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

ANNUAL REPORT 2009

HH SHEIKH
SABAH AL-AHMAD AL-JABER AL-SABAH
Amir of the State of Kuwait

HH SHEIKH
NAWAF AL-AHMAD AL-JABER AL-SABAH
Crown Prince of the State of Kuwait

HH SHEIKH
NASSER AL-MOHAMMAD AL-AHMAD AL-SABAH
Prime Minister of the State of Kuwait

Consolidated statement of financial position As at 31 December 2009

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

Consolidated financial statements and independent auditors' report
For the year ended 31 December 2009

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Board of Directors

Omran Habib Johar Hayat
Chairman

Khaled Hamdan Al-Saif
Managing Director

Dr. Adnan A. Al-Shaheen
Deputy of Chairman

Munawer Anwar Al-Nouri
Member

Hani M. E. Al-Musallam
Member

Muhaiman Ali Behbehani
Member

Mohammad Mahdi Al-Shammari
Member

CHAIRMAN'S STATEMENT

Dear Shareholders of the National Petroleum Services Co.

It is my pleasure to present to you the annual financial and operational results of 2009 for our Company.

As all know, last year saw a continuation of the international financial crisis and it was unclear whether the business markets would rebound or sink deeper into recession. Business and investment decisions were therefore made with extreme caution with many companies focusing on survival.

But amid the turmoil and challenges, we have managed to achieve revenues that have exceeded previous years.

Our Company generated revenues of KD 7,176,554 for the year 2009 as compared to KD 6,529,437 in 2008.

As a percentage of revenue, the cost of sales and services was reduced by 1% in comparison to 2008.

Our net profit reached KD 2,172,980 in 2009 resulting in earnings of 40.62 Fils per share compared with a net profit of KD 192,774 and earnings per share of 3.62 Fils in 2008. This significant increase in profit for the year can in part be attributed to the Company receiving a legal compensation settlement of KD 1,431,972 from a previous Company principle.

The year 2009 also witnessed an increase in shareholder equity to KD 11,825,858 compared with KD 9,926,345 in 2008.

It is with pride that I am also able to report that our Company attained many achievements at both the local and international level in 2009.

At the local level, Kuwait Oil Company entrusted our Company with cementing operations on one Deep Drilling Rig (the first time such an award has been made to a local oil field Service Company). We also signed a five year contract with Kuwait Oil Company for Coiled Tubing and Stimulation services valued at KD 30 Million.

Within Kuwait the Company has maintained its market share in both Cementing and Stimulation services. Moreover, revenues from these well servicing activities increased by 50% as compared to 2008. It is also worthy to note that the number of drilling rigs assigned to NAPESCO for Cementing Services increased from 5 in 2008 to 9 at the end of 2009.

We also won our first tender for the supply of oil well pipe to KOC, and the supply of production testing equipment to Wafra Joint Operations (Kuwait Gulf Oil Co. and Saudi Arabian Chevron) emphasizing our clients' trust in our capabilities.

In 2009 and in keeping with emerging local laws, a new branch for the company's Environmental and Consultancy Services has been licensed and the Company has been recertified by the Public Authority for Environment.

At the international level, the Company has taken solid steps towards marketing its services through active participation in the tenders of Oil Companies working in Iraq, Iran and Oman.

The Company was recently awarded a tender for the provision of Coiled Tubing Stimulation Services of 20 oil wells for the South Oil Company of Iraq. Additionally, we have finalized the formalities of registering our representation office in Basra; a required step to facilitate our participation in tenders announced within Iraq.

Other activity associated with our entry into Iraq includes a Memorandum of Understanding that we signed with Baker Hughes International to partner with them in their expected projects within Iraq.

I would like now to reiterate our pledges made to our shareholders last year, and which we have delivered upon. We have pledged:

To enhance the relationships with our major clients and find diversified business opportunities to serve them.

To control general & administrative costs to ensure short term profitability.

The concentrate on expanding our activities outside Kuwait.

To reorganize the investments of the company to avoid the negative effects of the international financial crisis.

In summary, I would like to thank all our shareholders for their support and understanding during this last year. We trust that we have fulfilled our duties during our tenure and we wish all success to the new board to develop shareholders value and to further enhance the Company's position in and outside of Kuwait.

I also would like to express my gratitude to the members of the board for their effective participation and valuable opinions; and extend my appreciation to both the executive management and our employees for their sincere efforts to develop and grow our Company's activities and revenues and wish them all continuing success in the future.

Omran Habib Johar Hayat
Chairman of the Board

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 Tel. : 22251000 Fax : 22251010
Website :	www.napesco.com
Authorized Capital :	5,486.620. K.D
Paid Up :	5,486.620. K.D
Nominal Value of the Share :	100 Fils
Auditor :	**Moor Sephens Al-Nisf & Partners** P.O.Box 25578 Safat 13116 Kuwait Tel.: 22426999 Fax: 22401666 **Al-Dar International** **Accountants & Consultants** P.O.Box 25597 Safat 13116 Kuwait Tel.: +965 22461490 Fax : +965 22461493 E-mail: aldar_intl@hotmail.com

CERTIFICATION QUALITY MANGEMENT SYSTEM


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 16
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)
Shuiaba 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.) 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.

