

**Gulf Investment House K.S.C. (Closed) and
Subsidiaries**

**INTERIM CONDENSED CONSOLIDATED FINANCIAL
INFORMATION**

30 JUNE 2011 (UNAUDITED)

**REPORT ON REVIEW OF INTERIM CONDENSED CONSOLIDATED
FINANCIAL INFORMATION TO THE BOARD OF DIRECTORS OF
GULF INVESTMENT HOUSE K.S.C. (CLOSED)**

Introduction

We have reviewed the accompanying interim condensed consolidated statement of financial position of Gulf Investment House K.S.C. (Closed) (the “Parent Company”) and its subsidiaries (the “Group”) as at 30 June 2011 and the related interim condensed consolidated statements of income and comprehensive income for the three month and six month period then ended and the related interim condensed consolidated statements of cash flows and changes in equity for the six month period then ended. The management of the Parent Company is responsible for the preparation and presentation of this interim condensed consolidated financial information in accordance with basis of presentation set out in Note 2. Our responsibility is to express a conclusion on this interim condensed 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 condensed 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 condensed consolidated financial information is not prepared, in all material respects, in accordance with the basis of presentation set out in Note 2.

Report on Other Legal and Regulatory Requirements

Furthermore, based on our review, the interim condensed consolidated financial information is in agreement with the books of account of the Parent Company. We further report that, to the best of our knowledge and belief, we have not become aware of any violations of the Commercial Companies Law of 1960, as amended, or of the articles of association of the Parent Company during the period ended 30 June 2011 that might have had a material effect on the business of the Parent Company or on its financial position.

We further report that, during the course of our review, to the best of our knowledge and belief, we have not become aware of any material violations of the provisions of Law No. 32 of 1968, as amended, concerning currency, the Central Bank of Kuwait and the organisation of banking business, and its related regulations, during the six month period ended 30 June 2011.



WALEED A. AL OSAIMI
LICENCE NO. 68 A
OF ERNST & YOUNG

14 August 2011

Kuwait



ALI A. AL-HASAWI
LICENCE NO. 30 A
RÖDL MIDDLE EAST
BURGAN - INTERNATIONAL ACCOUNTANTS

Gulf Investment House K.S.C. (Closed) and Subsidiaries

INTERIM CONDENSED CONSOLIDATED INCOME STATEMENT

30 June 2011 (Unaudited)

	Notes	Three months ended		Six months ended	
		30 June		30 June	
		2011	2010	2011	2010
		KD	KD	KD	KD
INCOME					
Murabaha and wakala income		15,945	36,059	33,581	96,472
Placement, arrangement and management fee		483	691,761	90,230	1,139,466
Realised (loss) gain on sale of financial assets at fair value through income statement		(420)	(3,729)	10,971	(2,566)
Unrealised gain (loss) on financial assets at fair value through income statement	5	4,362	(476,601)	(9,869)	(1,384,803)
Realised (loss) gain on sale of financial assets available for sale		(150,371)	15,635	(150,371)	1,020,793
Share of results of associates	6	107,212	306,227	(84,229)	58,010
Dividend income		106,116	68,124	287,410	83,958
Realised gain on sale of investment properties		-	-	-	103,181
Realised gain on sale of trading properties		-	-	15,000	-
Rental income from investment properties		14,920	20,084	38,565	49,146
Other income		46,422	152	63,886	36,852
		<u>144,669</u>	<u>657,712</u>	<u>295,174</u>	<u>1,200,509</u>
EXPENSES					
Administrative expenses		(126,300)	(226,837)	(235,903)	(353,224)
Staff cost		(202,434)	(220,162)	(355,818)	(526,881)
Foreign exchange loss		(24,952)	(63,180)	(55,513)	(272,389)
Reversal of (provision for) credit losses		32,170	(52,106)	32,033	(15,461)
Impairment of financial assets available for sale		(42,680)	-	(42,680)	(343,993)
Murabaha charges		(625,696)	(779,896)	(1,265,414)	(1,567,684)
Investment expenses		(2,922)	(18,702)	(4,598)	(56,566)
		<u>(992,814)</u>	<u>(1,360,883)</u>	<u>(1,927,893)</u>	<u>(3,136,198)</u>
LOSS FOR THE PERIOD		<u>(848,145)</u>	<u>(703,171)</u>	<u>(1,632,719)</u>	<u>(1,935,689)</u>
Basic and diluted loss per share	3	<u>(2.01) fils</u>	<u>(1.67) fils</u>	<u>(3.87) fils</u>	<u>(4.59) fils</u>

