NAPESCO
نابيسكو

Annual Report

2008

National Petroleum Services Company (K.S.C.) Closed

His Highness
Sheikh Sabah Al-Ahmed Al-Jaber Al-Sabah
Amir of the State of Kuwait

His Highness
Sheikh Naser Al-Mohammed Al-Ahmed Al-Sabah
Prime Minister

His Highness
Sheikh Nawaf Al-Ahmed Al-Jaber Al-Sabah
Crown Prince

National Petroleum Services Company K.S.C. (Closed)
Kuwait

Financial statements and independent auditors' report

For the year ended 31 December 2008

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Board of Directors

Omran Habib Jawhar Hayat
Chairman

Khalid Al-Saif
Managing Director

Dr. Adnan Al-Shaheen
Vice of Chairman

Munawer Al-Nouri
Member

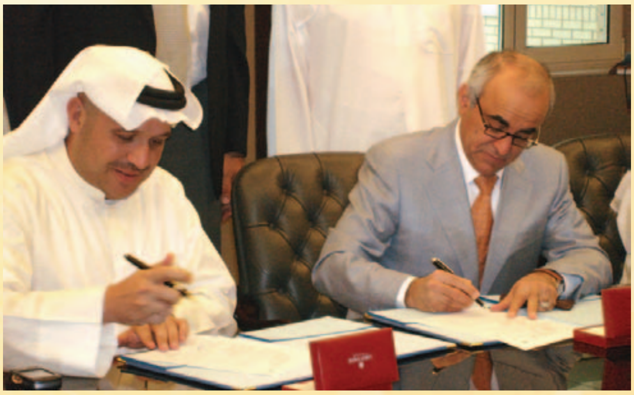
Dr. Abbas A. Marafi
Member

Muhaimen Ali Behbehani
Member

Mohammad Al-Shammari
Member

CHAIRMAN'S STATEMENT

Dear Shareholders of the National Petroleum Services Co.



It is my pleasure to present to you the annual financial and operational results of 2008 along with the future aspirations of our Company

The year 2008 was very unique within the international and local business arenas. The year started with an increase in business activity, increasing costs of raw materials, and a general lack of available skilled manpower. The year then ended with a world-wide economic crisis that has impacted all business sectors especially the investment sector and financial markets.

Governments all over the world have been required to modify their short term plans in order to optimize investments and minimize the impact of the worldwide economic slowdown. Although I am glad to announce that our Company has succeeded in maintaining its share of business within the local market as compared to our competitors. It is with regret that I inform you that with the deterioration of the performance of the Kuwait Stock Exchange, we too experienced a heavy loss within the Company's investments. This being the main reason for the lower than expected financial result.

Under these circumstances, a total revenue of KD6,529,437 was maintained in 2008, compared with KD 6,647,744 in 2007. The cost of sales increased by 9.5 % to KD 4,750,757 as compared with KD 4,336,873in 2007.

The net profits achieved in 2008 was KD 192,774 translating to 3.62 Fils per share, much lower than 2007 level of KD 1,547,037 or 30.54 Fils. The loss of KD 703,091 from the value of the company's investments contributed heavily to the lower profits of 2008.

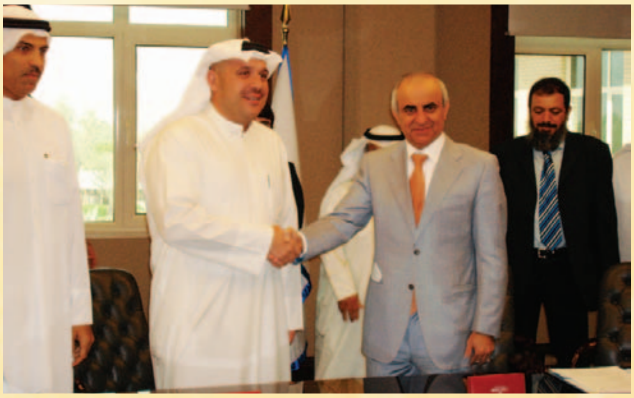
Despite these circumstances, the Company has achieved a number of milestones locally and abroad.

At the local level, the Company's fleet of specialized Well Servicing equipment was further enhanced with the addition of two cement pumping units equipped with the latest field technologies, enabling the company to be prepared for the increase in drilling activity within the local market and our external expansion plans.

Furthermore, the Country's oil sector approved our Company to provide a variety of field and environmental services both operationally and on a Consultancy basis. We believe that this is a direct result of our on-going efforts in offering innovative solutions while maintaining a high level of customer service and satisfaction.

Abroad, a major event this year was the signing of a joint working agreement between ESNAAD Co. – Abu Dhabi (a subsidiary of the ADNOC - Abu Dhabi National Petroleum Corporation) and NAPESCO International, a subsidiary of National Petroleum Services Company (established this year for executing the company's activities abroad). Through this agreement the company will pursue operational activities within the United Arab Emirates.

We also have started the implementation of our first project with the South Oil Company-Iraq, associated with the refurbishment of their mobile field equipment. This work was carried out within the State of Kuwait.



Also, a branch of NAPESCO under the name "Gulf Petroleum Services Company" was recently opened in Dammam- Saudi Arabia. Negotiations are currently in process with Aramco- Saudi Arabia to register the branch as a recognized supplier of services within the Kingdom.

With regards to our future aspirations, we have developed plans in light of the current economic situation and in anticipation of the coming period as follows:

- Strengthening relations with our customers by supporting them in this difficult period while continuing to seek diversified means of serving them.

- Reducing operational costs to ensure short-term profitability.

- Focusing on the expansion of our business outside the State of Kuwait through the ESNAAD Company – UAE, the South Oil Company- Iraq and others.

- Restructuring of the company's investments in order to avoid the negative effects of the current economic situation and to limit our exposure to any future fluctuations.

In conclusion, I would like to thank the company shareholders for their understanding of the current economic situation and its affect on our financial performance for 2008 and for their on-going support moving forward in these challenging times.

