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

Interim Condensed Consolidated Financial Information (Unaudited)
For the three months ended 31 March 2011
With review report

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

Introduction

We have reviewed the accompanying interim condensed consolidated statement of financial position of Gulf Petroleum Investment Company K.S.C.C, "Parent Company" and its subsidiaries (collectively referred to as "the Group") as of 31 March 2011 and the related interim condensed consolidated statements of income, comprehensive income, changes in equity and cash flows for the three month period then ended. The Parent Company 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 condensed consolidated 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 are not presented fairly, in all material respects, in accordance with International Accounting Standard No. (34) "Interim Financial Reporting".

Emphasis of Matter

Without qualifying our conclusion mentioned above, we draw attention to note (2) to this interim condensed consolidated financial information, as the Group's current liabilities exceeded its current assets by KD 7,829,888 as of 31 March 2011 (KD 7,776,589 as of 31 December 2010). The Group's ability to settle its liabilities depends on the success in implementing the plans that have been established to arrange the necessary liquidity. Our conclusion is not qualified in respect of this matter.

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Certified Accountants

Gulf Petroleum Investment Company - KSCC
Kuwait

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 period ended 31 March 2011 that might have a material affect on the business of the Group or on its consolidated financial position except for undertaking some activities which are in contravention with the approved activities as follows:-

- We refer to note (4) to this financial information, as the Parent Company invested directly in shares and not through investment portfolios managed by specialized companies.

- We refer to note (6) to this financial information, as the Parent Company received loans and bank facilities with traditional terms and not in accordance to Islamic Shariaa.

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Kuwait
11 May 2011

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

Interim condensed consolidated statement of financial position as of 31 March 2011
(Unaudited)
(All amount are in Kuwaiti Dinars)

	Note	31 March 2011	31 December 2010 (Audited)	31 March 2010
Assets				
Non current assets				
Property, plant and equipment	3	31,869,159	32,775,149	34,824,936
Intangible assets		12,657,633	12,934,428	13,764,812
Investments in associate		16,849	17,052	17,621
		44,543,641	45,726,629	48,607,369
Current assets				
Inventory		1,289,123	1,306,137	1,343,952
Due from related parties	10	35,915	340,824	250,949
Receivable and other debit balances	5	5,197,421	4,928,326	4,509,086
Cash and cash equivalents		747,313	568,351	674,208
		7,269,772	7,143,638	6,778,195
Total assets		51,813,413	52,870,267	55,385,564
Equity and liabilities				
Equity attributable to shareholders of the Parent Company				
Share capital		21,871,012	21,871,012	21,871,012
Share premium		10,650,519	10,650,519	10,650,519
Statutory reserve		1,875,323	1,875,323	1,875,323
Voluntary reserve		1,875,323	1,875,323	1,875,323
Foreign currency translation reserve		(782,386)	(435,530)	429,630
Accumulated losses		(13,319,724)	(13,948,716)	(14,077,452)
		22,170,067	21,887,931	22,624,355
Non-controlling interest		519,656	738,923	676,190
		22,689,723	22,626,854	23,300,545
Liabilities				
Non-current liabilities				
Due to banks	6	13,367,265	14,686,113	18,425,694
End of service indemnity		656,765	637,073	615,889
		14,024,030	15,323,186	19,041,583
Current liabilities				
Payable and other credit balances	7	9,300,085	9,555,030	8,399,898
Due to related parties	10	769,597	922,442	1,109,146
Due to banks	6	5,029,978	4,442,755	3,534,392
Total liabilities		15,099,660	14,920,227	13,043,436
Total Equity and Liabilities		51,813,413	52,870,267	55,385,564

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

Ghassan Fahed Sultan Essa
Chairman

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

Interim condensed consolidated statement of income
For the three months ended 31 March 2011
(Unaudited)
(All amount are in Kuwaiti Dinars)

	Note	Three months ended 31 March	
		2011	**2010**
Operating revenues		4,382,421	3,131,164
Operating costs		(3,299,906)	(3,261,943)
Gross profit/(loss)	8	1,082,515	(130,779)
Other operating income		28,770	133,996
Other operating expenses		-	(177,680)
Gain / (loss) from foreign currency differences		192,717	(158,897)
General and administrative expenses		(298,648)	(210,150)
Finance charges		(235,040)	(209,559)
Net profit /(loss) before tax from subsidiaries		770,314	(753,069)
Income tax on subsidiaries		(85,060)	(66,101)
Net profit /(loss) before deductions		685,254	(819,170)
National Labour Support Tax (NLST)		(16,805)	-
Zakat expense		(6,722)	-
Net profit /(loss) for the period		661,727	(819,170)
Attributable to:			
Shareholders of the Parent Company		628,992	(827,603)
Non-controlling interest		32,735	8,433
		661,727	(819,170)
Profit /(loss) per share (fils)	9	2.87	(3.78)

