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Gulf Petroleum Investment Company - K.S.C.C
And its subsidiaries
State of Kuwait

Interim Condensed Consolidated Financial Information
For the nine months ended 30 September 2008
(Unaudited)
And review report

Gulf Petroleum Investment Company - K.S.C.C
And its subsidiaries
State of Kuwait

Interim Condensed Consolidated Financial Information
For the nine months ended 30 September 2008
And review report
(Unaudited)

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Gulf Petroleum Investment Company - K.S.C.C
State of Kuwait

Report on Review of Interim Condensed Consolidated Financial Information to the Board of Directors

Introduction

We have reviewed the accompanying interim condensed consolidated balance sheet of Gulf Petroleum Investment Company K.S.C.C, "Parent Company" and its subsidiaries (collectively referred to as the Group) as of 30 September 2008 and the interim condensed consolidated statements of income, changes in equity and cash flows for the nine month period then ended. The Parent Company's management is responsible for the preparation and presentation of this interim condensed consolidated financial information in accordance with IAS (34) "Interim Financial Reporting". 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 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 fairly, in all material respects, in accordance with International Accounting Standard No. "34" - Interim Financial Reporting.

Report on Review of Other Legal and Regulatory Requirements

Further, based on our review, the interim condensed consolidated financial information is in agreement with the books of the Parent Company. To the best of our knowledge and belief, no violations of the Commercial Companies Law of 1960, as amended, or of the Parent Company's Articles of Association have occurred during the nine month period ended 30 September 2008 that might have had a material effect on the business of the Group or on its consolidated financial position except for:

- What disclosed in notes (5, 7) to this financial information, as the Parent Company invested directly in shares and not through investment portfolios managed by specialized companies.
- What disclosed in note (9) to this financial information, as the Parent Company has obtained loans and bank facilities with conventional terms and not in accordance with Islamic Shariaa principles.

These are in contravention to the Parent Company's authorised activities.

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12 November 2008

Gulf Petroleum Investment Company - K.S.C.C
And its subsidiaries

Interim Condensed Consolidated Balance Sheet as of 30 September 2008
(Unaudited)
(All amount in Kuwaiti Dinars)

	Note	30 September 2008	31 December 2007 (Audited)	30 September 2007
Assets				
Non current assets				
Property, plant and equipment	3	28,973,699	21,359,295	19,280,557
Intangible assets	4	12,512,055	16,255,970	15,018,448
Available for sale investments	5	7,004,184	206,875	206,875
		48,489,938	37,822,140	34,505,880
Current assets				
Inventories		-	957,073	961,693
Due from related parties	14	12,030,568	3,724,081	2,846,011
Trade and other receivables	6	3,974,136	5,738,145	5,188,000
Investments at fair value through profit and loss	7	899,100	17,822,301	18,659,600
Cash and cash equivalents		1,472,136	1,947,055	2,025,290
		18,375,940	30,188,655	29,680,594
Total assets		66,865,878	68,010,795	64,186,474
Equity				
Equity attributable to shareholders of the parent company				
Share capital	8	16,104,000	14,640,000	14,640,000
Proceeds under capital increase	8	6,989,558	-	-
Share premium		2,000,000	2,000,000	2,000,000
Statutory reserve		1,875,323	1,875,323	1,192,987
Voluntary reserve		1,875,323	1,875,323	1,192,987
Foreign currency translation reserve		(1,114,954)	(1,179,099)	(832,742)
Retained earnings		6,173,920	8,452,708	6,927,130
		33,903,170	27,664,255	25,120,362
Minority interest		-	508,602	481,906
		33,903,170	28,172,857	25,602,268
Non current liabilities				
Due to banks	9	16,540,425	17,982,625	18,300,198
End of service indemnity		368,487	529,166	511,540
		16,908,912	18,511,791	18,811,738
Current liabilities				
Trade and other payables		4,454,648	4,335,119	3,354,414
Due to related parties	14	186,626	10,824,780	10,262,346
Due to banks	9	11,412,522	6,166,248	6,155,708
		16,053,796	21,326,147	19,772,468
Total equity and liabilities		66,865,878	68,010,795	64,186,474