Also, I would like to thank the Board of Directors for their insight and guidance to the Company during this period; as well as the executive management of the Company who are making every possible effort to deliver superior shareholder value while maintaining our presence as a premium service provider both within and outside of the State of Kuwait.

Omran Habib Jawhar Hayat
Chairman

COMPANY OUTLINE

Name of the Company	: National Petroleum Services Company (K.S.C) Closed
Commercial Registration No.	: 49911 dated 28 March 1993
Date Established:	3rd of January 1993
Date Listed on the K S E	: 18th of October 2003
Address	: Shuaibah Industrial Area, Block 3, Street 6, Plot 76 P.O. Box 9801 Ahmadi 61008 Kuwait Telephone: 22251000 - Fax: 22251010
Website	: www.napesco.com
Authorized Capital	: KD 5,486,620
Paid Up	: KD 5,486,620
Nominal Value of the Share	: 100 Fils
Legal Advisor	**: Khalid Abdullah Al-Ayyoub Office** Al-Souq Al-Kabir Building, Fahed Al-Salem Street Block B, 9th Floor P.O. Box: 1714 Safat 13018 Kuwait Telephone: 22466592 / 22464321 Fax: 22466591 / 22434711
Auditor	**: Moore Sephens Al-Nisf & Partners** P.O. Box 25578 Safat 13116 Kuwait Telephone: 22426999 - Fax: 22401666

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INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS OF NATIONAL PERTOLEUM SERVICES COMPANY K.S.C. (CLOSED)

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PUBLIC ACCOUNTANTS

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Report on the financial statements

We have audited the accompanying financial statements of National Petroleum Services Company K.S.C. (Closed) ("the company") which comprise the balance sheet as at 31 December 2008, and the related statements of income, changes in equity and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory notes.

Management's responsibility for the financial statements

The company's management is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditors' responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those Standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the company's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of the company as at 31 December 2008, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

Report on other legal and regulatory requirements

We further report that we have obtained the information and explanations that we required for the purpose of our audit and the financial statements include the information required by the Kuwait Commercial Companies Law of 1960, and the company's articles and memorandum of association as amended. In our opinion, proper books of account have been kept by the company, an inventory count was carried out in accordance with recognized procedures and the accounting information agrees with the books of account. We have not become aware of any contravention, during the year ended 31 December 2008, of the Kuwait Commercial Companies Law of 1960, or of the company's articles and memorandum of association as amended that would materially affect the company's activities or its financial position.

Qais M. Al-Nisf
Licence No. 38 - A
Moore Stephens Al Nisf & Partners
Member firm of Moore Stephens International

Ahmed M.Al-Rasheed
Licence No. 39 - A
Of Al-Dar International – DFK International

Kuwait: 10 March 2009

Balance sheet
As at 31 December 2008

	Notes	2008 KD	2007 KD
Assets			
Non current assets			
Property, plant and equipment	3	9,211,294	7,577,733
Investment in unconsolidated subsidiary	4	100,000	-
Available for sale investments	5	582,106	-
		9,893,400	7,577,733
Current assets			
Inventories	**6**	1,734,355	1,646,061
Accounts receivable	7	1,187,964	2,238,943
Investments at fair value through statement of income	8	95,952	1,206,197
Prepayments and other receivables	9	231,016	1,566,288
Cash and cash equivalents	10	1,856,790	2,256,457
		5,106,077	8,913,946
Total assets		14,999,477	16,491,679
Equity and liabilities			
Equity			
Share capital	11	5,486,620	5,225,352
Share premium	12	3,310,705	3,310,705
Statutory reserve	13	570,661	550,277
Voluntary reserve	14	570,661	550,277
Treasury shares	15	(592,760)	(737,056)
Fair value reserve		10,211	-
Retained earnings		570,247	1,476,085
Total equity		9,926,345	10,375,640
Non-current liabilities			
Non-current portion of term loan	16	1,375,000	1,875,000
Provision for employees' indemnity		378,958	282,670
		1,753,958	2,157,670
Current liabilities			
Current portion of term loan	**16**	500,000	500,000
Advances received		2,167,956	2,678,476
Accounts payable and other credit balances	17	651,218	779,893
		3,319,174	3,958,369
Total liabilities		5,073,132	6,116,039
Total equity and liabilities		14,999,477	16,491,679

The accompanying notes form an integral part of these financial statements.

Omran Habib Hassan Jawhar Hayat
Chairman

Statement of income
For the year ended 31 December 2008

	Notes	2008 KD	2007 KD
Sales and service revenue		6,529,437	6,647,744
Cost of sales and service		(4,983,098)	(4,565,225)
Gross profit		1,546,339	2,082,519
Unrealized (loss) / gain on investments at fair value through statement of income		(47,882)	241,851
Realized gain on investments at fair value through statement of income		231,595	57,306
Loss on sale of available for sale investments		(11,342)	-
Impairment of available for sale investments		(643,867)	-
Interest income		50,844	114,392
Other income		117,856	56,104
General and administrative expenses	18	(956,477)	(836,189)
Finance costs		(83,226)	(93,218)
Profit for the year before contribution to Kuwait Foundation for the Advancement of Sciences (KFAS), National Labour Support Tax (NLST), Zakat and Directors' remuneration		203,840	1,622,765
Contribution to KFAS		(1,835)	(14,605)
NLST		(4,647)	(40,142)
Zakat		(4,584)	(981)
Directors' remuneration		-	(20,000)
Profit for the year		192,774	1,547,037
Earnings per share (fils)	20	3.62	29.08

The accompanying notes form an integral part of these financial statements.

