

# Regulatory Story

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<b>Company</b>	<a href="#">Shariah Capital, Inc</a>
<b>TIDM</b>	SCAP
<b>Headline</b>	Interim Results
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Shariah Capital, Inc  
30 September 2009

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Shariah Capital Inc. ("Shariah Capital" or "the Company")

## Interim Results

The Board of Shariah Capital is pleased to announce Shariah Capital's interim results for the period ending 30 June 2009.

Shariah Capital is a U.S.-based company that creates and customizes Shariah compliant financial products and platforms and provides Shariah consulting and advisory services primarily to financial institutions and investment firms with product initiatives directed to Islamic investors.

### Chairman's Statement

Through its joint venture partnership with the Dubai Multi Commodities Centre Authority (DMCCA), in the first half of 2009 Shariah Capital:

- Launched the DSAM Kauthar funds. The DSAM Kauthar funds are a series of four commodity-focused, Shariah compliant, long/short equity hedge funds seeded with \$50 million each by DMCCA and registered in separately-managed accounts on the Al Safi Trust platform built by Shariah Capital in collaboration with Barclays Capital. The funds are distributed in the UAE by Dubai Commodities Asset Management, a 100% subsidiary of DMCCA and our partner in Dubai Shariah Asset Management (or "DSAM"). DSAM develops Shariah compliant investment products and distributes the DSAM Kauthar funds outside of the UAE. Based on unaudited results, as of mid September, 2009,

DSAM Kauthar assets have grown to more than \$230 million. The Company, in its role as Shariah Advisor for Al Safi Trust, receives revenue based on net assets under management for the DASM Kauthar Funds.

- Developed the Dubai Shariah Hedge Fund Index, an equally-weighted index comprised of the above single-strategy DSAM Kauthar funds, independently calculated and reported by Thomson Reuters. The index serves as a benchmark for Islamic investors who invest in Shariah compliant alternative assets and reflects the performance of the DSAM Kauthar Commodity Fund, Ltd., a fund-of-funds comprised of the four individual DSAM Kauthar strategies. The DSAM Kauthar Commodity Fund and the single-strategy DSAM Kauthar funds are now open to qualifying, Non-U.S. institutional and individual investors.
- Acted as Shariah advisor to a partnership between the DMCCA and the World Gold Council for the first Shariah compliant gold ETC (exchange-traded commodity), a unique publicly-traded certificate that can be redeemed by an investor for physical gold.

The Company intends to leverage its first mover advantage in creating Shariah compliant platforms (like the Al Safi Trust), seeding Shariah compliant hedge funds (like the DSAM Kauthar funds), and advising on investment products like the Shariah compliant gold ETC to grow its businesses in these areas. The Company is currently working on projects that would diversify its product range to include private equity funds, indexes and ETF (exchange-traded fund) vehicles.

### **First Half 2009 Achievements**

At the March 2009 Hedge Funds World Middle East Conference in Dubai, Shariah Capital and Barclays Capital shared the "Best Islamic Alternative Investment Product" award for their development of the Al Safi Trust platform. The Al Safi Trust is our comprehensive Shariah compliant platform designed primarily for single-strategy hedge funds that provide Shariah screening and arboon short-sale solutions along with prime brokerage (Barclays Capital), administration (Citco Fund Services), auditing (PricewaterhouseCoopers) and independent trustee oversight (Walkers) within a pre-established Cayman trust framework.

The same conference awarded me, as Shariah Capital Chairman and CEO, its "Special Merit Award for Outstanding Industry Contribution" for my individual efforts developing Shariah compliant hedge funds, funds of hedge funds and customized Shariah compliant financial product platforms.

The successful launch of the DSAM Kauthar funds, the Shariah compliant exchanged-traded commodity, industry recognition from the above awards, and the outstanding portfolio performance of the managers notwithstanding, the first half of 2009 was not without its challenges.

The global economic downturn that began in 4Q08 and continued through 1H09, exacerbated by negative press surrounding the Madoff scandal, negatively impacted our business partners and their commitments to raise assets for the Al Safi Trust and the DSAM Kauthar funds. Global investor antipathy for hedge funds (Shariah or otherwise) and investor resistance at committing new funds to a volatile equity environment likewise curtailed marketing plans and frustrated efforts to expand the number of hedge fund strategies on Al Safi.

