GULF FINANCE HOUSE BSC

INTERIM CONSOLIDATED FINANCIAL INFORMATION
30 JUNE 2007

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

GULF FINANCE HOUSE BSC

INTERIM CONSOLIDATED FINANCIAL INFORMATION
for the six months ended 30 June 2007

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Independent report on review of interim consolidated financial information
on the 30 June 2007 interim consolidated financial information

To

The Directors
Gulf Finance House BSC
Manama
Kingdom of Bahrain 22 July 2007

Introduction
We have reviewed the accompanying condensed consolidated balance sheet of Gulf Finance House BSC (the 'Bank') and its subsidiaries (together, the "Group") as of 30 June 2007, and the related condensed consolidated statements of income, changes in equity, cash flows and changes in restricted investment accounts for the six month period then ended (the interim consolidated financial information). The Directors of the Bank are responsible for the preparation and presentation of this interim consolidated 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 consolidated 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 consolidated financial information is not prepared, in all material respects, in accordance with IAS 34 - Interim Financial Reporting.

CONDENSED CONSOLIDATED BALANCE SHEET
as at 30 June 2007 US$ 000's

	Note	**30 June 2007** (reviewed)	31 December 2006 (audited)	30 June 2006 (reviewed)
ASSETS				
Cash and bank balances		24,616	15,050	62,182
Placements with financial and other institutions		542,129	687,765	668,897
Islamic financing assets		196,620	98,927	99,984
Assets held-for-sale	5	77,201	24,196	18,546
Investments in associates	6	67,116	36,926	24,376
Investment securities	7	490,321	398,130	318,121
Other assets	8	418,626	235,456	113,357
Equipment		5,239	4,434	2,858
Total assets		**1,821,868**	1,500,884	1,308,321
LIABILITIES				
Investors' funds		170,371	348,553	187,133
Placements from financial and other institutions		403,873	253,056	461,842
Customers' current accounts		13,114	7,297	3,376
Islamic financing liabilities		306,098	87,860	-
Other liabilities		64,020	77,454	43,879
Total liabilities		**957,476**	774,220	696,230
Unrestricted investment accounts		**76,989**	58,920	31,674
EQUITY				
Share capital	4	238,921	215,382	212,674
Treasury shares		(1,753)	(14,127)	(3,148)
Share premium	4	180,382	178,321	178,321
Statutory reserve		50,343	46,337	24,621
Investments fair value reserve		940	364	988
Retained earnings		221,217	239,663	166,961
Subsidiary company share grants		1,833	1,804	-
Total equity attributable to shareholders of the parent bank		**691,883**	667,744	580,417
Minority interest		95,520	-	-
Total equity (page 4)		**787,403**	667,744	580,417
Total liabilities, unrestricted investment accounts and equity		**1,821,868**	1,500,884	1,308,321
Off-balance sheet items				
Restricted investment accounts (page 7)		**189,046**	123,393	95,223

Fuad Abdulla Al-Omar
Chairman

Esam Yousif A. Janahi
Director and Chief Executive Officer

The Directors approved the interim consolidated financial information consisting of pages 2 to 12 on 22 July 2007.

CONDENSED CONSOLIDATED INCOME STATEMENT
for the six months ended 30 June 2007 US$ 000's

	Six months ended		Three months ended	
	30 June 2007 (reviewed)	30 June 2006 (reviewed)	**30 June 2007** (reviewed)	30 June 2006 (reviewed)
Income from investment advisory services (refer note 9)	153,422	140,140	65,185	78,416
Placement, arrangement and management fees	6,774	9,706	2,606	3,588
Income from short-term placements	16,267	16,933	8,226	9,755
Income from Islamic financing	4,978	1,627	3,232	707
Fair value changes on investments in associates (refer note 6)	11,952	3,445	7,444	-
Income from investment securities (refer note 10)	42,383	1,631	41,192	1,462
Other income/ (losses), net	(553)	928	(564)	559
Total income	**235,223**	174,410	**127,321**	94,488
Staff costs	40,998	30,985	24,433	18,773
Investment advisory expenses	16,264	8,770	10,632	5,070
Expense on placements and Islamic financing liabilities	23,214	10,525	13,477	6,531
Provision for impairment on investments	-	2,813	-	2,813
Other expenses	8,827	4,702	5,130	1,771
Total expenses	**89,303**	57,795	**53,672**	34,958
PROFIT FOR THE PERIOD	**145,920**	116,615	**73,649**	59,530
Attributable to:				
Shareholders of the parent bank	145,920	116,615	73,649	59,530
Minority interest	-	-	-	-
Earnings per share attributable to shareholders of the parent bank				
Basic earnings per share (US cents)	20.75	16.94	10.55	8.65

The interim consolidated financial information consists of pages 2 to 12.