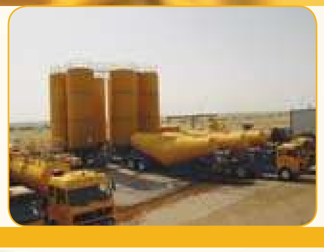
National Petroleum Services Company (K.S.C.) الشركة الوطنية للخدمات البترولية (ش.م.ك.م)

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.






Principal Companeis

No.	Company Name	Country of Origin	Services
1	CHOLAMANDALAM MS RISK SERVICES	India	SAFETY & RISK CONSULTANCY
2	FLOWSERVE LIMITORQUE	U.S.A.	ELECTRIC ACTUATORS, MOTORISED VALVES
3	FPC (FIRE PROTECTION CONSULTANT) MIDDLE EAST	Belgium	FIRE ENGINEERING CONSULTANCY
4	FUSION PETROLEUM	U.S.A.	INTEGRATED GEOLOGICAL, GEOPHYSICAL AND ENGINEERING SERVICES
5	HBL POWER SYSTEMS LIMITED	India	BATTERIES AND DC POWER SYSTEMS
6	HELMERICH & PAYNE INTERNATIONAL DRILLING CO.	U.S.A.	DRILLING RIGS
7	KNOWLEDGE RESERVOIR	United Kingdom	SEISMIC DATA INTERPRETATION AND QUALITY CONTROL
8	FILTERS S.R.L	ITALY	PROCESS FILTERS
9	N.V GOUDA VUURVAST	The Netherlands	REFRACTORIES, INSULATION MATERIALS
10	PETROLEUM DEVELOPMENT CONSULTANT	United Kingdom	OIL & GAS INDUSTRY CONSULTING
11	RODLESS PUMPS INC.	China	PROGRESS CAVITY RODLESS PUMPS
12	CHINA SHENYANG GOLDFIELD OIL MACHINE MFG CO.	China	INTELLIGENT PUMPING SYSTEMS
13	MUTTRAH OILFIELD SUPPLY & SERVICES (MOSS) LLC	Oman	OILFIELD SUPPLY & SERVICES
14	SNIFFERS N.V.	Belgium	LEAK DETECTION AND REPAIRING AND EMISSION MONITORING

Partners

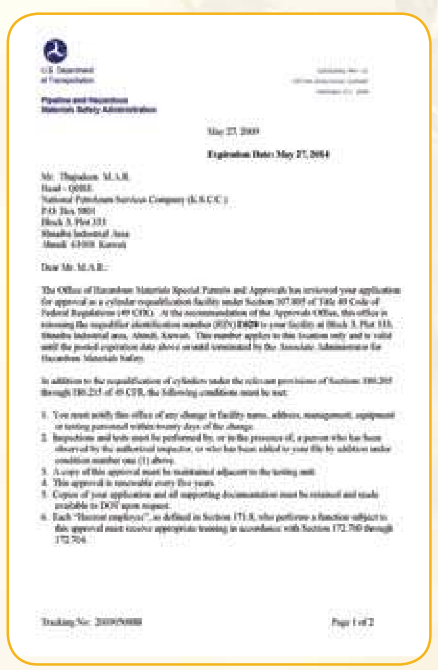
1	AVA Econ Industries GmbH	Germany	THERMAL DESORPTION TECHNOLOGY AND SEPARATION SYSTEMS
2	ENVIRON	United Kingdom	ENVIRONMENTAL, HEALTH CONSULTANCY AND SOIL REMEDIATION
3	PETROLEUM PIPE COMPANY- MIDDLE EAST	Dubai	OCTG, TUBING, LINE PIPES
4	AEG POWER SOLUTIONS	Dubai	AC AND DC POWER SYSTEMS
5	SHANGDONG MOLONG	China	OCTG, TUBING
6	Z-SEIS CORPORATION	U.S.A	SEISMIC SERVICES
7	MEKE DENIZ TEMIZILIGI LTD.SERVICES	Turkey	OIL SPILL CONTROL AND MANAGEMENT
8	SRI RAMACHANDRA MEDICAL COLLEGE & RESEARCH INSTITUTE	India	OCCUPATIONAL HEALTH, INDUSTRIAL HYGIENE
9	SITA REMEDIATION	Belgium	SOIL REMEDIATION
10	CHINA OIL HBP SCIENCE & TECHNOLOGY CORPORATION LTD.	China	PRODUCTION TEST SEPARATORS, PROCESS EQUIPMENTS
11	ENSERVE ENGG PVT LTD	South Africa	VALVE MANAGEMENT & REPAIR SERVICES
12	FIRST CLIMATE	Switzerland	CARBON CREDIT & CDM CONSULTANTS
13	WRS COMPASS	U.S.A	SOIL TREATMENT SERVICES
14	WITTEMANN	U.S.A	CO2 RECOVERY SYSTEMS

