

GULF FINANCE HOUSE BSC
CONDENSED INTERIM CONSOLIDATED
FINANCIAL INFORMATION
30 September 2006

Commercial registration	:	44136 (registered with Bahrain Monetary Agency as an offshore Islamic investment bank).
Office	:	Al Salam Building Diplomatic Area PO Box 10006, Manama, Kingdom of Bahrain
Directors	:	Fuad Abdulla Al-Omar, <i>Chairman</i> Hamad A Aziz Al-Shaya, <i>Vice Chairman</i> Abdul Latif Abdullah Al-Meer Abdul Latif A Rahim Janahi Adel Dawood Al-Ohali Bader Jassim Bu-Rashid Buti Khalifa Al-Flasi Esam Yousif A. Janahi Osama Ebrahim Al-Saleh Samir Yaqoob Al-Nafisi Yousif A Latif Al-Serkal Yousif Mohammed Khayat
Chief Executive Officer	:	Esam Yousif A. Janahi
Company secretary	:	Dr Haider Majali
Auditors	:	KPMG

GULF FINANCE HOUSE BSC

CONDENSED INTERIM CONSOLIDATED FINANCIAL INFORMATION
for the nine months ended 30 September 2006

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ACCOUNTANTS' REVIEW REPORT

on the 30 September 2006 condensed interim consolidated financial information

To

The Directors
Gulf Finance House BSC
Manama
Kingdom of Bahrain

28 October 2006

We have reviewed the accompanying consolidated balance sheet of Gulf Finance House BSC (the 'Bank') and its subsidiaries (together, the "Group") as of 30 September 2006, and the related consolidated statements of income, changes in equity, cash flows and changes in restricted investment accounts for the nine month period then ended (the condensed interim consolidated financial information). This condensed interim consolidated financial information set out in pages 2 to 10 is the responsibility of the directors of the Bank. Our responsibility is to issue a report on this condensed interim consolidated financial information based on our review.

We conducted our review in accordance with the International Standard on Review Engagements 2400. A review is limited primarily to enquiries of the Bank's personnel and analytical procedures applied to financial data and thus provides less assurance than an audit. We have not performed an audit and, accordingly, we do not express an audit opinion.

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

CONSOLIDATED BALANCE SHEET
as at 30 September 2006

US\$ 000's

	Note	30 September 2006 (reviewed)	31 December 2005 (audited)	30 September 2005 (reviewed)
ASSETS				
Cash and balances with banks		11,974	13,412	10,333
Due from financial and non-financial institutions		767,536	702,882	507,531
Investments in equity securities	4	303,615	189,235	140,500
Other investments		59,933	61,373	36,217
Assets held for sale		18,546	25,327	59,517
Trading properties		22,437	8,660	10,626
Other assets		109,394	97,184	73,035
Equipment		3,633	1,694	1,800
Total assets		1,297,068	1,099,767	839,559
LIABILITIES				
Investors' funds		322,181	477,775	194,503
Customers current accounts		7,606	5,090	-
Due to financial and non-financial institutions		241,726	176,145	273,913
Other liabilities		61,282	52,693	29,800
Total liabilities		632,795	711,703	498,216
Unrestricted investment accounts		30,169	35,700	18,674
EQUITY				
Share capital	5	212,674	149,771	149,771
Advance towards proposed increase in share capital		2,363	-	-
Treasury shares		(10,009)	-	-
Share premium	5, 6	178,321	31,487	31,487
Statutory reserve		24,591	24,621	10,576
Available-for-sale investments fair value reserve		988	227	17,243
Retained earnings		225,176	146,258	112,293
Total equity attributable to shareholders of the parent company		634,104	352,364	321,370
Minority interest		-	-	1,299
Total equity (pages 4 and 5)		634,104	352,364	322,669
Total liabilities, unrestricted investment accounts and equity		1,297,068	1,099,767	839,559
Off-balance sheet items				
Restricted investment accounts (pages 7 and 8)		99,738	57,326	47,356

Fuad Abdulla Al-Omar
Chairman

Esam Yousif A. Janahi
Director and Chief Executive Officer

The Directors approved the condensed interim consolidated financial information consisting of pages 2 to 10 on 28 October 2006.