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
for the six months ended 30 June 2007

US$ 000's

30 June 2007 (reviewed)	Equity attributable to the shareholders of the parent bank									Minority Interest	Total Equity
	Share Capital	Advance towards share capital	Share premium	Treasury Shares	Subsidiary company share grants	Statutory reserve	Invest-ments fair value reserve	Retained earnings	Total		
Balance at 1 January 2007	212,674	2,708	178,321	(14,127)	1,804	46,337	364	239,663	667,744	-	667,744
Profit on sale of treasury shares	-	-	-	-	-	4,006	-	-	4,006	-	4,006
Net fair value changes during the period	-	-	-	-	-	-	319	-	319	-	319
Transfer to income statement on disposal of AFS investments	-	-	-	-	-	-	257	-	257	-	257
Net income recognised directly in equity	-	-	-	-	-	4,006	576	-	4,582	-	4,582
Profit for the period	-	-	-	-	-	-	-	145,920	145,920	-	145,920
Total recognised income and expense	**-**	**-**	**-**	**-**	**-**	**4,006**	**576**	**145,920**	**150,502**	**-**	**150,502**
Issue of bonus shares	25,600	-	-	-	-	-	-	(25,600)	-	-	-
Increase in share capital	647	(2,708)	2,061	-	-	-	-	-	-	-	-
Share grants vesting charge for the period	-	-	-	-	29	-	-	-	29	-	29
Dividend declared for 2006	-	-	-	-	-	-	-	(134,391)	(134,391)	-	(134,391)
Charity contribution declared for 2006	-	-	-	-	-	-	-	(1,598)	(1,598)	-	(1,598)
Board remuneration declared for 2006	-	-	-	-	-	-	-	(1,375)	(1,375)	-	(1,375)
Zakah contribution declared for 2006	-	-	-	-	-	-	-	(1,402)	(1,402)	-	(1,402)
Purchase of treasury shares	-	-	-	(43,020)	-	-	-	-	(43,020)	-	(43,020)
Sale of treasury shares	-	-	-	55,394	-	-	-	-	55,394	-	55,394
Allocation of minority interest on partial sale of shares in the subsidiary (note 10)	-	-	-	-	-	-	-	-	-	95,520	95,520
Balance at 30 June 2007	**238,921**	**-**	**180,382**	**(1,753)**	**1,833**	**50,343**	**940**	**221,217**	**691,883**	**95,520**	**787,403**

The interim consolidated financial information consists of pages 2 to 12.

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

for the six months ended 30 June 2007 *(continued)* US$ 000's

30 June 2006 (reviewed)	Share Capital	Share premium	Treasury Shares	Subsid-iary company Share grants	Statutory reserve	Invest-ments fair value reserve	Retained earnings	Total Equity
Balance at 1 January 2006	149,771	31,487	-	-	24,621	227	146,258	352,364
Net fair value changes during the period	-	-	-	-	-	1,847	-	1,847
Transfer to income statement on disposal of AFS investments	-	-	-	-	-	(1,086)	-	(1,086)
Net income / expense recognised directly in equity	-	-	-	-	-	761	-	761
Net profit for the period	-	-	-	-	-	-	116,615	116,615
Total recognised income and expense	-	-	-	-	-	761	116,615	117,376
Issue of bonus shares	17,972	-	-	-	-	-	(17,972)	-
Increase in share capital	44,931	142,963	-	-	-	-	-	187,894
Share issue expenses	-	(129)		-	-	-	-	(129)
Purchase of treasury shares	-	-	(3,148)	-	-	-	-	(3,148)
Dividend declared for 2005	-	-	-	-	-	-	(71,890)	(71,890)
Charity contribution declared for 2005	-	-	-	-	-	-	(1,000)	(1,000)
Board remuneration paid for 2005	-	-	-	-	-	-	(1,050)	(1,050)
Transfer from retained earnings to share premium	-	4,000	-	-	-	-	(4,000)	-
Balance at 30 June 2006	212,674	178,321	(3,148)	-	24,621	988	166,961	580,417