Approval Activities

1	Kuwait Oil Company	CEMENTING SERVICES
		COILD TUBING, NITROGEN AND STIMULATION SERVICES
		ENVIRONMENTAL CONSULTANCY (31-E)
		HEALTH CONSULTANCY SERVICES (ENVIRON UK) - (31-H)
		SAFETY CONSULTANCY SERVICES (CHOLAMANDALAM MS RISK SERVICES)- (31-S)
		WASTE MANAGEMENT SERVICES
		COMPREHENSIVE MAINTENANCE OF FIRE FIGHTING SYSTEMS
		TUBULAR CLEANING SERVICES
2	Environment Public Authority	ENVIRONMENT CONSULTATION
		ENVIRONMENTAL IMPACT ASSESSMENT STUDIES
		MERCURY CONTAMINATED SOIL TREATMENT
		HALON MANAGEMENT SERVICES
3	Kuwait Petroleum Corporation	TRAINING SERVICES PROVIDER
4	Kuwait National Petroleum Company	ENVIRONMENTAL SERVICES
		ENVIRONMENT IMPACT ASSESSMENT STUDY
		ONLINE LABORATORY MAINTENANCE SERVICES
		SUPPLY, INSTALL , COMM & MAINT OF FIRE EXTINGUISHING SYSTEMS
		LEAK DETECTION & REPAIRING SERVICES (SNIFFERS)
		OIL SPILL CONTROL AND MANAGEMENT (MEKE)
		HALON PHASE OUT CONSULTANCY (FPC)
5	Joint Operations - Wafra	CEMENTING SERVICES
		COILD TUBING, NITROGEN AND STIMULATION SERVICES
		OILY VISCOUS LIQUID TREATMENT
		FIRE ALARM & FIRE FIGHTING SYSTEM CONSULTANCY
		ENVIRONMENTAL CONSULTANCY & MONITORING
		ANALYTICAL LABORATORY SERVICES

6	Joint Operations - Khafji	ASBESTOS CONSULTANCY ENVIRONMENTAL CONSULTANCY INDOOR AIR QUALITY SERVICES STACK EMISSION MONITORING SERVICES SEISMIC DATA INTERPRETATION & QUALITY CONTROL
7	Saudi Arabian Chevron	ENVIRONMENTAL CONSULTANCY & MONITORING
8	U.S- DEPT. OF TRANSPORTATION	PRESSURIZED CYLINDER RETESTER›S IDENTIFICATION NUMBER
9	DNV	SURVEY AND MAINTENANCE OF FIRE EXTINGUISHERS & SYSTEMS
10	Kuwait Fire Brigade Directorate	SUPPLY, INSTALL , COMM & MAINT OF FIRE EXTINGUISHING SYSTEMS SUPPLY, INSTALL , COMM & MAINT OF FIRE ALARM SYSTEMS HALON MANAGEMENT SERVICES
11	Lloyods Register	SURVEY AND MAINTENANCE OF FIRE EXTINGUISHERS & SYSTEMS

Approval



MOORE STEPHENS
PUBLIC ACCOUNTANTS
AL NISF & PARTNERS

Moor Sephens Al-Nisf & Partners
P.O.Box 25578 Safat 13116 Kuwait
Al -Jawhara Tower 6th Floor
Khaled Ben Al-Waleed Street, Sharq, Kuwait
Tel.: 22426999 - Fax: 22401666

Al-Dar International - Accountants & Consultants
P.O.Box 25597 Safat 13116 Kuwait
Tel.: +965 22461490 Fax : +965 22461493
E-mail: 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 statements of financial position of National Petroleum Services Company K.S.C. (Closed) ("the Parent company") and its subsidiary (together referred to as "the Group) as at 31 December 2009, and the related consolidated statements of income, comprehensive income, changes in equity and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory notes.

Management's responsibility for the financial statements

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

Auditors' responsibility

Our responsibility is to express an opinion on these 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 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 2009, 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 2009, 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
Licence No. 38 - A
Moore Stephens Al Nisf & Partners
Member firm of Moore Stephens International

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

Kuwait: 18 February 2010

Consolidated statement of financial position As at 31 December 2009

	Notes	2009 KD	2008 KD
Assets			
Non current assets			
Property, plant and equipment	5	8,523,274	9,211,294
Investment in unconsolidated subsidiary		-	100,000
Available for sale investments	6	291,495	582,106
		8,814,769	9,893,400
Current assets			
Inventories	7	1,752,879	1,734,355
Accounts receivable	8	1,350,273	1,187,964
Investments at fair value through statement of income	9	1,747,189	95,952
Prepayments and other receivables	10	332,779	231,016
Time deposit	11	3,150,000	-
Cash and cash equivalents	12	1,107,857	1,856,790
		9,440,977	5,106,077
Total assets		18,255,746	14,999,477
Equity and liabilities			
Equity			
Share capital	13	5,486,620	5,486,620
Share premium	14	3,310,705	3,310,705
Statutory reserve	15	800,253	570,661
Voluntary reserve	16	800,253	570,661
Treasury shares	17	(868,811)	(592,760)
Fair value reserve		12,876	10,211
Retained earnings		2,283,964	570,247
Total equity		11,825,860	9,926,345
Non-current liabilities			
Non-current portion of term loan	18	3,026,505	1,375,000
Provision for employees' indemnity		410,082	378,958
		3,436,587	1,753,958
Current liabilities			
Current portion of term loan	18	500,000	500,000
Advances received		1,746,285	2,167,956
Accounts payable and other credit balances	19	747,014	651,218
		2,993,299	3,319,174
Total liabilities		6,429,886	5,073,132
Total equity and liabilities		18,255,746	14,999,477