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

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

Interim condensed consolidated statement of comprehensive income
For the three months ended 31 March 2011
(Unaudited)
(All amount are in Kuwaiti Dinars)

	Three months ended 31 March	
	2011	**2010**
Net profit /(loss) for the period	661,727	(819,170)
Foreign currency translation reserve	(354,458)	262,533
Total other comprehensive (loss)/ income	(354,458)	262,533
Total comprehensive income /(loss) for the period	307,269	(556,637)
Attributable to:		
Shareholders of the Parent Company	282,136	(571,983)
Non – Controlling interest	25,133	15,346
	307,269	(556,637)

The accompanying notes form an integral part of this 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 three months ended 31 March 2011
(Unaudited)
(All amount are in Kuwaiti Dinars)

	Equity attributable to shareholders of Parent Company							Non-Controlling interest	Total equity
	Share capital	Share premium	Statutory reserve	Voluntary reserve	Foreign Currency translation reserve	Accumulated losses	Total		
Balance at 1 January 2010	21,871,012	10,650,519	1,875,323	1,875,323	174,010	(13,249,849)	23,196,338	660,844	23,857,182
Total comprehensive income /(loss) for the period	-	-	-	-	255,620	(827,603)	(571,983)	15,346	(556,637)
Balance at 31 March 2010	21,871,012	10,650,519	1,875,323	1,875,323	429,630	(14,077,452)	22,624,355	676,190	23,300,545
Balance at 1 January 2011	21,871,012	10,650,519	1,875,323	1,875,323	(435,530)	(13,948,716)	21,887,931	738,923	22,626,854
Total comprehensive (loss) /income for the period	-	-	-	-	(346,856)	628,992	282,136	25,133	307,269
Dividends to non-controlling interest	-	-	-	-	-	-	-	(244,400)	(244,400)
Balance at 31 March 2011	21,871,012	10,650,519	1,875,323	1,875,323	(782,386)	(13,319,724)	22,170,067	519,656	22,689,723

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

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

Interim condensed consolidated statement of cash flows
For the three months ended 31 March 2011
(Unaudited)
(All amount are in Kuwaiti Dinars)

	Three months ended 31 March	
	2011	**2010**
Cash flows from operating activities		
Net profit /(loss) for the period	661,727	(819,170)
Adjustments:		
Depreciation and amortization	934,912	849,617
Finance charges	235,040	139,164
Gain from foreign currency	(213,265)	(120,881)
End of service indemnity	19,692	(17,207)
Operating profit before changes in working capital	1,638,106	31,523
Inventory	17,014	8,009
Due from / to related parties	152,064	(135,777)
Receivable and other debit balances	(269,095)	(53,380)
Payable and other credit balances	(342,000)	583,475
Net cash generated from operating activities	1,196,089	433,850
Cash flows from investing activities		
Payment for purchase of property, plant and equipment	(31,365)	(6,072)
Disposal of property, plant and equipment	12,638	-
Net cash used in investing activities	(18,727)	(6,072)
Cash flows from financing activities		
Net payment of bank facilities and loans	(518,360)	(256,726)
Finance charges paid	(235,040)	(199,544)
Dividends to non-controlling	(244,400)	-
Cash dividends	(600)	(3,716)
Net cash used in financing activities	(998,400)	(459,986)
Net change in cash and cash equivalents	178,962	(32,208)
Cash and cash equivalents at the beginning of the period	568,351	706,416
Cash and cash equivalents at the end of the period	747,313	674,208

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

1. Incorporation and activities

Gulf Petroleum Investment Company K.S.C.C (the Parent Company) was incorporated in 1998 under the Kuwaiti's 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 (together referred to as "the Group") is to carry out oil field and gas services in land and sea, providing technical, economic, marketing, and consulting studies and 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's registered office is at Salhiya, Block 11 Ali Al Salem Street, Al-Mabanee Building 1, first floor P.O. Box 14214 Fiha, 72853 Kuwait.

The International Investment Group (K.S.C.) holds 27.84% of the Parent Company's share capital as at 31 March 2011 (27.84% as of 31 December 2010, 23.09% as of 31 March 2010).

