NAPESCO
نابيسكو

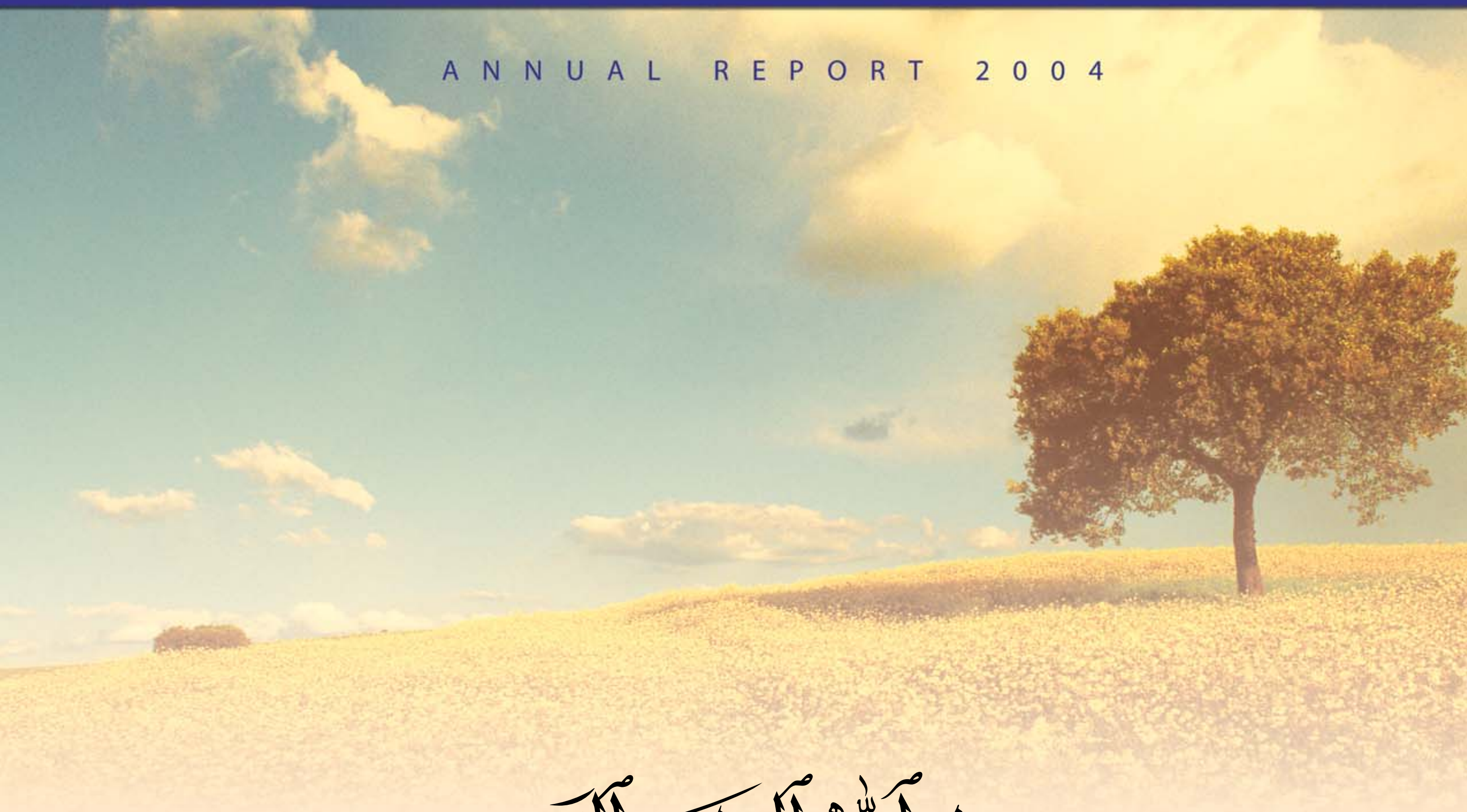
ANNUAL REPORT 2004



الشركة الوطنية للخدمات البترولية (ش.م.ك) مقفلة
NATIONAL PETROLEUM SERVICES CO. (K.S.C) Closed