In reaction to these market uncertainties, which affected both our business initiatives and those of our partners, the Company instituted strict cost controls in 1H09. These controls resulted in reduced expenditures for the Company year-over-year from 2008 to 2009.

Despite challenges on many fronts, the Board is pleased with management's execution of the Company's strategy thus far in 2009. It has enhanced the Company's reputation and sustained last year's momentum by generating additional revenues, assets and new business opportunities.

## **Personnel**

Mohammad Jamjoum returned from Dubai after overseeing the opening of our office there and the launch of the DSAM Kauthar funds. He remains a non-executive member of the Board of Directors. The Dubai office currently operates under our Dubai Shariah Asset Management joint venture where it is capably staffed by Scott Rickards.

## **Financial Review**

During the six months ended 30 June 2009, Shariah Capital realized a net loss of \$1,064,009 (including a loss of \$230,239 from the Company's portion of the start-up expenses for its Dubai Shariah Asset Management unconsolidated joint venture) compared to a loss of \$1,793,410 for the same period in 2008.

The Company generated first half revenues of \$684,175 compared to \$87,469 in 2008, the result of fee income principally from its Al Safi Trust and DSAM investment products.

Total expenses during the six months ended 30 June 2009, were \$1,517,495, compared to total expenses of \$1,880,879 for the same period in 2008. Cash charges were attributable primarily to management salaries and administrative expenses. Non-cash charges related to stock compensation expenses for the six-month period ending 30 June 2009 were \$445,984, compared to \$396,120 for the comparable period in 2008.

## **Liquidity and Capital Resources**

In addition to increasing revenues, the Company diligently reduced spending and conserved cash during the first half of 2009. Its cash equivalent and securities position as at 30 June 2009 is over

\$5.1 million. Management believes that the Company's assets are adequate to fulfill existing commitments and pursue additional new business opportunities for the foreseeable future.

## **Outlook**

The Company expects that the environment for raising hedge fund assets, whether Shariah compliant or conventional, will remain challenging. We likewise expect that our business partners will continue to feel the effects of the recent global meltdown. Nonetheless, we do see signs of improving market sentiment and investor interest. We anticipate these positive developments will encourage our partners and persuade them to revive their marketing plans for Al Safi and the DSAM Kauthar funds.

Looking ahead, we now want to utilize our success in Shariah compliant hedge funds and exchange-traded commodities to diversify our product range - prudently and strategically. Consequently, we are exploring a range of opportunities including additional Shariah compliant ETF's and private equity funds, and providing capital introduction advisory services. While firmly committed to bringing more hedge fund managers onto the Al Safi platform with Barclays and raising new assets for our existing managers, we recognize the importance of expanding our Shariah capabilities into other areas where we once again can gain a first mover or other strategic advantage.

## **Summary**

In collaboration with institutions like Barclays Capital and the Dubai government, we are confident that the Shariah compliant investment products we develop will weather continuing global market uncertainties and generate a number of new opportunities for our business. The first half of 2009 has affirmed our conviction that we remain well-positioned to benefit from the increasing demand for Islamic investment products.

As always, we are sincerely grateful to our shareholders for their continued confidence and support.

Eric Meyer  
Chairman and CEO

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## BALANCE SHEETS (UNAUDITED)

<i>June 30,</i>	<b>2009</b>	2008
<b>Assets</b>		
Cash and cash equivalents	\$2,473,463	\$1,510,643
Certificates of deposit	2,710,090	1,756,100
Securities purchased, at fair value	-	3,508,131
Fees and miscellaneous receivables	369,464	-
Due from related parties (Notes 2 and 7)	47,281	6,336
Prepaid expenses and other current assets	50,388	96,287
<b>Total current assets</b>	<b>\$5,650,686</b>	<b>\$6,877,497</b>
Property and equipment-net (Note 3)	6,933	6,670
<b>Total assets</b>	<b>\$5,657,619</b>	<b>\$6,884,167</b>
<b>Liabilities and Stockholders' Equity</b>		
Non-Controlling Investment in DSAM Joint Venture (Note 7)	99,160	-
Accrued expenses and other current liabilities	221,030	204,042
<b>Total liabilities</b>	<b>\$320,190</b>	<b>\$204,042</b>
<b>Commitments (Note 4)</b>		
<b>Stockholders' equity:</b>		
Common stock, \$.01 par value, 70,000,000 shares authorized; 61,744,132 shares issued and outstanding for June 30, 2009 and June 30, 2008, respectively	617,441	617,441
Treasury stock at cost, 42,450 shares (Note 2)	(84,900)	-
<b>Additional paid in-capital</b>	<b>12,883,541</b>	<b>11,896,410</b>

