GULF FINANCE HOUSE BSC

INTERIM FINANCIAL INFORMATION
31 MARCH 2008

Commercial registration	:	44136 (registered with Central Bank of Bahrain as an Islamic wholesale investment bank).
Office	:	Al Salam Building Diplomatic Area PO Box 10006, Manama, Kingdom of Bahrain
Directors	:	Esam Yousif A. Janahi, *Chairman* Hamad A Aziz Al-Shaya, *Vice Chairman* Abdul Latif Abdullah Al-Meer Adel Dawood Al-Ohali Buti Bin Khalifa Al-Flasi Khalid Mohamed Najibi Samir Yacoub Al-Nefaisi Waleed A.Rahman Al-Ruwaih Yousif A.Latif Al-Sarkal Yousuf Mohammed Khayat
Acting Chief Executive Officer	:	Peter Panayiotou
Company secretary	:	Dr Haider Majali
Auditors	:	KPMG

GULF FINANCE HOUSE BSC

INTERIM FINANCIAL INFORMATION
for the three months ended 31 March 2008

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Independent report on review of interim financial information
on the 31 March 2008 interim financial information

To

The Directors
Gulf Finance House BSC
Manama
Kingdom of Bahrain 27 April 2008

Introduction
We have reviewed the accompanying condensed consolidated balance sheet of Gulf Finance House BSC (the 'Bank') and its subsidiaries (together, the "Group") as at 31 March 2008, and the related condensed consolidated statements of income, changes in equity, cash flows and changes in restricted investment accounts for the three month period then ended (the interim financial information). The Directors of the Bank are responsible for the preparation and presentation of this interim financial information set out on pages 2 to 12 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 BALANCE SHEET
as at 31 March 2008 US$ 000's

	Note	31 March 2008 (reviewed)	31 December 2007 (audited)	31 March 2007 (reviewed)
ASSETS				
Cash and bank balances		46,363	15,383	48,583
Placements with financial institutions		745,000	711,978	604,009
Islamic financing assets		101,605	96,179	158,759
Assets held-for-sale	5	404,275	446,882	84,196
Investment in sukuks		-	-	72,967
Investment in associates	6	406,774	288,047	58,999
Available-for-sale investments		294,767	246,346	335,416
Receivable from investment banking services		167,408	171,183	129,047
Other assets	7	411,084	269,069	139,040
Total assets		**2,577,276**	2,245,067	1,631,016
LIABILITIES				
Investors' funds		552,422	139,876	342,532
Placements from financial and other institutions		275,482	355,548	164,481
Customers' current accounts		-	-	13,103
Islamic financing liabilities	8	732,213	586,620	399,688
Liabilities directly associated with assets held-for-sale	5	130,925	167,019	-
Other liabilities		92,017	115,674	70,757
Total liabilities		**1,783,059**	1,364,737	990,561
Unrestricted investment accounts		**3,938**	826	79,003
EQUITY				
Share capital	4	262,813	238,921	238,921
Treasury shares		(8,926)	(8,926)	(53,663)
Share premium		180,382	180,382	180,382
Statutory reserve		83,529	83,529	45,470
Investments fair value reserve		2,799	2,799	940
Retained earnings		264,082	382,799	147,569
Share grants reserve	9	5,600	-	1,833
Total equity (page 4)		**790,279**	879,504	561,452
Total liabilities, unrestricted investment accounts and equity		**2,577,276**	2,245,067	1,631,016
Off-balance sheet items				
Restricted investment accounts (page 7)		**80,538**	77,038	142,877

Esam Yousif A. Janahi
Chairman

Abdul Latif Abdullah Al-Meer
Director

Peter Panayiotou
Acting Chief Executive Officer

The Directors approved the interim financial information consisting of pages 2 to 12 on 27 April 2008.

CONDENSED CONSOLIDATED INCOME STATEMENT
for the three months ended 31 March 2008 US$ 000's

	Note	**31 March 2008** (reviewed)	31 March 2007 (reviewed)
Income from investment banking services	10	150,000	88,237
Placement, arrangement and management fees		22,711	4,168
Income from placements with financial institutions		4,267	8,041
Income from Islamic financing		676	1,746
Income from investment in associates	6	21,391	4,508
Income / (loss) from available-for-sale investments		510	(52)
Other income		153	1,254
Total income		**199,708**	107,902
Staff costs		34,708	17,279
Investment advisory expenses		17,081	5,632
Finance expense		13,945	9,737
Impairment allowance of islamic financing assets		7,500	-
Other expenses		10,216	2,982
Total expenses		**83,450**	35,630
Profit for the period		**116,258**	72,272
Earnings per share			
Basic earnings per share (US cents)		**14.68**	9.08
Diluted earnings per share (US cents)		**13.36**	9.08