NAPESCO
نـابيسـكو

الشركــــة الوطنيــــة للخدمـــــات البتروليـــــة (ش.م.ك) مقفلة
NATIONAL PETROLEUM SERVICES CO. (K.S.C) Closed



ANNUAL REPORT 2004

بسم الله الرحمن الرحيم

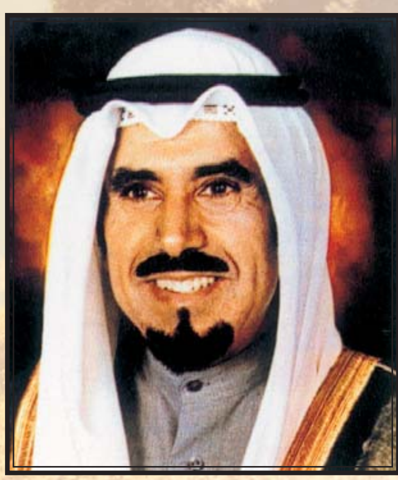
NAPESCO
نابيسكو

الشركة الوطنية للخدمات البترولية (ش.م.ك) مقفلة
NATIONAL PETROLEUM SERVICES CO. (K.S.C) Closed

ANNUAL REPORT 2004

H.H. SHEIKH SAAD AL-ABDULLAH AL-SALEM AL-SABAH

Crown Prince of the State of Kuwait



H.H. SHEIKH JABER AL-AHMAD AL-JABER AL-SABAH

Amir of the State of Kuwait

H.H. SHEIKH SABAH AL-AHMAD AL-JABER AL-SABAH

Prime Minister of the State of Kuwait

NAPESCO
نابيسكو

الشركة الوطنية للخدمات البترولية (ش.م.ك) مقفلة
NATIONAL PETROLEUM SERVICES CO. (K.S.C) Closed

ANNUAL REPORT 2004

Financial statements and independent auditors' report
for the year ended 31 December 2004

Contents	**Page**

Chairman's Statement

Messrs. Shareholders of the National Petroleum Services Co.

Dear Sirs

The Board of Directors has the pleasure to present in this annual report the financial results of the company and the operational activities it carried out in 2004.

NAPESCO was able to increase its revenues from the sales and the services sector at a rate that exceeded 22% to reach KD 3,616,754 in comparison with KD 2,947,445 in 2003 as the gross profits reached KD 2,403,323 i.e. at an increase of 28% in comparison with last year. The Company's Management was able to control the increase in the expenses to almost Kuwaiti Dinars 1,5 million i.e. at an increase not exceeding 18% from last year and thus, the company achieved net profits that amounted to KD 903,420, namely at an increase of 50% from last year and the share profitability reached Fils 30,35 in comparison with Fils 20,85 achieved in 2003.

Concerning the balance sheet of the company, the total assets increased to reach KD 4,85 million in comparison with KD 4 million approximately in 2003. The shareholders' equity also increased to KD 4,4 million in comparison with 3,54 in 2003, in addition to the decrease of the current liabilities to KD 314,299 in comparison with KD 376,191 in 2003.

The Company's Management adopted a steady methodology in 2004 to increase its revenues from the services and control the general spending percentage in order to increase the net profits. The services offered for the drilling operations of the Kuwait Oil Company had the biggest share in the revenues, followed by the services offered to the Joint Operations at Wafra.

In 2004, the company entered the environment services activity in a big way as NAPESCO signed a contract to offer environment monitoring services to the three refineries of the Kuwait National Petroleum Company at the amount of KD 578,844 for three years. This contract is deemed to be an important event for the company due to its strategic importance represented in the establishment of environment laboratories that enable the company to conduct environment impact Assessment studies, which will have large profitable potential from new projects in the near future. This optimistic forecast is due to the increase of the industrial projects and the State's adoption of environmental policies, which are more strict and efficient than the past.

The company hopes that the first phase of the environment services activity will be completed during 2005 in order for NAPESCO to become, at the end of this phase, the leading company in the field of environment services in

Kuwait, start to collect the returns on its investment in this new vital sector during 2006 and then start to expand on the regional level to offer these services.