Statement of changes in equity

For the year ended 31 December 2008

	Share capital	Share premium	Statutory reserve	Voluntary reserve	Treasury shares	Fair value reserve	Retained earnings	Total
	KD	KD	KD	KD	KD	KD	KD	KD
Balance at 1 January 2007	5,225,352	3,310,705	388,000	388,000	(737,056)	-	748,659	9,323,660
Profit for the year	-	-	-	-	-	-	1,547,037	1,547,037
Total recognized income and expenses for the year	-	-	-	-	-	-	1,547,037	1,547,037
Dividend paid	-	-	-	-	-	-	(495,057)	(495,057)
Transfer to reserves	-	-	162,277	162,277	-	-	(324,554)	-
Balance at 31 December 2007	5,225,352	3,310,705	550,277	550,277	(737,056)	-	1,476,085	10,375,640
Balance at 1 January 2008	5,225,352	3,310,705	550,277	550,277	(737,056)	-	1,476,085	10,375,640
Net change in the fair value of available for sale investments	-	-	-	-	-	10,211	-	10,211
Net profit recognised directly in equity	-	-	-	-	-	10,211	-	10,211
Profit for the year	-	-	-	-	-	-	192,774	192,774
Total recognized income for the year	-	-	-	-	-	10,211	192,774	202,985
Bonus shares issued	261,268	-	-	-	-	-	(261,268)	-
Purchase of treasury shares	-	-	-	-	(21,385)	-	-	(21,385)
Sale of treasury shares	-	-	-	-	165,681	-	(36,623)	129,058
Dividend paid	-	-	-	-	-	-	(759,953)	(759,953)
Transfer to reserves	-	-	20,384	20,384	-	-	(40,768)	-
Balance at 31 December 2008	5,486,620	3,310,705	570,661	570,661	(592,760)	10,211	570,247	9,926,345

The accompanying notes form an integral part of these financial statements.

Statement of cash flows

For the year ended 31 December 2008

	Note	2008 KD	2007 KD
OPERATING ACTIVITIES			
Profit for the year before contribution to KFAS, NLST, Zakat and Directors' remuneration		203,840	1,622,765
Adjustments for:			
Depreciation		886,502	704,117
Finance costs		83,226	93,218
Gain on disposal of property, plant and equipment		(2,667)	(3,439)
Provision for employees' indemnity		109,780	85,602
Writeback of provision for slow moving inventories		-	35,500
Impairment of available for sale investments		643,867	-
Unrealized loss / (gain) on investments at fair value through statement of income		47,882	(241,851)
Realized gain on investments at fair value through statement of income		(231,595)	(57,306)
Movements in working capital			
Increase / (decrease) in inventories		(88,293)	34,695
Decrease / (increase) in accounts receivable		1,050,980	(1,013,777)
Increase in prepayments and other receivables		(32,114)	(397,982)
(Decrease) / increase in advances received		(510,520)	2,678,476
(Decrease) / increase in accounts payable and other credit balances		(84,014)	208,272
Cash generated from operations		2,076,874	3,748,290
Payments for KFAS		(14,605)	(6,827)
Payment for NLST		(40,142)	(17,945)
Payment for Zakat		(981)	-
Payments for employees' indemnity		(13,491)	(53,480)
Net cash from operating activities		2,007,655	3,670,038
INVESTING ACTIVITIES			
Purchase of property, plant and equipment		(1,155,039)	(2,351,218)
Proceeds from disposal of property, plant and equipment		5,027	29,418
Investment in unconsolidated subsidiary		(100,000)	-
Net movement in investments at fair value through statement of income		294,342	(1,157,773)
Net movement in available for sale investments		(216,146)	1,140,700
Net cash used in investing activities		(1,171,816)	(2,338,873)
FINANCING ACTIVITIES			
Term loan repaid		**(500,000)**	**(625,000)**
Finance cost paid		**(83,226)**	**(93,218)**
Purchase of treasury shares		(21,385)	-
Sale of treasury shares		129,058	
Dividend paid		(759,953)	(495,057)
Net cash used in financing activities		(1,235,506)	(1,213,275)
Net (decrease) / increase in cash and cash equivalents		(399,667)	117,890
Cash and cash equivalents at beginning of the year		2,256,457	2,138,567
Cash and cash equivalents at end of the year	8	1,856,790	2,256,457
Non cash transaction			
Transfer from prepayments to capital work in progress		1,367,386	-
Transfer from investments at fair value through statement of income to available for sale investments		999,616	-

The accompanying notes form an integral part of these financial statements

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2008

1. INCORPORATION AND ACTIVITIES

National Petroleum Services Company K.S.C. (Closed) ("the company") is a closed Kuwaiti shareholding company incorporated on 1 January 1993, in accordance with the provisions of Commercial Companies Law of 1960, as amended and its articles and memorandum of association. The company's shares were listed on the Kuwait Stock Exchange on 18 October 2003.

The company is engaged in carrying out cementing, coil tubing, pumping, stimulation and other miscellaneous associated services relating to drilling operations.

The company is domiciled in Kuwait and the address of its registered office and principal place of business is Plot no 3, building no 76, Shuaiba, Kuwait.

The financial statements of National Petroleum Services Company K.S.C. (Closed) were authorized for issue by the Board of Directors on 10 March 2009. The shareholders' of the company have the power to amend these financial statements at the Annual General Assembly.

2. SIGNIFICANT ACCOUNTING POLICIES

2.1 Basis of preparation

The financial statements have been prepared in accordance with the International Financial Reporting Standards (IFRS).

The financial statements are prepared on the historical cost except for measurement of investment at fair value through statement of income and available for sale investments.

The financial statements have been presented in Kuwaiti Dinars (KD) which is the functional currency of the company.

Implementation of amendments to IAS 39 Financial Instruments; Recognition and measurement and IFRS 7 Financial Instruments; Disclosures.

On 13 October 2008, the International Accounting Standard Board (IASB) published amendments to IAS 39 "Financial Instruments; Recognition and Measurement and IFRS 7 "Financial Instruments; Disclosure". The changes to IAS 39 permit an entry to reclassify non-derivative financial assets out of the "fair value through statement of income" and "available for sale" categories in limited circumstances.