The accompanying notes form an integral part of these interim condensed consolidated financial information

Chairman & Managing Director

Interim Condensed Consolidated Statement of Income for the nine months ended 30 September 2008
(Unaudited)
(All amount in Kuwaiti Dinars)

	Note	Three months ended 30 September		Nine months ended 30 September	
		2008	2007	2008	2007
Operating revenues	10	4,015,326	5,508,597	15,431,225	14,729,203
Operating cost		(2,679,328)	(3,210,347)	(7,771,189)	(7,028,221)
Gross profit		1,335,998	2,298,250	7,660,036	7,700,982
Other operating income		26,588	50,876	32,812	(1,463)
Gain on sale of subsidiaries	11	-	-	342,290	500,000
General and administrative expenses		(399,765)	(772,861)	(1,494,343)	(2,330,480)
Provision for doubtful debts		-	-	-	(250,000)
Loss from investments at Fair value through profit and loss	12	(546,750)	-	(534,600)	(275,400)
Foreign exchange differences		(71,713)	456,465	574,034	521,865
Finance cost		(536,370)	(499,559)	(1,149,787)	(1,115,268)
Income tax on subsidiaries		(48,729)	(73,635)	(157,893)	(920,906)
National Labour Support Tax		6,018	(33,860)	(130,562)	(93,113)
Contribution to Kuwait Foundation for the Advancement of Science		2,166	(12,918)	(47,440)	(33,885)
Zakat expense		2,720	-	(51,851)	-
Net (loss)/ profit for the period		(229,837)	1,412,758	5,042,696	3,702,332
Attributable to:					
Shareholders of the Parent Company		(229,837)	1,388,614	5,041,212	3,638,006
Minority interest		-	24,144	1,484	64,326
		(229,837)	1,412,758	5,042,696	3,702,332
Basic (loss)/ earning per share (fils)	13	(1.43)	8.62	31.30	22.59
Diluted (loss)/ earnings per share(fils)	13	(1.20)	7.22	26.21	18.92

The accompanying notes form an integral part of these interim condensed consolidated financial information

Gulf Petroleum Investment Company - K.S.C.C
And its subsidiaries

Interim Condensed Consolidated Statement of Changes in Equity for the nine months ended 30 September 2008
(Unaudited)
(All amount in Kuwaiti Dinars)

	Equity attributable to shareholders of the Parent Company								Minority interest	Total equity
	Share capital	Proceeds under capital increase	Share premium	Statutory reserve	Voluntary reserve	Foreign currency translation reserve	Retained earnings	Total		
Balance as of 31 December 2006	12,200,000	-	2,000,000	1,192,987	1,192,987	(293,638)	6,949,124	23,241,460	433,010	23,674,470
Foreign currency translation differences	-	-	-	-	-	(539,104)	-	(539,104)	(15,430)	(554,534)
Net profit recognized directly in equity	-	-	-	-	-	(539,104)	-	(539,104)	(15,430)	(554,534)
Net profit for the period	-	-	-	-	-	-	3,638,006	3,638,006	64,326	3,702,332
Total profit recognized during the period	-	-	-	-	-	(539,104)	3,638,006	3,098,902	48,896	3,147,798
Bonus share	2,440,000	-	-	-	-	-	(2,440,000)	-	-	-
Cash dividends	-	-	-	-	-	-	(1,220,000)	(1,220,000)	-	(1,220,000)
Balance as of 30 September 2007	14,640,000	-	2,000,000	1,192,987	1,192,987	(832,742)	6,927,130	25,120,362	481,906	25,602,268
Balance as of 31 December 2007	14,640,000	-	2,000,000	1,875,323	1,875,323	(1,179,099)	8,452,708	27,664,255	508,602	28,172,857
Foreign currency translation differences	-	-	-	-	-	(465,436)	-	(465,436)	(13,997)	(479,433)
Net profit recognized directly in equity	-	-	-	-	-	(465,436)	-	(465,436)	(13,997)	(479,433)
Net profit for the period	-	-	-	-	-	-	5,041,212	5,041,212	1,484	5,042,696
Net profit recognized directly in equity	-	-	-	-	-	(465,436)	5,041,212	4,575,776	(12,513)	4,563,263
Proceeds under capital increase	-	6,989,558	-	-	-	-	-	6,989,558	-	6,989,558
Disposal of subsidiary (Note 11)	-	-	-	-	-	529,581	-	529,581	(496,089)	33,492
Bonus share (Note 16)	1,464,000	-	-	-	-	-	(1,464,000)	-	-	-
Cash dividends (Note 16)	-	-	-	-	-	-	(5,856,000)	(5,856,000)	-	(5,856,000)
Balance as of 30 September 2008	16,104,000	6,989,558	2,000,000	1,875,323	1,875,323	(1,114,954)	6,173,920	33,903,170	-	33,903,170