As for the company's future plans in the petroleum services field, the Board of Directors decided to approve a study on the principle of increase of the company's capital in 2005 to enable the company to participate and compete in several projects invited for in Kuwait like the project related to the Northern fields, Khafji, Saudi Arabia and Iraq projects and the other opportunities available to the company.

The economic boom witnessed by the region is based on the current oil prices as the economic expectations of the oil prices indicate that they will maintain high price levels. As the significant increase in the international oil prices directly and significantly affected the cost and the provision of the resources necessary to achieve the company's objectives of expansion, the company's capital should be increased in order for NAPESCO to provide these resources, whether the human resources or the other assets necessary to compete in these projects at the earliest .

The Board of Directors of the company set the final form for the future vision of the company, which will help NAPESCO to reach a leading position in the field of its current and future business in the Arabian Gulf Region during the five coming years and to expand in the near future on the regional and international level. This will be achieved by the company's participation in alliances with services and investment companies to establish new services companies in the countries where NAPESCO intends to expand.

In view of these future positive expectations of the oil services market in the world in general and the Arabian Gulf Region in particular, the Board of Directors of the National Petroleum Services Company (NAPESCO) would like to present this recommendation to the shareholders of the company to increase their investments in NAPESCO to help the company to reach its pursued position according to the future vision of the company that will achieve profitable revenues to the company's shareholders in the near future, with God's help.

Chairman

Habib Jawhar Hayat

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: 3262222 Fax: 3261122
Website	:	www.napesco.com
Authorized capital	:	KD 3,000,000
Paid up	:	KD 3,000,000
Nominal value of the share	:	100 Fils
Legal adviser	:	Khaled 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: 2466592 / 2464321 Fax: 2466591 / 2434711
Auditor	:	KPMG Al-Nisf & Partners P.O.Box 25578 Safat 13116 Kuwait Telephone: 2426999 Fax: 2401666 ALDAR International Accountants and Consultants P.O.Box 25597, Safat , 13116, Kuwait Tel.: +965 2461 490 Fax: +965 2461 493 Email: aldar_intl@hotmail.com

Board of Directors

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

Habib Hasan Jawhar Hayat	Chairman
Mubarak Jassim Al-Jassim	Deputy Chairman & Managing Director
Dr. Ali Abdullah Al-Shamlan	Director
Adel Yousef Saleh Al-Soqobi	Director
Mazen Mohammed Mahmoud Madooh	Director
Dr. Abbas Mohammed Rafie Marafi	Director
Eisa Abdullah Al-Weggian	Director

Company Vision

Our vision is to become the **market leader** in our chosen businesses throughout the Middle-East region, yielding maximum return on investment for our shareholders and adding value for our stakeholders.

We shall maximize our **market share** in our current markets and expand regionally, either directly, through partnerships or through strategic acquisitions.

We shall utilize Best Practices in **QHS&E**, Management Processes and Information technologies to ensure no harm to our people, no harm to the environment and to create a practical management model that can be replicated in new operations.

We shall provide **reliable, value added solutions** to our customers, through the introduction of new technologies and unique solutions imported from our technology partners and through technology development programs.

The company will strive to attract and retain **qualified professionals** through a rigorous recruitment process and develop them within a structured Grading and Competency System. We shall adopt a comprehensive partnership culture with all employees, promoting team spirit and aligning their personal aspirations with that of the company's vision.

As a **national company**, we shall adopt aggressive training programs for indigenous employees and provide community services through public relations initiatives.