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
for the three months ended 31 March 2008 US$ 000's

31 March 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
Profit for the period	-	-	-	-	-	-	116,258	116,258
Total recognised income and expense	**-**	**-**	**-**	**-**	**-**	**-**	**116,258**	**116,258**
Issue of bonus shares	23,892	-	-	-	-	-	(23,892)	-
Share grants vesting expense (note 9)	-	-	-	-	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**

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
for the three months ended 31 March 2008 *(continued)* US$ 000's

31 March 2007 (reviewed)	Share capital	Advance towards share capital	Share premium	Treasury shares	Subsidiary company share grants	Statutory reserve	Invest-ments fair value reserve	Retained earnings	Total equity
Balance at 1 January 2007	212,674	2,708	178,321	(14,127)	1,804	46,337	364	239,663	667,744
Loss on sale of treasury shares	-	-	-	-	-	(867)	-	-	(867)
Net fair value changes during the period	-	-	-	-	-	-	319	-	319
Transfer to income statement on disposal of AFS investments	-	-	-	-	-	-	257	-	257
Net income / (expense) recognised directly in equity	-	-	-	-	-	(867)	576	-	(291)
Net profit for the period	-	-	-	-	-	-	-	72,272	72,272
Total recognised income and expense	-	-	-	-	-	(867)	576	72,272	71,981
Issue of bonus shares	25,600	-	-	-	-	-	-	(25,600)	-
Increase in share capital	647	(2,708)	2,061	-	-	-	-	-	-
Share grants vesting expense	-	-	-	-	29	-	-	-	29
Dividend declared for 2006	-	-	-	-	-	-	-	(134,391)	(134,391)
Charity contribution declared for 2006	-	-	-	-	-	-	-	(1,598)	(1,598)
Board remuneration declared for 2006	-	-	-	-	-	-	-	(1,375)	(1,375)
Zakah contribution declared for 2006	-	-	-	-	-	-	-	(1,402)	(1,402)
Purchase of treasury shares	-	-	-	(40,711)	-	-	-	-	(40,711)
Sale of treasury shares	-	-	-	1,175	-		-	-	1,175
Balance at 31 March 2007	238,921	-	180,382	(53,663)	1,833	45,470	940	147,569	561,452

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS
for the three months ended 31 March 2008 US$ 000's

	31 March 2008 (reviewed)	31 March 2007 (reviewed)
OPERATING ACTIVITIES		
Proceeds of income from investment banking services	133,775	70,005
(Repayment) to / receipts from financial institutions, net	(73,682)	223,255
Net increase in customers' current accounts	-	5,806
Islamic financing assets, net	(12,250)	(59,832)
Financing of projects, net	(129,963)	(52,149)
Investors' funds, net	405,052	(6,021)
Net receipts from unrestricted investment accounts	3,112	20,083
Placement, arrangement and management fees received	1,570	3,547
Income from placements and islamic financing received	4,266	9,739
Finance expense paid	(17,907)	(8,793)
Payment for expenses and project costs	(71,366)	(44,698)
Cash flows from operating activities	**242,607**	160,942
INVESTING ACTIVITIES		
Purchase of available-for-sale investments	(28,421)	(32,526)
Dividends received	510	-
Purchase of assets held-for-sale	-	(60,000)
Proceeds from sale of trading property	-	31,872
Purchase of sukuks	-	(15,900)
Income from sukuks received	-	450
Payments for equipment and capital work-in-progress	(4,664)	(1,215)
Distributions received from associates	24,664	-
Purchase of investment in associates	(134,500)	-
Cash flows from investing activities	**(142,411)**	(77,319)
FINANCING ACTIVITIES		
Acquisition of treasury shares, net	-	(38,363)
Islamic financing liabilities, net	149,556	-
Cash paid to charitable organisations	(209)	(25)
Board remuneration paid	(5,000)	(1,375)
Dividends paid	(180,541)	(115,270)
Cash flows from financing activities	**(36,194)**	(155,033)
INCREASE / (DECREASE) IN CASH AND CASH EQUIVALENTS	**64,002**	(71,410)
Cash and cash equivalents at 1 January	727,361	724,002
CASH AND CASH EQUIVALENTS at 31 March	**791,363**	652,592
Cash and cash equivalents comprise:		
Cash and bank balances	46,363	48,583
Placements with financial institutions	745,000	604,009
	791,363	652,592