Omran Habib Hassan Jawhar Hayat
Chairman

The notes on pages 8 to 29 form an integral part of these consolidated financial statements.

Consolidated statement of income For the year ended 31 December 2009

	Notes	2009 KD	2008 KD
Sales and service revenue		7,176,554	6,529,437
Cost of sales and service		(5,399,776)	(4,983,098)
Gross profit		1,776,778	1,546,339
Unrealized gain / (loss) on investments at fair value through statement of income		2,216	(47,882)
Realized gain on investments at fair value through statement of income		8,892	231,595
Gain / (loss) on sale of available for sale investments		30,053	(11,342)
Impairment on available for sale investments		(112,002)	(643,867)
Interest income		1,336	50,844
Other income		160,125	117,856
Net compensation claim	28	1,431,972	-
General and administrative expenses	20	(884,814)	(956,477)
Finance costs		(118,635)	(83,226)
Profit for the year before contribution to Kuwait Foundation for the Advancement of Sciences (KFAS), National Labour Support Tax (NLST), Zakat and Directors' remuneration		2,295,921	203,840
Contribution to KFAS		(20,663)	(1,835)
NLST		(57,398)	(4,647)
Zakat		(22,959)	(4,584)
Directors' remuneration		(22,000)	-
Profit for the year		2,172,901	192,774
Earnings per share (fils)	21	40.62	3.62

The notes on pages 8 to 29 form an integral part of these consolidated financial statements.

Consolidated statement of comprehensive income For the year ended 31 December 2009

	2009 KD	2008 KD
Profit for the year	2,172,901	192,774
Other comprehensive income		
Change in the fair value of available for sale investments	(79,284)	(644,998)
Transfer to consolidated statement of income on sale of available for sale investments	(30,053)	11,342
Impairment loss on available for sale investment	112,002	643,867
Other comprehensive income for the year	2,665	10,211
Total comprehensive income for the year	2,175,566	202,985

The notes on pages 8 to 29 form an integral part of these consolidated financial statements.

Consolidated statement of changes in equity For the year ended 31 December 2009

	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 2007	5,225,352	3,310,705	550,277	550,277	(737,056)	-	1,476,085	10,375,640
Total comprehensive income for the year	-	-	-	-	-	10,211	192,774	202,985
Bonus shares issued	261,268	-	-	-	-	-	(261,268)	-
Purchase of treasury shares	-	-	-	-	(21,385)	-	-	(21,385)
Sale of treasury shares	-	-	-	-	165,681	-	(36,623)	129,058
Dividend paid	-	-	-	-	-	-	(759,953)	(759,953)
Transfer to reserves	-	-	20,384	20,384	-	-	(40,768)	-
Balance at 31 December 2008	5,486,620	3,310,705	570,661	570,661	(592,760)	10,211	570,247	9,926,345
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

The notes on pages 8 to 29 form an integral part of these consolidated financial statements.

Consolidated statement of cash flows For the year ended 31 December 2009

	Note	2009 KD	2008 KD
OPERATING ACTIVITIES			
Profit for the year before KFAS, NLST, Zakat and Director›s remuneration		2,295,921	203,840
Adjustments for:			
Depreciation		1,013,907	886,502
Finance costs		118,635	83,226
Gain on disposal of property, plant and equipment		(8,000)	(2,667)
Provision for employees' indemnity		78,968	109,780
(Gain) / loss on sale of available for sale investments		(30,053)	11,342
Impairment of available for sale investments		112,002	643,867
Unrealized (gain) / loss on investments at fair value through statement of income		(2,216)	47,882
Realized gain on investments at fair value through statement of income		(8,892)	(231,595)
		3,570,272	1,752,177
Movements in working capital			
Increase in inventories		(18,524)	(88,293)
Increase / (decrease) in accounts receivable		(162,309)	1,050,980
Increase in prepayments and other receivables		(101,763)	(32,114)
Decrease in advances received		(421,671)	(510,520)
Decrease in accounts payable and other credit balances		(16,160)	(84,014)
Cash generated from operations		2,849,845	2,088,216
Payments for KFAS		(1,835)	(14,605)
Payment for NLST		(4,647)	(40,142)
Payment for Zakat		(4,584)	(981)
Payments for employees' indemnity		(47,842)	(13,491)
Net cash from operating activities		2,790,937	2,018,997
INVESTING ACTIVITIES			
Purchase of property, plant and equipment		(333,303)	(1,155,039)