NAPESCO
نابيسكو

الشركة الوطنية للخدمات البترولية (ش.م.ك) مقفلة
NATIONAL PETROLEUM SERVICES CO. (K.S.C) Closed

A N N U A L   R E P O R T   2 0 0 4

Financial statements and independent auditors' report
for the year ended 31 December 2004

Contents

KPMG Al Nisf & Partners
Public Accountants
P.O.Box 25578, Safat 13116, Kuwait
Al-Shaheed Tower, 4th floor
Khaled Ben Al Waleed Street, Sharq, Kuwait
Tel.: +965 2426 999
Fax: +965 2401 666

ALDAR International
Accountants and Consultants
P.O.Box 25597, Safat
13116, Kuwait
Tel.: +965 2461 490
Fax: +965 2461 493
Email: aldar_intl@hotmail.com

The Shareholders

National Petroleum Services Company K.S.C.
Kuwait

Independent auditor's report

We have audited the accompanying balance sheet of National Petroleum Services Company K.S.C. ("the Company") as at 31 December 2004, and the related statements of income, changes in shareholders' equity and cash flows for the year then ended.

Respective responsibilities of management and auditors

These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

Basis of opinion

We conducted our audit in accordance with the International Standards on Auditing. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of the Company as at 31 December 2004 and of the results of its operations and its cash flows for the year then ended, in accordance with International Financial Reporting Standards promulgated by the International Accounting Standards Board.

Other regulatory matters

We further report that we have obtained all 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, as amended, and the Company's articles of association. 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 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 2004, of the Kuwait Commercial Companies Law of 1960, as amended, or the Company's articles of association, that would materially affect the Company's activities or its financial position.

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

Kuwait: 8 February 2005

Balance sheet
as at 31 December 2004

	Note	2004 KD	2003 KD
ASSETS			
Non current assets			
Property, plant and equipment	*3*	1,939,507	1,813,748
Current assets			
Inventories	*4*	688,137	566,700
Accounts receivable	*5*	891,618	893,106
Investments held for trading		256,187	203,120
Prepayments and other receivables		27,223	32,132
Cash and bank balances		1,046,716	512,401
		2,909,881	2,207,459
Total assets		**4,849,388**	**4,021,207**
SHAREHOLDERS' EQUITY AND LIABILITIES			
Shareholders' equity			
Share capital	*6*	3,000,000	2,700,000
Share premium	*6*	60,000	-
Statutory reserve	*7*	234,881	139,509
Voluntary reserve	*8*	234,881	139,509
Retained earnings		872,896	565,220
		4,402,658	3,544,238
Non-current liabilities			
Provision for employees' end of service benefits		132,431	100,778
		132,431	100,778
Current liabilities			
Accounts payable	*9*	314,299	376,191
		314,299	376,191
Total shareholders' equity and liabilities		**4,849,388**	**4,021,207**

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

Mubarak Jassim Al-Jassim

Deputy Chairman and Managing Director

Statement of income
for the year ended 31 December 2004

	Note	2004 KD	2003 KD
Income			
Sales and service revenue		3,616,754	2,947,445
Cost of sales		(1,270,346)	(1,105,272)
Gross profit		2,346,408	1,842,173
Other income		56,915	29,119
		2,403,323	1,871,292
Expenses and other charges			
General and administrative expenses	*10*	1,449,600	1,243,559
Interest and finance charges		-	6,884
Contribution to Kuwait Foundation for Advancement of Sciences (KFAS)		8,584	5,588
National labor support tax		20,719	2,806
Directors' remuneration		21,000	7,000
Total expenses and other charges		1,499,903	1,265,837
Net profit for the year		**903,420**	**605,455**
Earnings per share (fils)	*11*	30.35	20.85

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

Statement of changes in shareholders' equity
for the year ended 31 December 2004

	Share capital	*Share Premium*	*Statutory reserve*	*Voluntary reserve*	*Retained earnings*	*Total*
	KD	**KD**	**KD**	**KD**	**KD**	**KD**
Balance at 1 January 2003	2,100,000	-	77,424	77,424	483,935	2,738,783
Net profit for 2003	-	-	-	-	605,455	605,455
Loan from shareholders converted into share capital	200,000	-	-	-	-	200,000
Issue of bonus shares	400,000	-	-	-	(400,000)	-
Transfer to statutory reserve	-	-	62,085	-	(62,085)	-
Transfer to voluntary reserve	-	-	-	62,085	(62,085)	-
Balance at 31 December 2003	2,700,000	-	139,509	139,509	565,220	3,544,238
Net profit for 2004	-	-	-	-	903,420	903,420
Issue of bonus shares	270,000	-	-	-	(270,000)	-
Issue of shares to employees (Note 6)	30,000	-	-	-	-	30,000
Share premium on issue	-	60,000	-	-	-	60,000
Dividend paid for 2003	-	-	-	-	(135,000)	(135,000)
Transfer to statutory reserve	-	-	95,372	-	(95,372)	-
Transfer to voluntary reserve	-	-	-	95,372	(95,372)	-
Balance at 31 December 2004	3,000,000	60,000	234,881	234,881	872,896	4,402,658

