NAPESCO
نابيسكو

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 2010

Contents *Page*

NAPESCO
نابيسكو

Board of Directors

Omran Habib Jawhar Hayat
Chairman

Khaled Hamdan Al-Saif
Managing Director

Dr. Adnan A. Al-Shaheen
Deputy Chairman
(Until 13 / 10/ 2010)

Hani Mohammed Eid Al-Musallam
Member

Munawer Anwar Al-Nouri
Member

Muhaimen Ali Behbehani
Member

Mohammad Mahdi Al-Shammari
Member

CHAIRMAN'S STATEMENT

Dear Shareholders of The National Petroleum Services Company, it is my pleasure to present to you the year 2010 Annual Report depicting the Company's achievements throughout the past fiscal year.

2010 was a year of major developments within the Company both locally and outside of Kuwait. Within our Oilfield Services Group the Company continued its strong performance and maintained its competitive status against much larger international Service Companies operating within Kuwait. We have also achieved our primary goal of increasing profit from our operations and took a major step towards expanding the Company's regional footprint.

The following are the highlights and accomplishments of 2010:

* We increased the level of business activities with our major customers within Kuwait particularly in the fields of Cementing and Stimulation Services.
* We have succeeded in developing a proprietary Thermal Cement system for use in heavy oil wells which technically surpasses commercially available recipes and which we will patent in 2011. This is a very important achievement for our Company and allows us to meet the requirements of our major clients (Kuwait Oil Company, Kuwait Gulf Oil Company and Saudi Arabian Chevron) in the development of their heavy oil resources.
* The Kuwait Oil Company awarded us a major and comprehensive contract (inclusive of the supply of manpower, training and consultancy services) to provide Health, Safety, and Environmental services with a total value of KD 6.6 million for a period of 5 years.
* We renewed our contract with Joint Operations (Kuwait Gulf Oil Company and Saudi Arabian Chevron) to provide Coiled Tubing and Stimulation Services with a value of USD 22 million over a 3 year period.
* We were awarded a major contract for the supply of tubular products from the Kuwait Oil Company. This contract is valued at KD 4.2 million and is over a supply period of 40 weeks.
* The company successfully carried out its first cementing operations of a deep (high pressure / high temperature) well including all casing strings. This is a major achievement that reflects the Company's professional and technical capabilities as well as the trust we have earned from our Clients.
* Kuwait Petroleum Corporation prequalified our Company for conducting technical Seminars and Training Courses for their oil sector employees. This is a new addition to our business activities as pursued by our Commercial Group.
* The Kuwait Environmental Public Authority re-enlisted the Company as an "A" Class Consultancy firm for Environmental Consultations and for the preparation of Environmental Impact Assessment Studies.

Internationally we have a signed a contract between NAPESCO International (a wholly owned subsidiary of the Company) and South Oil Company (SOC) of Iraq to provide Coiled Tubing Stimulation Services under the supervision of the Rumaila Operating Organization (a consortium between British Petroleum (BP), China National Petroleum Company (CNPC) and SOC. We expect completion of this project by end of this year.

A summary of our financial performance for the year 2010 is as follows:

* Our revenues from sales and services for the year totaled KD 10,558,225. This is an increase of 47% as compared to revenues of KD 7,176,226 in 2009.
* A net profit of KD 1,588,570 was achieved in 2010 with an EPS of 30.27 Fils as compared to KD 2,172,901 in 2009 with an EPS of 40.62 Fils. It is worthy to mention that higher profits in 2009 were largely due to the legal compensation received by the Company from a former agent amounting to KD 1,431,972.
* Year 2010 also witnessed continuous growth in shareholder value, reaching KD 12,114,383 in comparison with KD 11,825,860 in 2009.

Having reviewed our Company's achievements in 2010, allow me to brief you on our achievements over the past 10 years where our Company grew year after year through the hard work and dedication of both our management and staff.

We begin with 2001 where the total Company assets were valued at KD 3,638,446 and grew to KD 16,318,334 in 2010 and shareholder value increased from KD 2,150,514 in 2001 to KD 12,114,383 in 2010.

This growth was not only limited to assets and shareholder value but also included substantial increases in sales and annual profits. Revenues increased from KD 2,797,033 in 2001 to KD 10,558,225 in 2010. Throughout this period the Company has been profitable on a continuous basis from KD 646,216 in 2001 to KD 1,588,570 in 2010 and has done so during a period of growth and expansion.

Based on the results of 2010 and earlier years it becomes evident that we and those who have superseded us on the Board of Directors all have worked faithfully and diligently to develop the Company's assets and shareholder value. We now renew our commitment to continue working with sincerity and honesty drawn from your continuous support and trust in us.

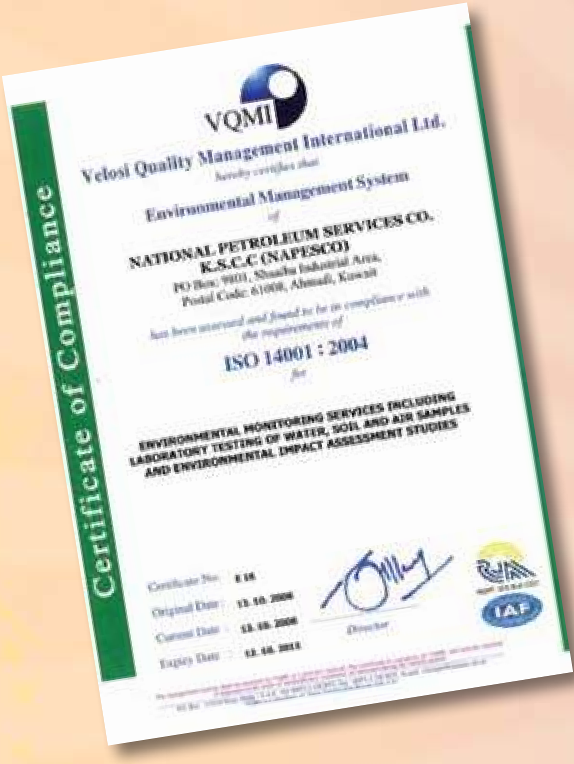
Finally, I would like to express my utmost appreciation to the members of the Board of Directors for their active participation and sound guidance. I also wish to convey our gratitude to the executive management team and all of our employees which carried the burden of executing the company's strategic plans wishing them further advancement.

Omran Habib Johar Hayat
Chairman of Board

COMPANY OUTLINE

Official Name	**: National Petroleum Services Company (K.S.C) Closed**
Commercial Registration No.	: 49911 dated 28 March 1993
Date Established	: 3rd January 1993
Date Listed on the K S E	: 18th 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 & Paid Up Capital	: KD 5,486,620
Nominal Value of the Share	: 100 Fils
Auditors	**: Moore Sephens Al-Nisf & Partners** P.O. Box 25578 Safat 13116 Kuwait Telephone: 22426999 Fax: 22401666 **Al-Dar International** **Accountants and Consultants** P.O. Box 25597, Safat, 13116, Kuwait Tel.: 22461 490 Fax: 22461 493

CERTIFICATES OF QUALITY MANAGEMENT SYSTEMS



Certificate of Compliance

VQMI

Velosi Quality Management International Ltd.

hereby certifies that

Environmental Management System

of

NATIONAL PETROLEUM SERVICES CO. K.S.C.C (NAPESCO)

PO Box: 9801, Shuaiba Industrial Area,
Postal Code: 61008, Ahmadi, Kuwait

has been assessed and found to be in compliance with the requirements of

ISO 14001 : 2004

for

ENVIRONMENTAL MONITORING SERVICES INCLUDING LABORATORY TESTING OF WATER, SOIL AND AIR SAMPLES AND ENVIRONMENTAL IMPACT ASSESSMENT STUDIES

Certificate No: E 18
Original Date: 13. 10. 2008
Current Date: 13. 10. 2008
Expiry Date: 12. 10. 2011

Director

Certificate of Compliance

VQMI

Velosi Quality Management International Ltd.

hereby certifies that

Quality Management System

of

NATIONAL PETROLEUM SERVICES COMPANY (K.S.C.C) (NAPESCO)

Shuaiba Industrial Area,
PO Box: 9801, Ahmadi-61008, Kuwait

has been assessed and found to be in compliance with the requirements of

ISO 9001 : 2000

for

PROVISION OF OIL FIELD SERVICES INCLUDING DESIGN FOR OIL WELL CEMENTING.