CONSOLIDATED INCOME STATEMENT
for the nine months ended 30 September 2006

US\$ 000's

	Nine months ended		Three months ended	
	30 September 2006 (reviewed)	30 September 2005 (reviewed)	30 September 2006 (reviewed)	30 September 2005 (reviewed)
INCOME				
Income from investment advisory services	217,340	109,587	77,200	29,363
Placement, management and arrangement fees	16,727	15,758	7,021	9,269
Income from investment securities	3,485	6,447	31	4,458
Income from Murabaha and other financing	31,965	9,269	11,783	4,020
Other income / (foreign exchange loss)	149	992	(779)	992
Total income	269,666	142,053	95,256	48,102
EXPENSES				
Staff costs	49,878	23,179	18,893	7,525
Investment advisory expenses	17,523	17,535	7,834	7,096
Murabaha expenses	17,673	5,115	7,148	2,538
Provision for impairment on investments	2,813	-	-	-
Other operating expenses	4,963	3,262	1,681	783
Depreciation	925	588	424	195
Total expenses	93,775	49,679	35,980	18,137
PROFIT FOR THE PERIOD	175,891	92,374	59,276	29,965
Attributable to:				
Shareholders of the parent company	175,891	92,321	59,276	29,944
Minority interest	-	53	-	21
	175,891	92,374	59,276	29,965
Earnings per share attributable to shareholders of the parent				
Basic earnings per share (US cents)	28.44	13.87	9.26	5.30

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
for the nine months ended 30 September 2006

US\$ 000's

30 September 2006 (reviewed)	Share Capital	Advance towards share capital	Treasury Shares	Share premium	Statutory reserve	Investments fair value reserve	Retained earnings	Total	Minority interest	Total Equity
Balance at 1 January 2006	149,771	-	-	31,487	24,621	227	146,258	352,364	-	352,364
Purchase of treasury shares	-	-	(10,773)	-	-	-	-	(10,773)	-	(10,773)
Sale of treasury shares	-	-	764	-	(30)	-	-	734	-	734
Issue of bonus shares	17,972	-	-	-	-	-	(17,972)	-	-	-
Advance towards share capital	-	2,363	-	-	-	-	-	2,363	-	2,363
Dividend declared (2005)	-	-	-	-	-	-	(71,890)	(71,890)	-	(71,890)
Charity contribution declared (2005)	-	-	-	-	-	-	(1,000)	(1,000)	-	(1,000)
Board remuneration paid (2005)	-	-	-	-	-	-	(1,050)	(1,050)	-	(1,050)
Zakah contribution declared (2005)	-	-	-	-	-	-	(1,061)	(1,061)	-	(1,061)
Increase in Share Capital (note 5)	44,931	-	-	142,963	-	-	-	187,894	-	187,894
Share issue expenses	-	-	-	(129)	-	-	-	(129)	-	(129)
Transfer from retained earnings to share premium (note 6)	-	-	-	4,000	-	-	(4,000)	-	-	-
Net fair value changes during the period	-	-	-	-	-	1,847	-	1,847	-	1,847
Transferred to income statement on disposal during the period	-	-	-	-	-	(1,086)	-	(1,086)	-	(1,086)
Net profit for the period	-	-	-	-	-	-	175,891	175,891	-	175,891
Balance at 30 September 2006	212,674	2,363	(10,009)	178,321	24,591	988	225,176	634,104	-	634,104

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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
for the nine months ended 30 September 2006 *(continued)*

US\$ 000's

	Share Capital	Share premium	Statutory reserve	Investments fair value reserve	Retained earnings	Total	Minority interest	Total equity
30 September 2005 (reviewed)								
Balance at 1 January 2005	139,973	31,487	10,576	3,899	63,725	249,660	1,246	250,906
Issue of bonus shares	9,798	-	-	-	(9,798)	-	-	-
Dividend declared for 2004	-	-	-	-	(32,194)	(32,194)	-	(32,194)
Charity contribution declared (2004)	-	-	-	-	(600)	(600)	-	(600)
Board remuneration paid (2004)	-	-	-	-	(585)	(585)	-	(585)
Zakah contribution declared (2004)	-	-	-	-	(576)	(576)	-	(576)
Net fair value changes during the period	-	-	-	13,344	-	13,344	-	13,344
Net profit for the period	-	-	-	-	92,321	92,321	53	92,374
Balance at 30 September 2005	149,771	31,487	10,576	17,243	112,293	321,370	1,299	322,669