The attached notes 1 to 11 form part of this interim condensed consolidated financial information.

Gulf Investment House K.S.C. (Closed) and Subsidiaries

INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE
INCOME

30 June 2011 (Unaudited)

	<i>Three months ended</i> <i>30 June</i>		<i>Six months ended</i> <i>30 June</i>	
	<i>2011</i> <i>KD</i>	<i>2010</i> <i>KD</i>	<i>2011</i> <i>KD</i>	<i>2010</i> <i>KD</i>
Loss for the period	(848,145)	(703,171)	(1,632,719)	(1,935,689)
Other comprehensive income				
Change in fair value of financial assets available for sale	(139,055)	15,635	(139,055)	676,800
Transfer to interim condensed consolidated income statement on sale of financial assets available for sale	150,371	(15,635)	150,371	(1,020,793)
Transfer to interim condensed consolidated income statement on impairment	42,680	-	42,680	343,993
Other comprehensive income	53,996	-	53,996	-
Total comprehensive loss for the period	(794,149)	(703,171)	(1,578,723)	(1,935,689)


The attached notes 1 to 11 form part of this interim condensed consolidated financial information.


Gulf Investment House K.S.C. (Closed) and Subsidiaries

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2011 (Unaudited)

		30 June 2011 KD	(Audited) 31 December 2010 KD	30 June 2010 KD
ASSETS				
Bank balances and short-term deposits	4	4,113,401	3,089,635	3,106,698
Financial assets at fair value through income Statement	5	6,653,073	7,107,535	10,313,465
Trading properties		-	865,000	865,000
Financial assets available for sale		14,941,777	17,066,531	21,606,526
Wakala receivables		2,761,567	6,404,995	8,143,417
Investment in associates	6	40,362,259	40,761,875	46,843,928
Investment properties		4,751,185	4,751,185	5,777,091
Other assets		767,215	1,499,499	1,936,454
Furniture and equipment		95,010	115,132	182,128
TOTAL ASSETS		74,445,487	81,661,387	98,774,707
EQUITY AND LIABILITIES				
Equity				
Share capital		44,219,114	44,219,114	44,219,114
Share premium		658,108	658,108	658,108
Share options reserve		737,322	737,322	737,322
Other reserves		15,021,094	15,021,094	15,021,094
Cumulative changes in fair values		(1,082,364)	(1,136,360)	(1,035,306)
Treasury shares	7	(7,847,874)	(7,847,874)	(7,847,874)
Treasury shares reserve		940,578	940,578	940,578
Accumulated losses		(29,941,415)	(28,308,696)	(12,671,152)
Total equity		22,704,563	24,283,286	40,021,884
Liabilities				
Murabaha payables	8	49,631,814	55,146,578	56,777,765
Other liabilities		2,109,110	2,231,523	1,975,058
Total liabilities		51,740,924	57,378,101	58,752,823
TOTAL EQUITY AND LIABILITIES		74,445,487	81,661,387	98,774,707


 Waleed Abdul Rahman Al-Rowaih
 (Vice Chairman)


 Bader Abdullah Al Ali
 (Chief Executive Officer)

The attached notes 1 to 11 form part of this interim condensed consolidated financial information.