PROVISION OF SERVICES RELATED TO STIMULATION, COILED TUBING, NITROGEN SERVICES, DOWN HOLE TOOLING, ENVIRONMENTAL SERVICES, ENVIRONMENTAL IMPACT STUDIES, LABORATORY SERVICES, AIR QUALITY MONITORING, FIRE FIGHTING EQUIPMENTS, HALON MANAGEMENT AND FIRE ALARM SYSTEM SERVICING & MAINTENANCE

Certificate No: C 134
Original Date: 15 MARCH 2007
Current Date: 15 MARCH 2007
Expiry Date: 14 MARCH 2010

Director

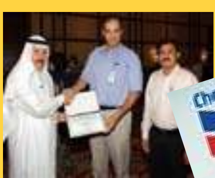
AWARDS

National Petroleum Services Company (K.S.C.C) الشركة الوطنية للخدمات البترولية (ش.م.ك.م)

QHSE Achievements

Joint Operations (Saudi Arabian Chevron Inc. – Kuwait Gulf Oil Co.) awarded NAPESCO a Certification of Appreciation for our outstanding HSE performance and scoring 98% on CHESM audit.

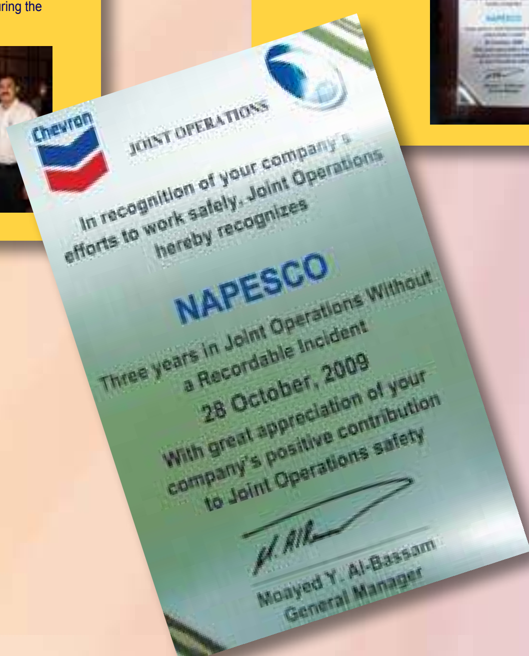
The award was presented by the General Manager of Joint Operations during the Annual Contractors Safety Forum held on October 28, 2009.



National Petroleum Services Company (K.S.C.C) الشركة الوطنية للخدمات البترولية (ش.م.ك.م)

QHSE Achievements

Joint Operations (JO) recognized NAPESCO with an Award of Appreciation for working safely for Three years in Joint Operations without a Recordable Incident. This is the first time in NAPESCO history to complete three years without a recordable incident in Joint Operations.



Chevron

JOINT OPERATIONS

In recognition of your company's efforts to work safely, Joint Operations hereby recognizes

NAPESCO

Three years in Joint Operations Without a Recordable Incident

28 October, 2009

With great appreciation of your company's positive contribution to Joint Operations safety

Moayed Y. Al-Bassam
General Manager

NAPESCO
نابيسكو

PRINCIPAL COMPANIES

Company Name	Country of Origin	Services
CHOLAMANDALAM MS RISK SERVICES	India	SAFETY & RISK CONSULTANCY
FLOWSERVE LIMITORQUE	U.S.A.	ELECTRIC ACTUATORS, MOTORISED VALVES
FPC (FIRE PROTECTION CONSULTANT)	Belgium	FIRE ENGINEERING CONSULTANCY
FUSION PETROLEUM	U.S.A.	INTEGRATED GEOLOGICAL, GEOPHYSICAL AND ENGINEERING SERVICES
HBL POWER SYSTEMS LIMITED	India	BATTERIES AND DC POWER SYSTEMS
KNOWLEDGE RESERVOIR	United Kingdom	SEISMIC DATA INTERPRETATION AND QUALITY CONTROL
FILTERS S.R.L	ITALY	PROCESS FILTERS
N.V GOUDA VUURVAST	The Netherlands	REFRACTORIES, INSULATION MATERIALS
PETROLEUM DEVELOPMENT CONSULTANT	United Kingdom	OIL & GAS INDUSTRY CONSULTING
RODLESS PUMPS INC.	China	PROGRESS CAVITY RODLESS PUMPS
CHINA SHENYANG GOLDFIELD OIL MACHINE MFG CO.	China	INTELLIGENT PUMPING SYSTEMS
MUTTRAH OILFIELD SUPPLY & SERVICES (MOSS) LLC	Oman	OILFIELD SUPPLY & SERVICES
SNIFFERS N.V.	Belgium	LEAK DETECTION AND REPAIRING AND EMISSION MONITORING

PARTNERS

Company Name	Country of Origin	Activity / Product
Econ Industries GmbH	Germany	THERMAL DESORPTION TECHNOLOGY AND SEPARATION SYSTEMS
ENVIRON	United Kingdom	ENVIRONMENTAL, HEALTH CONSULTANCY AND SOIL REMEDIATION
PETROLEUM PIPE COMPANY- MIDDLE EAST	Dubai	OCTG, TUBING, LINE PIPES
AEG POWER SOLUTIONS	Dubai	AC AND DC POWER SYSTEMS
SHANGDONG MOLONG	China	OCTG, TUBING
Z-SEIS CORPORATION	U.S.A	SEISMIC SERVICES
MEKE DENIZ TEMIZILIGI LTD.SERVICES	Turkey	OIL SPILL CONTROL AND MANAGEMENT
SRI RAMACHANDRA MEDICAL COLLEGE & RE-SEARCH INSTITUTE	India	OCCUPATIONAL HEALTH, INDUSTRIAL HYGIENE
SITA REMEDIATION	Belgium	SOIL REMEDIATION
CHINA OIL HBP SCIENCE & TECHNOLOGY CORPORATION LTD.	China	PRODUCTION TEST SEPARATORS, PROCESS EQUIPMENTS
ENSERVE ENGG PVT LTD	South Africa	VALVE MANAGEMENT & REPAIR SERVICES
FIRST CLIMATE	Switzerland	CARBON CREDIT & CDM CONSULTANTS
WRS COMPASS	U.S.A	SOIL TREATMENT SERVICES
WITTEMANN	U.S.A	CO2 RECOVERY SYSTEMS
Gulf Experts Company	Kuwait	Training Services including Petroleum Consultancy
ILI Technologies	Canada	Oil & Gas Services
Seismic Microt Technology	U.S.A	SMT Software products and sales
PL Engineering India	India	Design & Engineering
Fouress Engineering India Limited	India	Valves - Butterfly