These amendments were effective from 1 July 2008. Any reclassification of a financial asset made in periods beginning on or after 1 November 2008 will take effect only from the date when the reclassification is made. Any reclassification of a financial asset in accordance with the amendments should not be applied retrospectively to reporting periods ended before the effective date.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2008

2.1 Basis of preparation (continued)

The parent company has adopted the amendments to IAS 39 and the related amendments to IFRS 7. As a result, the company has reclassified part of its held for trading investments amounting to KD 999,616 from the "fair value through statement of income" category to the "available for sale" category with effect from 1 July 2008 as these investments are no longer held for the purpose of selling or repurchasing in the near term due to the impact of the global financial crisis on the local and regional equity markets.

The principal accounting policies are set out below.

2.2 Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and any accumulated impairment losses. Properties in the course of construction for production, rental or administrative purposes, or for purposes not yet determined, are carried at cost, less any recognised impairment loss.

Depreciation is calculated based on the estimated useful lives of the applicable assets on a straight-line basis commencing when the assets are ready for their intended use. The estimated useful lives, residual values and depreciation methods are reviewed at each year end, with the effect of any changes in estimate accounted for on a prospective basis. Maintenance and repairs, replacements and improvements of minor importance are expensed as incurred. Significant improvements and replacements of assets are capitalised. The gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sale proceeds and the carrying amount of the asset and is recognised in statement of income in the period in which they occur.

2.3 Available for sale investments

Available for sale investments are financial assets that are not held as investments at fair value through statement of income and which may be sold in response to need from liquidity or changes in interest rate.

Available for sale investments are initially recognised at fair value plus transaction costs that are directly attributable to the acquisition.

After initial recognition, available for sale investments are remeasured at fair value except for investments in equity securities that do not have a quoted market price in an active market and whose fair value cannot be reliably measured, which are measured at cost, less impairment losses, if any.

Unrealized gain or loss on remeasurement of available for sale investments to fair value is recognised directly in equity in "fair value reserve" account until the investment is derecognised or determined to be impaired, at which time the cumulative gain or loss previously recognised in equity is recognised in the consolidated statement of income.

Exchange gain or loss on monetary available for sale investments is recognised in the consolidated statement of income.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2008

2.4 Inventories

Inventories are stated at the lower of cost or net realizable value after making allowance for any slow moving, obsolete or damaged items. Net realizable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and selling expenses. The cost of inventories is based on the weighted average cost and includes expenditure incurred in acquiring the inventories and bringing them to their existing location and condition. In the case of manufactured inventories and work in progress, cost includes an appropriate share of overheads based on normal operating capacity.

2.5 Trade receivables

Trade receivables are initially recognized at fair value and subsequently measured at amortized cost using the effective interest method less provision for impairment losses.

2.6 Investments at fair value through statement of income

Investments at fair value through statement of income are initially recognised at fair value, excluding transaction costs. These investments are either “held for trading” or “designated”.

Held for trading investments are acquired principally for the purpose of selling or repurchasing it in the near term or are a part of a portfolio of identified financial instruments that are managed together and for which there is evidence of a recent actual pattern of short term profit taking. Designated investments are investments which are designated as investments at fair value through statement of income on initial recognition.

After initial recognition, investments at fair value through statement of income are remeasured at fair value. Gain or loss arising either from the sale or changes in fair value of “investments at fair value through statement of income” are recognised in the statement of income.

2.7 Cash and cash equivalents

Cash and cash equivalents include cash on hand, current accounts with banks and short-term deposits with an original maturity of three months or less.

2.8 Financial liabilities

All financial liabilities are initially measured at cost and are subsequently measured at amortized cost.

2.9 Interest bearing borrowings

Interest bearing borrowings are recognised initially at fair value less directly attributable transaction costs. Subsequent to initial recognition, interest bearing borrowings are stated at amortised cost with any difference between cost and redemption value being recognised in the statement of income over the period of the borrowings on an effective interest basis.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2008

2.10 Provision for employees' indemnity

Provision is made for amounts payable to employees under the Kuwaiti Labour Law and employment contracts. This liability, which is unfunded, represents the amount payable to each employee as a result of involuntary termination on the balance sheet date, and approximates the present value of the final obligation.

2.11 Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable. Revenue is reduced for estimated customer returns, rebates and other similar allowances.

Revenue from the sale of goods is recognised when all the following conditions are satisfied:

- the company has transferred to the buyer the significant risks and rewards of ownership of the goods;
- the company retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- the amount of revenue can be measured reliably;
- it is probable that the economic benefits associated with the transaction will flow to the entity; and
- the costs incurred or to be incurred in respect of the transaction can be measured reliably.

Service revenue is recognized in the statement of income in proportion to the stage of completion of the transaction at the balance sheet date. The method used determines services performed as a percentage of total services to be performed and applies this percentage to total revenue expected. No revenue is recognised if there are significant uncertainties regarding recovery of the consideration due, associated costs or the possible return of goods.

Interest income is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount.

Dividend income from investments is recognised when the shareholder's right to receive payment has been established.

2.12 Foreign currency translation

Transactions in foreign currencies are recorded in KD at the rate of exchange ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated at the rate of exchange ruling at the balance sheet date. Exchange differences arising on settlement or translation of monetary items are taken to the statement of income. Non-monetary items carried at fair value that are denominated in foreign currencies are translated at the rates prevailing on the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated. Translation differences on non-monetary items such as equity investments which are classified as investments at fair value through statement of income are reported as part of the fair value gain or loss.

2.13 Impairment of tangible assets

At each balance sheet date, the company reviews the carrying amounts of its tangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where it is not possible to estimate the recoverable amount of an individual asset, the company estimates the recoverable amount of the cash-generating unit to which the asset belongs. Where a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2008

2.13 Impairment of tangible assets (continued)

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in the statement of income, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease.

Where an impairment loss subsequently reverses, the carrying amount of the asset (cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (cash-generating unit) in prior years. A reversal of an impairment loss is recognised immediately in the statement of income, unless the relevant asset is carried at a revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase.

2.14 Provisions

A provision is recognized in the balance sheet when the company has a legal or constructive obligation as a result of a past event, it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. If the effect is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability.

2.15 Fair values

For investments traded in organised financial markets, fair value is determined by reference to stock exchange quoted market bid prices at the close of business on the balance sheet date.