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS
for the six months ended 30 June 2007 US$ 000's

	30 June 2007 (reviewed)	30 June 2006 (reviewed)
OPERATING ACTIVITIES		
Proceeds from investment advisory services	160,619	51,222
Net increase in customers' current accounts	5,817	(1,714)
Islamic financing assets, net	(97,693)	-
Short term financing of projects	(112,527)	30,460
Investors' funds paid, net	(167,636)	(102,936)
Placement, arrangement and management fees received	6,774	9,706
Murabaha profits and income from Islamic financing received	16,267	20,182
Murabaha expense paid	(21,251)	(8,823)
Other income received	-	344
Payments for expenses	19,030	(56,163)
Cash flows from operating activities	**(190,600)**	(57,722)
INVESTING ACTIVITIES		
Proceeds from sale of shares in a subsidiary	126,509	-
Purchase of investment securities	(208,924)	(53,625)
Purchase of investments in associates	(45,356)	(1,439)
Proceeds from sale of investment securities	(17,446)	751
Purchase of assets held for sale	(53,006)	7,446
Purchase of trading property	-	(232)
Advance paid for purchase of property	(25,701)	-
Proceeds from sale of trading property	31,872	-
Income from sukuks received	6,954	-
Purchase of equipment	(1,735)	(1,665)
Cash flows from investing activities	**(186,833)**	(48,764)
FINANCING ACTIVITIES		
Receipts from financial and other institutions, net	369,055	3,482
Acquisition of treasury shares, net	(36,852)	(3,148)
Proceeds from increase in share capital	-	187,894
Net receipts from unrestricted investment accounts	18,069	(4,026)
Cash paid to charitable organisations	(29)	-
Board remuneration paid	(1,375)	(1,050)
Dividends paid	(128,692)	(70,788)
Cash flows from financing activities	**220,176**	112,364
(DECREASE)/ INCREASE IN CASH AND CASH EQUIVALENTS	(157,257)	5,878
Cash and cash equivalents at 1 January	724,002	761,436
CASH AND CASH EQUIVALENTS at 30 June	**566,745**	767,314
Cash and cash equivalents comprise:		
Cash and balances with banks	24,616	62,182
Due from financial institutions and other institutions	542,129	687,600
Investments in Sukuk (short-term)	-	17,532
	566,745	767,314

The interim consolidated financial information consists of pages 2 to 12.

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN RESTRICTED INVESTMENT ACCOUNTS
for the six months ended 30 June 2007

30 June 2007 (reviewed)	**Balance at 1 January 2007**			**Movements during the period**						**Balance at 30 June 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	(8)	(1)	-	-	-	-	10,844	0.35	3,763	7%
Kuwait National Real Estate Investment & Services Co. KSCC	6,870	0.35	2,376	(945)	(182)	-	-	-	-	3,610	0.35	1,249	23%
Bayan Holding Company KSCC	18,266	0.35	6,316	(4,586)	(884)	-	-	-	-	2,488	0.35	846	2%
Gulf Holding Company	23,919	0.35	8,271	(3,977)	(766)	-	-	-	-	10,200	0.35	3,528	1%
Gulf North Africa Holding Company KSCC	11,500	0.35	3,977	-	48	-	-	-	-	11,500	0.35	4,025	8%
Saudi Real Estate Company	936	13.33	12,472	-	(34)	-	-	-	-	936	13.30	12,438	31%
Al Basha'er Fund	753	8.97	6,751	(45)	-	1,482	-	(35)	-	748	10.90	8,153	2%
Pan European Fund	35.85	1,315.40	47,157	-	1,388	2,388	(2,388)	-	-	36	1,354.11	48,545	90%
Al Hareth French Property Fund	24.65	1,310.40	32,301	(10,914)	1,077	2,378	(1,585)	(42)	-	17	1,361.60	23,215	100%
Energy City Qatar Holding Company	-	-	-	18,000	-	-	-	-	-	618	29.13	18,000	9%
Safana Investment WLL	-	-	-	25,366	-	-	-	-	-	9,563	2.65	25,366	11%
Hajer Tower, Mecca	-	-	-	8,011	-	-	-	-	-	8,011	1.00	8,011	28%
Aramis	-	-	-	13,952	-	77	-	(13)	-	13,951	1.01	14,016	N/a
Janayen Holding Limited	-	-	-	17,891	-	-	-	-	-	17,890	1.00	17,891	96%
			123,393	**62,745**	**647**	**6,325**	**(3,973)**	**(90)**	**-**			**189,046**	

The interim consolidated financial information consists of pages 2 to 12.