PREQUALIFIED ACTIVITIES

Company Name	Type of Work
Kuwait Oil Company	CEMENTING SERVICES COILD TUBING,NITROGEN AND SIMULATION SERVICES ENVIRONMENTAL CONSULTANCY HEALTH CONSULTANCY SERVICES SAFETY CONSULTANCY SERVICES WASTE MANAGEMENT SERVICES COMPERHENSIVE MAINTENANCE OF FIRE FIGHTING SYSTEMS TUBULAR CLEANING SERVICES SUPPLAY OF TUBING CASSING AND ACCESSORIES
Kuwait Petroleum Corporation	TRAINING SERVICES PROVIDER
Kuwait National Petroleum Company	ENVIRONMENTAL SERVICES ENVIRONMENT IMPACT ASSESSMENT STUDIES ONLINE LABORATORY MAINTENANCE SERVICES SUPPLY, INSTALL , COMM & MAINT OF FIRE EXTINGUISHING SYSTEMS LEAK DETECTION & REPAIRING SERVICES OIL SPILL CONTROL AND MANAGEMENT HALON PHASE OUT CONSULTANCY
Joint Operations - Wafra	OILY VISCOUS LIQUID TREATMENT FIRE ALARM & FIRE FIGHTING SYSTEM CONSULTANCY ENVIRONMENTAL CONSULTANCY & MONITORING ANALYTICAL LABORATORY SERVICES
Joint Operations - Khafji	ASBESTOS CONSULTANCY ENVIRONMENTAL CONSULTANCY INDOOR AIR QUALITY SERVICES STACK EMISSION MONITORING SERVICES SEISMIC DATA INTERPRETATION & QUALITY CONTROL
Saudi Arabian Chevron	ENVIRONMENTAL CONSULTANCY & MONITORING

APPROVALS

Environment Public Authority	ENVIRONMENT CONSULTATION ENVIRONMENT IMPACT ASSESSMENT STUDIES ENVIRONMENTAL EVALUATION MERCURY CONTAMINATED SOIL TREATMENT HALON MANAGEMENT SERVICES
Kuwait Fire Brigade Directorate	SUPPLY,INSTALL ,COMM &MAINT OF FIRE EXTINGUISHING SYSTEM SUPPLY,INSTALL ,COMM &MAINT OF ALARM SYSTEM HALON MANAGEMENT SERVICES
U.S- DOT	PRESSURIZED CYLINDER RETESTER>S IDENTIFICATION NUMBER
DNV	SURVEY AND MAINTENANCE OF FIRE EXTINGUISHERS & SYSTEMS
Lloyods Register	SURVEY AND MAINTENANCE OF FIRE EXTINGUISHERS & SYSTEMS
ISO 14001 : 2004	ENVIRONMENTAL MONITORING SERVICES INCLUDING LABORATORY TESTING OF WATER, SOIL AND AIR SAMPLES AND EIA
ISO 9001 : 2000	PROVISION OF OIL FILED SERVICES INCLUDING DESIGN FOR OIL WELL CEMENTING

MOORE STEPHENS
PUBLIC ACCOUNTANTS
AL NISF & PARTNERS
P.O. Box 25578 Safat 13116 Kuwait
Al-Shaheed Tower, 4th Floor
Khalid Ben Al-Waleed Street, Sharq, Kuwait
Telephone: 22426999
Fax: 22401666

Al-Dar International
Accountants and Consultants
P.O. Box 25597, Safat, 13116, Kuwait
Tel.: +965 22461 490
Fax: +965 22461 493
Email: aldar_intl@hotmail.com

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

Report on the consolidated financial statements

We have audited the accompanying consolidated financial statements of National Petroleum Services Company K.S.C. (Closed) ("the Parent company") and its subsidiary (together referred to as "the Group), which comprise the consolidated statement of financial position as at 31 December 2010, and the consolidated statement of income, consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and summary of significant accounting policies and other explanatory notes.

Management's responsibility for the financial statements

The Parent Company's management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' responsibility

Our responsibility is to express an opinion on these consolidated 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 about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated 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 entity'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 consolidated 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 consolidated financial statements present fairly, in all material respects, the financial position of the group as at 31 December 2010, 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 consolidated financial statements include the information required by the Kuwait Commercial Companies Law of 1960, and the Parent company's articles and memorandum of association, as amended. In our opinion, proper books of account have been kept by the Parent company, the inventory was duly carried out in accordance with recognized procedures and the accounting information given in the board of directors' report agrees with the books of account. We have not become aware of any contravention, during the year ended 31 December 2010, of the Kuwait Commercial Companies Law of 1960, or of the Parent company's articles and memorandum of association, as amended that would materially affect the Group's activities or its financial position.

Qais M. Al-Nisf	**Ahmed M. Al-Rasheed**
Licence No. 38 - A	**Licence No. 39 - A**
Moore Stephens Al Nisf & Partners	**Al-Dar International – DFK International**
Member firm of Moore Stephens International	

Kuwait: 3 March 2011

Consolidated statement of financial position As at 31 December 2010

	Notes	2010 KD	2009 KD
Assets			
Non current assets			
Property, plant and equipment	4	8,290,674	8,523,274
Available for sale investments		187,753	291,495
		8,478,427	8,814,769
Current assets			
Inventories	5	1,419,607	1,752,879
Trade receivable	6	2,596,118	1,350,273
Prepayments and other receivables	7	408,724	332,779
Financial assets at fair value through profit or loss	8	1,873,029	1,747,189
Time deposit		-	3,150,000
Cash and cash equivalents	9	1,542,429	1,107,857
		7,839,907	9,440,977
Total assets		16,318,334	18,255,746
Equity and liabilities			
Equity			
Share capital	10	5,486,620	5,486,620
Share premium	11	3,310,705	3,310,705
Statutory reserve	12	969,966	800,253
Voluntary reserve	13	969,966	800,253
Treasury shares	14	(868,811)	(868,811)
Fair value reserve		24,997	12,876
Retained earnings		2,220,940	2,283,964
Total equity		12,114,383	11,825,860
Non-current liabilities			
Non-current portion of term loan	15	375,000	1,826,505
Provision for employees' indemnity		451,557	410,082
		826,557	2,236,587
Current liabilities			
Current portion of term loan	15	1,451,505	1,700,000
Advances received		433,110	1,746,285
Trade and other payables	16	1,492,779	747,014
		3,377,394	4,193,299
Total liabilities		4,203,951	6,429,886
Total equity and liabilities		16,318,334	18,255,746

Omran Habib Hassan Jawhar Hayat
Chairman

The notes on pages 8 to 31 form an integral part of these consolidated financial statements.

NAPESCO
نابيسكو

Consolidated statement of income For the year ended 31 December 2010

	Notes	2010 KD	2009 KD
Sales and service revenue		10,558,225	7,176,554
Cost of sales and service		(8,119,921)	(5,399,776)
Gross profit		2,438,304	1,776,778
Unrealized gain on financial assets at fair value through profit or loss		34,810	2,216
Realized gain on financial assets at fair value through profit or loss		5,220	8,892
Gain on sale of available for sale investments		-	30,053
Impairment on available for sale investments		(17,127)	(112,002)
Interest income		63,685	1,336
Other income		204,572	160,125
Net compensation claim		-	1,431,972
General and administrative expenses	17	(917,652)	(884,814)
Finance costs		(114,679)	(118,635)
Profit for the year before contribution to Kuwait Foundation for the Advancement of Sciences (KFAS), National Labour Support Tax (NLST), Zakat and Directors' remuneration		1,697,133	2,295,921
Contribution to KFAS		(15,438)	(20,663)
NLST		(43,661)	(57,398)
Zakat		(17,464)	(22,959)
Directors' remuneration		(32,000)	(22,000)
Profit for the year		1,588,570	2,172,901
Earnings per share (fils)	18	30.27	40.62

The notes on pages 8 to 31 form an integral part of these consolidated financial statements.