For investments where there is no quoted market price, a reasonable estimate of fair value is determined by reference to the current market value of another instrument which is substantially the same, or is based on the valuation techniques commonly used by market participants.

2.16 Trade and settlement date accounting

All "regular way" purchases and sales of financial assets are recognised on the trade date, i.e. the date that the entity commits to purchase/sell the asset. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame generally established by regulation or convention in the market place.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2008

2.17 Impairment of financial assets

A financial asset is impaired if its carrying amount is greater than its estimated recoverable amount. An assessment is made at each balance sheet date to determine whether there is objective evidence that a specific financial asset, or a group of similar assets, may be impaired. If such evidence exists, the estimated recoverable amount of that asset is determined based on the net present value of future cash flows, discounted at original interest rates and any impairment loss is recognised in the statement of income.

The provision for impairment of loans and advances also covers losses where there is objective evidence that probable losses are present in components of the loans and advances portfolio at the balance sheet date. These have been estimated based on the historical patterns of losses in each component, the credit ratings allocated to the borrowers and reflecting the current economic environment in which the borrowers operate.

2.18 Financial instruments

Financial instruments are recognized in the balance sheet when the company becomes a party to the contractual provisions of the instrument.

2.19 Derecognition of financial assets and financial liabilities

Financial assets

A financial asset (or where applicable, a part of a financial asset or part of a group of similar financial assets) is derecognised where:

- the rights to receive cash flows from the asset have expired, or
- the company retains the right to receive cash flows from the asset, but has assumed an obligation to pay them in full without material delay to a third party under a 'pass through' arrangement, or
- the company has transferred its rights to receive cash flows from the asset and either (a) has transferred substantially all the risks and rewards of the asset, or (b) has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the company has transferred its rights to receive cash flows from an asset and has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the asset is recognised to the extent of the company's continuing involvement in the asset. Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the company could be required to repay.

Financial liabilities

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires. Where an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2008

2.20 Treasury shares

Treasury shares consist of the company's own shares that have been issued, subsequently reacquired by the company and not yet reissued, sold or cancelled. No gain or loss is recognized in the statement of income on the purchase, sale, issue or cancellation of the treasury shares. Consideration paid or received is directly recognized in equity. When the treasury shares are sold, gains are credited to a separate account in shareholders' equity (treasury shares reserve) which is not distributable. Any realized losses are charged to the same account to the extent of the credit balance on that account. Any excess losses are charged to retained earnings and then to reserves.

Gains realized subsequently on the sale of treasury shares are first used to offset any previously recorded losses in the order of reserves, retained earnings and treasury shares reserve account. No cash dividends are paid on these shares. The issue of bonus shares increases the number of treasury shares proportionately and reduces the average cost per share without affecting the total cost of treasury shares.

2.21 Related party transactions

Related parties consist of directors, executive officers, their close family members and companies of which they are principal owners. All related party transactions are conducted on an arm's length basis and are approved by management.

2.22 Dividends

Dividends are recognised as a liability in the company's financial statements in the period in which the dividends are approved by the shareholders.

2.23 Segment reporting

A segment is a distinguishable component of the company that is engaged in providing products or services, business segment or providing products or services within a particular economic environment, geographical segment, where it is subject to risks and rewards that are different from other segments.

2.24 Significant accounting judgements and estimation uncertainty

Accounting judgements

In the process of applying the company's accounting policies, management has used judgements and made estimates in determining the amounts recognised in the financial statements. The most significant use of judgements and estimates are as follows:

Classification of investments

Management decides on acquisition of an investment whether it should be classified as held for trading, at fair value through statement of income, available for sale or held to maturity investments.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2008

2.24 Significant accounting judgements and estimation uncertainty (continued)

Classification of investments as investment at fair value through statement of income depends on how management monitor the performance of these investments. When they are not classified as held for trading but have readily available reliable fair values and the changes in fair values are reported as part of income statement in the management accounts, they are classified as at fair value through statement of income. All other investments are classified as available for sale or as held to maturity.

Estimation uncertainty

The key assumptions concerning the future and other key sources of estimation uncertainty at the balance sheet date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below:

Valuation of unquoted equity investments

- Valuation of unquoted equity investments is normally based on one of the following recent arm's length market transactions;
- current fair value of another instrument that is substantially the same;
- the expected cash flows discounted at current rates applicable for items with similar terms and risk characteristics; or
- other valuation models.

The determination of the cash flows and discount factors for unquoted equity investments requires significant estimation.

Useful lives of tangible assets

As described in note 2.6, the company reviews the estimated useful lives over which its tangible assets are depreciated. The company's management is satisfied that the estimates of useful lives are appropriate.

2.25 Standards issued but not yet effective

The following standards and interpretations which have been issued but are not yet effective are applicable to the company.

IFRS 8 'Operating Segments' which replaces IAS 14 'Segment Reporting' is effective for annual periods beginning on or after 1 January 2009. This standard would amend the disclosures of the company's operating segments, products, services and geographical areas in which it operates. This standard has not been applied in these financial statements and the company intends to comply with this standard from its effective date.

IAS 1 'Presentation of Financial Statements' (revised) effective for the accounting periods beginning on or after 1 January 2009 would impact the presentation of the financial statements to enhance the usefulness of the information presented.