Proceeds from disposal of property, plant and equipment		15,416	5,027
Investment in unconsolidated subsidiary		100,000	(100,000)
Net movement in investments at fair value through statement of income		(1,640,129)	294,342
Net movement in available for sale investments		211,327	(227,488)
Net cash used in investing activities		(1,646,689)	(1,183,158)
FINANCING ACTIVITIES			
Term loan obtained		2,151,505	-
Term loan repaid		(500,000)	(500,000)
Finance cost paid		(118,635)	(83,226)
Purchase of treasury shares		(276,051)	(21,385)
Sale of treasury shares		-	129,058
Dividend paid		-	(759,953)
Time deposit		(3,150,000)	-
Net cash used in financing activities		(1,893,181)	(1,235,506)
Net decrease in cash and cash equivalents		(748,933)	(399,667)
Cash and cash equivalents at beginning of the year		1,856,790	2,256,457
Cash and cash equivalents at end of the year	10	1,107,857	1,856,790
Non cash transaction			
Transfer from prepayments to capital work in progress		-	1,367,386
Transfer from investments at fair value through statement of income to available for sale investments		-	999,616

The notes on pages 8 to 29 form an integral part of these consolidated financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2009

1. INCORPORATION AND ACTIVITIES

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 2009, 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 on18 February 2010. 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 2009:

IAS 1 (revised) 'Presentation of Financial Statements' - effective 1 January 2009. The revised standard has introduced terminology changes (including revised titles for the financial statements) and changes in the format and content of the financial statements. The Group has elected to present the 'Statement of comprehensive income' in two statements: the 'Statement of Income' and a 'Statement of comprehensive income'. The revised standard requires changes in equity arising from transactions with owners in their capacity as owners (i.e. owner changes in income) to be presented in the statement of changes in equity. All other changes in equity (i.e. non-owner changes in equity) are required to be presented separately in the statement of comprehensive income. Comparative information has been re-presented so that it also is in conformity with the revised standard. As the change in accounting policy only impacts presentation aspects, there is no impact on the reported results or financial position of the Group.

IFRS 7 'Financial Instruments - Disclosures' (amendment) – effective 1 January 2009. The amendment requires enhanced disclosures about fair value measurement and liquidity risk. In particular, the amendment requires disclosure of fair value measurements by level of fair value measurement hierarchy. The Group has elected not to provide comparative information for these expanded disclosures in the current year in accordance with the transitional reliefs offered in these amendments. As the change in accounting policy only results in additional disclosures, there is no impact on the results of the Group.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2009

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

2.1 Standards and Interpretations adopted by the Group (continued)

IFRS 8 'Operating Segments'- effective 1 January 2009. The new standard which replaced IAS 14 'Segment Reporting' requires a management approach for segment reporting under which segment information is presented on the same basis as that used for internal reporting purposes. This has not resulted in any change in the Group's reportable segments and had no impact on the reported results or financial position of the Group.

IAS 23 'Borrowing Costs' (revised 2007). The principal change to the Standard was to eliminate the option to expense all borrowing costs when incurred. This change has had no impact on these consolidated financial statements because it has always been the Group's accounting policy to capitalise borrowing costs incurred on qualifying assets.

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

IAS 27 (revised), 'Consolidated and Separate Financial Statements'	Effective for annual periods beginning on or after 1 July 2009
IAS 28 (revised), 'Investments in Associates'	Effective for annual periods beginning on or after 1 July 2009
IAS 31 (revised), 'Interests in Joint Ventures'	Effective for annual periods beginning on or after 1 July 2009
IAS 39 (revised), 'Financial Instruments: Recognition and Measurement'	Effective for annual periods beginning on or after 1 January 2009 and 1 July 2009
IFRS 3 (revised), 'Business Combinations'	Effective for annual periods beginning on or after 1 July 2009
IFRS 5 (revised), 'Non-current Assets Held for Sale and Discontinued Operation'	Effective for annual periods beginning on or after 1 July 2009
IAS 38 (amendment), 'Intangible Assets'	Effective for annual periods beginning on or after 1 July 2009
IAS 1 (amendment), 'Presentation of Financial Statements'	Effective for annual periods beginning on or after 1 July 2009
IFRIC 17 'Distributions of Non-cash Assets to Owners'	Effective for annual periods beginning on or after 1 July 2009
IFRIC 18, 'Transfers of Assets from Customers'	Effective for annual periods beginning on or after 1 July 2009
IFRS 9 'Financial Instruments'	Effective for annual periods beginning on or after 1 January 2013
Annual improvements 2009	Effective for annual periods beginning on or after 1 July 2009 and later

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
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The directors anticipate that the adoption of these Standards, amendments and interpretations in future periods will have no material financial impact on the consolidated financial statements of the Group in the period of initial application.

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

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

The principal accounting policies are set out below.

3.3 Basis of consolidation

The consolidated financial statements comprise the Parent company and its subsidiary drawn up to 31 December 2009.