Consolidated statement of comprehensive income **For the year ended 31 December 2010**

	2010	2009
	KD	KD
Profit for the year	1,588,570	2,172,901
Other comprehensive income		
Change in the fair value of available for sale investments	(5,006)	(79,284)
Transfer to consolidated statement of income on sale of available for sale investments	-	(30,053)
Impairment loss on available for sale investment	17,127	112,002
Other comprehensive income for the year	12,121	2,665
Total comprehensive income for the year	1,600,691	2,175,566

The notes on pages 8 to 31 form an integral part of these consolidated financial statements.

Consolidated statement of changes in equity For the year ended 31 December 2010

	Share capital	Share premium	Statutory reserve	Voluntary reserve	Treasury shares	Fair value reserve	Retained earnings	Total equity
	KD	KD	KD	KD	KD	KD	KD	KD
Balance at 31 December 2008	5,486,620	3,310,705	570,661	570,661	(592,760)	10,211	570,247	9,926,345
Total comprehensive income for the year	-	-	-	-	-	2,665	2,172,901	2,175,566
Purchase of treasury shares	-	-	-	-	(276,051)	-	-	(276,051)
Transfer to reserves	-	-	229,592	229,592	-	-	(459,184)	-
Balance at 31 December 2009	5,486,620	3,310,705	800,253	800,253	(868,811)	12,876	2,283,964	11,825,860
Balance at 31 December 2009	5,486,620	3,310,705	800,253	800,253	(868,811)	12,876	2,283,964	11,825,860
Cash dividend	-	-	-	-	-		(1,312,168)	(1,312,168)
Total comprehensive income for the year	-	-	-	-	-	12,121	1,588,570	1,600,691
Transfer to reserves	-	-	169,713	169,713	-		(339,426)	-
Balance at 31 December 2010	5,486,620	3,310,705	969,966	969,966	(868,811)	24,997	2,220,940	12,114,383

The notes on pages 8 to 31 form an integral part of these consolidated financial statements.

Consolidated statement of cash flows For the year ended 31 December 2010

	Note	2010	2009
		KD	KD
OPERATING ACTIVITIES			
Profit for the year		1,588,570	2,172,901
Adjustments for:			
Depreciation		1,238,138	1,013,907
Finance costs		114,679	118,635
Gain on disposal of property, plant and equipment		(2,963)	(8,000)
Provision for employees' indemnity		86,649	78,968
Gain on sale of available for sale investments		-	(30,053)
Impairment of available for sale investments		17,127	3,447,252
Unrealized gain on financial assets at fair value through profit or loss		(34,810)	(2,216)
Realized gain on financial assets at fair value through profit or loss		(5,220)	(8,892)
		3,002,170	3,447,252
Movements in working capital			
Decrease / (increase) in inventories		333,271	(18,524)
Trade receivables and pre payments		(1,321,790)	(764,07)
Decrease in advances received		(1,313,175)	(421,671)
Increase / (decrease) in trade and other payables		843,333	(106,8)
Cash generated from operations		1,543,809	2,849,845
Payments for KFAS		(20,663)	(1,835)
Payment for NLST		(58,176)	(4,647)
Payment for Zakat		(23,271)	(4,584)
Payments for employees' indemnity		(45,173)	(47,842)
Net cash from operating activities		1,396,526	2,790,937
INVESTING ACTIVITIES			
Purchase of property, plant and equipment		(1,025,568)	(333,303)

Proceeds from disposal of property, plant and equipment		22,993	15,416
Investments in unconsolidated subsidiary		-	100,000
Net movement in investments at fair value through statement of income		(91,030)	(1,640,129)
Time deposit		3,150,000	(3,150,000)
Net movement in available for sale investments		103,956	211,327
Net cash from / (used in) investing activities		2,160,351	(4,796,689)
FINANCING ACTIVITIES			
Term loan received		-	2,151,505
Term loan repaid		(1,700,000)	(500,000)
Finance cost paid		(114,679)	(118,635)
Purchase of treasury shares		-	(276,051)
Dividend paid		(1,307,626)	-
Net cash (used in) /from financing activities		(3,122,305)	1,256,819
Net increase / (decrease) in cash and cash equivalents		434,572	(748,933)
Cash and cash equivalents at beginning of the year		1,107,857	1,856,790
Cash and cash equivalents at end of the year	9	1,542,429	1,107,857

The notes on pages 8 to 31 form an integral part of these consolidated financial statements.

Notes to the consolidated financial statements
For the year ended 31 December 2010

1. GENERAL INFORMATION

National Petroleum Services Company K.S.C. (Closed) ("the Parent 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 Parent company's shares were listed on the Kuwait Stock Exchange on 18 October 2003.

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

The consolidated financial statements for the year ended 31 December 2010, comprise the Parent company and its wholly owned subsidiary, Napesco International Petroleum Services Company W.L.L (together referred to as "the group").

The Parent 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 consolidated financial statements of National Petroleum Services Company K.S.C. (Closed) were authorized for issue by the Board of Directors on 3 March 2011. The shareholders' of the company have the power to amend these financial statements at the Annual General Assembly.

2. ADOPTION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS (IFRSs)

2.1 *Standards and Interpretations adopted by the Group*

The following new and revised Standards and Interpretations have been adopted by the Group for the annual period beginning 1 January 2010:

IFRS 3 (Revised 2008) Business Combinations and IAS 27 (Amended) Consolidated and Separate Financial Statements

IFRS 3 (Revised) introduces significant changes in the accounting for business combinations occurring after becoming effective. Changes affect the valuation of non-controlling interest, the accounting for transaction costs, the initial recognition and subsequent measurement of a contingent consideration and business combinations achieved in stages. These changes will impact the amount of goodwill recognised, the reported results in the period that an acquisition occurs and future reported results.

IAS 27 (Amended) requires the effects of all transactions with non-controlling interests to be recorded in equity if there is no change in control and these transactions will no longer result in goodwill or gain and losses. The standard also specifies the accounting for losses incurred by the subsidiary as well as the loss of control of a subsidiary. The changes by IFRS 3 (Revised) and IAS 27 (Amended) affect acquisitions or loss of control of subsidiaries and transactions with non-controlling interests after 1 January 2010.

The change in accounting policy was applied prospectively and had no material impact on the current year financial statements.

Notes to the consolidated financial statements
For the year ended 31 December 2010

2. ADOPTION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS (IFRSs) (continued)

2.1 Standards and Interpretations adopted by the Group (continued)

IFRS 5 (Amendments) Non-current Assets Held for Sale and Discontinued Operations (as part of improvements to IFRSs issued in May 2008 and April 2009)

The amendments to IFRS 5 clarifies that when a subsidiary is classified as held for sale, all its assets and liabilities are classified as held for sale, even when the entity remains a non-controlling interest after the sale transaction. The amendment is applied prospectively and has no impact on the financial position nor financial performance of the Group.

The amendments to IFRS 5 also clarifies that the disclosures required in respect of non-current assets and disposal groups classified as held for sale or discontinued operations are only those set out in IFRS 5. The disclosure requirements of other IFRSs only apply if specifically required for such non-current assets or discontinued operations. This amendment has not resulted in any modification to disclosures in these consolidated financial statements.

