LDD 01-06-'09 14:00

GULF FINANCE HOUSE BSC

INTERIM FINANCIAL INFORMATION

31 MARCH 2009

Commercial registration	:	44136 (registered with Central Bank of Bahrain as an Islamic wholesale investment bank)
Office	:	Bahrain Financial Harbour PO Box 10006, Manama, Kingdom of Bahrain
Directors	:	Dr. Esam Yousif A. Janahi, *Chairman* Hamad A Aziz Al-Shaya, *Vice Chairman* Abdul Latif Abdullah Al-Meer Adel Dawood Al-Ohali Samir Yacoub Al-Nefaysi Yousuf Mohammed Khayat Dr. Abdul Aziz Al – Hinai (w.e.f.18 February 2009) Anthony Travis (w.e.f. 18 February 2009) Mosabah Saif Al Mutairy (w.e.f.18 February 2009) Abdullah Ali Al Hamli (w.e.f.18 February 2009) Mohammad Ebrahim Mohammed (w.e.f.18 February 2009) Bader Nasser Al Subaei (w.e.f.18 February 2009)
Company secretary	:	Dr. Haider Majali
Auditors	:	KPMG

GULF FINANCE HOUSE BSC

INTERIM FINANCIAL INFORMATION
for the three months ended 31 March 2009

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Independent auditors' report on review of interim financial information

To
The Board of Directors
Gulf Finance House BSC
Manama
Kingdom of Bahrain

18 May 2009

Introduction

We have reviewed the accompanying condensed consolidated statement of financial position of Gulf Finance House BSC (the "Bank") and its subsidiaries (together, the "Group") as at 31 March 2009, and the related condensed consolidated statements of income, comprehensive income, changes in equity, cash flows and changes in restricted investment accounts (the "interim financial information") for the three month period then ended. The Board of Directors of the Bank is responsible for the preparation and presentation of this interim financial information in accordance with International Financial Reporting Standard IAS 34 - *Interim Financial Reporting*. Our responsibility is to express a conclusion on this interim financial information based on our review.

Scope of review

We conducted our review in accordance with 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 financial information is not prepared, in all material respects, in accordance with IAS 34 - *Interim Financial Reporting.*

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
as at 31 March 2009 US$ 000's

	Note	31 March 2009 (reviewed)	31 December 2008 (audited)	31 March 2008 (reviewed)
ASSETS				
Cash and bank balances		18,749	13,863	46,363
Placements with financial and other institutions		743,491	1,275,675	745,000
Financing assets		68,154	69,189	101,605
Receivable from investment banking services		245,883	222,343	167,408
Assets held-for-sale	4	-	611,996	404,275
Development property	4	591,996	-	-
Investment in associates	5	432,813	451,024	406,774
Available-for-sale investments		396,200	406,892	294,767
Other assets	6	445,215	434,065	411,084
Total assets		**2,942,501**	3,485,047	2,577,276
LIABILITIES				
Investors' funds		255,272	538,784	552,422
Placements from financial and other institutions		730,821	937,538	275,482
Financing liabilities		687,347	634,895	732,213
Liabilities directly associated with assets held-for-sale	4	-	317,186	130,925
Payable towards development property	4	317,186	-	-
Other liabilities		72,631	87,826	92,017
Total liabilities		**2,063,257**	2,516,229	1,783,059
Unrestricted investment accounts		**2,259**	1,945	3,938
EQUITY				
Share capital		315,375	262,813	262,813
Share premium		180,382	180,382	180,382
Treasury shares		(17,364)	(17,364)	(8,926)
Statutory reserve		106,700	106,700	83,529
Share grants reserve	7	29,919	23,508	5,600
Investments fair value reserve		1,132	1,132	2,799
Retained earnings		260,841	409,702	264,082
Total equity (page 5)		**876,985**	966,873	790,279
Total liabilities, unrestricted investment accounts and equity		**2,942,501**	3,485,047	2,577,276
Restricted investment accounts (page 7)		**72,600**	74,222	80,538

Dr. Esam Yousif A. Janahi
Chairman

Salah H. Rahimi
Deputy Chief Executive Officer

The Board of Directors approved the interim financial information consisting of pages 2 to 12 on 18 May 2009.

