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GULF FINANCE HOUSE BSC

INTERIM FINANCIAL INFORMATION

30 JUNE 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 six months ended 30 June 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

10 August 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 30 June 2009, and the related condensed consolidated statements of income, comprehensive income, changes in equity, cash flows, changes in restricted investment accounts and sources and uses of charity and zakah fund (the "interim financial information") for the six 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

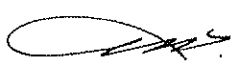
Based on our review, nothing has come to our attention that causes us to believe that the accompanying interim financial information is not prepared, in all material respects, in accordance with IAS 34 - *Interim Financial Reporting.*

kpmg

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
as at 30 June 2009 US$ 000's

	Note	**30 June 2009** (reviewed)	31 December 2008 (audited)	30 June 2008 (reviewed)
ASSETS				
Cash and bank balances		5,947	13,863	47,527
Placements with financial and other institutions		649,022	1,275,675	1,448,048
Financing receivables		73,643	69,189	94,236
Assets held-for-sale	4	-	611,996	624,446
Development property	4	571,996	-	-
Investment in associates	5	535,804	451,024	462,790
Available-for-sale investments		291,523	406,892	322,181
Receivable from investment banking services		146,642	222,343	230,101
Other assets	6	426,390	434,065	278,518
Total assets		**2,700,967**	3,485,047	3,507,847
LIABILITIES				
Investors' funds		252,393	538,784	291,051
Placements from financial and other institutions		636,599	937,538	1,140,606
Financing liabilities		613,808	634,895	735,610
Liabilities directly associated with assets held-for-sale	4	-	317,186	324,605
Payable towards development property	4	301,926	-	-
Other liabilities		68,279	87,826	109,234
Total liabilities		**1,873,005**	2,516,229	2,601,106
Unrestricted investment accounts		**4,129**	1,945	3,803
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	30,920	23,508	14,250
Investments fair value reserve		1,381	1,132	3,048
Retained earnings		206,439	409,702	367,842
Total equity (page 5)		**823,833**	966,873	902,938
Total liabilities, unrestricted investment accounts and equity		**2,700,967**	3,485,047	3,507,847
Restricted investment accounts (page 7)		**52,582**	74,222	80,864

The Board of Directors approved the interim financial information consisting of pages 2 to 13 on 10 August 2009 and signed on its behalf by:



Dr. Esam Yousif A. Janahi
Chairman



Salah Rahimi
Deputy Chief Executive Officer

CONDENSED CONSOLIDATED INCOME STATEMENT
for the six months ended 30 June 2009 US$ 000's

	Six months ended		Three months ended	
	30 June 2009 (reviewed)	30 June 2008 (reviewed)	**30 June 2009** (reviewed)	30 June 2008 (reviewed)
Income from investment banking services	47,890	309,000	1,050	159,000
Placement, arrangement and management fees	3,578	25,941	2,036	3,230
Income from placements with financial and other institutions	2,298	12,730	879	8,463
Income from financing	735	736	362	60
Income from investment in associates	(512)	37,274	2,990	15,883
Income from available-for-sale investments	3,162	764	1,233	254
Other income, net (note 8)	10,814	142	9,913	(11)
Total income	**67,965**	386,587	**18,463**	186,879
Staff cost	25,646	75,824	9,309	41,116
Investment advisory expenses	11,895	28,216	5,566	11,135
Finance expense	21,616	29,067	10,259	15,122
Impairment allowances	80,927	13,500	37,927	6,000
Other expenses	20,019	19,680	9,804	9,464
Total expenses	**160,103**	166,287	**72,865**	82,837
(LOSS) / PROFIT FOR THE PERIOD	**(92,138)**	220,300	**(54,402)**	104,042
Earnings per share				
Basic earnings per share (US cents)	**(9.74)**	23.19	**(5.75)**	10.95
Diluted earnings per share (US cents)	**(9.74)**	21.37	**(5.75)**	9.81

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
for the six months ended 30 June 2009 US$ 000's

	Six months ended		Three months ended	
	30 June 2009 (reviewed)	30 June 2008 (reviewed)	**30 June 2009** (reviewed)	30 June 2008 (reviewed)
(Loss) / profit for the period	(92,138)	220,300	(54,402)	104,042
Other comprehensive income				
Changes in investments fair value reserve	-	249	-	249
Transfer from investments fair value reserve on impairment	249	-	249	-
Total comprehensive income for the period	**(91,889)**	220,549	**(54,153)**	104,291

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
for the six months ended 30 June 2009

US$ 000's

30 June 2009 (reviewed)	**Share capital**	**Share premium**	**Treasury shares**	**Statutory reserve**	**Share grants reserve**	**Invest-ments fair value reserve**	**Retained earnings**	**Total equity**
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)	-	-	-	-	-	249	(92,138)	**(91,889)**
Issue of bonus shares	52,562	-	-	-	-	-	(52,562)	-
Share grants vesting expense (note 7)	-	-	-	-	7,412	-	-	**7,412**
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 30 June 2009	**315,375**	**180,382**	**(17,364)**	**106,700**	**30,920**	**1,381**	**206,439**	**823,833**