IAS 1 (Amended) Presentation of Financial Statements

The amendments to IAS 1 clarify that the potential settlement of a liability by the issue of equity is not relevant to its classification as current or noncurrent. The amendments to IAS 1 did not have any impact on the financial position or performance of the Group.

IAS 36 (Amended) Impairment of Assets

The amendment clarifies that the largest unit permitted for allocating goodwill, acquired in a business combination, is the operating segment as defined in IFRS 8 before aggregation for reporting purposes. The amendment has no impact on the Group as the annual impairment test is performed before aggregation.

IAS 39 (amended) Financial Instruments: Recognition and Measurement – Eligible Hedged Items

The amendment clarifies that an entity is permitted to designate a portion of the fair changes or cash flow variability of a financial instrument as a hedged item. This also covers the designation of inflation as a hedged risk or portion in particular situations. The Group has concluded that the amendment will have no impact on the financial position or performance of the Group, as the Group has not entered into any such hedges.

IFRIC 16 Hedge of a Net Investment in a Foreign Operation

This amendment states that, in a hedge of a net investment in a foreign operation, qualifying hedging instruments may be held by any entity or entities within the Group, including the foreign operation itself, as long as the designation, documentation and effectiveness requirements of IAS 39 that relate to a net investment hedge are satisfied. In particular, the Group should clearly document its hedging strategy because of the possibility of different designations at different levels of the Group. The amendment has no impact on the financial position or performance of the Group.

IFRIC 17 Distribution of non-cash Assets to Owners

This interpretation provides guidance on accounting for arrangements whereby an entity distributes non-cash assets to shareholders either as a distribution of reserves or as dividends. The interpretation has no effect on either, the financial position or performance of the Group.

Notes to the consolidated financial statements
For the year ended 31 December 2010

2. ADOPTION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS (IFRSs) (continued)

2.2 Standards and Interpretations in issue but not yet effective and not early adopted by the Group

IAS 24 (Amendment) Related Party Disclosures

The amended standard is effective for annual periods beginning on or after 1 January 2011. It clarified the definition of a related party to simplify the identification of such relationships and to eliminate inconsistencies in its application. The revised standard introduces a partial exemption of disclosure requirements for government-related entities. The Group does not expect any impact on its financial position or performance.

IAS 32 (Amendment) Financial Instruments: Presentation – Classification of Rights Issues

The amendment to IAS 32 is effective for annual periods beginning on or after 1 February 2010 and amended the definition of a financial liability in order to classify rights issues (and certain options or warrants) as equity instruments in cases where such rights are given pro rata to all of the exiting owners of the same class of an entity's non-derivative equity instruments, or to acquire a fixed number of the entity's own equity instruments for a fixed amount in any currency. This amendment is not expected to have any impact on the Group's financial statements.

IFRS 7 (Amendment) Financial Instruments: Disclosures

The amendments to IFRS 7 titled Disclosures – Transfers of Financial Assets increase the disclosure requirements for transactions involving transfers of financial assets. These amendments are intended to provide greater transparency around risk exposures when a financial asset is transferred but the transferor retains some level of continuing exposure in the asset. The amendments also require disclosures where transfers of financial assets are not evenly distributed throughout the period. The directors do not anticipate that these amendments to IFRS 7 will have a significant effect on the Group's disclosures.

IFRS 9 (as amended in 2010) Financial Instruments

IFRS 9 Financial Instruments issued in November 2009 and amended in October 2010 introduces new requirements for the classification and measurement of financial assets and financial liabilities and for derecognition. IFRS 9 requires all recognised financial assets that are within the scope of IAS 39 Financial Instruments: Recognition and measurement to be subsequently measured at amortised cost or fair value. The basis of classification depends on the entity's business model and the contractual cash flow characteristics of the financial asset.

The most significant effect of IFRS 9 regarding the classification and measurement of financial liabilities relates to the accounting for changes in fair value of a financial liability (designated as at fair value through profit or loss) attributable to changes in the credit risk of that liability. Specifically, under IFRS 9, for financial liabilities that are designated as at fair value through profit or loss, the amount of change in the fair value of the financial liability that is attributable to changes in the credit risk of that liability is recognised in other comprehensive income, unless the recognition of the effects of changes in the liability's credit risk in other comprehensive income would create or enlarge an accounting mismatch in profit or loss. Changes in fair value attributable to a financial liability's credit risk are not subsequently reclassified to profit or loss. Previously, under IAS 39, the entire amount of the change in the fair value of the financial liability designated as at fair value through profit or loss was recognised in profit or loss.

Notes to the consolidated financial statements
For the year ended 31 December 2010

2. ADOPTION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS (IFRSs) (continued)

2.2 Standards and Interpretations in issue but not yet effective and not early adopted by the Group (continued)

IFRS 9 (as amended in 2010) Financial Instruments (continued)

IFRS 9 is mandatory from 1 January 2013, with earlier adoption permitted. The Group is considering the implications of the standard, the impact on the Group and the timing of its adoption by the Group.

IFRIC 19 Extinguishing financial liabilities with equity instruments

The interpretation clarifies the accounting for the extinguishment of a financial liability by the issue of equity instruments. It requires a gain or loss to be recognised in profit or loss, which is measured as the difference between the carrying amount of the financial liability and the fair value of the equity instrument issued. If the fair value of the equity instruments issued cannot be reliably measured, the equity instruments should be measured to reflect the fair value of the financial liability extinguished. The interpretation is effective to annual periods beginning on or after 1 July 2010. The Group will apply the interpretation from 1 January 2011 and is not expected to have any impact on the Group's financial statements.

3. SIGNIFICANT ACCOUNTING POLICIES

3.1 Statement of compliance

The consolidated financial statements of the Group have been prepared in accordance with the International Financial Reporting Standards (IFRSs) as issued by the International Accounting Standards Board (IASB), IFRIC interpretations as issued by the International Financial Reporting Interpretations Committee (IFRIC) and Commercial Companies Law of 1960, as amended.

3.2 Basis of preparation

The consolidated financial statements are presented in Kuwaiti Dinars ("KD") are prepared on the historical cost except for measurement of investment at fair value through statement of income and available for sale investments.

The principal accounting policies applied in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

3.3 Basis of consolidation

The consolidated financial statements comprise the Parent Company and its subsidiaries drawn up to 31 December 2010 (see below). All subsidiaries have a reporting date of 31 December.

Subsidiaries are all entities over which the Parent Company has the power to control the financial and operating policies. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control effectively commences until the date that control effectively ceases. The financial statements of the subsidiaries are consolidated on a line-by-line basis by adding together like items of assets, liabilities, income and expenses.

Notes to the consolidated financial statements
For the year ended 31 December 2010

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

3.3 Basis of consolidation (continued)

Intercompany balances and transactions, including intercompany profits and unrealized profits and losses are eliminated in full on consolidation. Amounts reported in the financial statements of subsidiaries have been adjusted where necessary to ensure consistency with the accounting policies adopted by the Group.

Non-controlling interests in the net assets of consolidated subsidiaries are identified separately from the Group's equity therein. Non-controlling interests consist of amount of those interests at the date of original business combination and the non-controlling entity's share of changes in equity since the date of the combination. Losses within a subsidiary are attributed to the non-controlling interest even if that results in a deficit balance.

Changes in the Group's ownership interests in subsidiaries that do not result in the Group losing control over the subsidiaries are accounted for as equity transactions. For purchases from non-controlling interests, the difference between any consideration paid and the relevant share acquired of the carrying value of net assets of the subsidiary is recorded in equity. Gains or losses on disposals to non-controlling interests are also recorded in equity.