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

Statement of cash flows
for the year ended 31 December 2004

	2004 KD	2003 KD
Cash flows from operating activities		
Net profit for the year	903,420	605,455
Adjustments for:		
Net unrealized loss/(gain) on investments held for trading	5,732	(7,765)
Gain on sale of property, plant and equipment	(3,280)	-
Depreciation	347,858	318,244
Provision for inventories	11,500	-
Assets written off	3,449	-
Provision for employees' end of service benefits	36,388	31,802
National labor support tax	20,719	2,806
Contribution to KFAS	8,584	5,588
Operating profit before working capital changes	1,334,370	956,130
Increase in inventories	(121,437)	(70,118)
Decrease/(increase) in accounts receivable	1,488	(140,626)
Decrease/(increase) in prepayments and other receivables	4,909	(12,737)
Increase/(decrease)in accounts payable	(61,892)	18,541
Payments for employees' end of service indemnity	(4,738)	(7,690)
Payments for KFAS	(5,588)	(5,479)
Payment for National labor support tax	(2,806)	-
Net cash from operating activities	1,144,306	738,021
Cash flows from investing activities		
Purchase of property, plant and equipment	(477,509)	(274,682)
Sale proceeds on disposal of property, plant and equipment	3,723	-
Purchase of investments held for trading	(187,254)	(201,210)
Sale proceeds on disposal of investments held for trading	96,049	5,855
Net cash used in investing activities	(564,991)	(470,037)
Cash flows from financing activities		
Sale of shares to employees	90,000	-
Repayment of term loan	-	(330,000)
Dividend paid during the period	(135,000)	-
Net cash used in financing activities	(45,000)	(330,000)
Net increase / (decrease) in cash and bank	534,315	(62,016)
Cash and bank at beginning of the year	512,401	574,417
Cash and bank at end of the year	1,046,716	512,401

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

Notes to the financial statements
for the year ended 31 December 2004

1. Status and activities

National Petroleum Services Company ("the Company") was incorporated on 1 January 1993 as, a closed Kuwaiti Shareholding Company in accordance with the provisions of Commercial Companies Law and its articles of association. The Company was listed on the Kuwait Stock Exchange on 18 October 2003.

The principal activities of the Company are carrying out cementing, coil tubing, pumping, stimulation and other miscellaneous associated services related to drilling operations.

The Company is domiciled in Kuwait and its registered office is at Plot no 3, building no 76, Shuaiba, Kuwait. The number of employees as of 31 December 2004 was 108 (31 December 2003: 90).

The financial statements were authorized for issue by the Board of Directors on 8 February 2005. The shareholders' of the Company have the power to amend these financial statements at the annual general assembly meeting.

2. Significant accounting policies

a) Statement of compliance

The financial statements are prepared in accordance with the International Financial Reporting Standards ("IFRSs") promulgated by the International Accounting Standards Board ("IASB"), interpretations issued by the International Financial Reporting Interpretations Committee ("IFRIC") of the IASB and the requirements of the Kuwaiti Commercial Companies Law of 1960, as amended, and the Company's memorandum and articles of association.

b) Basis of preparation

The financial statements are presented in Kuwaiti Dinars. The financial statements are prepared on a fair value basis for financial assets and liabilities held for trading, except those for which a reliable measure of fair value is not available. Other financial assets and liabilities and non-financial assets and liabilities are stated at amortised cost or historical cost.