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

CONSOLIDATED STATEMENT OF CASH FLOWS
for the nine months ended 30 September 2006

US\$ 000's

	30 September 2006 (reviewed)	30 September 2005 (reviewed)
OPERATING ACTIVITIES		
Cash receipts from investment advisory services	134,143	38,007
Placement, arrangement and management fees received	16,727	13,291
Murabaha profits received	30,569	9,105
Murabaha expenses paid	(15,037)	(5,115)
Income from available-for-sale investments received	-	1,484
Other income received	31	-
Payments for operating expenses	(67,595)	(25,078)
Withdrawal of customers current accounts, net	2,516	2,122
Cash flows from operating activities	101,354	33,816
INVESTING ACTIVITIES		
Purchase of available-for-sale investments	(63,496)	(16,094)
Proceeds from sale of available-for-sale investments	792	(39,222)
Proceeds from disposal of assets held for sale	7,446	13,989
Purchase of long-term sukuk	(28,126)	(15,000)
Purchase of trading properties	(13,777)	(10,626)
Proceeds from gains on disposal of investments	-	38,977
Proceeds from gains on disposal of trading properties	-	992
Investors' funds (paid) / received, net	(155,594)	160,284
Purchase of equipment	(2,864)	(299)
Net (payment to)/receipts from unrestricted investment account holders	(5,531)	18,674
Cash flows from investing activities	(261,150)	151,675
FINANCING ACTIVITIES		
(Repayments to)/Receipts from financial institutions, net	(3,943)	12,466
Repayments to non-financial institutions, net	(7,804)	130,284
Short term financing of projects, net	20,090	(40,092)
Proceeds from issue of ordinary shares	187,894	-
Advance towards share capital	2,363	-
Payments to charitable organisations	(220)	(784)
Acquisition of treasury shares	(10,037)	-
Board remuneration paid	(1,050)	(585)
Dividends paid	(72,573)	(27,652)
Cash flows from financing activities	114,720	73,637
(Decrease)/ increase in cash and cash equivalents	(45,076)	259,128
Cash and cash equivalents at 1 January	761,436	279,789
Cash and cash equivalents at 30 September	716,360	538,917
Cash and cash equivalents comprise:		
Cash and balances with banks	11,974	10,333
Due from financial institutions and non-financial institutions	688,976	507,531
Other investments - Short term sukuk	15,410	21,053
	716,360	538,917

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

CONSOLIDATED STATEMENT OF CHANGES IN RESTRICTED INVESTMENT ACCOUNTS
for the nine months ended 30 September 2006

30 September 2006 (reviewed)	Balance at 1 January 2006			Movements during the period						Balance at 30 September 2006			
	No of units (000)	Average value per share US\$	Total US\$ 000's	Investment/ (withdrawal) US\$ 000's	Adjustment / 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)	-	-	-	-	-	0%
Gulf Atlantic FZ LLC	0.02	118,440	2,369	-	195	192	(128)	-	-	0.02	131,385.00	2,628	2.90%
Gulf Development Real Estate Company KSCC	10,910	0.341	3,718	7,137	55	-	-	-	-	31,550	0.35	10,910	6.02%
Menajet Holding SAL	200	10.00	2,000	(2,000)	-	-	-	-	-	-	-	-	0.00%
Kuwait National Real Estate Investment & Services Co. KSCC	6,250	0.375	2,344	(338)	35	-	-	-	-	5,800	0.35	2,041	3.57%
Bayan Holding Company KSCC	7,000	0.341	2,385	-	35	-	-	-	-	7,000	0.35	2,420	1%
Gulf North Africa Holding Company KSCC	11,650	0.349	4,070	-	59	-	-	-	-	11,650	0.35	4,129	8%
Pan European Fund	9	1,188.65	10,339	34,801	810	18	-	-	-	36	1282.31	45,968	90%
Al Hareth French Property Fund	25	1,186.25	29,241	-	2,401	2,367	(2,367)	-	-	25	1283.65	31,642	100%
			57,326	38,740	3,590	2,639	(2,557)	-	-			99,738	