The revision to IAS 23 is effective for annual periods beginning on or after 1 January 2009. This will have an impact on the company's accounting policies. The principal change to the Standard, which was to eliminate the previously available option to expense all borrowing costs when incurred, will have an impact on the financial statements because the company's accounting policy is to expense all borrowing costs incurred instead of capitalising borrowing costs to the extent incurred on qualifying assets. In the opinion of the company's management the change in the accounting policy will not have a significant impact on the financial statements of the company.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2008

3. PROPERTY, PLANT AND EQUIPMENT

	Building	Plant & Machinery	Furniture, fixtures and computers	Vehicles	Capital work in progress	Total
	KD	KD	KD	KD	KD	KD
Cost						
Balance at 1 January 2007	439,376	6,614,209	262,942	262,687	1,192,495	8,771,709
Additions	-	1,239,788	51,389	22,960	1,037,081	2,351,218
Disposals	-	(43,413)	(839)	(29,810)	-	(74,062)
Transfers	1,913,666	138,430	39,533	-	(2,091,629)	-
Balance at 1 January 2008	2,353,042	7,949,014	353,025	255,837	137,947	11,048,865
Additions	82,850	759,647	73,512	80,612	1,525,804	2,522,425
Disposals	-	(38,707)	(4,614)	(4,043)	-	(47,364)
Transfers	-	18,411	-	-	(18,411)	-
Balance at 31 December 2008	2,435,892	8,688,365	421,923	332,406	1,645,340	13,523,926
Accumulated depreciation						
Balance at 1 January 2007	225,108	2,314,671	129,775	145,544	-	2,815,098
Charge for the year	12,358	612,403	38,775	40,581	-	704,117
Relating to disposals	-	(21,472)	(839)	(25,772)	-	(48,083)
Balance at 1 January 2008	237,466	2,905,602	167,711	160,353	-	3,471,132
Charge for the year	107,234	653,272	71,121	54,875	-	886,502
Relating to disposals	-	(36,869)	(4,090)	(4,043)	-	(45,002)
Balance at 31 December 2008	344,700	3,522,005	234,742	211,185	-	4,312,632
Carrying value						
As at 31 December 2008	2,091,192	5,166,360	187,181	121,221	1,645,340	9,211,294
As at 31 December 2007	2,115,576	5,043,412	185,314	95,484	137,947	7,577,733
Annual depreciation rates	5%	10%	20 to 33.33%	20 to 33.33%		

The company's buildings are erected on land leased from the Government of Kuwait.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2008

4. INVESTMENT IN UNCONSOLIDATED SUBSIDIARY

During the year, the company incorporated 100% wholly owned Kuwait subsidiary, International NAPESCO for Petroleum Services W.L.L. with share capital of KD 100,000 consisting 100 shares of KD 1,000 each.

The subsidiary has not been consolidated and the company has accounted for the investments at cost since the subsidiary has not yet started commercial operation.

5. AVAILABLE FOR SALE INVESTMENTS

	2008	2007
	KD	KD
Quoted shares	293,347	-
Unquoted shares	288,759	-
	582,106	-

Due to adoption of the IAS 39 amendments issued by the IASB on 13 October 2008, the company has reclassified trading investments with a carrying value of KD 999,616 from the "held for trading" category to "available for sale" category with effect from 1 July 2008 (see note 2, 8).

Available for sale investments are acquired with the intention of capital appreciation over a medium to long term time frame. Unquoted shares amounting to KD 229,147 are carried at cost since their fair values could not be measured reliably. The company has recognised an impairment loss of KD 643,867 in respect of available for sale investments.

6. INVENTORIES

	2008	2007
	KD	KD
Cement and acidizing chemicals	1,077,090	1,076,033
Environmental chemicals	28,376	27,832
Spares and tools	628,889	542,196
	1,734,355	1,646,061

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2008

7. ACCOUNTS RECEIVABLE

	2008 KD	2007 KD
Trade receivables	1,142,901	2,193,880
Al-Khorayef Company (see note 27)	65,063	65,063
	1,207,964	2,258,943
Provision for doubtful debts	(20,000)	(20,000)
	1,187,964	2,238,943

At the balance sheet date, net trade receivables amounting to KD 259,137 (2007: KD 550,611) were past due but not considered to be impaired. The ageing analysis of these receivables is as follows:

Ageing of past due but not impaired

	2008 KD	2007 KD
90 – 120 days	27,402	179,242
120 – 180 days	31,609	194,022
180 – 365 days	55,800	100,332
Above 365 days	144,326	77,015
Total	259,137	550,611

Amounts receivable that are not past due are considered collectible based on historic experience.

8. INVESTMENT AT FAIR VALUE THROUGH STATEMENT OF INCOME

	2008 KD	2007 KD
Quoted securities	-	1,076,842
Unquoted securities	95,952	129,355
	95,952	1,206,197

Due to adoption of the IAS 39 amendments issued by the IASB on 13 October 2008, the company has reclassified trading investments with a carrying value of KD 999,616 from the "held for trading" category to "available for sale" category with effect from 1 July 2008 (see note 2, 5).

Investments at fair value through statement of income are managed by a professional fund manager, under a portfolio management agreement.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2008

9. PREPAYMENTS AND OTHER RECEIVABLES

	2008 KD	2007 KD
Advances for property, plant and equipment	130,014	1,493,119
Prepayments and others	35,575	37,626
Deposits	26,480	14,203
Staff receivable	38,947	21,340
	231,016	1,566,288

10. CASH AND CASH EQUIVALENTS

	2008 KD	2007 KD
Cash in hand	10,351	11,967
Cash at bank	1,728,789	180,820
Fixed deposits	117,650	2,063,670
	1,856,790	2,256,457

Fixed deposits mature within three months from the balance sheet date having an effective interest rate of 2.5% per annum.

11. SHARE CAPITAL

	2008 KD	2007 KD
Authorised: 54,866,200 shares of 100 fils each (2007: 53,000,000 shares of 100 fils each)	5,486,620	5,300,000
Issued and fully paid: 54,866,200 shares of 100 fils each (2007: 52,253,524 shares of 100 fils each)	5,486,620	5,225,352

The movement in ordinary shares in issue during the year was as follows:

	2008	2007
Number of shares in issue 1 January	52,253,524	52,253,524
Bonus issue	2,612,680	-
Number of shares in issue 31 December	54,866,204	52,253,524

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2008

12. SHARE PREMIUM

The share premium account is not available for distribution.

13. STATUTORY RESERVE

In accordance with the Kuwait Commercial Companies' Law of 1960 and the company's articles and memorandum of association, as amended, 10% of the net profit for the year is required to be transferred to the statutory reserve until the reserve totals 50% of the paid up share capital. Distribution of the statutory reserve is limited to the amount required to enable the payment of a dividend of 5% of paid up share capital to be made in years when retained earnings are not sufficient for the payment of a dividend of that amount.