The accompanying notes form an integral part of these interim condensed consolidated financial information

Interim Condensed Consolidated Statement of Cash Flows for the nine months ended 30 September 2008
(Unaudited)
(All amount in Kuwaiti Dinars)

	Nine months ended 30 September	
	2008	**2007**
Cash flows from operating activities		
Net profit for the period	5,042,696	3,702,332
Adjustments:		
Depreciation and amortization	1,176,759	1,819,556
Loss from investments at fair value through profit and Loss	534,600	275,400
Provision of doubtful debts	-	250,000
Gain on sale of subsidiaries	(342,290)	(500,000)
Finance cost	1,149,787	1,115,268
End of service indemnity	54,977	119,733
Operating profit before changes in working capital	7,616,529	6,782,289
Inventories	(38,509)	(204,006)
Due from / to related parties	523,570	(2,453,150)
Trade and other receivables	(1,784,688)	(3,312,151)
Trade and other payables	(535,756)	1,261,709
Net cash generated from operating activities	5,781,146	2,074,691
Cash flows from investing activities		
Payment for purchase of property, plant and equipment	(11,336,599)	(9,851,789)
Cash at subsidiaries on disposal	(312,484)	-
Cash dividend received	-	40,500
Paid for purchase of intangible assets	-	(10,593)
Restricted deposits	-	652,582
Net cash used in investing activities	(11,649,083)	(9,169,300)
Cash flows from financing activities		
Proceeds under capital increase	6,989,558	-
Cash dividends paid	(3,912,655)	(1,057,215)
Net proceeds from bank facilities	4,019,669	22,705,906
Finance cost paid	(1,703,554)	(798,032)
Payment for purchase of intangible assets	-	(12,824,813)
Net cash generated from financing activities	5,393,018	8,025,846
Net change in cash and cash equivalents	(474,919)	931,237
Cash and cash equivalents at beginning of the period	1,947,055	1,094,053
Cash and cash equivalents at end of the period	1,472,136	2,025,290

The accompanying notes form an integral part of these interim condensed consolidated financial information

1. Incorporation and activities

Gulf Petroleum Investment Company (the Parent Company) K.S.C.C incorporated in 1998 in accordance with the Law of Commercial Companies. The Parent Company operates according to the Noble Islamic Shariaa principles.

The main objectives of the Parent Company and its subsidiaries (Collectively referred to as "the group") is to carry out oilfield and gas services inshore and offshore, providing technical, economic, marketing studies, and consulting in all fields related to oil and petrochemicals in addition to owning plants, machinery and tools necessary for oil and petrochemicals industry, and leasing them to others.

