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 2011
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 2011
with review report

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Gulf Petroleum Investment Company - KSCC
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 statement of financial position of Gulf Petroleum Investment Company - KSCC "the Parent Company" and its subsidiaries (collectively referred to as "the Group") as of 30 June 2011 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

We draw attention to note (2) to this interim condensed consolidated financial information, as the current liabilities have exceeded its current assets by KD 8,342,556 as of 30 June 2011 (KD 7,776,589 as of 31 December 2010, KD 5,922,995 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. Our conclusion is not qualified in respect of this matter.

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 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 Sharia.

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Kuwait, 11 August 2011

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

Interim Condensed Consolidated Statement of Financial Position as of 30 June 2011
(Unaudited)
(All amount are in Kuwaiti Dinars)

	Note	30 June 2011	31 December 2010 (Audited)	30 June 2010
Assets				
Non current assets				
Property, plant and equipment	3	31,437,309	32,775,149	35,141,682
Intangible assets		12,380,838	12,934,428	13,488,018
Investments in associate		16,680	17,052	17,679
		43,834,827	45,726,629	48,647,379
Current assets				
Inventory		1,387,518	1,306,137	1,347,108
Due from related parties	10	94,806	340,824	305,227
Receivable and other debit balances	5	6,284,383	4,928,326	5,367,539
Cash and cash equivalents		1,165,719	568,351	379,332
		8,932,426	7,143,638	7,399,206
Total assets		52,767,253	52,870,267	56,046,585
Equity				
Equity attributable to shareholders of the Parent Company				
Share capital		21,871,012	21,871,012	21,871,012
Share premium		452,449	10,650,519	10,650,519
Statutory reserve		-	1,875,323	1,875,323
Voluntary reserve		-	1,875,323	1,875,323
Foreign currency translation reserve		(1,059,660)	(435,530)	651,389
Retained earnings /(accumulated losses)		1,749,393	(13,948,716)	(12,911,272)
		23,013,194	21,887,931	24,012,294
Non-controlling interest		580,268	738,923	712,216
		23,593,462	22,626,854	24,724,510
Non current liabilities				
Due to banks	6	11,166,187	14,686,113	17,376,822
End of service indemnity		732,622	637,073	623,052
		11,898,809	15,323,186	17,999,874
Current liabilities				
Payable and other credit balances	7	10,306,575	9,555,030	8,010,557
Due to related parties	10	769,597	922,442	1,109,149
Due to banks	6	6,198,810	4,442,755	4,202,495
Total liabilities		17,274,982	14,920,227	13,322,201
Total Equity and Liabilities		52,767,253	52,870,267	56,046,585

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 six months ended 30 June 2011
(Unaudited)
(All amount are in Kuwaiti Dinars)

	Note	Three months ended 30 June		Six months ended 30 June	
		2011	2010	2011	2010
Operating revenues		6,278,893	5,224,084	10,661,314	8,355,248
Operating costs		(4,336,938)	(3,168,660)	(7,636,844)	(6,430,603)
Gross operating profit	8	1,941,955	2,055,424	3,024,470	1,924,645
Other operating income		180,250	14,971	209,020	148,967
General and administrative expenses		(689,461)	(268,595)	(988,109)	(478,745)
Other operating expenses		-	(126,573)	-	(304,253)
Gain / (loss) from foreign currency differences		141,592	(145,440)	334,309	(304,337)
Finance charges		(251,865)	(228,080)	(486,905)	(437,639)
Net profit before tax from subsidiaries		1,322,471	1,301,707	2,092,785	548,638
Income tax from subsidiaries		(82,585)	(88,343)	(167,645)	(154,444)
Net profit before deductions		1,239,886	1,213,364	1,925,140	394,194
Kuwait Foundation for the Advancement of Science ("KFAS")		(16,433)	(3,186)	(16,433)	(3,186)
National Labour Support Tax		(26,856)	(8,851)	(43,661)	(8,851)
Zakat expense		(10,742)	(3,440)	(17,464)	(3,440)
Net profit for the period		1,185,855	1,197,887	1,847,582	378,717
Attributable to:					
Shareholders of the Parent Company		1,120,401	1,166,180	1,749,393	338,577
Non-controlling interest		65,454	31,707	98,189	40,140
		1,185,855	1,197,887	1,847,582	378,717
Earning per share (fils)	9	5.12	5.33	8.00	1.55

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 Income for the six months ended 30 June 2011
(Unaudited)
(All amount are in Kuwaiti Dinars)