30 June 2008 (reviewed)	Share capital	Share premium	Treasury shares	Statutory reserve	Share grants reserve	Invest-ments fair value reserve	Retained earnings	Total equity
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)	-	-	-	-	-	249	220,300	220,549
Issue of bonus shares	23,892	-	-	-	-	-	(23,892)	-
Share grants vesting expense	-	-	-	-	14,250	-	-	14,250
Dividend declared for 2007	-	-	-	-	-	-	(203,083)	(203,083)
Zakah contribution declared for 2007	-	-	-	-	-	-	(282)	(282)
Charity contribution declared for 2007	-	-	-	-	-	-	(3,000)	(3,000)
Board remuneration declared for 2007	-	-	-	-	-	-	(5,000)	(5,000)
Balance at 30 June 2008	262,813	180,382	(8,926)	83,529	14,250	3,048	367,842	902,938

The interim financial information consists of pages 2 to 13.

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS
for the six months ended 30 June 2009 US$ 000's

	30 June 2009 (reviewed)	30 June 2008 (reviewed)
OPERATING ACTIVITIES		
Proceeds of income from investment banking services	100,000	209,082
(Payments to) / receipts from financial and other institutions	(303,776)	787,405
Placement with financial institution (original maturity of more than 90 days)	6,000	-
Financing of projects, net	(12,432)	(53,368)
Investors' funds, net	(286,599)	143,681
Placement, arrangement and management fees received	3,578	25,941
Income from placements and financing received	3,033	12,730
Finance expense paid	(18,387)	(18,741)
Payment for expenses and project costs	(16,426)	(95,425)
Cash flows from operating activities	**(525,009)**	1,011,305
INVESTING ACTIVITIES		
Purchase of available-for-sale investments	(41,069)	(55,411)
Dividends received	3,162	589
Payments in relation to assets held-for-sale	-	(33,713)
Payments for development property	(15,260)	-
Proceeds from disposal of / (payments for) equipment and capital work-in-progress	713	(10,182)
Dividends received from associates	14,708	28,031
Purchase of investment in associates	-	(125,084)
Proceeds from sale of investment in associates	-	5,473
Cash flows from investing activities	**(37,746)**	(190,297)
FINANCING ACTIVITIES		
Financing liabilities, net	(11,969)	142,702
Cash paid to charitable organisations	-	(297)
Board remuneration paid	(3,000)	(5,000)
Dividends paid	(55,132)	(193,176)
Net receipts from unrestricted investment accounts	2,000	2,977
Cash flows from financing activities	**(68,101)**	(52,794)
(DECREASE) / INCREASE IN CASH AND CASH EQUIVALENTS	**(640,569)**	768,214
Cash and cash equivalents at 1 January	1,289,538	727,361
CASH AND CASH EQUIVALENTS at 30 June	**648,969**	1,495,575
Cash and cash equivalents comprise:		
Cash and bank balances	5,947	47,527
Placements with financial and other institutions (original maturity of less than 90 days)	643,022	1,448,048
	648,969	1,495,575

The interim financial information consists of pages 2 to 13.

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN RESTRICTED INVESTMENT ACCOUNTS
for the six months ended 30 June 2009

30 June 2009 (reviewed)

Company	Balance at 1 January 2009			Movements during the period						Balance at 30 June 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	-	(2)	-	-	-	–	150	0.35	52
Kuwait National Real Estate Investment & Services Co. KSCC	250	0.36	90	-	(3)	-	-	-	-	250	0.35	87
Gulf Holding Company	10,000	0.36	3,624	-	(148)	-	-	-	-	10,000	0.35	3,476
Gulf North Africa Holding Company KSCC	11,500	0.36	4,168	-	(171)	-	-	-	-	11,500	0.35	3,997
Gulf Real Estate Development Company	936	13.32	12,472	-	1	-	-	-	-	936	13.33	12,473
Al Basha'er Fund	203	7.93	1,610	(871)	(29)	-	-	(181)	-	93	5.69	529
Pan European Fund	35.85	1,410.76	50,576	-	(20,236)	-	-	-	-	35.85	846.30	30,340
Oman Development Co.	522.50	3.12	1,628	-	-	-	-	-	-	522.50	3.12	1,628
			74,222	**(871)**	**(20,588)**	**-**	**-**	**(181)**	**-**			**52,582**

The interim financial information consists of pages 2 to 13.