CONDENSED CONSOLIDATED INCOME STATEMENT
for the three months ended 31 March 2009 US$ 000's

	Note	**31 March 2009** (reviewed)	31 March 2008 (reviewed)
Income from investment banking services	8	46,840	150,000
Placement, arrangement and management fees		1,542	22,711
Income from placements with financial and other institutions		1,419	4,267
Income from financing		373	676
(Loss) income from investment in associates		(3,502)	21,391
Income from available-for-sale investments		1,929	510
Other income, net		901	153
Total income		**49,502**	199,708
Staff costs		16,337	34,708
Investment advisory expenses		6,329	17,081
Finance expense		11,357	13,945
Impairment allowances	9	43,000	7,500
Other expenses		10,215	10,216
Total expenses		**87,238**	83,450
(LOSS) / PROFIT FOR THE PERIOD		**(37,736)**	116,258
Earnings per share			
Basic and diluted earnings per share (US cents)		**(3.99)**	12.22

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
for the three months ended 31 March 2009 US$ 000's

	31 March 2009 (reviewed)	31 March 2008 (reviewed)
(Loss) / profit for the period	(37,736)	116,258
Other comprehensive income	-	-
Total comprehensive income for the period	**(37,736)**	116,258

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
for the three months ended 31 March 2009

US$ 000's

	Share capital	Share premium	Treasury shares	Statutory reserve	Share grants reserve	Invest-ments fair value reserve	Retained earnings	Total equity
31 March 2009 (reviewed)								
Balance at 1 January 2009	262,813	180,382	(17,364)	106,700	23,508	1,132	409,702	966,873
Total comprehensive income for the period (page 4)	-	-	-	-	-	-	(37,736)	(37,736)
Issue of bonus shares	52,562	-	-	-	-	-	(52,562)	-
Share grants vesting expense (note 7)	-	-	-	-	6,411	-	-	6,411
Dividend declared for 2008	-	-	-	-	-	-	(52,563)	(52,563)
Charity contribution declared for 2008	-	-	-	-	-	-	(3,000)	(3,000)
Board remuneration declared for 2008	-	-	-	-	-	-	(3,000)	(3,000)
Balance at 31 March 2009	**315,375**	**180,382**	**(17,364)**	**106,700**	**29,919**	**1,132**	**260,841**	**876,985**

	Share capital	Share premium	Treasury shares	Statutory reserve	Share grants reserve	Invest-ments fair value reserve	Retained earnings	Total equity
31 March 2008 (reviewed)								
Balance at 1 January 2008	238,921	180,382	(8,926)	83,529	-	2,799	382,799	879,504
Total comprehensive income for the period (page 4)	-	-	-	-	-	-	116,258	116,258
Issue of bonus shares	23,892	-	-	-	-	-	(23,892)	-
Share grants vesting expense	-	-	-	-	5,600	-	-	5,600
Dividend declared for 2007	-	-	-	-	-	-	(203,083)	(203,083)
Charity contribution declared for 2007	-	-	-	-	-	-	(3,000)	(3,000)
Board remuneration declared for 2007	-	-	-	-	-	-	(5,000)	(5,000)
Balance at 31 March 2008	262,813	180,382	(8,926)	83,529	5,600	2,799	264,082	790,279

The interim financial information consists of pages 2 to 12.

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS
for the three months ended 31 March 2009 US$ 000's

	31 March 2009 (reviewed)	31 March 2008 (reviewed)
OPERATING ACTIVITIES		
Proceeds of income from investment banking services	-	133,775
Repayment to financial institutions, net	(206,717)	(73,682)
Islamic financing assets, net	1,408	(12,250)
Financing of projects, net	19,222	(129,963)
Investors' funds, net	(283,510)	405,052
Placement, arrangement and management fees received	1,542	1,570
Income from placements and islamic financing received	1,419	4,266
Finance expense paid	(10,565)	(17,907)
Payment for expenses and project costs	(23,497)	(71,366)
Cash flows from operating activities	**(500,698)**	239,495
INVESTING ACTIVITIES		
Purchase of available-for-sale investments	(39,933)	(28,421)
Dividends received	1,929	510
Payments for equipment and capital work-in-progress	(1,681)	(4,664)
Distributions received from associates	14,709	24,664
Purchase of investment in associates	-	(134,500)
Cash flows from investing activities	**(24,976)**	(142,411)
FINANCING ACTIVITIES		
Financing liabilities, net	51,660	149,556
Cash paid to charitable organisations	593	(209)
Board remuneration paid	(3,000)	(5,000)
Dividends paid	(51,191)	(180,541)
Net receipts from unrestricted investment accounts	314	3,112
Cash flows from financing activities	**(1,624)**	(33,082)
(DECREASE) / INCREASE IN CASH AND CASH EQUIVALENTS	**(527,298)**	64,002
Cash and cash equivalents at 1 January	1,289,538	727,361
CASH AND CASH EQUIVALENTS at 31 March	**762,240**	791,363
Cash and cash equivalents comprise:		
Cash and bank balances	18,749	46,363
Placements with financial and other institutions	743,491	745,000
	762,240	791,363