When the Group ceases to have control or significant influence, any retained interest in the entity is remeasured to its fair value, with the change in carrying amount recognised in profit or loss. The fair value is the initial carrying amount for the purposes of subsequently accounting for the retained interest as an associate, joint venture or financial asset. In addition, any amounts previously recognised in other comprehensive income in respect of that entity are accounted for as if the group had directly disposed of the related assets or liabilities (i.e. reclassified to profit or loss or transferred directly to retained earnings as specified by applicable IFRSs).

Details of the Parent company's subsidiary at 31 December 2010 is as follows.

Name of subsidiary	Principal activity	Place of incorporation	Proportion of ownership interest 31 December 2010	2009
Napesco International Petroleum Services Company WLL	Drilling and maintenance of petroleum and non petroleum well. Treatment of waste from petroleum, chemical and medical material	Kuwait	100%	100%

Notes to the consolidated financial statements
For the year ended 31 December 2010

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

3.4 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.

3.5 Financial assets

Investments are recognised and derecognised on trade date where the purchase or sale of an investment is under a contract whose terms require delivery of the investment within the timeframe established by the market concerned, and are initially measured at fair value, plus transaction costs, except for those financial assets classified as at fair value through profit or loss, which are initially measured at fair value.

Financial assets are classified into the following specified categories: 'cash and bank balances', 'financial assets at fair value through profit or loss', 'available for sale investments', 'trade receivables' and 'due from related parties'. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition.

Effective interest rate method

The effective interest rate is a method of calculating the amortised cost of a financial asset and of allocating interest over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset, or, where appropriate, a shorter period.

Cash and cash equivalents

Cash and cash equivalents comprise cash on hand, cash held in portfolio, and bank balances, net of bank overdrafts.

Financial assets at fair value through profit or loss ("FVTPL")

Financial assets are classified as at FVTPL where the financial asset is either held for trading or it is designated as at FVTPL. A financial asset is classified as held for trading if:

(i) it has been acquired principally for the purpose of selling in the near future; or

(ii) it is a part of an identified portfolio of financial instruments that the Group manages together and has a recent actual pattern of short-term profit-taking; or

(iii) it is a derivative that is not designated and effective as a hedging instrument.

Notes to the consolidated financial statements
For the year ended 31 December 2010

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

3.5 Financial assets (continued)

Financial assets at fair value through profit or loss ("FVTPL")(continued)

A financial asset other than a financial asset held for trading may be designated as at FVTPL upon initial recognition if:

(i) such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise; or

(ii) the financial asset forms part of a group of financial assets or financial liabilities or both, which is managed and its performance is evaluated on a fair value basis, in accordance with the Group's documented risk management or investment strategy, and information about the grouping is provided internally on that basis; or

(iii) it forms part of a contract containing one or more embedded derivatives, and IAS 39 Financial Instruments: Recognition and Measurement permits the entire combined contract (asset or liability) to be designated as at FVTPL.

Financial assets at FVTPL are stated at fair value, with any resultant gain or loss recognised in the consolidated statement of income. Fair value is determined in the manner described in note 8.

Available for sale investments

Available for sale investments are initially measured at cost which is the fair value of consideration given. Subsequent to initial recognition, available for sale investments are measured at fair value. For investments traded in organised financial markets, fair value is determined by reference to the last quoted bid price at the close of business on the statement of financial position 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 expected cash flows or the underlying net asset base of the investment. Investments whose fair value cannot be reliably measured are carried at cost less any impairment loss.

Gains or losses arising from changes in fair value of available for sale investments are recognised directly in other comprehensive income and accumulated in the fair value reserve until the investment is sold, collected, or otherwise disposed of, or until the investment is determined to be impaired at which time the cumulative gain or loss previously recognised in the fair value reserve is reclassified to the consolidated statement of income for the period in which they arise. Foreign exchange gains and losses on monetary assets, are recognised directly in the consolidated statement of income.

Dividends on available for sale equity instruments are recognised in the consolidated statement of income when the Group's right to receive the dividends is established.

Notes to the consolidated financial statements
For the year ended 31 December 2010

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

3.5 Financial assets (continued)

Held-to-maturity investments (HTM)

Held-to-maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturity other than loans and receivables. Investments are classified as held-to-maturity if the Group has the intention and ability to hold them until maturity. Held-to-maturity investments are measured at amortised cost using the effective interest method less any impairment, with revenue recognised on an effective yield basis.

Trade receivables

Trade receivables are measured at initial recognition at fair value, and are subsequently measured at amortised cost using the effective interest rate method. Appropriate allowances for estimated irrecoverable amounts are recognised in the consolidated statement income when there is objective evidence the asset is impaired. The allowance recognised is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the effective rate computed at initial recognition.

3.6 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.

3.7 Financial liabilities

The Group's financial liabilities include bank borrowings and trade payables.

Trade payables

Trade payables are initially measured at fair value, and are subsequently measured at amortised cost, using the effective interest rate method.

Bank borrowings

Interest bearing bank loans and overdrafts are initially measured at fair value, and are subsequently measured at amortised cost, using the effective interest rate method. Any difference between the proceeds (net of transaction costs) and the settlement or redemption of borrowings is recognised over the term of the borrowings in accordance with the Group's accounting policy for borrowing costs.

Derecognition of financial liabilities

A financial liability is derecognised when the obligation specified in the contract is discharged, cancelled or expired.

Notes to the consolidated financial statements
For the year ended 31 December 2010

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

3.8 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 consolidated statement of income over the period of the borrowings on an effective interest basis.

3.9 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 financial position date, and approximates the present value of the final obligation.

3.10 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 consolidated statement of income in proportion to the stage of completion of the transaction at the financial position 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.

Notes to the consolidated financial statements
For the year ended 31 December 2010

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

3.11 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 financial position 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 Financial assets at fair value through profit or loss are reported as part of the fair value gain or loss.

3.12 Impairment of tangible assets

At each financial position 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.

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 consolidated 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 consolidated 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.

Notes to the consolidated financial statements
For the year ended 31 December 2010

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

3.13 Impairment of financial assets

Financial assets, other than those at FVTPL, are assessed for indicators of impairment at each statement of financial position date. Financial assets are considered to be impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the financial asset have been impacted.

For financial assets classified as available for sale investments, a significant or prolonged decline in the fair value of the security below its cost is considered to be objective evidence of impairment.

For trade receivables, objective evidence of impairment could include: (i) significant financial difficulty of the issuer or counterparty; or (ii) default or delinquency in interest or principal payments; or (iii) it becoming probable that the borrower will enter bankruptcy or financial re-organisation.

For certain categories of financial assets, such as trade receivables, assets that are assessed not to be impaired individually are subsequently assessed for impairment on a collective basis.

Objective evidence of impairment for a portfolio of receivables could include the Group's past experience of collecting payments, an increase in the number of delayed payments in the portfolio past the average credit period of 90 days, as well as observable changes in national or local economic conditions that correlate with default on receivables.

For financial assets carried at amortised cost, the amount of the impairment is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the financial asset's original effective interest rate. The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of receivables, where the carrying amount is reduced through the use of an allowance account. When a trade receivable is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against the allowance account. Changes in the carrying amount of the allowance account are recognised in the consolidated statement of income.

When an available for sale investment is considered to be impaired, cumulative gains or losses previously recognised in other comprehensive income are reclassified to profit or loss in the period.

With the exception of available for sale investments, if, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed through the consolidated statement of income to the extent that the carrying amount of the investment at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

In respect of available for sale investments, impairment losses previously recognised through the consolidated statement of income are not reversed through the consolidated statement of income. Any increase in fair value subsequent to an impairment loss is recognised directly in other comprehensive income.