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

CONSOLIDATED STATEMENT OF CHANGES IN RESTRICTED INVESTMENT ACCOUNTS
for the nine months ended 30 September 2006 (continued)

30 September 2005 (reviewed)	Balance at 1 January 2005			Movements during the period						Balance at 30 September 2005			
	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
Company													
Gulf Atlantic Real Estate Company Ltd	500	1.92	959	-	(75)	60	(60)	-	-	500	1.77	884	91
Gulf Atlantic FZ LLC	0.02	135,580	2,712	-	(305)	181	(181)	-	-	0.020	120,328.89	2,407	100
Gulf Development Real Estate Company KSC (C)	9,784	0.34	3,320	386	30	-	-	-	-	10,910	0.34	3,736	7
Menajet Holding SAL	200	10.00	2,000	-	-	-	-	-	-	200	10.00	2,000	3%
Kuwait National Real Estate Investment and Services Company	13,550	0.37	5,058	(747)	40	453	(453)	-	-	11,550	0.38	4,351	4
Al Hareeth French Property Fund	-	-	-	29,753	-	-	-	-	-	25	1,186.25	29,753	100%
Pan European Real Estate Fund	-	-	-	4,225	-	-	-	-	-	4	1,207.14	4,225	90%
			14,049	33,617	(310)	694	(694)	-	-			47,356	

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

**NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL INFORMATION
for the nine months ended 30 September 2006**

- 1 The condensed interim consolidated financial information have been prepared in summarised form. The condensed interim consolidated financial information have been prepared in accordance with International Accounting Standard 34, *Interim Financial Reporting*.
- 2 The condensed interim consolidated financial information are not audited but have been reviewed by KPMG. The corresponding figures for the balance sheet have been extracted from the audited consolidated financial statements for the year ended 31 December 2005 and the reviewed condensed interim consolidated financial information for the nine months ended 30 September 2005.
- 3 The accounting policies used in the preparation of the condensed interim consolidated financial information are consistent with those used in the preparation of the consolidated financial statements for the year ended 31 December 2005.

- 4 Investments in securities comprise:

	30 September 2006 US\$'000	31 December 2005 US\$'000	30 September 2005 US\$'000
Investments carried at fair value through income statement	24,376	20,910	32,386
Available-for-sale investments	279,239	168,325	108,114
	303,615	189,235	140,500

Fair value changes taken to income statement on 'investments carried at fair value through the income statement' for the nine months ended 30 September 2006 amounted to net gains of US\$ 3,454 thousand (30 September 2005: net losses of US\$ 1,879 thousand).

- 5 During the period, the paid up capital of the bank increased from US\$ 149,771 thousand to US\$ 212,674 thousand as follows:
- issue of bonus shares (12 shares for every hundred shares held) for 2005 amounting to US\$ 17,972 thousand; and
 - rights issue of US\$ 44,931 thousands at a premium of US\$ 142,963 thousand.
- 6 In 2003, the shareholders' approved the utilisation of the share premium account for issue of shares towards the management incentive programme amounting to US\$ 4,000 thousand. The shareholders' in their annual general meeting held on 19 February 2006 resolved to restate the share premium account by transferring an equivalent amount from retained earnings.
- 7 Due to the effect of cyclical variations, the nine month results reported in these condensed interim consolidated financial information may not represent a proportionate share of the overall annual results.

NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL INFORMATION
for the nine months ended 30 September 2006 (continued)

8 COMMITMENTS AND CONTINGENCIES

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

	30 September 2006	30 September 2005
	US\$'000	US\$'000
Commitments to invest	99,026	3,792
Undrawn commitments to extend finance	2,228	-
	101,254	3,792

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.

The Group has issued a guarantee to a financial institution to secure credit facility arrangement of US\$ 3,440 thousand (December 2005: US\$ 12,200 thousand) for a project promoted by the Group.

- 9 During the course of the bank's investment and advisory activities, a significant portion of the income arises from transactions with entities over which the bank exercises influence as well as with other related parties such as major shareholders, directors and executive management of the Bank. The terms and conditions for these transactions are approved by the Board of Directors of the Bank.

For the nine months ended 30 September 2006, the bank has recognised income from investment advisory services of US\$ 217,340 thousand (30 September 2005: US\$ 76,876 thousand) arising from transactions with related parties.

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

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