Gulf Investment House K.S.C. (Closed) and Subsidiaries

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

30 June 2011 (Unaudited)

	Notes	Six months ended 30 June	
		2011 KD	2010 KD
OPERATING ACTIVITIES			
Loss for the period		(1,632,719)	(1,935,689)
<i>Non-cash adjustment to reconcile loss for the period to net cash flows:</i>			
Depreciation		59,196	77,523
Share of results of associates	6	84,229	(58,010)
Realised loss (gain) on sale of financial assets available for sale		150,371	(1,020,793)
Realised gain on sale of investment properties		-	(103,181)
Realised gain on sale of trading properties		(15,000)	-
Dividend income		(287,410)	(83,958)
Provision for credit losses		277	15,461
Impairment of financial assets available for sale		42,680	343,993
Murabaha charges		1,265,414	1,567,684
Working capital adjustments:			
Financial assets at fair value through income statement		454,462	1,443,611
Wakala receivables		3,643,151	(3,879,997)
Other assets		732,284	(400,169)
Other liabilities		(53,030)	31,696
Net cash from (used in) operating activities		<u>4,443,905</u>	<u>(4,001,829)</u>
INVESTING ACTIVITIES			
Purchase of furniture and equipment		(39,074)	-
Purchase of financial assets available for sale		-	(1,640)
Capital redemption of financial assets available for sale		1,441,904	928,906
Proceeds from sale of financial assets available for sale		543,795	3,036,907
Investment in associates		-	(802,000)
Dividends received from associates		315,387	-
Dividends received from others		287,410	83,958
Proceeds from sale of investment properties		-	857,562
Proceeds from sale of trading properties		880,000	-
Net cash from investing activities		<u>3,429,422</u>	<u>4,103,693</u>
FINANCING ACTIVITIES			
Dividends paid		(69,383)	(71,666)
Net movement in murabaha payables		(5,514,764)	(3,339,337)
Murabaha charges paid		(1,265,414)	(1,567,684)
Net movement in restricted bank accounts		69,383	71,666
Net cash used in financing activities		<u>(6,780,178)</u>	<u>(4,907,021)</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS		1,093,149	(4,805,157)
Cash and cash equivalents at beginning of the period		<u>2,637,803</u>	<u>7,441,508</u>
CASH AND CASH EQUIVALENTS AT END OF THE PERIOD	4	<u><u>3,730,952</u></u>	<u><u>2,636,351</u></u>

The attached notes 1 to 11 form part of this interim condensed consolidated financial information.

Gulf Investment House K.S.C. (Closed) and Subsidiaries

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

30 June 2011 (Unaudited)

	Share capital KD	Share premium KD	Share options reserve KD	Other reserves				Cumulative changes in fair values KD	Treasury shares KD	Treasury shares reserve KD	Accumulated losses KD	Total equity KD
				Statutory reserve KD	Voluntary reserve KD	Sub-total KD	Treasury shares KD					
At 1 January 2011	44,219,114	658,108	737,322	8,755,890	6,265,204	15,021,094	(1,136,360)	(7,847,874)	940,578	(28,308,696)	24,283,286	
Loss for the period	-	-	-	-	-	-	-	-	-	(1,632,719)	(1,632,719)	
Other comprehensive income	-	-	-	-	-	-	53,996	-	-	-	53,996	
Total comprehensive income (loss)	-	-	-	-	-	-	53,996	-	-	(1,632,719)	(1,578,723)	
As at 30 June 2011	44,219,114	658,108	737,322	8,755,890	6,265,204	15,021,094	(1,082,364)	(7,847,874)	940,578	(29,941,415)	22,704,563	
At 1 January 2010	44,219,114	658,108	737,322	8,755,890	6,265,204	15,021,094	(1,035,306)	(7,847,874)	940,578	(10,735,463)	41,957,573	
Loss and total comprehensive loss for the period	-	-	-	-	-	-	-	-	-	(1,935,689)	(1,935,689)	
Balance at 30 June 2010	44,219,114	658,108	737,322	8,755,890	6,265,204	15,021,094	(1,035,306)	(7,847,874)	940,578	(12,671,152)	40,021,884	

The attached notes 1 to 11 form part of this interim condensed consolidated financial information.