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 2008

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	Revalua-tion 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**	Total % ownership
Mena Real Estate Company KSCC	150	0.37	58	-	2	-	-	-	-	150	0.37	60	1%
Kuwait National Real Estate Investment & Services Co. KSCC	1,130	0.37	414	(711)	12	380	-	-	-	250	0.37	95	0.1%
Gulf Holding Company	10,000	0.37	3,663	-	102	-	-	-	-	10,000	0.37	3,765	1%
Gulf North Africa Holding Company KSCC	11,500	0.37	4,212	-	117	-	-	-	-	11,500	0.37	4,329	8%
Gulf Real Estate Development Company	936	13.33	12,471	-	(3)	-	-	-	-	936	13.33	12,468	31%
Al Basha'er Fund	245	13.72	3,365	10	-	(71)	-	(20)	-	246	13.72	3,284	2%
Pan European Fund	35.85	1,474.40	52,855	-	3,682	1,417	(1,417)	-	-	35.85	1,577.10	56,537	90%
			77,038	**(701)**	**3,912**	**1,726**	**(1,417)**	**(20)**	**-**			**80,538**	

CONSOLIDATED STATEMENT OF CHANGES IN RESTRICTED INVESTMENT ACCOUNTS
for the three months ended 31 March 2008 *(continued)*

31 March 2007	Balance at 1 January 2007			Movements during the period						Balance 31 March 2007			
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	Total % ownership
Gulf Development Real Estate Company KSCC	10,910	0.35	3,772	-	-	-	-	-	-	10,910	0.35	3,772	7%
Kuwait National Real Estate Investment & Services Co. KSCC	6,870	0.35	2,376	-	-	-	-	-	-	6,870	0.35	2,376	23%
Bayan Holding Company KSCC	18,266	0.35	6,316	-	-	-	-	-	-	18,266	0.35	6,316	2%
Gulf Holding Company	23,919	0.35	8,271	-	-	-	-	-	-	23,919	0.35	8,271	3%
Gulf North Africa Holding Company KSCC	11,500	0.35	3,977	-	-	-	-	-	-	11,500	0.35	3,977	8%
Saudi Real Estate Company	936	13.33	12,472	-	-	-	-	-	-	936	13.33	12,472	31%
Al Basha'er Fund	753	8.97	6,751	(45)	-	394	-	(16)	-	748	9.47	7,084	2%
Pan European Fund	35.85	1,315.40	47,157	-	609	1,177	(1,177)	-	-	35.85	1,332.40	47,766	90%
Al Hareth French Property Fund	24.65	1,310.40	32,301	-	542	821	(780)	(41)	-	24.65	1,332.40	32,843	100%
Energy City Qatar Holding Company	-	-	-	18,000	-	-	-	-	-	617.90	29.13	18,000	9%
			123,393	17,955	1,151	2,392	(1,957)	(57)				142,877	

NOTES TO THE INTERIM FINANCIAL INFORMATION
for the three months ended 31 March 2008

1 The interim financial information has been prepared in summarised form in accordance with International Accounting Standard 34, *Interim Financial Reporting*.

2 The interim financial information is not audited but has been reviewed by KPMG. The comparatives for the condensed consolidated balance sheet have been extracted from the audited consolidated financial statements for the year ended 31 December 2007 and the reviewed interim financial information for the three months ended 31 March 2007. The comparatives for the condensed consolidated statements of income, cash flows, changes in equity and restricted investment accounts have been extracted from the reviewed interim financial information for the three months ended 31 March 2007.

3 The accounting policies used in the preparation of the interim financial information are consistent with those used in the preparation of the consolidated financial statements for the year ended 31 December 2007.

4 During the period, the paid up capital of the Bank increased from US$ 238,921 thousand to US$ 262,813 thousand as a result of issue of bonus shares (ten shares for every hundred shares held) for 2007 amounting to US$ 23,892 thousand.

5 Assets and liabilities held-for-sale

	31 March 2008 US$ 000's	31 December 2007 US$ 000's	31 March 2007 US$ 000's
Assets of a subsidiary	404,275	396,882	-
Investments in associates	-	50,000	34,196
Investment in a water park	-	-	50,000
	404,275	446,882	84,196
Liabilities of a subsidiary	**130,925**	167,019	-

During the period, due to changes in the programme to sell, investments in associates amounting to USD 50 million has being reclassified from assets held-for-sale to investment in associates at 31 March 2008. Such reclassification did not affect previously reported net profit or equity.

