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

Interim Condensed Consolidated Financial Information (Unaudited)
For the six months ended 30 June 2010
With review report

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

Interim Condensed Consolidated Financial Information (Unaudited)
For the six months period ended 30 June 2010
And review report

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Gulf Petroleum Investment Company - K.S.C. (Closed)
Kuwait

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 30 June 2010 and the related interim condensed consolidated statements of income, comprehensive income, changes in equity and cash flows for the six-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 as of 30 June 2010. The Group's ability to settle its liabilities depends on the success of implementing the plans that have been established to provide the necessary liquidity.

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 30 June 2010 that might have a material affect on the business of the Group or on its consolidated financial position except 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 Sharia.

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

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Kuwait
12 August 2010.

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

Interim condensed consolidated statement of financial position as of 30 June 2010
(Unaudited)
(All amount are in Kuwaiti Dinars)

	Note	30 June 2010	31 December 2009 (Audited)	30 June 2009
Assets				
Non current assets				
Property, plant and equipment	3	35,141,682	35,196,339	30,028,832
Intangible assets		13,488,018	14,041,608	11,681,670
Available for sale investment	4	-	-	2,053,975
Investments in associate		17,679	17,353	-
		48,647,379	49,255,300	43,764,477
Current assets				
Inventory		1,347,108	1,351,961	-
Due from related parties	9	305,227	334,991	12,126,029
Receivable and other debit balances	5	5,367,539	4,455,706	4,571,341
Investment at fair value through profit or loss		-	-	192,030
Cash and cash equivalents		379,332	706,416	231,617
		7,399,206	6,849,074	17,121,017
Total assets		56,046,585	56,104,374	60,885,494
Equity				
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		651,389	174,010	550,851
Accumulated losses		(12,911,272)	(13,249,849)	(6,456,020)
		24,012,294	23,196,338	30,367,008
Non-controlling interest		712,216	660,844	-
		24,724,510	23,857,182	30,367,008
Non current liabilities				
Due to banks	6	17,376,822	19,064,920	14,513,036
End of service indemnity		623,052	633,096	386,386
		17,999,874	19,698,016	14,899,422
Current liabilities				
Payable and other credit balances		8,010,557	7,947,438	7,926,309
Due to related parties	9	1,109,149	1,328,965	1,157,731
Due to banks	6	4,202,495	3,272,773	6,535,024
		13,322,201	12,549,176	15,619,064
Total Equity and Liabilities		56,046,585	56,104,374	60,885,494

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 comprehensive income for the six months ended 30 June 2010
(Unaudited)
(All amount are in Kuwaiti Dinars)

	Note	Three months ended 30 June		Six months ended 30 June	
		2010	2009	2010	2009
Operating revenues		5,224,084	2,304,006	8,355,248	5,383,101
Operating costs		(3,168,660)	(2,695,035)	(6,430,603)	(5,190,667)
Gross operating profit /(loss)	7	2,055,424	(319,029)	1,924,645	192,434
Other operating income / (loss)		14,971	(1,997)	148,967	312
Other operating expenses	7	(126,573)	(368,599)	(304,253)	(995,997)
(Loss) / gain from foreign currency differences		(145,440)	241,899	(304,337)	(740,663)
General and administrative expenses		(268,595)	(242,720)	(478,745)	(568,747)
Gain from investments at fair value - profit or loss		-	294,550	-	215,575
Finance charges		(228,080)	(87,215)	(437,639)	(193,939)
Net profit / (loss) before tax from subsidiaries		1,301,707	(555,111)	548,638	(2,091,025)
Income tax on subsidiaries		(88,343)	(62,894)	(154,444)	(95,574)
Net profit / (loss) before taxation		1,213,364	(618,005)	394,194	(2,186,599)
Kuwait Foundation for the Advancement of Science ("KFAS")		(3,186)	-	(3,186)	-
National Labour Support Tax		(8,851)	-	(8,851)	-
Zakat expense		(3,440)	-	(3,440)	-
Net profit / (loss) for the period		1,197,887	(618,005)	378,717	(2,186,599)
Attributable to:					
Shareholders of the Parent Company		1,166,180	(618,005)	338,577	(2,186,599)
Non-controlling interest		31,707	-	40,140	-
		1,197,887	(618,005)	378,717	(2,186,599)
Earning / (loss) per share (fils)	8	5.33	(2.83)	1.55	(9.99)

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 six months ended 30 June 2010
(Unaudited)
(All amount are in Kuwaiti Dinars)

	Three months ended 30 June		Six months ended 30 June	
	2010	**2009**	**2010**	**2009**
Net profit/ (loss) for the period	1,197,887	(618,005)	378,717	(2,186,599)
Foreign currency translation reserve	226,078	(269,289)	488,611	1,016,227
Total other comprehensive income / (loss)	226,078	(269,289)	488,611	1,016,227
Total comprehensive profit / (loss) for the period	1,423,965	(887,294)	876,328	(1,170,372)
Attributable to:				
Shareholders of the Parent Company	1,387,939	(887,294)	815,956	(1,170,372)
Non-controlling interest	36,026	-	51,372	-
	1,423,965	(887,294)	876,328	(1,170,372)