<b>Deficit</b>	(8,078,653)	(5,833,726)
<b>Total stockholders' equity</b>	5,337,429	6,680,125
<b>Total liabilities and stockholders' equity</b>	\$5,657,619	\$6,884,167

*See accompanying significant accounting policies and notes to financial statements.*

## STATEMENTS OF OPERATIONS (UNAUDITED)

<i>Six months ended June 30,</i>	<b>2009</b>	<b>2008</b>
<b>Revenues</b>		
Fee income	\$ 625,075	\$ -
Consulting	37,621	9,980
Interest income	20,077	74,483
Dividend income	2,909	6
Net change in unrealized (depreciation)	(1,507)	-
Rental income (Note 4)	-	3,000
<b>Total revenues</b>	<b>\$684,175</b>	<b>\$ 87,469</b>
<b>Expenses</b>		
General and administrative expenses (Notes 3, 4, and 5)	\$ 1,481,007	\$ 1,753,485
R&D expenses	-	43,945
Consulting expenses	36,938	83,449
<b>Total expenses</b>	<b>\$ 1,517,495</b>	<b>\$ 1,880,879</b>
<b>Operating loss</b>	<b>\$(833,770)</b>	<b>\$(1,793,410)</b>
<b>Equity in loss of unconsolidated joint venture (Note 7)</b>	<b>\$ (230,239)</b>	<b>-</b>
<b>Net loss</b>	<b>\$(1,064,009)</b>	<b>\$ (1,793,410)</b>
<b>Loss per share, basic and diluted</b>	<b>\$ (.02)</b>	<b>\$ (.03)</b>
<b>Weighted average shares outstanding, basic and diluted</b>	<b>60,244,132</b>	<b>58,707,679</b>

*See accompanying significant accounting policies and notes to financial statements.*

{NOT PROVIDED FOR MID YEAR REPORTING}

## STATEMENTS OF CASH FLOWS (UNAUDITED)

<i>Six months ended June 30,</i>	<b>2009</b>	<b>2008</b>
<b>Cash flows from operating activities:</b>		
Net loss	\$(1,064,009)	\$(1,793,410)
Adjustments to reconcile net loss to net cash used in operating activities:		
Stock compensation and consulting expense	445,984	396,120
Equity in loss of unconsolidated joint venture	230,239	-
Net change in unrealized depreciation	1,507	-
Depreciation and amortization	1,509	1,152
Changes in operating assets and liabilities:		
Fees and miscellaneous receivables	(87,091)	-
Prepaid expenses and other current assets	21,273	(3,212)
Accounts payable	-	(956)
Accrued expenses and other current liabilities	74,100	105,126
<b>Net cash used in operating activities</b>	<b>(376,488)</b>	<b>(1,295,180)</b>
<b>Cash flows used in investing activities:</b>		
Cost of securities purchased	-	(3,508,131)
Purchase of certificates of deposit	(1,160,005)	-
Redemptions of certificate of deposit	231,498	458,277
Investment in DSAM Joint Venture	(137,478)	-
Purchase of property and equipment	-	(1,443)
<b>Net cash provided by investing activities</b>	<b>(1,065,985)</b>	<b>(3,051,297)</b>
<b>Cash flows from financing activities:</b>		
Proceeds from sale of common stock, net of AIM expenses	-	5,643,377
Due from related parties	133,399	58,839
<b>Net cash provided by (used in) operating activities</b>	<b>133,399</b>	<b>5,702,216</b>
<b>Net increase/(decrease) in cash</b>	<b>(1,309,074)</b>	<b>1,355,739</b>
Cash, beginning of period	3,782,537	154,904
Cash, end of period	\$2,473,463	\$ 1,510,643

*See accompanying significant accounting policies and notes to financial statements*

### The Company and Nature of Operations

Shariah Capital, Inc. ("the Company") was formed on September 6, 2006 as a Delaware Corporation. The

Company creates and customizes Shariah-compliant financial products and platforms and provides Shariah consulting and advisory services primarily to financial institutions and investment firms with product initiatives directed to Islamic investors. Specifically, the Company has built proprietary solutions endorsed by prominent Shariah scholars that enable hedge fund and other alternative investment managers to manage their portfolios consistent with their existing strategies and processes while complying with Shariah. Typically, the Company charges its clients a percentage of assets under management for these solutions. The Company's targeted clients are financial institutions and investment management firms that are building product platforms primarily directed to the Middle East and Far East and, specifically to, Islamic institutional and high net worth investors. The Company continues to explore and expects to pursue a number of business opportunities with financial and investment firms in Europe, Asia and the United States.