The accounting policies have been consistently applied by the Company and are consistent with those used in the previous year.

c) Property, plant and equipment

Property, plant and equipment are carried at cost less accumulated depreciation and any impairment losses (refer accounting policy j).

Depreciation is calculated on a straight line basis and is intended to write off the cost of the assets over their expected useful lives, as follows:

Buildings	20 years
Plant and machinery	10 years
Furniture and office equipment	5 years
Vehicles	5 years

d) Inventories

Inventories are stated at the lower of cost and 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 selling expenses. Cost of inventories is based on the weighted average cost principle and includes expenditure incurred in acquiring the inventories and bringing them to their existing location and condition.

e) Accounts receivable

Accounts receivable originated by the Company are carried at cost less impairment losses (refer accounting policy j).

f) Investments held for trading

Investments held for trading are acquired principally for the purpose of generating a profit from short-term fluctuations in prices. These are measured initially at cost, including transaction costs and subsequently stated at fair value with any resultant gain or loss recognized in the statement of income.

The fair value of listed equity investments is based on their quoted bid price at the balance sheet date without any deduction for transaction costs.

Investments held for trading are recognised/derecognised on the trade date i.e., on the date the Company commits to purchase/sell the investments.

g) Employees' end of service benefits

Provision is made for employees' indemnity in accordance with the Kuwait Labour Law based on employees' salaries and accumulated periods of service or on the basis of employment contracts, where such contracts provide extra benefits. The provision, which is unfunded, is determined as the amount payable to employees as a result of involuntary termination of employment as of the balance sheet date.

h) Provisions

A provision (other than provision for accounts receivable and provision for inventories) is recognized in the balance sheet when the Company has a legal or constructive obligation as a result of a past event, and it is probable that an outflow of economic benefits will be required to settle the obligation. If the effect is material, provisions are determined by discounting the expected future cash flows at a rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability.

i) Payables

Payables are stated at their cost.

j) Impairment

Property, plant and equipment and accounts receivable are reviewed at each balance sheet date to determine whether there is objective evidence of impairment. If any such indication exists, the asset's recoverable amount is estimated.

Property, plant and equipment

The recoverable amount of assets is the greater of their net selling price and value in use. In assessing value in use, the estimated future cashflows are discounted to their present value using a discount rate that reflects current market assessment of the time value of money and the risks specific to the asset. For an asset that does not generate cash inflows largely independent of those from other assets, the recoverable amount is determined for the cash-generating unit to which the asset belongs.

An impairment loss is only reversed to the extent that the assets carrying amount does not exceed the carrying amount that would have been determined if no impairment loss had been recognized.

Accounts receivable

The recoverable amount of receivables is calculated as the total amount of expected collections. The receivables are of short term duration and therefore the expected future cash collections are not discounted.

Impairment losses are recognised in the statement of income. If in a subsequent period the amount of an impairment loss decreases and the decrease can be linked objectively to an event occurring after the write down, the write-down or allowance is reversed through the statement of income.

k) Revenue recognition

Revenue from the sale of goods is recognized when the significant risks and rewards of ownership have been transferred to the buyer, and no significant uncertainties remain regarding the derivation of consideration, associated costs or the possible return of goods.

In relation to the rendering of services, revenue is recognized by reference 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. Revenue is recognized when no significant uncertainties remain concerning the derivation of consideration or associated costs.

Dividend income is recognized when the right to receive payment is established.

l) Foreign currencies

Foreign currency transactions are recorded in Kuwaiti Dinars at the rate of exchange ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated into Kuwaiti Dinars at the rate of exchange prevailing on the balance sheet date. Resulting gains or losses on exchange are recorded as part of the results for the year.

Non-monetary assets and liabilities denominated in foreign currency, which are stated at historical cost or amortized cost are recorded at the exchange rate ruling at the date of transaction. Non-monetary assets and liabilities denominated in foreign currencies that are stated at fair value are translated to Kuwaiti Dinars at the foreign exchange rates ruling at the dates that the values were determined.