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN RESTRICTED INVESTMENT ACCOUNTS
for the three months ended 31 March 2009

31 March 2009 (reviewed)

Company	Balance at 1 January 2009			Movements during the period						Balance at 31 March 2009		
	No of units (000)	Average value per share US$	Total US$ 000's	Investment/ (withdrawal) US$ 000's	Revaluation US$ 000's	Gross income US$ 000's	Dividends paid US$ 000's	Bank's fees as an agent US$ 000's	Administration expenses US$ 000's	No of units (000)	Average value per share US$	**Total US$ 000's**
Mena Real Estate Company KSCC	150	0.36	54	-	-	-	-	-	-	150	0.36	54
Kuwait National Real Estate Investment & Services Co. KSCC	250	0.36	90	-	-	-	-	-	-	250	0.36	90
Gulf Holding Company	10,000	0.36	3,624	-	(1)	-	-	-	-	10,000	0.36	3,623
Gulf North Africa Holding Company KSCC	11,500	0.36	4,168	-	(1)	-	-	-	-	11,500	0.36	4,167
Gulf Real Estate Development Company	936	13.32	12,472	-	1	-	-	-	-	936	13.32	12,473
Al Basha'er Fund	203	7.93	1,610	(871)	(76)	-	-	-	-	93	7.12	663
Pan European Fund	35.85	1,410.76	50,576	-	(676)	-	-	-	-	35.85	1,391.91	49,900
Oman Development Co	522.50	3.12	1,628	-	2	-	-	-	-	522.5	3.12	1,630
			74,222	**(871)**	**(751)**	**-**	**-**	**-**	**-**			**72,600**

The interim financial information consists of pages 2 to 12.

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN RESTRICTED INVESTMENT ACCOUNTS
for the three months ended 31 March 2009 *(continued)*

31 March 2008 (reviewed)	Balance at 1 January 2008			Movements during the period						Balance at 31 March 2008		
Company	No of units (000)	Average value per share US$	Total US$ 000's	Investment/ (withdrawal) US$ 000's	Revaluation US$ 000's	Gross income US$ 000's	Dividends paid US$ 000's	Bank's fees as an agent US$ 000's	Administration expenses US$ 000's	No of units (000)	Average value per share US$	Total US$ 000's
Mena Real Estate Company KSCC	150	0.37	58	-	2	-	-	-	-	150	0.37	60
Kuwait National Real Estate Investment & Services Co. KSCC	1,130	0.37	414	(711)	12	380	-	-	-	250	0.37	95
Gulf Holding Company	10,000	0.37	3,663	-	102	-	-	-	-	10,000	0.37	3,765
Gulf North Africa Holding Company KSCC	11,500	0.37	4,212	-	117	-	-	-	-	11,500	0.37	4,329
Gulf Real Estate Development Company	936	13.33	12,471	-	(3)	-	-	-	-	936	13.33	12,468
Al Basha'er Fund	245	13.72	3,365	10	-	(71)	-	(20)	-	246	13.72	3,284
Pan European Fund	35.85	1,474.40	52,855	-	3,682	1,417	(1,417)	-	-	35.85	1,577.10	56,537
			77,038	(701)	3,912	1,726	(1,417)	(20)	-			80,538

NOTES TO THE INTERIM FINANCIAL INFORMATION
for the three months ended 31 March 2009

1 Basis of preparation

The interim financial information has been prepared in condensed form in accordance with International Accounting Standard (IAS) 34, *Interim Financial Reporting*. The interim financial information do not include all of the information required for full annual financial statements and should be read in conjunction with the audited consolidated financial statements of the Group for the year ended 31 December 2008.