The Company also provides consulting and advisory services delivered separately under professional service contracts. These projects generally earn an up-front non-refundable retainer upon engagement; a progress fee upon completion of certain project deliverables; and a final payment upon completion of the mandate.

### **Revenue Recognition**

Revenue derived from ongoing Shariah services that is calculated based on assets under management or net asset value of a fund is recognized based on the accrual method. Consulting services arrangements are billed on a time and materials basis and, accordingly, revenue is recognized as the services are performed.

### **Property, Equipment and Depreciation**

Property and equipment are stated at cost. Depreciation and amortization are provided principally on the straight-line method over the estimated useful lives. Fully depreciated assets are written off in the year following its last depreciation charge. The estimated useful life of the computer equipment is 5 years.

### **Cash and cash equivalents**

Cash and cash equivalents consist of short term highly liquid investments purchased with original maturities of three months or less and are readily convertible into cash.

### **Concentration of Credit Risk**

The Company maintains cash balances with one or more financial institutions. The balance in these accounts at these institutions at times maybe in excess of the FDIC insured

limit. The Company has not expensed any losses on such accounts.

Additionally, the Company maintains a brokerage account with a financial institution. The balance in this account at this institution at times may be in excess of the SIPC insured limit. The Company has not expensed any losses on such accounts.

## **Advertising**

The Company expenses advertising costs as they are incurred.

## **Income Taxes**

The Company is taxable as a C Corp. under the provisions of the Internal Revenue Code. The Company is responsible for minimum taxes to the States of Delaware and Connecticut. Due to the current period loss, no income tax provision has been made in the accompanying financial statements and only the required minimum and capital taxes have been provided for.

The Company records deferred income tax assets and liabilities for the tax consequences of "temporary differences" by applying statutory tax rates expected to be applicable in future years to differences between the financial statement carrying amounts and the tax bases of existing assets and liabilities.

A valuation allowance reduces deferred tax assets when it is more likely than not that some or all of the deferred tax assets will not be realized. (See Note 6.)

The Company adopted FASB Interpretation No. 48 "Accounting for Uncertainty in Income Taxes ("FIN 48") on January 1, 2008. Under FIN 48, tax benefits are recognized only for tax positions that are more likely than not to be sustained upon examination by tax authorities. The amount recognized is measured as the largest amount of benefit that is greater than 50 per cent likely to be realized upon ultimate settlement. Unrecognized tax benefits are tax benefits claimed or to be claimed in tax returns that do not meet these recognition and measurement standards. The Company's adoption of FIN 48 did not have a material effect on the Company's financial statements.

As permitted by FIN 48, the Company also adopted an accounting policy to prospectively classify accrued interest and penalties related to any unrecognized tax benefits in the Company's income tax provision. Previously, the Company's policy was to classify interest and penalties as an operating expense in arriving at pre-tax income. At June 30, 2009, the Company does not have accrued interest and penalties related to any unrecognized tax benefits. The years subject to potential audit vary depending on the tax jurisdiction. Generally, the Company's statute of limitation for tax liabilities is open for tax years ended December 31, 2006 and December 31, 2007 and forward. The Company's major taxing jurisdictions include

**Recent Accounting Pronouncements**

the U.S., Connecticut and Delaware.

On January 1, 2009, the Company adopted SFAS No. 141 (revised 2007), "Business Combinations" (SFAS 141R), which requires an acquirer to do the following: expense acquisition related costs as incurred; to record contingent consideration at fair value at the acquisition date with subsequent changes in fair value to be recognized in the income statement; and any adjustments to the purchase price allocation are to be recognized as a period cost in the income statement. SFAS 141R applies prospectively to business combinations for which the acquisition date is on or after the first annual reporting period beginning on or after December 15, 2008. Earlier application is prohibited. The Company had no acquisitions during the current reporting period.

On January 1, 2009, the Company adopted SFAS No. 160, "Noncontrolling Interests in Consolidated Financial Statements—an amendment of ARB No. 51." This statement establishes accounting and reporting standards for the noncontrolling interest in a subsidiary and for the deconsolidation of a subsidiary. See footnote 7.