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. Equity and net income attributable to minority interests are shown separately in the consolidated statement of financial position, consolidated statement of income and consolidated statement of comprehensive income, respectively. Intercompany balances and transactions, including intercompany profits and unrealized profits and losses are eliminated 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. The minority interests are measured by the proportion of the pre-acquisition carrying amounts of the identifiable assets and liabilities of the subsidiaries.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2009

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 Available for sale investments

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

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

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

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2009

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

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 Trade receivables

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

3.8 Investments at fair value through statement of income

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

Held for trading investments are acquired principally for the purpose of selling or repurchasing it in the near term or are a part of a portfolio of identified financial instruments that are managed together and for which there is evidence of a recent actual pattern of short term profit taking.

Designated investments are investments which are designated as investments at fair value through statement of income on initial recognition.

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

3.9 Fair values

For investments traded in organised financial markets, fair value is determined by reference to stock exchange quoted market bid prices at the close of business on the 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 valuation techniques commonly used by market participants.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2009

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

3.10 Trade and settlement date accounting

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

3.11 Cash and cash equivalents

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

3.12 Financial liabilities

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

3.13 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.

3.14 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.

3.15 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;

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2009

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

- 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.

3.16 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 investments at fair value through statement of income are reported as part of the fair value gain or loss.

3.17 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2009

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

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

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in the 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.

3.18 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.

3.19 Impairment of financial assets

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2009

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

3.20 Financial instruments

Financial instruments are recognized in the consolidated financial position when the group becomes a party to the contractual provisions of the instrument.

3.21 Derecognition of financial assets and financial liabilities

Financial assets

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

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

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

Financial liabilities

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

3.22 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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2009

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

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.

3.23 Related party transactions

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

3.24 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.

3.25 Segment reporting

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

3.26 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 2009

Significant accounting judgements and estimation uncertainty (continued)

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 income statement in the management accounts, they are classified as at fair value through statement of income. All other investments are classified as available for sale or as held to maturity.

Estimation uncertainty

The key assumptions concerning the future and other key sources of estimation uncertainty at the 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 2009

4. SUBSIDIARY

Details of the Parent company's subsidiary at 31 December 2009 is as follows.

Name of subsidiary	Principal activity	Place of incorporation	Proportion of ownership interest and voting power held	
			31 December 2009	31 December 2008
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	-

The Napesco International Petroleum Services Company WLL has not started commercial operation. From the year ended 31 December 2009 onward the parent company decided to consolidate Napesco International Petroleum Services Company WLL which was previously recognized as unconsolidated subsidiary. The impact on the consolidated financial statement in respect of the prior period of consolidating this subsidiary is not material and as a consequence the comparatives have not been restated.

Napesco International Petroleum Services Company WLL has been consolidated based on unaudited management accounts as at 31 December 2009.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2009

5. PROPERTY, PLANT AND EQUIPMENT

	Building	Plant & Machinery	Furniture, fixtures and computers	Vehicles	Capital work in progress	Total
	KD	KD	KD	KD	KD	KD
Cost						
Balance at 31 December 2007	2,353,042	7,949,014	353,025	255,837	137,947	11,048,865
Additions	82,850	759,647	73,512	80,612	1,525,804	2,522,425
Disposals	-	(38,707)	(4,614)	(4,043)	-	(47,364)
Transfers	-	18,411	-	-	(18,411)	-
Balance at 31 December 2008	2,435,892	8,688,365	421,923	332,406	1,645,340	13,523,926
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
Accumulated depreciation						
Balance at 31 December 2007	237,466	2,905,602	167,711	160,353	-	3,471,132
Charge for the year	107,234	653,272	71,121	54,875	-	886,502
Relating to disposals	-	(36,869)	(4,090)	(4,043)	-	(45,002)
Balance at 31 December 2008	344,700	3,522,005	234,742	211,185	-	4,312,632
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
Carrying value						
As at 31 December 2009	2,047,689	4,585,174	309,088	94,142	1,487,181	8,523,274
As at 31 December 2008	2,091,192	5,166,360	187,181	121,221	1,645,340	9,211,294
Annual depreciation rates	%5	%10	20 to %33.33	20 to %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 18).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2009

6. AVAILABLE FOR SALE INVESTMENTS

	2009 KD	2008 KD
Quoted equities	66,509	293,347
Unquoted equities	224,986	288,759
	291,495	582,106

Available for sale investments are acquired with the intention of capital appreciation over a medium to long term time frame. Unquoted equities amounting to 110,000 (2008: KD 229,147) are carried at cost since their fair values could not be measured reliably. The group has recognised an impairment loss of KD 112,002 (2008: KD 643,867) in respect of available for sale investments.

Due to the adoption of the IAS 39 amendments issued by the IASB on 13 October 2008, the group reclassified certain trading investments with a carrying value of KD 999,616 from the "held for trading" category to "available for sale" category with effect from 1 July 2008 (see note 9).