Accounting policies

During the period, the Group adopted Revised IAS 1 "Presentation of Financial Statements" on its required application date of 1 January 2009. Revised IAS 1 introduces the term "total comprehensive income", which represents changes in equity during a period other than those changes resulting from transactions with owners in their capacity as owners. Total comprehensive income may be presented in either 1) a single statement of comprehensive income (effectively combining both the income statement and all non-owner changes in equity in a single statement), or 2) in an income statement and a separate statement of comprehensive income. The Group has opted to present the total comprehensive income in 2 separate statements – an income statement and a separate statement of comprehensive income.

The adoption of revised IAS 1 impacted the type and amount of disclosures made in the interim financial information, but had no impact on the reported profits or the financial position of the Bank or the Group. In accordance with the transitional requirements of the standard, the Bank has provided full comparative information.

IFRS 8 "Operating Segments" is applicable for periods beginning on or after 1 January 2009. This standard introduces the "management approach" to segment reporting which requires a change in the presentation and disclosure of segment information based on the internal reports that are regularly reviewed by the Bank's "chief operating decision maker" in order to assess each segment's performance and to allocate resources to them. The Group primarily operates as an investment bank and its primary lines of business comprise development infrastructure, private equity, venture capital and asset management. At present, the Group's revenue is reviewed by lines of business and the expenses and results are reviewed at a consolidated Group level and therefore no separate operating segment results and other disclosures are provided in this interim financial information.

There were no other changes to the accounting policies and risk management framework as set out in the consolidated financial statements for the year ended 31 December 2008.

2 The interim financial information is not audited but has been reviewed by KPMG. The comparatives for the condensed consolidated statement of financial position have been extracted from the audited consolidated financial statements for the year ended 31 December 2008 and the reviewed interim financial information for the three months ended 31 March 2008. The comparatives for the condensed consolidated statements of income, comprehensive income, cash flows, changes in equity and changes in restricted investment accounts have been extracted from the reviewed interim financial information for the three months ended 31 March 2008.

3 During the period, the paid up capital of the Bank increased from US$ 262,813 thousand to US$ 315,375 thousand as a result of issue of bonus shares (twenty shares for every hundred shares held) for 2008 amounting to US$ 52,562 thousand.

NOTES TO THE INTERIM FINANCIAL INFORMATION
for the three months ended 31 March 2009

4 Development property and payable towards development property

	31 March 2009 US$ 000's (reviewed)	31 December 2008 US$ 000's (audited)	31 March 2008 US$ 000's (reviewed)
Development property held-for-sale	-	611,996	404,275
Development property held-for-use	611,996	-	-
Less: Impairment allowance	(20,000)	-	-
	591,996	611,996	404,275
Liabilities directly associated with assets held-for-sale	-	317,186	130,925
Payable towards development property	**317,186**	-	-

Assets and liabilities held-for-sale represent the Group's investment in a subsidiary (project company) set up to undertake a development infrastructure project. The assets of the subsidiary primarily include the freehold project land and the liability mainly represents payables to the owner towards the land cost. In 2008, the Bank negotiated an agreement with a buyer to assign its participating interest in the project company, subject to certain approvals by the master developer. Accordingly, the asset was classified as 'held-for-sale'.

In 2009, the Group is currently renegotiating the terms of the project with the owner and does not expect the sale transaction to be completed within 12 months. Hence, the underlying assets and liabilities have been reclassified as held-for-use during the period. The Group has assessed the net realisable value-in-use for the development property and has recognised impairment of US$ 20 million during the period.

5 Investment in associates

	31 March 2009 US$ 000's (reviewed)	31 December 2008 US$ 000's (audited)	31 March 2008 US$ 000's (reviewed)
Designated at fair value through profit or loss	37,844	41,245	55,108
Equity accounted	394,969	409,779	351,666
	432,813	451,024	406,774

Income from investment in associates include fair value loss of US$ 3,401 (31 March 2008: US$ NIL) on 'investment in associates designated at fair value through profit or loss' and the Group's share of losses (net) of US$ 101 thousand (31 March 2008: share of profit of US$ 21,391 thousand) from investment in associates – equity accounted.