14. VOLUNTARY RESERVE

As required by the company's articles and memorandum of association, 10% of the net profit for the year is required to be transferred to the voluntary reserve. Such annual transfers can be discontinued by a resolution of the shareholders at the annual general assembly meeting upon recommendation of the board of directors. There are no restrictions on the distribution of this reserve.

15. TREASURY SHARES

	2008	2007
Number of own shares	1,359,500	1,590,000
Percentage of issued shares	2.48%	3.04%
Cost (KD)	592,760	737,056
Market value (KD)	537,003	516,750

16. TERM LOAN

	2008 KD	2007 KD
Current portion	500,000	500,000
Non-current portion	1,375,000	1,875,000

The company has obtained a term loan facility in the aggregate amount of KD 3,000,000 from The Industrial Bank of Kuwait K.S.C. ("IBK") at an interest rate of 3.5% per annum, to finance the expansion plan. The loan is repayable in 24 equal quarterly installments of KD 125,000 each, commencing from 31 December 2006. The term loan is secured against the total assets of the company.

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 December 2008

17. ACCOUNTS PAYABLES AND OTHER CREDIT BALANCES

	2008 KD	2007 KD
Trade creditors	282,356	309,795
Accrued leave payable	77,937	73,736
Accrued expenses	135,723	339,938
KFAS contribution payable	1,835	14,605
NLST	4,647	40,142
Zakat payable	4,584	981
Due to related party	99,000	-
Other payables	45,136	696
	651,218	779,893

18. GENERAL AND ADMINISTRATIVE EXPENSES

	2008 KD	2007 KD
Employee cost	552,502	548,056
Marketing expenses	94,310	85,155
Depreciation	116,498	16,520
Other expenses	193,167	186,458
	956,477	836,189

19. ZAKAT

In accordance with the Law No.46 of 2006 concerning Zakat, 1% of the company's taxable income has been provided for in respect of Zakat.

20. EARNINGS PER SHARE

Earnings per share is computed by dividing net income for the year by the weighted average numbers of shares outstanding during the year.

	2008	2007
Net profit for the year (KD)	192,774	1,547,037
Weighted average number of issued and paid up shares of the company (Nos.)	54,866,200	54,866,200
Less: Weighted average number of treasury shares	(1,667,007)	(1,669,500)
	53,199,193	53,196,700
Earnings per share (fils)	3.62	29.08

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2008

21. EMPLOYEE COST AND DEPRECIATION

Employee cost and depreciation charges are included in the statement of income under the following categories:

	2008 KD	2007 KD
Employee cost		
Cost of sales and services	1,860,090	1,587,688
General and administrative expenses	552,502	548,056
	2,412,592	2,135,744
Depreciation		
Cost of sales and services	770,004	687,597
General and administrative expenses	116,498	16,520
	886,502	704,117

22. RELATED PARTY TRANSACTIONS

Related parties comprise of directors, key management personnel, shareholders and companies of which the company is principle owner or over which they are able to exercise significant influence. The transactions with related parties are subject to approval of the shareholders at the general assembly.

There were no significant related party transactions during the year ended 31 December 2008 except for related party payable of KD 99,000.

23. SEGMENTAL INFORMATION

The company's internal organizational and management structure and its system of internal financial reporting are based neither on individual products nor on geography. However for the purpose of segment reporting, the company's management has chosen business segments as the company's primary reporting format. In presenting information on the basis of business segments, segment revenue is based on the nature of services provided by the company. Segment assets and liabilities are based on the nature of services provided by the company and are related to the segment revenue and expenses.

Financial information about business segments for the year ended 31 December 2008 are set out below:

	Oil field services KD	Industrial products and services KD	Total KD
Segment revenue	5,195,770	1,333,667	6,529,437
Segment expenses	(3,686,945)	(1,181,159)	(4,868,104)
Segment result	1,508,825	152,508	1,661,333
Unallocated income			(302,796)
Unallocated expenses			(1,165,763)
Profit for the year			192,774
Segment assets	14,217,721	781,556	14,999,477
Segment liabilities	5,073,132	-	5,073,132

The company operates from one location in Kuwait and all its customers are based in Kuwait.

The company's assets are based in Kuwait.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2008

23. SEGMENTAL INFORMATION (continued)

Financial information about business segments for the year ended 31 December 2007 are set out below:

	Oil field services	Industrial products and services	Total
	KD	KD	KD
Segment revenue	5,121,295	1,478,754	6,600,049
Segment expenses	(3,235,258)	(1,133,174)	(4,368,432)
Segment result	1,886,037	345,580	2,231,617
Unallocated income			471,720
Unallocated expenses			(1,156,300)
Profit for the year			1,547,037
Segment assets	10,000,622	6,491,057	16,491,679
Segment liabilities	3,178,721	2,937,318	6,116,039

24. FINANCIAL RISK AND CAPITAL MANAGEMENT

(a) Capital risk management

The company's objectives when managing capital are to safeguard the company's ability to continue as a going concern, through the optimisation of the debt and equity balance so that it can continue to provide returns for shareholders and benefits for other stakeholders and to provide an adequate return to shareholders by pricing products and services commensurately with the level of risk.

The company sets the amount of capital in proportion to risk. The company manages the capital structure and makes adjustments to it in the light of changes in economic conditions and the risk characteristics of the underlying assets. In order to maintain or adjust the capital structure, the company may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or debt and or sell assets to reduce debt.

The capital structure of the company consists of debt, which includes the borrowings disclosed in note 14, cash and cash equivalents and equity, comprising issued capital, reserves and retained earnings as disclosed in notes 11 and 14 respectively.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2008

24. FINANCIAL RISK AND CAPITAL MANAGEMENT (continued)

(b) Credit risk

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss. The company credit policy and exposure to credit risk are monitored on an ongoing basis. The company seeks to avoid undue concentration of risks with individuals or group of customers in specific locations or business through diversification of activities. It also obtains security when appropriate.