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN RESTRICTED INVESTMENT ACCOUNTS
for the six months ended 30 June 2009 *(continued)*

30 June 2008 (reviewed)	Balance at 1 January 2008			Movements during the period						Balance at 30 June 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	318	(318)	-	-	11,500	0.37	4,329
Gulf Real Estate Development Company	936	13.33	12,471	-	(3)	843	(843)	-	-	936	13.33	12,468
Al Basha'er Fund	245	13.72	3,365	10	-	255	-	(20)	-	246	14.67	3,610
Pan European Fund	35.85	1,474.40	52,855	-	3,682	2,834	(2,834)	-	-	35.85	1,577.10	56,537
			77,038	(701)	3,912	4,630	(3,995)	(20)	-			80,864

CONDENSED CONSOLIDATED STATEMENT OF SOURCES AND USES OF CHARITY AND ZAKAH FUND
for the six months ended 30 June 2009

	30 June 2009 US$ 000's (reviewed)	30 June 2008 US$ 000's (reviewed)
Sources of charity and zakah fund		
Contributions by the Bank	3,000	3,354
Non-Islamic income	17	70
Total sources	**3,017**	3,424
Uses of charity and zakah fund		
Contributions to charitable organisations	360	442
Total uses	**360**	442
Excess of sources over uses	**2,657**	2,982
Undistributed charity and zakah fund at 1 January	5,718	3,656
Undistributed charity and zakah fund at 30 June	**8,375**	6,638

NOTES TO THE INTERIM FINANCIAL INFORMATION
for the six months ended 30 June 2009

1 **Basis of preparation**

The interim financial information comprises the financial information of Gulf Finance House BSC (the "Bank") and its subsidiaries (together the "Group") and 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.

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 from those used in the preparation of 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 six months ended 30 June 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 six months ended 30 June 2009.

3 Due to the nature of the Bank's business, the results reported in this interim financial information may not represent a proportionate share of the overall annual results.

NOTES TO THE INTERIM FINANCIAL INFORMATION
for the six months ended 30 June 2009

4 Development property and payable towards development property

	30 June 2009 US$ 000's (reviewed)	31 December 2008 US$ 000's (audited)	30 June 2008 US$ 000's (reviewed)
Assets held-for-sale	-	611,996	624,446
Development property held-for-use	611,996	-	-
Less: Impairment allowance	(40,000)	-	-
	571,996	611,996	624,446
Liabilities directly associated with assets held-for-sale	-	317,186	324,605
Payable towards development property	**301,926**	-	-

Assets and liabilities held-for-sale represent the Group's investment in a subsidiary (project company) set up to develop an 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 owner. Accordingly, the asset was classified as 'held-for-sale'.

The Group is currently renegotiating the terms of the project with the owner and does not expect the above 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$ 40 million during the period.

5 Investment in associates

	30 June 2008 US$ 000's (reviewed)	31 December 2008 US$ 000's (audited)	30 June 2008 US$ 000's (reviewed)
Designated at fair value through profit or loss	37,843	41,245	55,192
Equity accounted	497,961	409,779	407,598
	535,804	451,024	462,790

Income from investment in associates include fair value losses of US$ 3,400 thousand (30 June 2008: US$ Nil) on 'investment in associates designated at fair value through profit or loss' and the Group's share of profits of US$ 2,888 thousand (30 June 2008: US$ 37,274 thousand) from investment in associates – equity accounted.

NOTES TO THE INTERIM FINANCIAL INFORMATION
for the six months ended 30 June 2009

6 Other assets

	30 June 2009 US$ 000's (reviewed)	31 December 2008 US$ 000's (audited)	30 June 2008 US$ 000's (reviewed)
Project financing	214,070	206,092	122,163
Project costs recoverable	7,008	29,320	15,579
Receivable from sale of investments	99,410	58,410	-
Advance paid for acquisition of properties	-	-	41,706
Operating property and equipment of a water park	42,508	44,341	47,195
Goodwill	17,375	17,375	2,240
Other equipment	18,903	19,449	20,715
Prepayments and other receivables	27,116	59,078	28,920
	426,390	434,065	278,518

7 Management incentive scheme

Until December 2008, the Bank operated a share incentive scheme for its employees based on achievement of market based performance and service conditions. Due to the effect of market conditions on the scheme, the Board of Directors in its meeting on 22 December 2008 approved a replacement share incentive scheme which is now based on non-market based performance and service conditions. The revised scheme has also lowered the number of share awards to be granted from 181 million shares to 108.6 million shares. The revised scheme is 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 of the replacement scheme per share award at the grant date was US$ 0.13 per share.

The vesting charge during the period, net of reversals due to forfeitures, amounted to US$ 7,412 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 30 June 2009 for the purposes of computation of earnings per share.

8 Other income

Other income includes US$ 9.12 million arising from repurchase of financing liabilities (sukuks) of nominal value of US$ 25.8 million.

9 Appropriations

At the Annual General Meeting held on 18 February 2009, the shareholders approved issue of bonus shares of US$ 52,562 thousand (twenty share for every hundred shares held), dividends of US$ 52,563 thousand (US 6.6 cents per share), Director's remuneration of US$ 3 million and charity contribution of US$ 3 million for 2008.

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

NOTES TO THE INTERIM FINANCIAL INFORMATION
for the six months ended 30 June 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 six months ended 30 June 2009, the Group has recognised income from investment banking services of US$ 48 million (30 June 2008: US$ 309 million) arising from transactions with related parties.

11 Commitments and contingencies

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

	30 June 2009 US$ 000's (reviewed)	31 December 2008 US$ 000's (audited)
Commitments to invest	40,613	31,562
Capital commitments	7,958	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$ 15,683 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 30 June 2009 due to the performance of any of its projects.

12 Certain prior period amounts have been regrouped to conform to the current period's presentation. Such regrouping did not affect previously reported profits, comprehensive income or equity.