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN RESTRICTED INVESTMENT ACCOUNTS
for the six months ended 30 June 2007 *(continued)*

30 June 2006 (reviewed)	Balance at 1 January 2006			Movements during the period						Balance at 30 June 2006			
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	Administra-tion expenses US$ 000's	No of units (000)	Average value per share US$	Total US$ 000's	Total % ownership
Gulf Atlantic Real Estate Company Ltd	500	1.7208	860	(860)	-	62	(62)	-	-	-	-	-	-
Gulf Atlantic FZ LLC	0.02	118,440	2,369	-	190	2,207	(2,207)	-	-	0.020	127,920	2,559	2.9%
Gulf Development Real Estate Company KSCC	10,910	0.341	3,718	(650)	55	-	-	-	-	9,030	0.346	3,123	6.02%
Menajet Holding SAL	200	10.00	2,000	(2,000)	-	813	(813)	-	-	-	-	-	2.91%
Kuwait National Real Estate Investment & Services Co. KSCC	6,250	0.375	2,344	(338)	34	-	-	-	-	5,800	0.352	2,040	3.57%
Bayan Holding Company KSCC	7,000	0.341	2,385	-	35	-	-	-	-	7,000	0.346	2,420	1%
Gulf North Africa Holding Company KSCC	11,650	0.349	4,070	-	58	-	-	-	-	11,650	0.354	4,128	8%
Pan European Fund	9	1,188.65	10,339	38,144	828	86	-	-	(22)	39	1,280.875	49,375	90%
Al Hareth French Property Fund	25	1,186.25	29,241	-	2,337	1,651	(1,574)	(77)	-	25	1,281.05	31,578	100%
			57,326	34,296	3,537	4,819	(4,656)	(77)	(22)			95,223	

The interim consolidated financial information consists of pages 2 to 12.

NOTES TO THE INTERIM CONSOLIDATED FINANCIAL INFORMATION
for the six months ended 30 June 2007

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

2 The interim consolidated 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 2006 and 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 consolidated financial information for the six months ended 30 June 2006.

3 The accounting policies used in the preparation of the interim consolidated financial information are consistent with those used in the preparation of the consolidated financial statements for the year ended 31 December 2006.

4 During the period, the paid up capital of the Bank increased from US$ 212,674 to US$ 238,921 and the share premium increased from US$ 178,321 to US$ 180,382 as a result of:

- issue of bonus shares (twelve shares for every hundred shares held) for 2006 amounting to US$ 25,600 thousand; and

- issue of ordinary shares of US$ 647 thousand at a premium of US$ 2,061 thousand.

5 **Assets held for sale**

	30 June 2007 US$ 000's	31 December 2006 US$ 000's	30 June 2006 US$ 000's
Investments in associates	27,201	24,196	18,546
Property under development	50,000	-	-
	77,201	24,196	18,546

Property under development represents water park acquired from Al Areen Desert Spa & Resort Holding Company BSC (c). At 30 June 2007, the water park was substantially completed.

6 **Investments in associates**

	30 June 2007 US$ 000's	31 December 2006 US$ 000's	30 June 2006 US$ 000's
- Designated at fair value through the income statement	36,717	26,626	24,376
- Equity accounted	30,399	10,300	-
	67,116	36,926	24,736

Fair value changes taken to the income statement on 'investments in associates carried at fair value through the income statement' for the six months ended 30 June 2007 amounted to US$ 11,952 thousands (30 June 2006: US$ 3,445 thousands).

NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL INFORMATION
for the six months ended 30 June 2007

7 Investment securities

	30 June 2007 US$ 000's	31 December 2006 US$ 000's	30 June 2006 US$ 000's
Available-for-sale investments	420,861	320,137	271,131
Investments in sukuks	69,460	77,993	46,990
	490,321	398,130	318,121

8 Other assets

	30 June 2007 US$ 000's	31 December 2006 US$ 000's	30 June 2006 US$ 000's
Project costs recoverable	12,700	6,873	1,694
Advisory fees receivable	132,016	123,404	67,483
Short-term financing to projects	159,278	36,288	23,611
Receivable from sale of treasury shares	59,400	-	-
Receivables from sale of trading properties	-	51,109	-
Trading properties	2,960	2,960	8,892
Prepayments and other receivables	52,272	14,822	11,677
	418,626	235,456	113,357

9 Income from investment advisory services

During the first quarter of 2007, the Bank had recognised advisory income from a project based on an agreed pricing structure with its strategic partners. As a result of a planned expansion of the project, during the second quarter the Bank re-negotiated the original terms of the project with the other parties involved in the transaction which resulted in additional advisory income of US$ 33 million. In addition, during the quarter, the Bank has also recognised US$ 12 million following a restructuring of the capital structure of another project on which income was recognised in the previous year.

10 Income from investment securities

Income from investment securities include US$ 30,989 thousand arising from the sale of 29.94% stake in Khaleeji Commercial Bank, a fully owned subsidiary. As the sale was effective on 24 June 2007, the minority interest has been computed based on the subsidiary financial statements of 30 June 2007, being the latest financial statements.

11 Commitments and contingencies

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

	30 June 2007 US$ 000's	31 December 2006 US$ 000's
Commitments to invest	22,513	136,226
Un-drawn commitments to extend finance	45,597	8,050

NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL INFORMATION for the six months ended 30 June 2007

11 Commitments and contingencies (continued)

The Group has exited one of its investment projects during 2005 and has issued a corporate guarantee of up to £ 57 million, securing the buyer against any general indemnity, tax claim or liability that might arise under the terms of the agreement. In the opinion of the management, the possibility of the guarantee being invoked is negligible. The Group has also issued a guarantee to a financial institution to secure credit facility arrangement of US$ 3,440 thousand (31 December 2006: US$ US$ 3,440 thousand) for a project promoted by the Group.

Performance obligations

During the ordinary course of business, the Bank may enter into performance obligations in respect of its development infrastructure projects. It is the usual practice of the Bank to pass these performance obligations, wherever possible, on to the companies that own the projects. In the opinion of the management, no liabilities are expected to materialise on the Group at 30 June 2007 due to the performance of any of its projects.

Subsequent to 30 June 2007, the Bank has re-negotiated the terms of a project and has entered into revised agreements wherein the Bank has undertaken obligations to arrange the required finance of approximately US$ 1.8 billion of works and complete the project as per the revised terms of the agreement. At 30 June 2007, in the opinion of the management, the Bank does not own the project assets and there are no financial liabilities or contractual commitments on the Bank arising from the terms of the revised agreements.

12 Global Depository Receipts

During the quarter, the Bank admitted its Global Depository Receipts ('GDR') for listing in the London Stock Exchange (LSE). The Bank and its shareholders offered 110.6 million shares in the form of GDRs in a secondary issue to investors in Europe and USA. Each GDR represents 10 ordinary shares of the Bank. Of the total 110.6 million shares offered for GDR, the Bank has sold 26,367,880 of its treasury shares for a gain of US$ 4,006 thousand.

13 Sukuk issue

During the quarter, the Bank announced a US$ 1 billion medium term sharia'a compliant Sukuk issuance programme (the 'Programme'). The Programme provides a facility for the issuance of Sukuk Certificates in series (each, a "Series"). The Sukuk Certificates issued under the programme shall have a tenure of 5 years and returns based on an agreed spread over the benchmark rate (LIBOR). The Sukuk Certificates issued shall be secured by a pool of assets of the Group and shall have liquidity facility provided by the Bank to support timely payments of distributions under the Programme. The Sukuk Certificates issued shall be admitted to trading on the London Stock Exchange's Gilt Edged and Fixed Interest Market. Subsequent to 30 June 2007, the Bank is in the process of issuing its first Series of Sukuk Certificates.

14 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 six months ended 30 June 2007, the Group has recognised income from investment advisory services of US$ 153,422 (30 June 2006: US$ 61,724) arising from transactions with related parties.

NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL INFORMATION
for the six months ended 30 June 2007

15 Due to the effect of cyclical variations, the six month results reported in these interim consolidated financial information may not represent a proportionate share of the overall annual results.

16 Appropriations of net profit are made only at the year end.

17 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.