NOTES TO THE INTERIM FINANCIAL INFORMATION
for the three months ended 31 March 2009

6 Other assets

	31 March 2009 US$ 000's (reviewed)	31 December 2008 US$ 000's (audited)	31 March 2008 US$ 000's (reviewed)
Project costs recoverable	9,298	29,320	10,623
Project financing	213,955	249,585	196,357
Receivable from sale of investment securities	109,035	58,410	62,500
Advance paid for acquisition of properties	-	-	41,706
Operating property and equipment of a water park	43,434	44,341	47,195
Other equipment	20,389	19,449	15,944
Goodwill on acquisition of subsidiaries	17,375	17,375	-
Prepayments and other receivables	31,729	15,585	36,759
	445,215	434,065	411,084

7 Share based payments

Considering the effect of current market conditions on the existing scheme, the Board of Directors in its meeting dated 22 December 2008 approved a replacement scheme for employees which is based on non-market based performance and service conditions. The revised scheme has lowered the number of share awards to be granted from 181 million shares to 108.6 million shares. The revised scheme shall be effective from the performance year 2009. The share awards granted under the revised scheme have an initial lock-in period of 3 years and shall vest rateably over varied vesting periods of up to 10 years as per the terms of the scheme.

The incremental fair value per share award at the grant date was US$ 0.13 per share. The vesting charge during the period amounted to US$ 6,411 thousand and the corresponding amount has been credited to equity under the 'share grant reserve'. As the average market value of shares during the current period were lower than the assumed issue price of shares under the scheme, the share awards are not considered to be dilutive as at 31 March 2009 for the purposes of computation of earnings per share.

8 Income from investment banking services

During 2008, the Bank had recognised income from investment banking services from a project based on an agreed pricing structure with its strategic partners. During the current period, the Bank re-negotiated the original terms of the project with the strategic partners involved in the transaction which resulted in additional income from investment banking services of US$ 36 million.

9 Impairment allowances

	31 March 2009 US$ 000's (reviewed)	31 March 2008 US$ 000's (reviewed)
Receivable from investment banking services	23,000	-
Development property	20,000	-
Financing assets	-	7,500
	43,000	7,500

NOTES TO THE INTERIM FINANCIAL INFORMATION
for the three months ended 31 March 2009

10 Significant related party transactions

During the course of the Group's investment and advisory activities, the Group enters into transactions with entities over which the Group exercises influence as well as with other related parties such as major shareholders, directors and executive management of the Group.

For the three months ended 31 March 2009, the Group has recognised income from investment banking services of US$ 47 million (31 March 2008: US$ 150 million) arising from transactions with related parties.

11 Commitments and contingencies

The commitments contracted in the normal course of business of the Group:

	31 March 2009 US$ 000's (reviewed)	31 December 2008 US$ 000's (audited)
Commitments to invest	31,613	31,562
Underwriting commitments	7,813	79,580
Un-drawn commitments to extend finance	20,000	20,000
Capital commitments	1,353	1,353

The Group potentially has a commitment under a constructive obligation to extend finance to one of its projects of up to US$ 170 million. In the opinion of management, based on the assessment of expected cash flows from the project, the financing is not expected to be drawn down. In the event of a drawdown, the Group would have a charge over the assets of the project.

The Group has also issued financial guarantees to financial institutions to secure credit facility arrangements of US$ 21,970 thousand (31 December 2008: US$ 21,970 thousand) on behalf of projects managed by the Group.

During the ordinary course of business, the Group may enter into performance obligations in respect of its real estate development projects. It is the usual practice of the Group to pass these performance obligations, wherever possible, on to the companies that own the projects. In the opinion of management, no liabilities are expected to materialise on the Group at 31 March 2009 due to the performance of any of its projects.

12
Due to the inherent nature of the Group's business, the three month results reported in this interim financial information may not represent a proportionate share of the overall annual results.

13
Appropriations of net profit, if any, are made only at the year end.

14
Certain prior period amounts have been regrouped to conform to the current period's presentation. Such regrouping did not affect previously reported profit or equity.