GULF FINANCE HOUSE BSC

CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION
31 March 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

CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION
for the three months ended 31 March 2007

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Independent report on review of condensed consolidated interim financial information

To

The Directors
Gulf Finance House BSC
Manama
Kingdom of Bahrain

29 April 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 at 31 March 2007, 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 (interim financial information). The Directors of the Bank are 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 BALANCE SHEET
as at 31 March 2007 US$ 000's

	Note	31 March 2007 (reviewed)	31 December 2006 (audited)	31 March 2006 (reviewed)
ASSETS				
Cash and bank balances		48,583	15,050	44,704
Due from financial and other institutions		604,009	687,765	800,287
Trading properties		2,960	2,960	8,890
Islamic financing assets		158,759	98,927	20,131
Investment in sukuks		72,967	77,993	47,812
Assets held for sale	5	84,196	24,196	26,333
Investment securities	6	394,415	357,063	262,013
Other assets		259,899	232,496	74,729
Equipment		5,228	4,434	2,395
Total assets		**1,631,016**	1,500,884	1,287,294
LIABILITIES				
Investors' funds		342,532	348,553	219,940
Customers' current accounts		13,103	7,297	1,896
Due to financial and other institutions		564,169	340,916	480,439
Other liabilities		70,757	77,454	31,093
Total liabilities		**990,561**	774,220	733,368
Unrestricted investment accounts		**79,003**	58,920	30,350
EQUITY				
Share capital	4	238,921	212,674	212,674
Advance towards share capital		-	2,708	-
Share premium	4	180,382	178,321	178,322
Treasury shares		(53,663)	(14,127)	-
Subsidiary company share grants		1,833	1,804	-
Statutory reserve		45,470	46,337	24,621
Investments fair value reserve		940	364	528
Retained earnings		147,569	239,663	107,431
Total equity (pages 4 and 5)		**561,452**	667,744	523,576
Total liabilities, unrestricted investment accounts and equity		**1,631,016**	1,500,884	1,287,294
Off-balance sheet items				
Restricted investment accounts (pages 7 and 8)		**142,877**	123,393	93,683

Fuad Abdulla Al-Omar
Chairman

Esam Yousif A. Janahi
Director and Chief Executive Officer

The Directors approved the condensed consolidated interim financial information consisting of pages 2 to 10 on 29 April 2007.

CONSOLIDATED INCOME STATEMENT
for the three months ended 31 March 2007 US$ 000's

	31 March 2007 (reviewed)	31 March 2006 (reviewed)
Income from investment advisory services	88,237	61,724
Placement, arrangement and management fees	4,168	6,118
Income from investment securities	4,456	3,455
Income from short-term murabaha placements	8,041	7,176
Income from investment in sukuks	1,243	920
Income from islamic financing assets	1,746	160
Other income	11	369
Total income	**107,902**	79,922
Staff costs	16,565	12,212
Investment advisory expenses	5,632	4,619
Murabaha expense	9,737	3,994
Other expenses	3,696	2,012
Total expenses	**35,630**	22,837
PROFIT FOR THE PERIOD	**72,272**	57,085
Earnings per share		
Basic earnings per share (US cents)	10.20	8.73

The condensed consolidated interim financial information consists of pages 2 to 10.

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
for the 3 months ended 31 March 2007

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**

The condensed consolidated interim financial information consists of pages 2 to 10.

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
for the 3 months ended 31 March 2007 *(continued)*

US$ 000's

	Share Capital	Share premium	Statutory reserve	Investments fair value reserve	Retained earnings	Total Equity
31 March 2006 (reviewed)						
Balance at 1 January 2006	149,771	31,487	24,621	227	146,258	352,364
Net fair value changes during the period	-	-	-	301	-	301
Net income recognised directly in equity	-	-	-	301	-	301
Net profit for the period	-	-	-	-	57,085	57,085
Total recognised income and expense	-	-	-	301	57,085	57,386
Issue of bonus shares	17,972	-	-	-	(17,972)	-
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)
Increase in Share Capital	44,931	142,963	-	-	-	187,894
Share issue expenses	-	(128)	-	-	-	(128)
Transfer from retained earnings to share premium	-	4,000	-	-	(4,000)	-
Balance at 31 March 2006	212,674	178,322	24,621	528	107,431	523,576

The condensed consolidated interim financial information consists of pages 2 to 10.

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS
for the three months ended 31 March 2007

US$ 000's

	31 March 2007 (reviewed)	31 March 2006 (reviewed)
OPERATING ACTIVITIES		
Cash receipts from investment advisory services	70,005	49,629
Net increase in customers' current accounts	5,806	(3,194)
Islamic financing assets, net	(59,832)	(3,023)
Short term financing of projects	(52,149)	(4,700)
Investors' funds paid, net	(6,021)	(257,712)
Placement, arrangement and management fees received	3,547	6,916
Murabaha profits and income from Islamic financing received	9,739	7,628
Murabaha expense paid	(8,793)	(3,592)
Other income received	-	411
Payments for expenses	(44,698)	(49,344)
Cash flows from operating activities	**(82,396)**	(256,981)
INVESTING ACTIVITIES		
Purchase of investment securities	(51,513)	(31,897)
Proceeds from sale of investment securities	18,987	751
Purchase of assets held for sale	(60,000)	-
Purchase of trading property	-	(230)
Proceeds from sale of trading property	31,872	-
Purchase of sukuks (long term)	(15,900)	(22,000)
Income from sukuks received	450	145
Purchase of equipment	(1,215)	(320)
Cash flows from investing activities	**(77,319)**	(53,551)
FINANCING ACTIVITIES		
Receipts from financial and other institutions, net	223,255	304,171
Acquisition of treasury shares, net	(38,363)	-
Proceeds from increase in share capital	-	187,894
Net receipts to/ (payments from) unrestricted investment accounts	20,083	(5,350)
Cash paid to charitable organisations	(25)	-
Board remuneration paid	(1,375)	(1,050)
Dividends paid	(115,270)	(65,369)
Cash flows from financing activities	**88,305**	420,296
(DECREASE)/ INCREASE IN CASH AND CASH EQUIVALENTS	(71,410)	109,764
Cash and cash equivalents at 1 January	724,002	745,557
CASH AND CASH EQUIVALENTS AT 31 March	**652,592**	855,321
Cash and cash equivalents comprise:		
Cash and balances with banks	48,583	44,704
Due from financial institutions and other institutions	604,009	800,287
Investments in sukuk (short-term)	-	10,330
	652,592	855,321