	Three months ended 30 June		Six months ended 30 June	
	2011	**2010**	**2011**	**2010**
Net profit for the period	1,185,855	1,197,887	1,847,582	378,717
Other comprehensive income for the period				
Foreign currencies translation differences	(282,116)	226,078	(636,574)	488,611
Total other comprehensive (loss) / income	(282,116)	226,078	(636,574)	488,611
Total comprehensive income for the period	903,739	1,423,965	1,211,008	867,328
Attributable to:				
Shareholders of the Parent Company	843,127	1,387,939	1,125,263	815,956
Non-controlling interest	60,612	36,026	85,745	51,372
	903,739	1,423,965	1,211,008	867,328

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 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) /retained earnings	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 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
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
Amortization of accumulated losses (Note 13)	-	(10,198,070)	(1,875,323)	(1,875,323)	-	13,948,716	-	-	-
Total comprehensive (loss) /income for the period	-	-	-	-	(624,130)	1,749,393	1,125,263	85,745	1,211,008
Cash dividends to non-controlling interest	-	-	-	-	-	-	-	(244,400)	(244,400)
Balance at 30 June 2011	21,871,012	452,449	-	-	(1,059,660)	1,749,393	23,013,194	580,268	23,593,462

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 2011
(Unaudited)
(All amount are in Kuwaiti Dinars)

	Six months ended 30 June	
	2011	**2010**
Cash flows from operating activities		
Net profit for the period	1,847,582	378,717
Adjustments:		
Depreciation and amortization	1,962,760	2,315,485
Finance charges	486,905	437,639
Gain /(loss) from foreign currency difference	(371,777)	302,358
End of service indemnity	95,549	(10,044)
Operating profit before changes in working capital	4,021,019	3,424,155
Inventory	(81,381)	4,853
Due from / to related parties	93,173	(190,052)
Receivable and other debit balances	(1,356,057)	(911,833)
Payable and other credit balances	835,992	200,700
Net cash generated from operating activities	3,512,746	2,527,823
Cash flows from investing activities		
Payment for purchase of property, plant and equipment	(819,370)	(1,153,372)
Disposal of property, plant and equipment	31,368	-
Net cash used in investing activities	(788,002)	(1,153,372)
Cash flows from financing activities		
Net payment of bank facilities and loans	(1,392,094)	(1,060,734)
Finance charges paid	(486,905)	(634,989)
Dividends to non-controlling interest	(244,400)	-
Cash dividends	(3,977)	(5,812)
Net cash used in financing activities	(2,127,376)	(1,701,535)
Net change in cash and cash equivalents	597,368	(327,084)
Cash and cash equivalents at the beginning of the period	568,351	706,416
Cash and cash equivalents at the end of the period	1,165,719	379,332

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, 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 27.84% of the Parent Company's share capital as of 30 June 2011 (27.84% as of 31 December 2010, 23.09% as of 30 June 2010).

The General Assembly of Shareholders held on 30 May 2011 approved the consolidated financial statements for the year ended 31 December 2010.

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

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.

The 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 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 30 June 2011, the current liabilities exceeded the current assets by KD 8,342,556 (KD 7,776,589 as of 31 December 2010 and KD 5,922,995 as of 30 June 2010). In response to this matter, the Group is currently negotiating the alternative to receive a long term Islamic finance, also the restructure of other debts.

3. Property, plant & equipment

	30 June 2011	31 December 2010 (Audited)	30 June 2010
Net book value at the beginning of the period/ year	32,775,149	35,196,339	35,196,339
Additions	819,370	1,161,608	1,153,372
Disposals	(31,368)	-	-
Depreciation	(1,409,170)	(2,848,290)	(1,761,895)
Foreign currency translation differences	(716,672)	(734,508)	553,866
Net book value at the end of the period/ year	31,437,309	32,775,149	35,141,682

Property, plant and equipments include (1) offshore rig and (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 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.
- The available for sale investments 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

	30 June 2011	31 December 2010 (Audited)	30 June 2010
Trade receivables	3,884,804	3,017,942	3,018,818
Accrued income	1,909,948	1,761,269	1,408,962
Provision for doubtful debts	(848,569)	(869,722)	(370,798)
	4,946,183	3,909,489	4,056,982
Prepaid expenses	824,077	419,733	516,747
Refundable deposits	325,664	340,639	589,725
Other debit balances	188,459	258,465	204,085
	6,284,383	4,928,326	5,367,539