7. INVENTORIES

	2009 KD	2008 KD
Cement and acidizing chemicals	1,101,684	1,077,090
Environmental chemicals	26,428	28,376
Spares and tools	624,767	628,889
	1,752,879	1,734,355

8. ACCOUNTS RECEIVABLE

	2009 KD	2008 KD
Trade receivables	1,370,273	1,142,901
Al-Khorayef Company (see note 28)	-	65,063
	1,370,273	1,207,964
Provision for doubtful debts	(20,000)	(20,000)
	1,350,273	1,187,964

At the financial position date, net trade receivables amounting to KD 328,451 (2008: KD 259,137) were past due but not considered to be impaired. The ageing analysis of these receivables is as follows:

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2009

8. ACCOUNTS RECEIVABLE (Continued)

Ageing of past due but not impaired

	2009 KD	2008 KD
90 – 120 days	171,891	27,402
120 – 180 days	53,325	31,609
180 – 365 days	85,887	55,800
Above 365 days	17,348	144,326
Total	328,451	259,137

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

9. INVESTMENTS AT FAIR VALUE THROUGH STATEMENT OF INCOME

	2009 KD	2008 KD
Quoted equities	1,694,798	-
Un Unquoted equities	52,391	95,952
	1,747,189	95,952

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

Due to the adoption of the IAS 39 amendments issued by the IASB on 13 October 2008, the group reclassified certain trading investments with a carrying value of KD 999,616 from the "held for trading" category to "available for sale" category with effect from 1 July 2008 (see note 6).

The group has recognized an unrealized gain of KD 2,665 in respect of the reclassified investments in other comprehensive income for the year included directly in equity. Had the group not implemented the amendments to IAS 39, the unrealized gain would have been recognized in the consolidated statement of income for the year.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2009

10. PREPAYMENTS AND OTHER RECEIVABLES

	2009	2008
	KD	KD
Advances for property, plant and equipment	180,828	130,014
Prepayments and others	50,504	35,575
Deposits	12,815	26,480
Staff receivable	88,632	38,947
	332,779	231,016

11. TIME DEPOSIT

	2009	2008
	KD	KD
Islamic deposits	3,150,000	-
	3,150,000	-

This represent investment in Islamic deposits made with a financial institution.

12. CASH AND CASH EQUIVALENTS

	2009	2008
	KD	KD
Cash in hand	12,994	10,351
Cash at bank	1,094,863	1,728,789
Fixed deposits	-	117,650
	1,107,857	1,856,790

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

13. SHARE CAPITAL

	2009	2008
	KD	KD
Authorised, issued and fully paid: 54,866,204 shares of 100 fils each (2008: 54,866,204 shares of 100 fils each)	5,486,620	5,486,620

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2009

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

	2009	2008
Number of shares in issue 1 January	54,866,204	52,253,524
Bonus issue	-	2,612,680
Number of shares in issue 31 December	54,866,204	54,866,204

14. SHARE PREMIUM

The share premium account is not available for distribution.

15. 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.

16. 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.

17. TREASURY SHARES

	2009	2008
Number of own shares	2,379,500	1,359,500
Percentage of issued shares	% 4.34	% 2.48
Cost (KD)	868,811	592,760
Market value (KD)	654,363	537,003

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2009

18. TERM LOAN

	2009 KD	2008 KD
Current portion	500,000	500,000
Non-current portion	3,026,505	1,375,000

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

The group has been granted a facility of KD 6,000,000 by The Industrial Bank of Kuwait from which they have drawn down KD 2,151,505. The loan carries an interest of 3.5% per annum and has been used to finance the expansion of company's activity in providing services. The loan is repayable in 10 equal quarterly installments of KD 600,000 each, commencing 15 June 2010. The loan is secured against the new movable assets of the group

19. ACCOUNTS PAYABLES AND OTHER CREDIT BALANCES

	2009 KD	2008 KD
Trade creditors	277,174	282,356
Accrued leave payable	44,641	77,937
Accrued expenses	324,179	135,723
KFAS contribution payable	20,663	1,835
NLST	57,398	4,647
Zakat payable	22,959	4,584
Due to related party	-	99,000
Other payables	-	45,136
	747,014	651,218

20. GENERAL AND ADMINISTRATIVE EXPENSES

	2009 KD	2008 KD
Employee cost	510,579	552,502
Marketing expenses	78,327	94,310
Depreciation	127,807	116,498
Other expenses	168,101	193,167
	884,814	956,477

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2009

21. 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.