The General Assembly Meeting was not held, accordingly the financial statements for the year ended 31 December 2010 has not been approved yet.

The interim condensed consolidated financial information was authorized for issuance by the Board of Directors on 11 May 2011.

2. Basis of preparation

This interim condensed consolidated financial information has been prepared in accordance with International Accounting Standard (34), applicable to Interim Financial Reporting.

Interim condensed consolidated financial information does not include all the information and disclosures required for complete financial statements prepared in accordance with International Financial Reporting Standards. In the opinion of the management, all adjustments consisting of normal recurring accruals considered necessary for a fair presentation have been include, in the condensed consolidation financial information. The operating results for the Three months period ended 31 March 2011 are not necessarily indicative of the results that may be expected for the year ending 31 December 2011. For further information, refer to the consolidated financial statements for the year ended 31 December 2010 and its related disclosures.

The accounting policies used in the preparation of the interim condensed consolidated financial information are consistent with those used in the preparation of the consolidated financial statements for the year ended 31 December 2010 except for the amendments to standards as below which are applicable for the Group from 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, but gave rise to additional disclosures in the interim consolidated financial information.

IAS 34 Interim Financial Reporting (Revised)

The amended standard provided clarification about significant events and transactions to be disclosed in the interim financial report and clarifies how to apply this principal in respect of financial instruments and their fair values. The adoption of the amendment did not have any impact on the financial position or performance of the Group.

As of 31 March 2011, the current liabilities exceeded the current assets amounted to KD 7,829,888 (7,776,589 as of 31 December 2010). The Group is currently negotiating with certain creditors in order to settle the liabilities also with some banks to restructure some of the short-term loans.

3. Property, plant & equipment

	31 March 2011	31 December 2010 (Audited)	31 March 2010
Net book value at beginning period / year	32,775,149	35,196,339	35,196,339
Additions	155,286	1,161,608	6,072
Disposal	(12,638)	-	-
Depreciation	(658,117)	(2,848,290)	(572,821)
Foreign currency translation differences	(390,521)	(734,508)	195,346
Net book value at ending period / year	31,869,159	32,775,149	34,824,936

- Property, plant and equipment include (1) offshore rig, (5) onshore rig working in Egypt, Syria and Kurdistan. The rent contract of the offshore rig will be ended in 30 November 2012, and the rent contract of the onshore rig will be ended during 2011 and 2012, respectively.

4. Available for sale investment

- The Group owns investment in local unquoted shares of KD 460,855, available for sale investments is fully impaired during the prior years.
- Investments available for sale are held directly. The Parent Company activities do not include direct investment, currently the corrective action is under process.

5. Receivable and other debit balances

	31 March 2011	31 December 2010 (Audited)	31 March 2010
Trade receivables	3,698,350	3,017,942	2,858,880
Accrued income	250,000	1,761,269	250,000
Provision for doubtful debts	(869,722)	(869,722)	(369,959)
	3,078,628	3,909,489	2,738,921
Prepaid expenses	1,053,143	419,733	1,005,074
Refundable deposits	868,406	340,639	597,867
Other debit balances	197,244	258,465	167,224
	5,197,421	4,928,326	4,509,086

The Group has credit concentration as of 31 March 2011 amounted to KD 3,439,990 (KD 2,798,255 as of 31 December 2010, KD 1,769,844 as of 31 March 2010) due from 19 clients. The Group's management believes that no losses will be resulted from this concentration, taking into consideration the available information from dealing with clients.

6. Due to banks

	31 March 2011	31 December 2010 (Audited)	31 March 2010
Current			
Borrowing	4,835,651	4,264,877	3,534,392
Bank facilities	194,327	177,878	-
	5,029,978	4,442,755	3,534,392
Non-current			
Borrowing	13,367,265	14,686,113	18,425,694
Total due to banks	18,397,243	19,128,868	21,960,086

- The effective interest rate for the amount due to banks is 3.91% as of 31 March 2011 (4.02% as of 31 December 2010 – 5.50% as of 31 March 2010).
- Loans are granted against the pledge of the Rigs, the Parent Company's investment in Pyramid Drilling International Company Limited (Subsidiary) and the assignment of the rig's revenue to the bank.
- The Group borrows from traditional banks, and now the Group is in the process to transfer such borrowing to be in accordance with Islamic Shariaa.
- The short-term borrowings include an amount of KD 617,660, which is loans installments matured and not yet paid as of 31 March 2011. During the subsequent period, the Group is negotiating to reschedule and settle these installments.