3. Property, plant and equipment

	Building	*Plant & machinery*	*Office furniture & equipment*	*Vehicles*	*Capital work in progress*	*Total*
	KD	**KD**	**KD**	**KD**	**KD**	**KD**
Cost						
Balance at 1 January 2004	432,726	2,676,435	161,225	180,214	31,970	3,482,570
Additions	-	179,307	25,739	7,000	265,463	477,509
Transfers	-	-	-	34,326	(34,326)	-
Sale/Write offs	-	(4,917)	-	(21,520)	-	(26,437)
Balance at 31 December 2004	432,726	2,850,825	186,964	200,020	263,107	3,933,642
Depreciation						
Balance at 1 January 2004	159,763	1,314,755	103,159	91,145	-	1,668,822
Depreciation charge for the year	21,636	275,330	22,350	28,542	-	347,858
Accumulated depreciation reversed	-	(1,468)	-	(21,077)	-	(22,545)
Balance at 31 December 2004	181,399	1,588,617	125,509	98,610	-	1,994,135
Carrying value						
At 31 December 2004	251,327	1,262,208	61,455	101,410	263,107	1,939,507
At 31 December 2003	272,963	1,361,680	58,066	89,069	31,970	1,813,748

The Company's buildings are erected on land leased from the Government of Kuwait for a renewable period of five years.

4. Inventories

	2004	2003
	KD	KD
Cement	14,688	15,879
Chemicals	317,973	307,630
Spares and tools	355,476	243,191
	688,137	**566,700**

5. Accounts receivable

	2004	2003
	KD	KD
Trade receivables	780,239	769,901
Al-Khorayef Company (note 15)	65,063	65,063
Others	66,316	78,142
	911,618	913,106
Provision for doubtful debts	(20,000)	(20,000)
	891,618	**893,106**

6. Share capital

The authorized share capital comprises 30,000,000 (31 December 2003: 27,300,000) shares of 100 fils each. The issued and paid up share capital comprises 30,000,000 (31 December 2003: 27,000,000) shares of 100 fils each.

On the 24 April 2004, the Company issued 1 bonus share for every 10 shares held.

On the 22 December 2004, the Company issued 300,000 shares to employees, who joined before 31 December 2003, at 300 fils per share in accordance with the Company's share purchase plan. Under the plan the Board of Directors are authorised to issue 1,500,000 shares to employees over a 5 year period.

7. Statutory reserve

In accordance with the Kuwait Commercial Companies' Law and the Company's articles and memorandum of association, 10% of the profit for the year has been transferred to the statutory reserve. The Company may resolve to discontinue such annual transfers when the reserve totals 50% of the paid up share capital. The reserve is not available for distribution except for payment of a dividend of 5% of paid up share capital in years when profit is not sufficient for the payment of such dividend.

8. Voluntary reserve

In accordance with the Company's articles and memorandum of association, 10% of the profit for the year has been transferred to the voluntary reserve. There are no restrictions on the distribution of the voluntary reserve.

9. Accounts payable

	2004 KD	2003 KD
Trade creditors	172,284	304,237
Accrued leave payable	21,247	20,869
Accrued expenses	71,205	42,691
National labor support tax payable	20,719	2,806
KFAS contribution payable	8,584	5,588
Other payables	20,260	-
	314,299	**376,191**

10. General and administrative expenses

	2004 KD	2003 KD
Employee cost	977,866	790,614
Business promotion expenses	39,414	25,230
Depreciation	347,858	318,244
Other expenses	84,462	109,471
	1,449,600	**1,243,559**

11. 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.

	2004 KD	2003 KD
Net profit for the year	903,420	605,455
Weighted average number of issued and paid up shares of the Company	29,761,999	29,043,014
Earnings per share (fils)	**30.35**	**20.85**

12. Related party transactions

Related parties comprise of shareholders and entities in which a substantial interest in the voting power is owned directly or indirectly by the shareholders or over which they are able to exercise significant influence.

There were no significant related party transactions during the year ended 31 December 2004. Significant related party transactions during 2003 represented advisory fees paid to Kuwait Investment Projects Asset Management Company K.S.C. (Closed) amounting to KD 26,400.