	2009	2008
Net profit for the year (KD)	2,172,901	192,774
Weighted average number of issued and paid up shares of the company excluding treasury shares (Nos.)	53,486,266	53,196,704
Earnings per share (fils)	40.62	3.62

22. EMPLOYEE COST AND DEPRECIATION

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

	2009 KD	2008 KD
Employee cost		
Cost of sales and services	1,749,683	1,860,090
General and administrative expenses	428,533	552,502
	2,178,216	2,412,592
Depreciation		
Cost of sales and services	886,101	770,004
General and administrative expenses	127,806	116,498
	1,013,907	886,502

23. RELATED PARTY TRANSACTIONS

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

The related party transactions during the year ended 31 December 2009 are as follows:

	2009 KD	2008 KD
Compensation of key management personnel		
Short term benefits	173,446	125,861
Employees' indemnity	4,615	3,823
	178,061	129,684

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2009

24. SEGMENTAL INFORMATION

The Group has adopted IFRS 8 Operating Segments with effect from 1 January 2009. IFRS 8 requires operating segments to be identified 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. In prior years the Group's primary basis for segment reporting was by business segments. Following the adoption of IFRS 8, the identification of the Group's reportable segments has not changed and the management has grouped the Group's products and services into the following operating segments under IFRS 8 as follows:

- Oil field services
- Industrial products and services

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

	Oil field services	Industrial products and services	Total
	KD	KD	KD
Segment revenue	6,099,705	1,076,849	7,176,554
Segment expenses	(4,946,787)	(452,989)	(5,399,776)
Segment result	1,152,918	623,860	1,776,778
Unallocated income			1,522,592
Unallocated expenses			(1,126,469)
Profit for the year			2,172,901
Segment assets	12,874,023	5,381,723	18,255,746
Segment liabilities	3,795,593	2,634,293	6,429,886

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2009

24. SEGMENTAL INFORMATION (continued)

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

	Oil field services	Industrial products and services	Total
	KD	KD	KD
Segment revenue	5,195,770	1,333,667	6,529,437
Segment expenses	(3,686,945)	(1,181,159)	(4,868,104)
Segment result	1,508,825	152,508	1,661,333
Unallocated income			(302,796)
Unallocated expenses			(1,165,763)
Profit for the year			192,774
Segment assets	14,217,921	781,556	14,999,477
Segment liabilities	5,073,132	-	5,073,132

25. 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2009

25. FINANCIAL INSTRUMENTS (continued)

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

(c) Interest rate risk

Interest rate risk is the risk that the value of a financial instrument will fluctuate due to changes in market interest rates. The 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
2009		
KD 3,526,505	+ 0.50	(17,633)
KD 3,526,505	- 0.50	17,633
2008		
KD 1,875,000	+ 0.50 %	(9,375)
KD 1,875,000	- 0.50 %	9,375

(d) Foreign currency risk management

Foreign currency risk is the risk that the value of a financial instrument will fluctuate due to changes in foreign exchange rates. Management believes that there is minimal risk of significant losses due to exchange rate fluctuations and consequently the 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	
	2009	**2008**	**2009**	**2008**
	KD	**KD**	**KD**	**KD**
US Dollars	353,000	51,806	501,275	66,829
Euro	3,900	-	2,423	-
Sterling Pounds	-	717	-	-
	356,900	52,523	503,698	66,829

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2009

25. FINANCIAL INSTRUMENTS (continued)

(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 18 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 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	
Account payable and other credit balances	747,014	-	-	-

At 31 December 2008	**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	1,000,000	375,000	-
Account payable and other credit balances	651,218	-	-	-

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2009

25. FINANCIAL INSTRUMENTS (continued)

(f) Equity price risk

Equity price risk is the risk that the value of financial instruments will fluctuate as a result of changes in equity prices. Financial instruments, which potentially subject the group to equity price risk, consist principally of investments at fair value through statement of income. 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	Effect on profit before KFAS, NLST, Zakat & Directors' fees	Effect on equity	Change in equity price	Effect on profit before KFAS, NLST & Directors' fees	Effect on equity
	2009	2009	2009	2008	2008	2008
	KD	KD	KD	KD	KD	KD
Kuwait	+5%	84,850	7,693	+5%	4,798	10,762
GCC	+5%	2,510	188,991	+5%	-	10,747

(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.

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).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2009

25. FINANCIAL INSTRUMENTS (continued)

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 2009	Level 1	Level 2	Level 3	Total
	KD	KD	KD	KD
Investments at fair value through statement of income				
Quoted equities	1,694,798	-	-	1,694,798
Unquoted equities	-	52,391	-	52,391
Available-for-sale investments				
Quoted equities	66,509	-	-	66,509
Unquoted equities	-	114,986	110,000	224,986
Total	1,761,307	167,377	110,000	2,038,684

26. PROPOSED DIVIDENDS

The board of directors proposed Cash dividends of 25 fils per share for the year ended 31 December 2009. This proposal is subject to the approval of the shareholder's General Assembly.

During 2009, no dividend was declared for the year ended 31 December 2008 in the general assembly held on 14 May 2009.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2009

27. CONTINGENT LIABILITIES

	2009 KD	2008 KD
Letters of credit	1,760,246	-
Letters of guarantee	4,149,418	2,781,231
	5,909,664	2,781,231

28. LEGAL CLAIMS

The Parent company has been awarded KD 1,475,916 as compensation claim against Al Khorayef case and this amount has been transferred by Kuwait Oil Company to Ministry of Justice on 4th June 2009. The parent company received an amount of KD 1,497,035 net of interest accrued and other expenses. Accordingly the Parent company recognized an income of KD 1,431,972 after adjusting KD 65,063 (see note 8) accounts receivables from Al Khorayef.

29. COMPARATIVE FIGURES

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