On January 1, 2009, the Company adopted SFAS No. 161, "Disclosures about Derivative Instruments and Hedging Activities - an amendment of FASB Statement No. 133," which changes the disclosure requirements for derivative instruments and hedging activities. Entities are required to provide enhanced disclosures about (a) how and why an entity uses derivative instruments, (b) how derivative instruments and related hedged items are accounted for under SFAS No. 133 and its related interpretations, and (c) how derivative instruments and related hedged items affect an entity's financial position, financial performance, and cash flows. The adoption of SFAS No. 161 has not had a material impact on our results of operations or our financial position.

In April 2009, the FASB issued FASB Staff Position No. FAS 107-1 and APB 28-1, "Interim Disclosures about Fair Value of Financial Instruments," which requires disclosures about fair value of financial instruments for interim reporting periods of publicly traded companies as well as in annual financial statements. This Staff Position is effective for interim reporting periods ending after June 15, 2009. The adoption of this Staff Position did not have a material effect on our operations or our financial position.

In April 2009, the FASB issued FASB Staff Position No. FAS 115-2 and FAS 124-2, "Recognition and Presentation of Other-Than-Temporary Impairments," which amends the other-than-temporary impairment guidance in U.S. GAAP for debt securities to make the guidance more operational and to improve the presentation and disclosure of other-than-temporary impairments on debt and equity securities in the financial statements. This Staff Position is effective for interim and annual reporting periods ending after June 15, 2009, with early adoption permitted for periods ending after March 15, 2009. The adoption of this Staff Position did not have an effect on

our operations or our financial position.

In May 2009, the FASB issued SFAS No. 165, "Subsequent Events." SFAS No. 165 establishes principles and requirements for subsequent events, which are events or transactions that occur after the balance sheet date but before financial statements are issued or are available to be issued. In particular, SFAS No. 165 sets forth (a) the period after the balance sheet date during which management of a reporting entity shall evaluate events or transactions that may occur for potential recognition or disclosure in the financial statements, (b) the circumstances under which an entity shall recognize events or transactions occurring after the balance sheet date in its financial statements, and (c) the disclosures that an entity shall make about events or transactions that occurred after the balance sheet date. SFAS No. 165 is effective for interim or annual financial periods ending after June 15, 2009 and is to be applied prospectively. The adoption of SFAS No. 165 did not have a material impact on our results of operations or our financial position.

In June 2009, the FASB issued SFAS No. 166, "Accounting for Transfers of Financial Assets - an amendment of FASB Statement No. 140." The objective of SFAS No. 166 is to improve the relevance, representational faithfulness, and comparability of the information that a reporting entity provides in its financial reports about a transfer of financial assets; the effects of a transfer on its financial position, financial performance, and cash flows; and a transferor's continuing involvement in transferred financial assets. Additionally, on and after the effective date, the concept of a qualifying special-purpose entity is no longer relevant for accounting purposes. SFAS No. 166 is effective as of the beginning of each reporting entity's first annual reporting period that begins after November 15, 2009, for interim periods within that first annual reporting period, and for interim and annual reporting periods thereafter. Earlier application is prohibited. The recognition and measurement provisions of SFAS No. 166 are to be applied to transfers that occur on or after the effective date. The adoption of SFAS No. 166 is not expected to have an impact on our results of operations or our financial position.

In June 2009, the FASB issued SFAS No. 167, "Amendments to FASB Interpretation No. 46(R)." SFAS No. 167 amends FASB Interpretation 46(R) to require an enterprise to perform an analysis to determine whether an enterprise's variable interest or interests give it a controlling financial interest in a variable interest entity by replacing the quantitative-based risks and rewards calculation for determining which enterprise, if any, has a controlling financial interest in a variable interest entity with an approach focused on identifying which enterprise has the power to direct the activities of a variable interest entity that most significantly impact the entity's economic performance and has the obligation to absorb losses of or the right to receive benefits from the entity. SFAS No. 167 also requires ongoing reassessments of whether an enterprise is the primary beneficiary of a variable interest

entity. SFAS No. 167 is effective as of the beginning of each reporting entity's first annual reporting period that begins after November 15, 2009, for interim periods within that first annual reporting period, and for interim and annual reporting periods thereafter. Earlier application is prohibited. The Company is in the process of evaluating the effect on our operations and financial position of the adoption of SFAS No. 167.