The Parent Company registered office is at Salhiya, Ali Al Salem Street, Area 11, Al-Mabanee Building 1, first floor, P.O. Box 14214 Fiha, 72853 Kuwait.

The International Investment Group (K.S.C.) owns 33% of the Parent Company's share as at 30 September 2008.

The interim condensed consolidated financial information were authorized for issuance by the Board of Directors on 12 November 2008.

2. Basis of preparation of interim financial information

The interim condensed consolidated financial information has been prepared in accordance with International Accounting Standard (34) "Interim financial reporting". The interim condensed consolidated financial information does not include all information and disclosures required for complete financial statements prepared in accordance with the International Financial Reporting Standards.

In the opinion of management, all adjustments consisting of normal recurring accruals considered necessary for a fair presentation have been included. Operation results for the nine months ended 30 September 2008 are not necessarily indicative of the results that may be expected for the financial year ending 31 December 2008. For further information, refer to the consolidated financial statements and it's related disclosure for the year ended 31 December 2007.

The interim condensed consolidated financial information has been prepared in accordance with the same accounting policies and methods of calculation used in the latest financial statements which are prepared in accordance with International Financial Reporting Standard.

Interim financial information include, financial information for the Parent Company and its subsidiaries which reflect total assets of KD 28,151,955 as of 30 September 2008 and net profit of KD 6,706,016 for the period then ended.

During the period, the Group sold its shares in superior Group (three subsidiaries) to one of the related parties. The financial information of these subsidiaries has been consolidated until 30 March 2008, date that the control ceases (Note 11).

3. Property, plant and equipment

	30 September 2008	31 December 2007 (Audited)	30 September 2007
Net book value at the beginning of period/ year	21,359,295	10,954,905	10,954,905
Additions	11,336,599	12,128,598	9,851,789
Depreciation	(346,372)	(927,851)	(1,079,663)
Foreign currency translation	(357,696)	(796,357)	(446,474)
Disposal of subsidiaries (note 11)	(3,018,127)	-	-
Net book value at the ending of period / year	28,973,699	21,359,295	19,280,557

During the period, the Parent Company has signed a contract to purchase a rig amounted to US$ 170,000,000 equivalent to KD 45,543,000. Advance of 10% of the contract amount has been transferred (non refundable in case of incompleting the agreement terms). The Group is taking the necessary process to sign a syndicated loan of US$ 127,500,000 equivalent to KD 34,157,250 with a group of banks to finance the purchasing of this rig.

4. Intangible assets

	Goodwill	Exploitation rights	Other Intangible assets	Total
Cost				
As of 31 December 2007	2,949,771	14,272,723	20,000	17,242,494
Disposal of subsidiary (Note 11)	(2,913,528)	-	-	(2,913,528)
As of 30 September 2008	36,243	14,272,723	20,000	14,328,966
Accumulated amortization				
As of 31 December 2007	-	986,524	-	986,524
Amortization for the period	-	830,387	-	830,387
As of 30 September 2008	-	1,816,911	-	1,816,911
Net book value				
30 September 2008	36,243	12,455,812	20,000	12,512,055
31 December 2007	2,949,771	13,286,199	20,000	16,255,970

Exploitation right represents 16.5% of participating interest in Seram Islands - Indonesia production sharing contract with the Kuwaiti Petroleum Exploitation Company (KUFPEC) - Indonesia, for total amount of US$ 49,783,368 for a period of 14 years starting from 1 January 2006 till 31 October 2019.

5. Available for sale investments

Available for sale investments represented in unquoted local shares carried at cost. There is no impairment in value for these investments as of 30 September 2008.

The available for sale investments represented in direct investments in shares. The Parent Company activities do not include direct investment. Currently, the corrective action is under process.