Gulf Investment House K.S.C. (Closed) and Subsidiaries

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

30 June 2011 (Unaudited)

1 CORPORATE INFORMATION

This interim condensed consolidated financial information of Gulf Investment House K.S.C. (Closed) (the "Parent Company") and its subsidiaries (the "Group") for the period ended 30 June 2011 were authorised for issue in accordance with a resolution of the Board of Directors on 14 August 2011.

The Parent Company is a Kuwaiti closed shareholding company registered and incorporated in State of Kuwait on 8 September 1998 under the Commercial Companies Law No. 15 of 1960 and amendments thereto. The Parent Company is registered with the Central Bank of Kuwait as an investment company.

The Group is primarily engaged in investment activities and related financial and advisory services. All activities of the Group are carried out in compliance with the Noble Islamic Sharee'a, as approved by the Parent Company's Fatwa and Sharee'a Supervisory Board.

The Parent Company's registered head office is at Dar Al-Awadi Tower, Sharq, Kuwait City, P.O. Box 28808 Safat, 13149 Safat, Kuwait.

The major shareholders of the Parent Company have announced their intention to pursue a merger of the Parent Company with First Investment Company K.S.C. (Closed). Detailed studies were completed during the year ended 31 December 2010, however, the final decision is still pending with the major shareholders of the Parent Company and First Investment Company K.S.C. (Closed).

The Annual General Assembly for the year ended 31 December 2010 was held on 27 June 2011 and no dividend was approved for the year ended 31 December 2010.

2 BASIS OF PRESENTATION

The interim condensed consolidated financial information of the Group is prepared in accordance with IAS 34, "Interim Financial Reporting" except as noted below:

The accounting policies used in the preparation of the interim condensed consolidated financial information are consistent with those used in the preparation of the audited consolidated financial statements for the year ended 31 December 2010. The audited consolidated financial statements for the year ended 31 December 2010 were prepared in accordance with the regulations of the State of Kuwait for financial services institutions regulated by the Central Bank of Kuwait. These regulations require adoption of all International Financial Reporting Standards (IFRS) except for the IAS 39 requirement for collective impairment provision, which has been replaced by the Central Bank of Kuwait's requirement for a minimum general provision made on all applicable credit facilities (net of certain categories of collateral) that are not provided specifically.

During the period, the Group has adopted the following standards effective for the annual periods beginning on or after 1 January 2011:

IAS 24 Related party disclosures (Revised)

The amended Standard clarified the definition of a related party and laid down additional requirement for disclosure of outstanding commitments to related parties. The adoption of the amendment did not have any impact on the financial position or performance of the Group.

IAS 34 Interim Financial Reporting

Improvement to IAS 34 introduces the concept of "Significant events and transactions" and has brought in additional disclosures for changes in business and economic circumstances, transfers between levels of the fair value hierarchy used and changes in the classification of financial assets resulting from change in the purpose or use of those assets. Adoption of this improvement did not have any material impact on the financial position or performance of the Group.

The interim condensed consolidated financial information does not contain all information and disclosures required for full financial information prepared in accordance with the International Financial Reporting Standards, and should be read in conjunction with the Group's annual consolidated financial statements as at 31 December 2010. In the opinion of management, all adjustments consisting of normal recurring accruals considered necessary for a fair presentation have been included. Operating results for the period ended 30 June 2011 are not necessarily indicative of the results that may be expected for the financial year ending 31 December 2011.

Gulf Investment House K.S.C. (Closed) and Subsidiaries

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

30 June 2011 (Unaudited)

3 BASIC AND DILUTED LOSS PER SHARE

Basic loss per share is computed by dividing the loss for the period by the weighted average number of shares of the Parent Company, less treasury shares, outstanding during the period.