In June 2009, the FASB issued SFAS No. 168, "The FASB Accounting Standards Codification™ and the Hierarchy of Generally Accepted Accounting Principles - a replacement of FASB Statement No. 162" (also issued as Accounting Standards Update No. 2009-01). SFAS No. 168 establishes the FASB Accounting Standards Codification as the source of authoritative accounting principles recognized by the FASB to be applied by nongovernmental entities in the preparation of financial statements in conformity with generally accepted accounting principles. SFAS No. 168 is effective for financial statements issued for interim and annual periods ending after September 15, 2009. The adoption of SFAS No. 168 is not expected to have a material impact on our results of operations or our financial position.

**Use of Estimates**

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

**Earnings (loss) per share**

Basic and diluted net loss per share allocable to common stockholders are presented in conformity with SFAS No. 128, "Earnings per Share." In accordance with SFAS No. 128, basic and diluted net loss per share has been computed using the weighted-average number of shares of common stock outstanding during the period, less any shares subject to restriction.

The number of weighted average shares of common stock outstanding excluded from the calculation of basic and diluted net loss per share because they were antidilutive was 1,500,000 and 1,720,577 for the six months ended June 30, 2009 and June 30, 2008, respectively. Had they been dilutive, such shares would have been included in the computation of diluted net loss per share.

**Fair Value Measurements**

On January 1, 2008, the Company adopted Statement of Financial Accounting Standards ("SFAS") No. 157, "Fair Value Measurements." SFAS No. 157 establishes a hierarchy for inputs used in measuring fair value that maximizes the use of observable inputs and minimizes the use of unobservable inputs by requiring that the most observable inputs be used when available. Observable inputs are inputs that market participants would use in pricing the asset or liability developed based on market data obtained from sources independent of the Company. Unobservable inputs are inputs that reflect the Company's

assumptions about the assumptions market participants would use in pricing the asset or liability developed based on the best information available in the circumstances. The hierarchy is broken down into three levels based on the reliability of inputs as follows:

Level 1 - Valuations based on quoted prices in active markets for identical assets or liabilities. Valuation adjustments and block discounts are not applied to Level 1 instruments. Since valuations are based on quoted prices that are readily and regularly available in an active market, valuation of these products does not entail a significant degree of judgment.

Level 2 - Valuations based on quoted prices in markets that are not active or for which all significant inputs are not observable, either directly or indirectly.

Level 3 - Valuations based on inputs that are unobservable and significant to the overall fair value measurement.

The availability of observable inputs can vary from product to product and is affected by a wide variety of factors, including, for example, the type of product, whether the product is new and not yet established in the marketplace, and other characteristics particular to the transaction. To the extent that valuation is based on models or inputs that are less observable or unobservable in the market, the determination of fair value requires more judgment. Accordingly, the degree of judgment exercised by the Company in determining fair value is greatest for instruments categorized in Level 3. In certain cases, the inputs used to measure fair value may fall into different levels of the fair value hierarchy. In such cases, for disclosure purposes the level in the fair value hierarchy within which the fair value measurement in its entirety falls is determined based on the lowest level input that is significant to the fair value measurement in its entirety.

Fair value is a market-based measure considered from the perspective of a market participant rather than an entity-specific measure. Therefore, even when market assumptions are not readily available, the Company's own assumptions are set to reflect those that market participants would use in pricing the asset or liability at the measurement date. The Company uses prices and inputs that are current as of the measurement date, including during periods of market dislocation.

The following are the type of investments the Company held as of June 30, 2009:

#### *Certificates of Deposit*

The Company had approximately \$2,700,000 and \$1,800,000 under certificates of deposit at June 30, 2009 and June 30, 2008, respectively. The carrying values of the CDs represented the fair values as of June 30, 2009 and June 30, 2008. The CDs are classified as a Level 2 investment.

- 1. Private** In September 2006, Meyer entered into a "Master

**Placement and Recapitalization** Participation Agreement" with numerous individuals and entities. These participants provided funding in the aggregate of \$1.2 million. In addition, in October 2006, Meyer closed a private placement of a sale of equity in Meyer. The total capital provided from these transactions was \$5,740,600, and was used for working capital for the Company and funding costs and expenses related to having the Company's common stock admitted for trading on the London Alternative Investment Market (the "AIM"). On December 13, 2006, the Company started publicly trading on the AIM under the ticker symbol ("SCAP.L").