6. Trade and other receivables

	30 September 2008	31 December 2007 (Audited)	30 September 2007
Trade receivables	2,476,942	3,953,057	3,181,519
Accrued income	250,000	1,311,204	1,536,942
Prepaid expenses	1,500,774	775,395	680,237
Others debit balances	100,094	54,330	156,755
Doubtful debts	(353,674)	(355,841)	(367,453)
	3,974,136	5,738,145	5,188,000

7. Investments at fair value through profit and loss

	30 September 2008	31 December 2007 (Audited)	30 September 2007
Quoted local shares	899,100	1,482,301	1,749,600
Unquoted gulf shares	-	16,340,000	16,910,000
	899,100	17,822,301	18,659,600

- Investments at fair value through profit and loss are pledged against due to banks (note 9).

- During the current period, the Parent Company has signed a contract to sell its investments in unquoted gulf shares to a related party by its carrying value as at 30 June 2008. The consideration was settled by receiving a local unquoted shares of KD 6,797,308 classified as available for sale investments - the ownership is currently being transferred by the name of the Parent Company - (Note 5) and the remaining amount of KD 9,542,692 has been settled with amounts due to related parties.

Quoted local shares are direct investments. The Parent Company activities do not include direct investment. Currently, corrective action is under process.

8. Share capital

On 12 May 2008, the shareholders General Assembly meeting approved the increase of share capital of the Parent Company by issuance of bonus shares of 10%, also they approved the capital increase by 50% by issuance of 73,200,000 shares of 100 fils each and 150 fils share premium for shareholders registered at the date of General Assembly meeting.

Accordingly, the issued share capital of the Parent Company became KD 23,424,000 distributed on 234,240,000 shares, while the paid share capital is KD 16,104,000 distributed on 161,040,000 shares of 100 fils each as of 30 September 2008 (KD 14,640,000 distributed on 146,400,000 shares as of 31 December 2007, 30 September 2007).

The board of directors of the Parent Company called the capital increase in two installments and the subscription period has been extend until 13 November 2008.

Till 30 September 2008, an amount of KD 6,989,558 has been collected from the capital increase recorded as amount collected under capital increase subject to the completion of collecting the outstanding amount of the capital increase and the legal procedures. The capital increase has been registered on 28 May 2008.

9. Due to banks

	30 September 2008	31 December 2007 (Audited)	30 September 2007
Current			
Loans	5,446,238	3,623,875	3,687,872
Wakala payable	5,966,284	2,542,373	2,467,836
	11,412,522	6,166,248	6,155,708
Non-current			
Loans	16,540,425	17,982,625	18,300,198
Total due to banks	27,952,947	24,148,873	24,455,906

- The average effective interest rate is 7.66% as of 30 September 2008 (7.86% as of 31 December 2007 – 7.53% as of 30 September 2007).

- Some of wakala payables are guaranteed against collateral of investments at fair value through profit and loss (local) (note 7).

- Loans granted against the rig, projects under progress and the Parent company's investment in Pyramid Drilling International Company Limited (Subsidiary) and the assignment of the rig's revenues to the bank.

- The Group borrows from traditional banks. Currently, the Group is in the process to convert such borrowing to comply with Islamic Shariaa.

10. Operating revenues

	Three months ended 30 September		Nine months ended 30 September	
	2008	2007	2008	2007
Rigs lease revenue	4,015,326	3,134,571	11,499,055	8,572,989
Services revenues	-	1,202,921	907,044	3,388,732
Exploitation right of oilfield revenues	-	1,171,105	3,025,126	2,767,482
	4,015,326	5,508,597	15,431,225	14,729,203

11. Disposal of subsidiary

	Total
Cash and Cash equivalent	312,484
Trade and other receivables	3,597,297
Inventories	995,582
Property, plant and equipment	3,018,127
Trade and other payables	(1,718,144)
End of services indemnity provision	(215,656)
Net book value of assets sold as of disposal date	5,989,690
Less: Minority interest	(496,089)
Parent Company's share from carrying value of assets sold	5,493,601
Add: Intangible assets (goodwill resulted from subsidiary acquisition)	2,913,528
Add: Foreign currency translation reserve as at disposal date	529,581
Net book value of disposed subsidiaries	8,936,710
Add: gain from sale of subsidiaries	342,290
Due from related parties (selling price)	9,279,000