Diluted loss per share is calculated by dividing the loss for the period by the weighted average number of shares of the Parent Company, less treasury shares, outstanding during the period (adjusted for the effects of dilutive share options).

Basic and diluted loss per share for the period presented in the interim condensed consolidated income statement is calculated as follows:

	<i>Three months ended</i>		<i>Six months ended</i>	
	<i>30 June</i>		<i>30 June</i>	
	<i>2011</i>	<i>2010</i>	<i>2011</i>	<i>2010</i>
	<i>KD</i>	<i>KD</i>	<i>KD</i>	<i>KD</i>
Loss for the period	(848,145)	(703,171)	(1,632,719)	(1,935,689)
	<i>Shares</i>	<i>Shares</i>	<i>Shares</i>	<i>Shares</i>
Weighted average number of shares for basic and diluted loss per share (excluding treasury shares)	421,655,945	421,655,945	421,655,945	421,655,945
	<i>Fils</i>	<i>Fils</i>	<i>Fils</i>	<i>Fils</i>
Basic and diluted loss per share	(2.01)	(1.67)	(3.87)	(4.59)

During the current period, the effect of outstanding share options has not been considered in the computation of diluted loss per share as the result is anti-dilutive.

4 CASH AND CASH EQUIVALENTS

Cash and cash equivalents included in the interim condensed consolidated statement of cash flows include the following amounts:

	<i>(Audited)</i>		<i>30 June</i>
	<i>30 June</i>	<i>31 December</i>	
	<i>2011</i>	<i>2010</i>	<i>2010</i>
	<i>KD</i>	<i>KD</i>	<i>KD</i>
Bank balances and short-term deposits	4,113,401	3,089,635	3,106,698
Less: balances in restricted bank accounts	(382,449)	(451,832)	(470,347)
	3,730,952	2,637,803	2,636,351

5 FINANCIAL ASSETS AT FAIR VALUE THROUGH INCOME STATEMENT

	<i>(Audited)</i>		<i>30 June</i>
	<i>30 June</i>	<i>31 December</i>	
	<i>2011</i>	<i>2010</i>	<i>2010</i>
	<i>KD</i>	<i>KD</i>	<i>KD</i>
Held for trading:			
Quoted securities	19,801	32,000	50,240
Designated at fair value through income statement:			
Quoted securities	1,426,024	1,772,791	2,092,978
Unquoted securities	4,619,507	4,596,676	7,286,407
Quoted funds managed by external fund managers	587,741	706,068	883,840
	6,653,073	7,107,535	10,313,465

Gulf Investment House K.S.C. (Closed) and Subsidiaries

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

30 June 2011 (Unaudited)

5 FINANCIAL ASSETS AT FAIR VALUE THROUGH INCOME STATEMENT (continued)

Fair values of certain unquoted equity investments are determined using valuation techniques that are not based on observable market prices or rates.

Unrealised gain (loss) is analysed as follows:

	Three months ended 30 June		Six months ended 30 June	
	2011 KD	2010 KD	2011 KD	2010 KD
<i>Held for trading:</i>				
- Quoted securities	(1,227)	(1,430)	(1,227)	(2,428)
<i>Designated at fair value through income statement:</i>				
- Quoted securities	(50,375)	(483,741)	(59,267)	(1,390,945)
- Unquoted securities	55,964	-	55,964	-
- Quoted funds managed by external fund managers	-	8,570	(5,339)	8,570
	<u>4,362</u>	<u>(476,601)</u>	<u>(9,869)</u>	<u>(1,384,803)</u>