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 six months ended 30 June 2010
(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 31 December 2008	21,871,012	10,650,519	1,875,323	1,875,323	(465,376)	(4,269,421)	31,537,380	-	31,537,380
Total comprehensive income / (loss) for the period	-	-	-	-	1,016,227	(2,186,599)	(1,170,372)	-	(1,170,372)
Balance at 30 June 2009	21,871,012	10,650,519	1,875,323	1,875,323	550,851	(6,456,020)	30,367,008	-	30,367,008
Balance at 31 December 2009	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 for the period	-	-	-	-	477,379	338,577	815,956	51,372	867,328
Balance at 30 June 2010	21,871,012	10,650,519	1,875,323	1,875,323	651,389	(12,911,272)	24,012,294	712,216	24,724,510

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 six months ended 30 June 2010
(Unaudited)
(All amount are in Kuwaiti Dinars)

	Six months ended 30 June	
	2010	**2009**
Cash flows from operating activities		
Net loss for the period	378,717	(2,186,599)
Adjustments:		
Depreciation and amortization	2,315,485	1,154,361
Gain from investments at fair value through profit or Loss	-	(215,575)
Finance charges	437,639	193,939
End of service indemnity	(10,044)	11,195
Operating profit / (loss) before changes in working capital	3,121,797	(1,042,679)
Inventory	4,853	-
Investment through profit or loss	-	296,920
Due from / to related parties	(190,052)	673,966
Receivable and other debit balances	(911,833)	284,202
Payable and other credit balances	200,700	1,250,336
Net cash generated from operating activities	2,225,465	1,462,745
Cash flows from investing activities		
Payment for purchase of property, plant and equipment	(1,153,372)	(271,264)
Net cash used in investing activities	(1,153,372)	-
Cash flows from financing activities		
Dividends	(5,812)	(692,252)
Net payment of bank facilities and loans	(758,376)	(1,750,253)
Finance charges paid	(634,989)	(317,238)
Net cash used in financing activities	(1,399,177)	(2,759,743)
Net change in cash and cash equivalents	(327,084)	(1,568,262)
Cash and cash equivalents at the beginning of the period	706,416	1,799,879
Cash and cash equivalents at the end of the period	379,332	231,617

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

Notes to the interim condensed consolidated financial information for the six months ended 30 June 2010
(Unaudited)
(All amount are in Kuwaiti Dinars unless otherwise stated)

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, consulting, and marketing 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, 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 23.09% of the Parent Company's share capital as of 30 June 2010 (27.99% as of 31 December 2009, 14.53% as of 30 June 2009).

The interim condensed consolidated financial information was authorized for issue by the Board of Directors on 12 August 2010.

2. Basis of preparation condensed financial information

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 Six months period ended 30 June 2010 are not necessarily indicative of the results that may be expected for the year ending 31 December 2010. For further information, refer to the consolidated financial statements for the year ended 31 December 2009 and its related disclosures.

The interim condensed consolidated financial information have been prepared in accordance with the same accounting principles and methods of calculation used in the latest annual financial statements, except of the following:

Following is the most significant changes in the accounting policies on the Group:

- The acquisition-related cost is charged to the statement of income in the periods in which the costs are incurred.
- Changes in the interest of a subsidiary that will not result in loss of control are treated as group's equity transactions and they are accounted in equity.
- The interest held before obtaining control is re-measured at fair value at the date of obtaining control and the resulting gain or loss are charged to the statement of income.

There is no significant impact on the interim condensed consolidated financial information from these changes.

As of 30 June 2010, the current liabilities exceed the current assets with an amount of KD 5,922,995. In order to solve this issue, the Group is under negotiation with some financial institution in order to obtain long term Islamic finance and with some creditors to reschedule the debts.

3. Property, plant & equipment

	30 June 2010	31 December 2009 (Audited)	30 June 2009
Net book value at beginning period	35,196,339	25,239,638	25,239,638
Additions	1,153,372	4,651,000	4,316,811
Revocation of selling subsidiaries	-	5,620,449	-
Depreciation	(1,761,895)	(1,273,736)	(600,771)
Foreign currency translation differences	553,866	958,988	1,073,154
Net book value at ending period	35,141,682	35,196,339	30,028,832

Property, plant and equipments include (1) offshore rig, (5) onshore rig working in Egypt, Syria and Kordestan. The rent contract of the offshore rig will be ended in 30 June 2012, and the rent contract of the onshore rig will be ended during 2010 and 2012, respectively.

The addition include an amount of KD 837,791 which represent the rigs dry dock ended during the current period and was capitalized on the related items of the property, plant and equipments.