On 30 March 2008, the Group has signed a contract to sell its share in Superior Group Companies to a related party, this party had been given of the management of these subsidiaries and their assets and liabilities and the Group has been released from any commitments or responsibility toward these subsidiaries, therefore the consolidation has been ceased as of that date. The total value of the sale amounted to KD 9,279,000 resulting gain from sale of KD 342,290 during the period ended 30 June 2008. The selling price has been included in the amount due from related parties (Note 14). The transfer of ownership of these companies is under progress.

This transaction has been eliminated from the cash flow statement as it is non-cash transaction.

12. Loss from investment at fair value through profit and loss

	Three months ended 30 September		Nine months ended 30 September	
	2008	2007	2008	2007
Dividends	-	-	48,600	40,500
Loss of change in fair value	(546,750)	-	(583,200)	(315,900)
	(546,750)	-	(534,600)	(275,400)

13. (Loss)/ earnings per share

Basic (loss)/ earning per share

Basic earning per share is calculated on the basis of the net profit for the period attributable to the shareholders of the Parent Company and the weighted average number of issued and outstanding shares during the period which is as follows:

	Three months ended 30 September		Nine months ended 30 September	
	2008	2007	2008	2007
Net (loss)/ profit for the period attributable to the shareholders of the parent Company	(229,837)	1,388,614	5,041,212	3,638,006
Weighted average number of issued shares	161,040,000	161,040,000	161,040,000	161,040,000
(Loss)/ earnings per share (fils)	(1.43)	8.62	31.30	22.59

The comparative figures were adjusted taking into consideration the decision of the general bonus shares by 10% of share capital.

Diluted (loss)/ earning per share

	Three months ended 30 September		Nine months ended 30 September	
	2008	2007	2008	2007
Net (loss)/ profit for the period attributable to the shareholders of the parent Company	(229,837)	1,388,614	5,041,212	3,638,006
Weighted average number of outstanding issued shares (including capital increase)	192,331,603	192,331,603	192,331,603	192,331,603
(Loss)/ earnings per share (fils)	(1.20)	7.22	26.21	18.92

Diluted (loss)/ earning per share were calculated for the current period and comparative figures considering the decision of capital increase (note 8).

14. Transactions with related parties

In the normal course of business, transactions with related parties took place (principal shareholders).

Transactions are as follows during the period:

	Nine months ended 30 September	
	2008	2007
Gain on sale of subsidiaries	342,290	500,000
Cost of Wakala payable	235,371	-
Executive management and high management benefits	106,733	220,974

The following are the balances resulted from these transactions:

	30 September 2008	31 December 2007 (Audited)	30 September 2007
Due from related parties	12,030,568	3,724,081	2,846,011
Due to related parties	186,626	10,824,780	10,262,346
Cash at investment portfolios	10,000	10,000	10,000
Portfolios investment managed by related parties	-	16,340,000	16,910,000
End of service benefits of executive management and high management	25,391	55,636	21,214
Wakala payable	5,536,284	1,658,954	1,517,836

Transactions with the related parties are subject to the approval of the shareholders.

15. Contingent liabilities and capital commitments

	30 September 2008	31 December 2007 (Audited)	30 September 2007
Capital commitments			
Purchase of rig	40,988,700	-	1,819,822
Contingent liabilities			
Letters of guarantee	-	335,623	346,510

16. Dividends

The General Assembly meeting held on 12 May 2008 approved the financial statement for the year ended 31 December 2007, and approved bonus shares of 10% (2006 – 20%) and 40% cash dividends (2006 -10%).

17. Comparative figures

Certain comparative figures have been reclassified to confirm with current presentation of interim condensed consolidated financial information.