6 Investment in associates

	31 March 2008 US$ 000's	31 December 2007 US$ 000's	31 March 2007 US$ 000's
Designated at fair value through profit or loss	55,108	60,361	28,885
Equity accounted	351,666	227,686	30,114
	406,774	288,047	58,999

Income from investment in associates include fair value changes of Nil (31 March 2007: US$ 4,508 thousand) on 'investment in associates designated at fair value through profit or loss' and the Group's share of profits of US$ 21,391 thousand (31 March 2007: Nil) from investment in associates – equity accounted.

NOTES TO THE INTERIM FINANCIAL INFORMATION
for the three months ended 31 March 2008

6 Investment in associates (continued)

In February 2008, the Group acquired 100% equity stake in BFH Investment Company Limited, Cayman Islands, which holds 49.88% equity stake in Bahrain Financial Harbour Holding Company BSC (c) for US$ 125 million from its investors. Immediately after acquisition, the Group sold 50% of its equity stake in the investment to a related party. The remaining investment of 50% has been classified as investment in associates.

Further, during the period investment in associates amounting to US$ 50 million have been reclassified from assets held-for-sale as at 31 March 2008 (refer note 5).

7 Other assets

	31 March 2008 US$ 000's	31 December 2007 US$ 000's	31 March 2007 US$ 000's
Project costs recoverable	10,623	38,831	18,231
Project financing	196,357	109,881	59,872
Receivable from sale of investments	62,500	1,427	-
Advance paid for acquisition of properties	41,706	41,706	-
Prepayments and other receivables	33,694	8,192	28,166
Operating property and equipment of a water park	47,195	47,812	-
Other equipment	15,944	12,042	5,228
Other balances	3,064	9,178	-
	411,084	269,069	111,497

8 Islamic financing liabilities

Islamic financing liabilities comprise murabaha financing facility from financial institutions and financing raised through issue of Sukuk. During the period, the Bank raised additional short term funding of US$ 150 million from a financial institution to support its investment activities.

9 Share based payments

In the annual general meeting on 18 February 2008, the shareholders resolved to approve a management incentive plan ('the plan') which involves the issue of the Bank's shares of up to 25% (181 million shares) of the Bank's paid-up capital to senior executive management on achievement of certain market and non-market based performance conditions set by the Board of Directors.

As per the terms of the plan, 170.14 million share awards were granted to eligible employees during the quarter.

NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION
for the three months ended 31 March 2008

9 Share based payments (continued)

The share awards are in the nature of options and have been fair valued as such. The fair value of the share awards with market conditions is measured using a simulation based model (Monte Carlo simulation). The model inputs used include share price on the measurement date of US$ 3.15 per share, exercise price of US$ 0.65 per share, expected volatility of 38% and risk free rate of 2.1%. The dividend yield was set at zero as the share awards will be entitled to dividends during the vesting period. The fair value per share award at the grant date was US$ 0.90 per share. Service and non-market performance conditions attached to the awards are not taken into account in determining fair value. The share awards 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 plan. The vesting charge during the period amounted to US$ 5,600 thousand and the corresponding amount has been credited to equity under the 'share grant reserve'.

10 Related parties

During the course of the Group's investment and advisory activities, a significant portion of the income arises from 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 2008, the Group has recognised income from investment advisory services of US$ 150 million (31 March 2007: US$ 88.24 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 2008 US$ 000's	31 December 2007 US$ 000's
Commitments to invest	3,500	-
Capital commitments	23,300	7,667

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 their 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.

During 2005, the Group exited one of its investment projects and issued a corporate guarantee of up to £ 57 million, securing the buyer against specific tax indemnities of £ 15 million and providing a guarantee to cover general corporate affairs. This guarantee expires in December 2008. In the opinion of management, the possibility of the guarantee being invoked is negligible. The Group has also issued financial guarantees to financial institutions to secure credit facility arrangements of US$ 151,272 thousand (31 December 2007: 128,440 thousand) for projects managed by the Group on behalf of its investors.

NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION
for the three months ended 31 March 2008

11 Commitments and contingencies (continued)

Performance obligations

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 2008 due to the performance of any of its projects.

12 Due to the effect of cyclical variations, 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 are made only at the year end.

14 Certain prior period amounts have been reclassified to conform to the current period's presentation. Such reclassifications do not affect previously reported net profit or equity.