13. Financial instruments

The Company in the normal course of business uses various types of financial instruments. Information on financial risks and fair value of these financial instruments is set out below.

a) Interest rate risk

The Company is exposed to interest rate risk on cash and bank balances.

b) Credit risk

The Company is exposed to credit risk in respect of losses that would have to be recognized if counter parties fail to perform as contracted.

The Company's exposure to credit risk is primarily in respect of cash and bank balances, and accounts receivable. As at the balance sheet date, the Company's maximum exposure to credit risk is equal to the carrying amount of the above assets disclosed in the balance sheet. Adequate provision is made for any amounts considered by the Company to be uncollectible.

c) Foreign currency risk

The Company incurs foreign currency risk on sales, purchases and certain investments that are denominated in a currency other than Kuwaiti Dinars. As at the balance sheet date the Company had the following net exposure denominated in foreign currencies:

	2004 KD Long/(short)	2003 KD Long/(short)
US Dollar	180,507	(94,552)
GB Pound	-	(45,455)
EURO	798	-
UAE Dirhams	-	(1,119)

d) Fair value of financial assets and liabilities

The fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction. Underlying the definition of fair value is the presumption that the Company is a going concern without any intention or need to liquidate, curtail materially the scale of its operations or undertake a transaction on adverse terms.

The estimated fair value of financial assets and liabilities that are not carried at fair value (cash and bank balances, accounts receivable and accounts payable) at the balance sheet date are not materially different from their carrying values.

14. Commitments and contingent liabilities

	2004 KD	2003 KD
Letters of credit /bills for acceptance	48,812	65,642
Letters of guarantee	167,452	167,849
	216,264	233,491

15. Contingent asset

The Company was an agent of Al Khorayef Company in Kuwait. In 1998, Al Khorayef Company terminated the agency agreement with the Company. The Company has filed a claim of KD 1,612,221 against Al Khorayef Company for breach of contract.

The Court of First Instance awarded total compensation of KD 313,289 (including KD 65,063 commission receivable) on 4 November 2002 to be paid by Al Khorayef Company. Both the parties have filed an appeal against the decision. The Court of Appeal has given a preliminary ruling directing the Expert Committee (“the Committee”) of the Ministry of Justice to study the issue. The Committee commenced the assignment in December 2004 and held a session on 7 December 2004. The Committee is expected to complete its assessment and file its report with the court of Appeal on 12 February 2005.

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

16. Proposed Dividend

The Board of Directors, in a meeting on the 8 February 2005, proposed a cash dividend of 5% of paid up share capital and the issue of bonus shares of 20% (1 bonus share for every 5 shares held). The financial statements have not been adjusted to reflect the proposed dividend and issue of bonus shares as they are subject to approval of the shareholders in the annual general meeting

17. Prior year comparatives

Where necessary, comparative figures have been reclassified to conform with the presentation in the current year.

18. 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 have 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 2004 are set out below:

	Oil field services	Industrial products and services	Total
	KD	KD	KD
Segment revenue	3,319,026	297,728	3,616,754
Segment expenses	(1,070,223)	(200,123)	(1,270,346)
Segment result	2,248,803	97,605	2,346,408
Unallocated income			56,915
Unallocated expenses			(1,499,903)
Net profit for the year			903,420
Segment assets	4,412,500	135,363	4,547,863
Unallocated assets			301,525
Total Assets			4,849,388
Segment liabilities	221,291	70,971	292,262
Unallocated liabilities			154,468
Total liabilities			446,730

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

Financial information about business segments for the year ended 31 December 2003 are set out below:

	Oil field services	Industrial products and services	Total
	KD	KD	KD
Segment revenue	2,667,867	279,578	2,947,445
Segment expenses	(884,446)	(220,826)	(1,105,272)
Segment result	1,783,421	58,752	1,842,173
Unallocated income			29,119
Unallocated expenses			(1,265,837)
Net profit for the year			605,455
Segment assets	3,637,051	165,226	3,802,277
Unallocated assets			218,930
Total Assets			4,021,207
Segment liabilities	317,926	77,493	395,419
Unallocated liabilities			81,550
Total Liabilities			476,969

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