Notes to the consolidated financial statements
For the year ended 31 December 2010

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

3.14 Provisions

A provision is recognized in the consolidated financial position when the group 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.

3.15 Treasury shares

Treasury shares consist of the group's own shares that have been issued, subsequently reacquired by the group and not yet reissued, sold or cancelled. No gain or loss is recognized in the consolidated 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.

3.16 Related party transactions

Related parties consist of associate companies, major shareholders, 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.

3.17 Dividends

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

3.18 Significant accounting judgements and estimation uncertainty

Accounting judgements

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

Notes to the consolidated financial statements
For the year ended 31 December 2010

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

3.18 Significant accounting judgements and estimation uncertainty (continued)

Impairment of investments
The Group treats available for sale investments as impaired when there has been a significant or prolonged decline in the fair value below its cost. The determination of what is "significant" or "prolonged" requires significant judgement. In addition, the Group also evaluates among other factors, normal volatility in the share price for quoted investments and the future cash flows and the discount factors for unquoted investments.

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.

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 consolidated statement of income 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 consolidated financial position 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 3.4, the company reviews the estimated useful lives over which its tangible assets are depreciated. The group's management is satisfied that the estimates of useful lives are appropriate.

Notes to the consolidated financial statements For the year ended 31 December 2010

4. PROPERTY, PLANT AND EQUIPMENT

	Building	Plant and Machinery	Furniture, fixtures and computers	Vehicles	Capital work in progress	Total
	KD	KD	KD	KD	KD	KD
Cost						
Balance at 31 December 2008	2,435,892	8,688,365	421,923	332,406	1,645,340	13,523,926
Additions	78,292	159,957	41,246	39,480	14,328	333,303
Disposals	-	-	-	(57,219)	-	(57,219)
Transfers	-	2,950	169,537	-	(172,487)	-
Balance at 31 December 2009	2,514,184	8,851,272	632,706	314,667	1,487,181	13,800,010
Additions	63,081	841,424	19,235	101,828	-	1,025,568
Transfers	-	1,487,181	-	-	(1,487,181)	-
Disposals	-	(21,247)	-	(91,590)	-	(112,837)
Balance at 31 December 2010	2,577,265	11,158,630	651,941	324,905	-	14,712,741
Accumulated depreciation						
Balance at 31 December 2008	344,700	3,522,005	234,742	211,185	-	4,312,632
Charge for the year	121,795	744,093	88,876	59,143	-	1,013,907
Relating to disposals	-	-	-	(49,803)	-	(49,803)
Balance at 31 December 2009	466,495	4,266,098	323,618	220,525	-	5,276,736
Charge for the year	125,374	909,872	138,680	64,213	-	1,238,139
Relating to disposals	-	(7,812)	-	(84,996)	-	(92,808)
Balance at 31 December 2010	591,869	5,168,158	462,298	199,742	-	6,422,067
Carrying value						
As at 31 December 2010	1,985,396	5,990,472	189,643	125,163	-	8,290,674
As at 31 December 2009	2,047,689	4,585,174	309,088	94,142	1,487,181	8,523,274
Annual depreciation rates	5%	10%	20% - 33.33%	20% - 33.33%		

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

The group's assets are mortgaged against term loans granted by the Industrial Bank of Kuwait K.S.C (see note 15).

Notes to the consolidated financial statements
For the year ended 31 December 2010

5. INVENTORIES

	2010	2009
	KD	KD
Cement and acidizing chemicals	816,382	1,101,684
Environmental chemicals	45,430	26,428
Spares and tools	557,795	624,767
	1,419,607	1,752,879

6. TRADE RECEIVABLES

	2010	2009
	KD	KD
Trade receivables	2,616,118	1,370,273
Provision for doubtful debts	(20,000)	(20,000)
	2,596,118	1,350,273

At the financial position date, net trade receivables amounting to KD 495,883 (2009: KD 328,451) 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

	2010	2009
	KD	KD
90 – 120 days	193,950	171,891
120 – 180 days	165,812	53,325
180 – 365 days	77,511	85,887
Above 365 days	58,610	17,348
Total	495,883	328,451

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

7. PREPAYMENTS AND OTHER RECEIVABLE

	2010	2009
	KD	KD
Advances to suppliers	108,079	180,828
Prepayments and others	96,638	50,504
Deposits	13,043	12,815
Staff receivable	190,964	88,632
	408,724	332,779

1.

Notes to the consolidated financial statements
For the year ended 31 December 2010

8. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	2010	2009
	KD	KD
Quoted securities	256,125	212,327
Un Unquoted securities	1,616,904	1534,862
	1,873,029	1,747,189

Financial assets at fair value through profit or loss are managed by a professional fund manager, under a portfolio management agreement.

9. CASH AND CASH EQUIVALENTS

	2010	2009
	KD	KD
Cash in hand	14,453	12,994
Cash at bank	1,527,976	1,094,863
	1,542,429	1,107,857

10. SHARE CAPITAL

	2010	2009
	KD	KD
Authorised, issued and fully paid: 54,866,204 shares of 100 fils each (2009: 54,866,204 shares of 100 fils each)	5,486,620	5,486,620

11. SHARE PREMIUM
The share premium account is not available for distribution.

12. STATUTORY RESERVE
In accordance with the Kuwait Commercial Companies' Law of 1960 and the Parent 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.

13. VOLUNTARY RESERVE

As required by the Parent 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.

Notes to the consolidated financial statements
For the year ended 31 December 2010

14. TREASURY SHARES

	2010	2009
Number of own shares	2,379,500	2,379,500
Percentage of issued shares	4.34%	4.34%
Cost (KD)	868,811	868,811
Market value (KD)	785,235	654,363

15. TERM LOAN

	2010	2009
	KD	KD
Current portion	1,451,505	1,700,000
Non-current portion	375,000	1,826,505

Term loans represent two loans from Kuwait Industrial Bank amounting to KD 875,000 and KD 951,505 respectively at an interest rate of 3.5% per annum to finance the parent company expansions. The two loans shall be repaid in quarterly installments of KD 125,000 and 300,000 respectively. The balance not withdrawn from the second loan is KD 3,848,495. These loans are secured by the parent company assets (see note 4).

16. TRADE AND OTHER PAYABLES

	2010	2009
	KD	KD
Trade creditors	769,285	277,174
Accrued leave payable	62,943	44,641
Accrued expenses	585,077	324,179
KFAS contribution payable	15,438	20,663
NLST	42,883	57,398
Zakat payable	17,153	22,959
	1,492,779	747,014

17. GENERAL AND ADMINISTRATIVE EXPENSES

	2010	2009
	KD	KD
Employee cost	506,814	510,579
Marketing expenses	29,475	78,327
Depreciation	178,106	127,807
Other expenses	203,257	168,101
	917,652	884,814

Notes to the consolidated financial statements
For the year ended 31 December 2010

18. 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.

	2010	2009
Net profit for the year (KD)	1,588,570	2,172,901
Weighted average number of issued and paid up shares of the parent company excluding treasury shares (Nos.)	52,486,704	53,486,266
Earnings per share (fils)	30.27	40.62

19. EMPLOYEE COST AND DEPRECIATION

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

	2010	2009
	KD	KD
Employee cost		
Cost of sales and services	1,833,532	1,667,637
General and administrative expenses	506,815	510,579
	2,340,347	2,178,216
Depreciation		
Cost of sales and services	1,060,032	886,101
General and administrative expenses	178,106	127,806
	1,238,138	1,013,907

20. RELATED PARTY TRANSACTIONS

Related parties represent associated companies, major shareholders, directors and executive officers of the Group, their families and entities controlled, jointly controlled or significantly influenced by such parties. All related party transactions approximate arms length terms and are approved by the Group's management.