The Group has credit concentration as of 30 June 2011 amounted to KD 3,490,975 due from 19 clients (KD 2,798,255 as of 31 December 2010, KD 2,888,994 as of 30 June 2010). 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 2011	31 December 2010 (Audited)	30 June 2010
Current			
Borrowing	6,088,866	4,264,877	4,202,495
Bank facilities	109,944	177,878	-
	6,198,810	4,442,755	4,202,495
Non-current			
Borrowing	11,166,187	14,686,113	17,376,822
Total due to bank	17,364,997	19,128,868	21,579,317

- The effective interest rate for the amount due to banks is 4.27% as of 30 June 2011 (4.51% as of 31 December 2010 – 4.01% as of 30 June 2010).
- 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.
- The current borrowings include an amount of KD 858,938 represents loans installments matured and not yet paid as of 30 June 2011. An installment of KD 376,613 has been paid in the subsequent period of the financial position date.
- Find the maturity analysis of the non-current portion:

	30 June 2011	31 December 2010 (Audited)	30 June 2010
More than 1 year	5,257,463	7,239,613	4,879,275
More than 2 years	5,908,724	7,446,500	12,497,547
	11,166,187	14,686,113	17,376,822

7. Payables and other credit balances

	30 June 2011	31 December 2010 (Audited)	30 June 2010
Trade payables	3,220,202	2,369,376	1,690,915
Creditors from purchase of property, plant and equipments	2,829,552	2,892,340	2,998,357
Accrued expenses & interest	1,990,178	1,709,692	1,483,499
Provision for claims	554,835	635,365	-
Accrued dividends	651,072	655,049	657,150
Income tax payable of subsidiaries	419,374	455,936	459,386
Deductions	481,859	411,801	427,278
Others credit balances	159,503	425,471	293,972
	10,306,575	9,555,030	8,010,557

8. Gross operation profit

	Three months ended 30 June		Six months ended 30 June	
	2011	2010	2011	2010
Rigs lease	1,036,518	1,706,822	2,129,899	1,687,797
Services	715,559	463,787	1,215,141	701,653
Exploitation right of oilfield	189,878	(115,185)	(320,570)	(464,805)
	1,941,955	2,055,424	3,024,470	1,924,645

- The exploitation right activity starts to incur losses because of the decline in oil prices; however, oil prices started to increase during the last 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. Earnings per share

Basic earnings per share is calculated based on the net profit 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	
	2011	2010	2011	2010
Net profit for the period attributable to the shareholders of the parent Company	1,120,401	1,166,180	1,749,393	338,577
Weighted average number of issued shares	218,710,120	218,710,120	218,710,120	218,710,120
Earnings per share (fils)	5.12	5.33	8.00	1.55

10. Transactions with related parties

In the normal course of business, transactions have been carried out with related parties (principal shareholders).

The following is the list of these transactions during the period:

	Three months ended 30 June		Six months ended 30 June	
	2011	2010	2011	2010
Transactions				
End of service indemnity and benefits of key management	277,830	75,111	357,326	138,484

	30 June 2011	31 December 2010 (Audited)	30 June 2010
Balances			
Due from related parties (Net)	94,806	340,824	305,227
Due to related parties	769,597	922,442	1,109,149
Cash at investment portfolios	-	-	10,000
End of service indemnity and benefits of executive and key management	264,828	352,541	30,286

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) Six months ended 30 June 2011:

	Exploitation right (Indonesia)	Oil well services (United Arab Emirates/ Syria)	Rigs lease (Egypt)	Total
Revenues	1,659,949	5,748,175	3,253,190	10,661,314
Segments results	(320,570)	1,870,939	992,428	2,542,797
Adjustments:				
Finance cost and currency difference				(152,596)
Other unallocated expenses				(506,436)
Other operating revenues				209,020
Net profit before tax and deductions				2,092,785
Total assets	9,431,067	8,895,201	29,611,945	47,938,213
Add the following:				
Other assets				4,812,360
Investment in associates				16,680
Total				52,767,253

(B) Six months ended 30 June 2010

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

12. Contingent liabilities and capital commitments

	30 June 2011	31 December 2010 (Audited)	30 June 2010
Project under construction	-	-	29,319
Letters of guarantee	27,486	28,100	29,130

13. Amortization of accumulated losses

On 30 May 2011, the General Assembly Meeting of the shareholders approved the financial statements for the year ended 31 December 2010, and approved not to distribute dividends for the year 2010. Also, the General Assembly Meeting approved to close the accumulated losses amounted to KD 13,948,716 using the statutory reserve with KD 1,875,323, Voluntary reserve with KD 1,875,323 and share premium with KD 10,198,070.