The maximum credit risk exposure arising from default of the counter-party is limited to the carrying amount of cash and cash equivalents, accounts receivable and investments at fair value through statement of income

(c) Interest rate risk

Interest rate risk is the risk that the value of a financial instrument will fluctuate due to changes in market interest rates. The company is exposed to interest rate risk as it borrows funds at both fixed and floating interest rates. The risk is managed by the company by maintaining an appropriate mix between fixed and floating rate borrowings.

The following table demonstrates the sensitivity of the statement of income to reasonably possible changes in interest rates, with all other variables held constant.

	Increase / (decrease) in basis points	Effect on profit for the year
2008		KD
KD	+ 0.50 %	(9,375)
KD	- 0.50 %	9,375

(d) Foreign currency risk management

Foreign currency risk is the risk that the value of a financial instrument will fluctuate due to changes in foreign exchange rates. Management believes that there is minimal risk of significant losses due to exchange rate fluctuations and consequently the company does not hedge foreign currency exposure.

The carrying amounts of the company's foreign currency denominated monetary assets and monetary liabilities at the reporting date are as follows:

	Liabilities		**Assets**	
	2008	**2007**	**2008**	**2007**
	KD	**KD**	**KD**	**KD**
US Dollars	51,806	90,982	66,829	847,897
Euro	-	-	-	1,765
Sterling Pounds	717	-	-	-
UAE Dirhams	-	-	-	-
	52,523	90,982	66,829	849,662

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2008

24. FINANCIAL RISK AND CAPITAL MANAGEMENT (continued)

(e) Liquidity risk

Liquidity risk is the risk that the company will be unable to meet its liabilities when they fall due. To limit this risk, management has arranged diversified funding sources, manages assets with liquidity in mind, and monitors liquidity on a daily basis.

Ultimate responsibility for liquidity risk management rests with the board of directors, which has built an appropriate liquidity risk management framework for the management of the company's short, medium and long-term funding and liquidity management requirements. The company manages liquidity risk by maintaining adequate reserves, banking facilities and reserve borrowing facilities, by continuously monitoring forecast and actual cash flows and matching the maturity profiles of financial assets and liabilities. Included in note 15 is a listing of additional undrawn facilities that the company has at its disposal to further reduce liquidity risk.

The table below analyses the company's non-derivative financial liabilities based on the remaining period at the balance sheet to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows. Balances due within 12 months equal their carrying balances as the impact of discounting is not significant.

At 31 December 2008	Less than 1 year KD	Between 1 and 2 years KD	Between 2 and 5 years KD	Over 5 years KD
Term loan	500,000	1,000,000	375,000	-
Account payable and other credit balances	662,516	-	-	-

At 31 December 2007	Less than 1 year KD	Between 1 and 2 years KD	Between 2 and 5 years KD	Over 5 years KD
Term loan	500,000	1,000,000	875,000	-
Account payable and other credit balances	779,893	-	-	-

(f) Equity price risk

Equity price risk is the risk that the value of financial instruments will fluctuate as a result of changes in equity prices. Financial instruments, which potentially subject the company to equity price risk, consist principally of investments at fair value through statement of income. The company manages this risk by diversifying its investments on the basis of the pre-determined asset allocations across various categories, continuous appraisal of market conditions and trends and management estimate of long and short term changes in fair value.

The following table demonstrates the sensitivity of the changes in fair value to reasonably possible changes in equity prices, with all other variables held constant. The effect of decreases in equity prices is expected to be equal and opposite to the effect of the increases shown.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2008

24. FINANCIAL RISK AND CAPITAL MANAGEMENT (continued)

(f) Equity price risk (continued)

	Change in equity price	Effect on profit before KFAS, NLST, Zakat & Directors' fees	Change in equity price	Effect on profit before KFAS, NLST & Directors' fees
	2007	2008	2006	2007
	KD	KD	KD	KD
Kuwait	+5%	4,798	+5%	81,138

(g) Fair value of financial instruments

In the opinion of management, cash and cash equivalents, accounts receivable, investments at fair value through statement of income, accounts payable and other credit balances and term loans are not significantly different from fair values.

25. PROPOSED DIVIDENDS

The board of directors propose no dividends for the year ended 31 December 2008. This proposal is subject to the approval of the shareholders's General Assembly

During 2008, cash dividend of 15 Fils per share and 1 bonus share for every 20 shares held for the year ended 31 December 2007 were approved by the general assembly held on 14 April 2008 and were paid following that approval.

26. CONTINGENT LIABILITIES

	2008	2007
	KD	KD
Letters of credit /bills for acceptance	-	730,667
Letters of guarantee	2,781,231	3,494,901
	2,781,231	4,225,568

27. CONTINGENT ASSETS

The company was an agent of Al Khorayef Trading Company ("Al Khorayef") in Kuwait. During 1998, Al Khorayef terminated the agency agreement with the company. The company has filed a claim of KD 1,612,221 against Al Khorayef claiming compensation for breach of contract and amounts due to the company (see note 5).

The Court of First Instance awarded judgment in favour of the company for a total compensation of KD 313,289 (including KD 65,063 of receivable) on 4 November 2002 to be paid by Al Khorayef. Both the parties have filed an appeal against the decision. The Court of Appeal had given a preliminary ruling directing the Expert Committee ("the Committee") of the Ministry of Justice to study the matter.

The Committee had submitted its report which was challenged by both parties. The Court appointed another committee on 29 May 2005 to investigate the dispute. Based on the Committee's report, the Court of Appeal has given its verdict on 4 June 2006 awarding a compensation of KD 1,024,468 in favour of the company against which Al Khorayef has filed an appeal. However, pursuant to the judgment, the assets of Al Khorayef have been attached and are held by Kuwait Oil Company.

The ultimate outcome of the above case and the amount of compensation claim, if any, that the company may receive cannot presently be determined.

28. COMPARATIVE FIGURES

Certain comparative figures have been re-classified to conform to current year's presentation.