Balances and transactions between the Parent Company and its subsidiaries, which are related parties of the Parent Company, have been eliminated on consolidation and are not disclosed in this note. The related party balances and transactions included in the consolidated financial statements are as follows:

The related party transactions during the year ended 31 December 2010 are as follows:

	2010	2009
	KD	KD
Compensation of key management personnel		
Short term benefits	149,500	165,500
Employees' indemnity	4,615	4,615
	154,115	170,115

Notes to the consolidated financial statements
For the year ended 31 December 2010

21. SEGMENTAL INFORMATION

The Group identifies its operating segments on the basis of internal reports about components of the Group that are regularly reviewed by the chief operating decision maker in order to assess its performance.

Information regarding the Group's reportable segments is presented below.

- Oil field services
- Industrial products and services

Financial information about business segments for the year ended 31 December 2010 are set out below:

	Oil field services	Industrial products and services	Others	Total
	KD	KD	KD	KD
Segment revenue	7,405,601	3,129,721	22,903	10,558,225
Segment expenses	(5,679,406)	(2,440,515)	-	(8,119,921)
Segment result	1,708,195	689,206	22,903	2,438,304
Unallocated income				271,024
Unallocated expenses				(1,120,758)
Profit for the year				1,588,570
Segment assets	13,881,155	376,297	2,060,882	16,318,334
Segment liabilities	4,203,951	-	-	4,203,951

The group operates from one location in Kuwait and all its customers are based in Kuwait. The group's assets are based in Kuwait.

Financial information about business segments for the year ended 31 December 2009 are set out below:

	Oil field services	Industrial products and services	Others	Total
	KD	KD	KD	KD
Segment revenue	6,099,705	1,076,849	-	7,176,554
Segment expenses	(4,946,787)	(452,989)	(70,841)	(5,470,617)
Segment result	1,152,918	623,860	(70,841)	1,705,937
Unallocated income				1,593,433
Unallocated expenses				(1,126,469)
Profit for the year				2,172,901
Segment assets	10,835,339	5,381,723	2,038,684	18,255,746
Segment liabilities	3,795,593	2,634,293	-	6,429,886

Notes to the consolidated financial statements
For the year ended 31 December 2010

22. FINANCIAL INSTRUMENTS
(a) Capital risk management

The group's objectives when managing capital are to safeguard the group'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 group sets the amount of capital in proportion to risk. The group 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 group 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.

(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 group credit policy and exposure to credit risk are monitored on an ongoing basis. The group 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, available for sale and financial assets at fair value through profit or loss

(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 group is exposed to interest rate risk as it borrows funds at both fixed and floating interest rates. The risk is managed by the group 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
		KD
2010		
KD 1,826,505	+0.50	9,133
KD 1,826,505	-0.50	(9,133)
2009		
KD 3,526,505	+0.50	17,633
KD 3,526,505	-0.50	(17,633)

Notes to the consolidated financial statements
For the year ended 31 December 2010

22. FINANCIAL INSTRUMENTS (continued)

(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 group does not hedge foreign currency exposure.

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

	Liabilities		Assets	
	2010	2009	2010	2009
	KD	KD	KD	KD
US Dollars	1,672,951	353,000	459,771	501,275
Euro	-	3,900	53	2,423
	1,672,951	356,900	459,824	503,698

(e) Liquidity risk

Liquidity risk is the risk that the group 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 group's short, medium and long-term funding and liquidity management requirements. The group 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 group has at its disposal to further reduce liquidity risk.

The table below analyses the group's non-derivative financial liabilities based on the remaining period at the consolidated financial position 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 2010	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years
	KD	KD	KD	KD
Term loan	1,451,505	375,000	-	-
Trade and other payable and advances received	1,925,889	-	-	-
Provision for employees indemnity	-	-	-	451,557

Notes to the consolidated financial statements
For the year ended 31 December 2010

22. FINANCIAL INSTRUMENTS (continued)

(e) Liquidity risk (continued)

At 31 December 2009	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years
	KD	KD	KD	KD
Term loan	500,000	1,700,000	1,326,505	-
Trade and other payable and advances received	2,493,299	-	-	-
Provision for employees indemnity	-	-	-	410,082

(f) Price risk

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 group to equity price risk, consist principally of financial assets at fair value through profit or loss. The group 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.

	Change in equity price 2010	Effect on profit 2010	Effect on equity 2010	Change in equity price 2009	Effect on profit 2009	Effect on equity 2009
	KD	KD	KD	KD	KD	KD
Kuwait	+5%	91,740	7,793	+5%	84,850	7,693
GCC	+5%	1,848	1,595	+5%	2,510	188,991

(g) Fair value of financial instruments

a) Fair value of financial instruments carried at amortised cost

In the opinion of management, carrying amounts of the financial instruments carried at amortised cost are not materially different from their respective fair values as at the reporting date, except for the amounts due from / to related parties, the fair value of which cannot be reasonably determined since they have no fixed maturity.

Notes to the consolidated financial statements
For the year ended 31 December 2010

22. FINANCIAL INSTRUMENTS (continued)

(g) Fair value of financial instruments (continued)

b) Valuation techniques and assumptions applied for the purposes of measuring fair value

The fair values of financial assets and financial liabilities are determined as follows.

- The fair values of financial assets and financial liabilities with standard terms and conditions and traded on active liquid markets are determined with reference to quoted market prices (includes listed redeemable notes, bills of exchange, debentures and perpetual notes).

c) Fair value measurements recognised in the statement of consolidated financial position

The following table provides an analysis of financial instruments that are measured subsequent to initial recognition at fair value, grouped into Levels 1 to 3 based on the degree to which the fair value is observable.

- Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets or liabilities.

- Level 2 fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).

- Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

31 December 2010	Level 1	Level 2	Level 3	Total
	KD	KD	KD	KD
Financial assets at fair value through profit or loss				
Quoted equities	256,125	-	-	256,125
Unquoted equities	-	1,616,904	-	1,616,904
Available-for-sale investments				
Quoted equities	33,759	-	-	33,759
Unquoted equities	-	153,994	-	153,994
Total	289,884	1,770,898	-	2,060,782

Notes to the consolidated financial statements
For the year ended 31 December 2010

22. FINANCIAL INSTRUMENTS (continued)

(g) Fair value of financial instruments (continued)

c) Fair value measurements recognised in the statement of consolidated financial position (continued)

31 December 2009	Level 1	Level 2	Level 3	Total
	KD	KD	KD	KD
Financial assets at fair value through profit or loss				
Quoted equities	212,327	-	-	212,327
Unquoted equities	-	1,534,862	-	1,534,862
Available-for-sale investments				
Quoted equities	66,509	-	-	66,509
Unquoted equities	-	224,986	-	224,986
Total	278,836	1,557,848	-	2,038,684

23. PROPOSED DIVIDENDS

The Annual General Assembly meeting held on 8 April 2010 approved the financial statements for the year ended 31 December 2009 and the distribution of cash dividend of 25 % (2008:nil) The board of directors proposed cash dividend of 20 fils per share for the year ended 31 December 2010. This proposal is subject to the approval of the shareholder's General Assembly.

24. CONTINGENT LIABILITIES

	2010	2009
	KD	KD
Letters of credit	943,071	1,760,246
Letters of guarantee	4,840,180	4,149,418
	5,783,251	5,909,664

25. COMPARATIVE FIGURES

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

NAPESCO
نابيسكو