**2. Employee Transactions** In December 2008, the Company acquired 42,450 shares of common stock from its Managing Director and Treasurer as payment for the employee's tax obligation which arose from the vesting of certain restricted stock. Such stock is held as treasury shares by the Company.

As of June 30, 2008, the Company had a receivable from an employee in the amount of \$6,336. The amount was repaid by the employee during the third quarter of 2008.

**3. Property and Equipment - net** Property and equipment - net, held and used at June 30, 2009 and 2008 consist of the following:

June 30,	2009	2008
Computer equipment	<b>\$15,094</b>	\$12,002
Less: Accumulated depreciation and amortization	<b>8,161</b>	5,332
	<b>\$6,933</b>	\$6,670

Depreciation expense amounted to \$1,509 and \$1,152 for the six months ended June 30, 2009 and June 30, 2008, respectively, and is included in general and administrative expenses.

**4. Commitments and Contingencies** *Operating Leases*

The Company is a party to an operating lease agreement relating to the rental of its corporate office that expires on August 31, 2009, with an annual base rent of approximately \$50,000. The Company is in the process of evaluating its options with respect to leasing its corporate office. The lease also includes a provision to pay additional rent for their proportionate share of utilities of approximately \$1,800 per month over the lease term. Rent

expense amounted to \$48,026 and \$80,701 for the six months ended June 30, 2009 and June 30, 2008, respectively, and is included in general and administrative expenses. The Company sublet a portion of this corporate office on a month-to-month basis to one tenant for a portion of 2008 and all of 2007. It no longer sublets this space. Rental income amounted to \$3,000 for the six months ended June 30, 2008.

The Company was also a party to a month-to-month operating lease agreement relating to the rental of corporate office space in Dubai, which commenced in April 2007 and ended in July 2008.

**Employment  
Agreements**

The Company entered into employment agreements with its management employees effective December 7, 2006 whereby annual salaries aggregate \$1,050,000. The agreements have no termination date, however, provide for 6 to 12 months notice of termination and provide for the annual salaries to be paid through that termination date. In addition, the agreement with the Chairman and Chief Executive Officer of the Company provides for a \$650,000 termination fee.

**Non Executive  
Director Service  
Agreement**

From January 1, 2008 to September 18, 2008, the Company was a party to a Non Executive Director Service Agreement whereby a non-executive individual served on the Board of Directors for an annual fee of \$32,500. The 2008 annual fee was pro-rated through its termination, and the non-executive director was paid a total amount in 2008 of \$16,250 in connection with his service under this agreement. From September 2008 to April 2009, this individual assisted the Company's DSAM joint venture, and was compensated through DSAM. Since May 2009, the individual has been compensated by the Company as a non-executive director in the amount of \$4,792.

**5. Share Based  
Compensation**

The Company accounts for share based compensation cost in accordance with Statement of Financial Accounting Standards No. 123(R), "Share-based Payment". Under this standard, compensation cost is recognized over the service period which is usually the vesting period of the award. The Company used the fair value of the stock at the date of grant and a straight line amortization of the compensation expense over the requisite service period of the grant.

The Company granted 2,700,000 shares of restricted stock on December 7, 2006 to several of its employees. These 2006 restricted stock grants vest over a period of three years. Under the provisions of SFAS 123R, share-based compensation cost is measured at the grant date, based on the calculated fair value of the award, and is recognized as an expense over the employee's requisite service period, which is the

vesting period of the grant.

In December 2007, the Company amended the December 7, 2006 restricted stock grants for two of its employees. The amendment increased the December 7, 2006 tranche of shares by 5%, or 47,500 shares and moved the vesting date from December 7, 2007 to March 31, 2008, subject to earlier acceleration at the option of the Company.

In December 2008, the Company amended the December 7, 2006 restricted stock grants for two of its employees. The amendment moved the vesting date for 600,000 shares of common stock (300,000 shares for each employee) from December 7, 2008 to December 7, 2009.

Compensation expense of \$445,984 and \$396,120 were recorded for the six months ended June 30, 2009 and June 30, 2008, respectively, in connection with the restricted stock grants and is included in general and administrative expenses. Additional compensation expense costs amounting to \$394,071 will be recognized over the next year.

## **6. Income Taxes**

The Company has net operating loss carry forwards of approximately \$4,971,000 available to reduce any future income taxes, expiring at various times from 2026 to 2027. The tax benefit of these losses and other temporary differences amount to approximately \$1,992,000, and relate to stock compensation expenses. This tax benefit has been fully offset by a valuation allowance due to the uncertainty of its realization.