6 INVESTMENT IN ASSOCIATES

	30 June 2011 KD	(Audited) 31 December 2010 KD	30 June 2010 KD
	<i>Carrying amount of investment in associates</i>		
Balance at the beginning of the period	40,761,875	45,983,918	45,983,918
Additions	-	802,000	802,000
Share of results	(84,229)	(5,833,943)	58,010
Dividends received	(315,387)	(190,100)	-
Balance at the end of the period	<u>40,362,259</u>	<u>40,761,875</u>	<u>46,843,928</u>

7 TREASURY SHARES

	30 June 2011	(Audited) 31 December 2010	30 June 2010
	Number of treasury shares	20,535,195	20,535,195
Percentage of issued shares	4.64%	4.64%	4.64%
Market value (KD)	687,929	893,281	1,304,074

8 MURABAHA PAYABLES

	30 June 2011 KD	(Audited) 31 December 2010 KD	30 June 2010 KD
	Gross amount	50,672,949	55,926,513
Less: deferred cost	(1,041,135)	(779,935)	(814,070)
	<u>49,631,814</u>	<u>55,146,578</u>	<u>56,777,765</u>

Gulf Investment House K.S.C. (Closed) and Subsidiaries

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

30 June 2011 (Unaudited)

9 RELATED PARTY TRANSACTIONS

These represent transactions with major shareholders, directors and executive officers of the Group and entities controlled, jointly controlled or significantly influenced by such parties. The Parent Company's management approves pricing policies and terms of these transactions. Significant transactions with Group's related parties included are as follows:

Balances with related parties included in the interim condensed consolidated statement of financial position are as follows:

	<i>Major shareholders KD</i>	<i>Other related parties KD</i>	30 June 2011 KD	<i>(Audited) 31 December 2010 KD</i>	<i>30 June 2010 KD</i>
Bank balances and short-term deposits	4,095,920	-	4,095,920	3,062,542	3,088,254
Staff loans receivable	-	12,282	12,282	16,106	15,560
Murabaha payables	45,161,484	-	45,161,484	46,968,888	36,782,315

Transactions with related parties included in the interim condensed consolidated income statement are as follows:

	<i>Major shareholders KD</i>	<i>Other related parties KD</i>	<i>Six months ended 30 June</i>	
			2011 KD	<i>2010 KD</i>
Murabaha charges	1,130,879	-	1,130,879	864,853
Realised gain on sale of trading properties	15,000	-	15,000	-
Realised gain on sale of financial assets at fair value through income statement	12,457	-	12,457	-

Key management compensation:

	<i>Six months ended 30 June</i>	
	2011 KD	<i>2010 KD</i>
Salaries and other short-term benefits	101,441	100,580
Terminal benefits	5,786	9,124
	107,227	109,704

Gulf Investment House K.S.C. (Closed) and Subsidiaries

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

30 June 2011 (Unaudited)

10 OPERATING SEGMENT INFORMATION

For management purposes, the Group is organised into three main business segments based on internal reporting provided to the chief operating decision maker:

Islamic financing : Providing a range of Islamic products to corporate customers;
 Investment : Managing direct investments and investments in subsidiaries and associates; and
 Real estate : Managing trading and investment properties.

	<i>Islamic financing KD</i>	<i>Investment KD</i>	<i>Real estate KD</i>	<i>Unallocated KD</i>	<i>Total KD</i>
Six months ended 30 June 2011					
Segment income	33,581	144,142	53,565	63,886	295,174
Segment result	33,304	(1,166,486)	51,501	(551,038)	(1,632,719)
30 June 2011					
Total assets	2,761,567	66,837,725	4,751,185	95,010	74,445,487
Six months ended 30 June 2010					
Segment income	96,472	914,858	152,327	36,852	1,200,509
Segment result	81,011	(1,053,384)	152,327	(1,115,643)	(1,935,689)
30 June 2010					
Total assets	8,143,417	83,807,071	6,642,091	182,128	98,774,707

11 COMMITMENTS

At 30 June 2011, there is a capital commitment amounting to KD 958,160 (31 December 2010: KD 4,527,315 and 30 June 2010: KD 4,255,595).