4. Available for sale investment

- Available for sale investments represent unquoted local shares amounted to KD 460,855. Impairment in value was recorded for available for sale investments in full during the year ended 31 December 2009.
- The available for sale investment represent direct investments in shares. The Parent Company activities do not include direct investment, currently the corrective action is under process.

5. Receivable and other debit balances

	30 June 2010	31 December 2009 (Audited)	30 June 2009
Trade receivables	3,018,818	2,415,260	3,496,614
Accrued income	1,408,962	1,073,386	250,000
Doubtful debts	(370,798)	(361,008)	(361,491)
	4,056,982	3,127,638	3,385,123
Prepaid expenses	516,747	452,323	1,047,652
Refundable deposits	589,725	589,725	-
Other debit balances	204,085	286,020	138,566
	5,367,539	4,455,706	4,571,341

The Group has credit concentration as of 30 June 2010 amounted to KD 2,888,994 due from 9 clients (KD 2,070,324 as of 31 December 2009, KD 3,120,651 as of 30 June 2009). 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

	30 June 2010	31 December 2009 (Audited)	30 June 2009
Current			
Borrowing	4,202,495	3,272,773	6,525,465
Wakala payable	-	-	9,559
	4,202,495	3,272,773	6,535,024
Non-current			
Borrowing	17,376,822	19,064,920	14,513,036
Total due to banks	21,579,317	22,337,693	21,048,060

- The effective interest rate for the amount due to banks is 4.01% as of 30 June 2010 (4.51% as of 31 December 2009 – 6.3% as of 30 June 2009).
- Loans are granted against the pledge of 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 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.
- Current borrowings include an amount of KD 582,600 represents loans installments matured and not yet paid as of 30 June 2010. An installment of KD 466,080 was paid in the subsequent period of the financial position date.

7. Gross operation profit / (loss)

	Three months ended 30 June		Six months ended 30 June	
	2010	2009	2010	2009
Rigs lease	1,706,822	641,400	1,687,797	2,311,005
Services	463,787	-	701,653	-
Exploitation right of oilfield	(115,185)	(1,032,429)	(464,805)	(2,118,571)
	2,055,424	(391,029)	1,924,645	192,434

- The offshore rig cost during the stopped period amounted to KD 304,253 (KD 995,997 during the period ended 30 June 2009) was recorded in other operating expenses
- The exploitation right activity starts to incur losses because of 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.

8. Earning / (loss) per share

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

	Three months ended 30 June		Six months ended 30 June	
	2010	2009	2010	2009
Net profit for the period attributable to the shareholders of the parent Company	1,166,180	(618,005)	338,577	(2,186,599)
Weighted average number of issued shares	218,710,120	218,710,120	218,710,120	218,710,120
Earnings / (loss) per share (fils)	5.33	(2.83)	1.55	(9.99)

9. Transactions with related parties

In the normal course of 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 during the period:

	30 June 2010	31 December 2009 (Audited)	30 June 2009
Due from related parties	305,227	334,991	12,126,029
Due to related parties	1,109,149	1,328,965	1,157,732
Cash at investment portfolios	10,000	10,000	10,000
End of service indemnity of executive and key management	30,286	27,648	27,464
Wakala payables	-	-	9,559

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

10. 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) Six months ended 30 June 2010:

	Exploitation right (Indonesia)	Oil well services (United Arab Emirates/ Syria)	Rigs lease (Egypt)	Total
Revenues	1,158,962	4,382,001	2,814,285	8,355,248
Segments results	(464,806)	1,221,753	533,667	1,290,614
Adjustments:				
Finance cost and currency difference				(741,976)
Net losses before tax				548,638
Total assets	10,518,246	32,003,688	8,435,628	50,957,562
Add the following:				
Other assets				5,071,345
Investment in associates				17,678
Total				56,046,585

(B) Six months ended 30 June 2009

	Exploitation right (Indonesia)	Oil services (United Arab Emirates / Syria)	Rigs lease (Egypt)	Total
Revenues	671,061	-	4,712,040	5,383,101
Segment results	(2,118,571)	-	746,573	(1,371,998)
Adjustments:				
Investment gain				215,575
Finance cost and foreign currency differences				(934,602)
Net losses before tax and deductions				(2,091,025)
Total assets	12,130,609	-	33,679,081	45,809,690
Add the following:				
Available for sale investments				2,053,975
Investments at fair value through profit or loss				192,030
Other assets				12,829,799
Total				60,885,494

11. Contingent liabilities and capital commitments

	30 June 2010	31 December 2009 (Audited)	30 June 2009
Purchase rig	-	-	2,674,893
Project under construction	29,319	-	10,563,092
Letters of guarantee	29,130	-	-

12. Proposed dividends

The General Assembly held on 27 March 2010 approved the financial statement for the year end 31 December 2009 and also approved not to distribute dividends for the year ended 2009 (Nil – 2008).