## **7. Related Parties Transactions/ Unconsolidated Joint Ventures**

In 2008, the Company and other enterprises formed the Al Safi Trust, a Cayman Islands trust with related sub-trusts ("Al Safi"). Al Safi is a Shariah-compliant alternative investment platform, and the first platform to provide an infrastructure for long/short investment managers on a Shariah-compliant basis. The Company acts as the Shariah Adviser and receives a Shariah Advisory fee based on the net asset value of all Al Safi sub-trusts. In September 2008, three sub-trusts were formed on Al Safi, each of which was seeded with \$50,000,000 by the Dubai Multi Commodities Centre Authority ("DMCCA"). A fourth sub-trust was seeded by DMCCA in November 2008 in the amount of \$50,000,000, for a total of \$200,000,000 in invested capital. The Company derives a Shariah advisory fee for its services related to the sub-trusts based on a percentage of the net asset value in the fund. These fees amounted to \$625,075 for the six months ended June 30, 2009.

In connection with forming the Al Safi Trust, the Company announced a joint venture with DMCCA, a Dubai World Group company. The joint venture entity, Dubai Shariah Asset Management Company, Ltd. ("DSAM") is owned 51 per cent by Dubai Commodity Asset Management ("DCAM"), which is wholly owned by DMCCA, and 49 per cent by the Company. It is accounted for under the equity method of accounting for long-term investments. In conjunction with the joint venture, DMCCA purchased a 4.99% equity share of the Company and

an executive from DMCCA was elected to the Company's Board of Directors as a non-executive director.

DSAM develops and manages a range of Shariah-compliant investment products focused on commodities. The enterprise has the right to assess a fee based on a percentage of the net asset value of the four sub-trusts seeded by the DMCCA that reside on Al Safi (exclusive of capital invested by the DMCCA).

The Company is the Shariah Adviser to DMCCA for related Shariah-compliant investment vehicles. The consulting income received from DMCCA amounted to \$24,996 for the six months ended June 30, 2009.

DCAM and the Company each pay expenses on behalf of DSAM and the payments are considered capital contributions to DSAM. The shareholders settle these expenses on a regular basis and one shareholder reimburses the other shareholder as necessary, so that the ratio of equity in DSAM is maintained at 51 per cent for DCAM and 49 per cent for the Company.

For the six months ended June 30, 2009, the Company's equity interest loss in DSAM amounted to \$230,239. A significant portion of this amount, together with capital contributed by DCAM, was spent on costs from start up activities for DSAM. The loss is recorded as equity in loss of unconsolidated joint venture on the accompanying statement of operations.

The cumulative investment in DSAM amounted to a liability of \$99,160 at June 30, 2009 because certain expenses had been incurred but not paid as of that date. Once the expenses are paid, the Company's payments will be considered contributions and the Company's DSAM investment will then be an asset.

As of June 30, 2009, the Company had a receivable from DMCCA in the amount of \$47,281 based on the allocation of expenses from DSAM. DMCCA and the Company reconcile expenses periodically, and the Company believes that this receivable will be settled no later than November 2009.

<i>Six months ended June 30,</i>	<b>2009</b>	2008
<b>General and administrative expenses:</b>		
AIM expenses	\$ 45,392	\$ 56,500
Accounting	103,293	40,585
Bank service charges	1,380	377
Charitable donation	500	500
Data services	195	-

Depreciation	1,509	1,152
Director's fees	4,792	16,250
Insurance	70,742	95,353
Investment expense	150	-
Information technology	4,245	5,696
Legal	98,839	266,013
Maintenance (Data feeds)	45,478	-
Marketing	8,950	10,190
Miscellaneous	260	356
Office supplies	4,209	2,867
Payroll	525,001	525,000
Payroll taxes	34,771	52,559
Payroll processing	884	799
Postage and delivery	1,811	2,432
Registrar Fees	9,010	7,853
Rent	48,026	80,701
Securities Filings	-	225
State and labor taxes	12,030	17,350
Stock compensation expense	445,984	396,120
Telephone	5,960	9,007
Travel and entertainment	6,851	165,213
Web services	745	387
<b>Total general and administrative expenses</b>	<b>\$1,481,007</b>	<b>\$1,753,485</b>

*See accompanying report on supplemental information*

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