The condensed consolidated interim financial information consists of pages 2 to 10.

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN RESTRICTED INVESTMENT ACCOUNTS
for the three months ended 31 March 2007

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 Co.	-	-	-	18,000	-	-	-	-	-	617.90	29.13	18,000	9%
			123,393	**17,955**	**1,151**	**2,392**	**(1,957)**	**(57)**				**142,877**	

The condensed consolidated interim consolidated financial information consists of pages 2 to 10.

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN RESTRICTED INVESTMENT ACCOUNTS
for the three months ended 31 March 2007 *(continued)*

31 March 2006

Company	Balance at 1 January 2006			Movements during the period						Balance 31 March 2006			
	No of units (000)	Average value per share US$	Total US$ 000's	Investment 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 Atlantic Real Estate Company Ltd	500	1.7208	860	(860)	-	62	(62)	-	-	-	-	-	-
Gulf Atlantic FZ LLC	0.02	118,440	2,369	-	55	61	(61)	-	-	0.020	121,190	2,424	2.90
Gulf Development Real Estate Company KSCC	10,910	0.341	3,718	-	18	-	-	-	-	10,910	0.342	3,736	7.27
Menajet Holding SAL	200	10.00	2,000	-	-	-	-	-	-	200	10.00	2,000	2.91
Kuwait National Real Estate Investment & Services Co. KSCC	6,250	0.375	2,344	-	11	-	-	-	-	6,250	0.377	2,355	3.85
Bayan Holding Company KSCC	7,000	0.341	2,385	-	11	-	-	-	-	7,000	0.342	2,396	1
Gulf North Africa Holding Company KSCC	11,650	0.349	4,070	19	-	-	-	-	-	11,650	0.351	4,089	8
Pan European Fund	9	1,188.65	10,339	36,137	240	68	-	-	(20)	39	1,213.142	46,764	90
Al Hareth French Property Fund	25	1,186.25	29,241	-	678	744	(744)	-	-	25	1,196.760	29,919	100
			57,326	35,296	1,013	935	(867)	-	(20)			93,683	

The condensed consolidated interim financial information consists of pages 2 to 10.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION
for the three months ended 31 March 2007 US$ 000's

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

2 The condensed consolidated interim financial information is not audited but has been reviewed by KPMG. The comparatives for the 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 the consolidated changes in restricted investment accounts have been extracted from the reviewed condensed consolidated interim financial information for the three months ended 31 March 2006.

3 The accounting policies used in the preparation of the condensed consolidated interim 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 Group increased from US$ 212,674 to US$ 238,921 and the share premium increased from US$ 178,321 to US$ 180,382 as follows:

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

- issue of share capital of US$ 647 at a premium of US$ 2,061.

5 Assets held for sale comprise of

	31 March 2007	31 December 2006	31 March 2006
Investments in associates	34,196	24,196	26,333
Development in progress	50,000	-	-
	84,196	24,196	26,333

Development in progress represents 100% acquisition of 'Lost Paradise of Dilmun' water park from Al Areen Desert Spa & Resort Holding Company BSC (c). At 31 March 2007, the water park was under development and was substantially completed.

6 Investment securities comprises of:

	31 March 2007	31 December 2006	31 March 2006
Available-for-sale investments	335,416	320,137	230,303
Investments in Associates:			
- Designated at fair value through the income statement	28,885	26,626	21,410
- Equity accounted	30,114	10,300	10,300
	394,415	357,063	262,013

Fair value changes taken to the income statement on 'investments carried at fair value through the income statement' for the three months ended 31 March 2007 amounted to US$ 4,509 (31 March 2006: US$ 3,445).

NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL INFORMATION
for the three months ended 31 March 2007 US$ 000's

7 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 practice of the Bank to pass these performance obligations, wherever possible, on to the companies that own the projects. In April 2007, the Bank received a termination notice in respect of a project that had been legally assigned to a project company. The Bank disputes the grounds for the termination notice and has already engaged with the other party to achieve an amicable settlement. In the opinion of the management, at 31 March 2007, no liabilities are expected to materialise on the Bank from the issue of this notice.

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

9 Commitments and contingencies

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

	31 March 2007	31 December 2006
Commitments to invest	169,408	136,226
Undrawn commitments to extend finance	27,268	8,050

The Group has exited one of its investment projects during 2005 and has issued a corporate guarantee of upto £ 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.

10 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 2007, the Group has recognised income from investment advisory services of US$ 88,237 (31 March 2006: US$ 61,724) arising from transactions with related parties.

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

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