Find the maturity analysis of the non-current portion:

	31 March 2011	31 December 2010 (Audited)	31 March 2010
During 1 year	7,391,100	7,239,613	6,904,650
More than 1 year	5,976,165	7,446,500	11,521,044
	13,367,265	14,686,113	18,425,694

7. Payable and other credit balances

	31 March 2011	31 December 2010 (Audited)	31 March 2010
Trade payables	2,592,249	2,369,376	2,019,773
Creditors from purchase property, plant and equipments	2,981,368	2,892,340	2,976,742
Accrued expenses & interest	1,307,639	1,709,692	1,231,228
Provision for claims	635,365	635,365	-
Accrued dividends	654,449	655,049	659,248
Income tax payable of subsidiaries	445,780	455,936	477,668
Tax & deductions	435,328	411,801	415,927
Others credit balances	247,907	425,471	619,312
	9,300,085	9,555,030	8,399,898

There are lawsuits have been filed against the Group as of 31 March 2011 which represent labor cases and other claims. The Group has provided a full provision for these liabilities with an amount of KD 635,365.

8. Gross profit / (loss)

	Three months ended 31 March	
	2011	2010
Rigs lease	1,093,381	(19,025)
Services	499,582	237,866
Exploitation right of oil well	(510,448)	(349,620)
	1,082,515	(130,779)

The exploitation right activity incurred losses due to the decline in oil prices; however, oil prices started to increase in the period, which will result in a recovery during next year. Accordingly, the Group's management believes that there is no impairment in exploitation right.

9. Gain / (loss) per share

Basic gain / (loss) per share is calculated based on the net gain / (loss) for the period attributable to the shareholders of the Parent Company for the period divided by the weighted average number of issued and outstanding shares during the period, which is as follows:

	Three months ended 31 March	
	2011	**2010**
Net gain / (loss) for the period attributable to the shareholders of the Parent Company	628,992	(827,603)
Weighted average number of issued shares	218,710,123	218,710,123
Gain / (loss) per share (fils)	2.87	(3.78)

10. Transactions with related parties

In the normal course of Group business, during the period these transactions with related parties took place (principal shareholders and companies owned by principal shareholders).

The following is the list of these transactions:

	31 March 2011	**31 December 2010 (Audited)**	**31 March 2010**
Due from related parties (Net)	35,915	340,824	250,949
Due to related parties	769,597	922,442	1,109,146
Cash at investment portfolios	-	-	10,000
End of service indemnity of executive and key management	24,778	283,885	22,053

The transactions with the related parties are subject to the approval of the shareholders.

11. Segmental Financial Information

The Group activities are concentrated in Exploitation right, oil service and consulting and Rigs lease, the following is the revenue and segment result as its reported to management:

(A) Three months ended 31 March 2011:

	Exploitation right (Indonesia)	**Oil well services (United Arab Emirates/ Syria)**	**Rigs lease (Egypt)**	**Total**
Revenues	-	1,554,490	2,827,931	4,382,421
Segments results	(510,448)	382,351	1,022,507	894,410
Adjustments:				
Finance cost and foreign currency difference				(42,323)
Other unallocated expenses				(110,543)
Other operating revenues				28,770
Net losses before tax				770,314
Total assets	9,707,862	7,806,248	29,701,908	47,216,018
Add the following:				
Investment in associates				16,849
Other assets				4,580,546
Total				51,813,413

(B) Three months ended 31 March 2010

	Exploitation right (Indonesia)	Oil services (United Arab Emirates / Syria)	Rigs lease (Egypt)	Total
Revenues	-	1,255,237	1,875,927	3,131,164
Segment results	(349,620)	155,046	(269,415)	(463,989)
Adjustments:				
Finance cost and foreign currency difference				(368,456)
Other unallocated expenses				(51,580)
Other operating revenues				130,956
Net losses before tax and deductions				(753,069)
Total assets	10,815,041	8,656,647	31,383,584	50,855,272
Add the following:				
Investment in associates				17,621
Other assets				4,512,671
Total				55,385,564

12. Contingent liabilities and capital commitments

	31 March 2011	31 December 2010 (Audited)	31 March 2010
Letters of guarantee	27,761	28,100	146,466
Project under construction	-	-	3,940,412

13. Proposed dividends

The Board of Directors held on 31 March 2011 proposed not to distribute dividends for the year ended 2010 (Nil – 2009).