)	(313)
Gain on sale of investments	-	658
Placement, arranging and underwriting fees	3,616	-
General and administrative costs	(73)	(23)

Compensation of the key management personnel is as follows:

	Unaudited	
	Nine months ended	
	30 September	30 September
	2009	2008
	USD'000	USD'000
Long term employee benefits	309	2,343
Short term employee benefits	721	533
	1,030	2,876