



Annual Report 2013

الشركة الوطنية للخدمات البترولية
National Petroleum Services Company



H. H. Sheikh
Sabah Al Ahmad Al Jaber Al Sabah
The Amir of the State of Kuwait



H. H. Sheikh

Nawaf Al Ahmad Al Jaber Al Sabah

The Crown Prince of the State of Kuwait

safe driving



NATIONAL PETROLEUM SERVICES COMPANY - K.S.C.
AND ITS SUBSIDIARY
STATE OF KUWAIT

CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2013
WITH
INDEPENDENT AUDITORS' REPORT

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Air Pollution Mobile Laboratory



Board of Directors 2013



Omran Habib Johar Hayat
Chairman



Khaled Hamdan Al Saif
Deputy of Chairman & CEO



Fahad Yaaqoub Al Jouan
Member



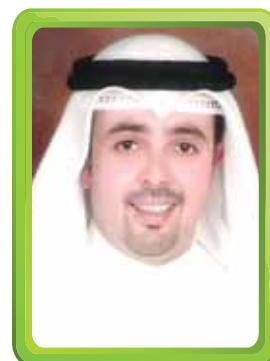
Munawer Anwar Al-Nouri
Member



Mazen Mohammad Madooh
Member
Represented Afnan
International holding Co.



Hussain Abdulla Johar
Member
Represented Industrial &
Financial Investment Co.



Muhaimen Ali Behbehani
Member
Represented United
Industries Comapny

Environmental Laboratory



Company Outline

Name of the Company	National Petroleum Services Company (K.S.C)
Commercial Registration	49911 dated 28 March 1993
Date Established	3 rd of January 1993
Date Listed on the KSE	18 th of October 2003
Address	Shuaibah Industrial Area, Block 3, Street 6, Plot 76 P.O. Box 9801 Ahmadi 61008 Kuwait Telephone: 22251000 Fax: 22251010
Website	www.napesco.com
Authorized Capital	K.D 5,760,951
Paid Up	K.D 5,760,951
Nominal Value of the Share	100 Fils
Auditor	RSM A Ibazie & Co. Public Accountants P.O. Box: 2115 Safat - 13022- State of Kuwait Tel.: 22410010 22961000 Fax: 22412761 Al- WAHA Auditing Office Ali Awaid Rukhayes P.O. Box: 27387 Safat - 13134 - State of Kuwait Tel.: 22423415 Fax: 22423417

Ladies, Gentlemen and NAPESCO Shareholders

On behalf of the Board of Directors, I welcome you and present our annual report for the presentation of our 2013 annual report along with some of the important developments related to our operational and contractual activities.

In addition, I would like to brief you of the changes related to governance systems and policies that the company will soon apply according to the new rules & regulations recently developed and established by the State of Kuwait.

The company has continued its strong performance which is clearly reflected in the financial results and profits achieved in 2013. This was a result of an incremental increase in business activity and an on-going improvement in our performance and work methods.

Below are the company achievements during the year 2013:

- Increased demand for our Cementing and Well Stimulation Services from our principal customers – KOC and JO.
- Renewal of a five year contract with KOC valued at 33.863 Million KD for Cementing & Associated Services for Drilling & Workover Operations.
- A new three year Contract with KNPC valued at 538,910 KD for Environmental Monitoring and Laboratory Services.
- A new three year Contract with JO valued at 3.379 Million KD for Earth Moving and Skilled Manpower for an Environmental Restoration Project
- NAPESCO became the single agent for MEKE DENIZ TEMIZLIGI LTD- SERVICES SIRKETI, (Turkish Co) offering comprehensive services for Leak Detection and Repair (LDAR) and Oil Spill Response Services and has secured a three year Contract with KNPC valued at 2.387 Million KD.
- Renewal of a three year contract with JO valued at 22 Million \$ for the Supply of Coiled Tubing, Pumping & Associated Services.
- Our Company has received qualification status for Slickline Services with KOC.
- NAPESCO fabricated and assembled a Crude Oil Sludge Treatment Plant utilizing in house resources. Installation of this Plant at KOC for a Soil Remediation Project is under process.
- The Company is currently developing innovative Thermal Cement Slurries for JO in addition to the Thermal Cement Slurries introduced to KOC earlier in the year.

Commissioning of Equipment with IDC in Iraq.

- NAPESCO received the prestigious British Safety Council Award and is one among several Fortune 500 companies to receive this award along with KNPC & KOC.

The above are the most prominent achievements of the company in 2013. We remain sincerely committed to delivering the highest level of quality services to our clients and ensuring customer satisfaction across all of our business activities.

We are pleased to elaborate on our future plans and the objectives of the Company for the year 2014.

- The Company is planning to increase its market share within Cementing & Stimulation Operations.
- We anticipate an expansion of our Oilfield Services activities to include Slickline Services.
- We will be pursuing a major UN Oil Lakes Remediation Project Pilot Program with KOC utilizing the various technologies and services that we now offer.
- We anticipate participation in one of the major Renewable Energy with Solar Power System Project with KOC.
- We will continue our efforts on rationing costs and increasing operational efficiencies with a focus on the human element by the introduction of structured training and development with competency assessments especially for our national staff.
- The Company has begun the initial steps to provide Cementing Services within the Kurdistan region of the Republic of Iraq and will continue this effort in the coming year.
- The Company has retained consultancy services to advise and assist in the preparation of policies and procedures to ensure compliance to the new System of Governance which will be fully applied by the end of 2014.

Here are the Financial Statements for the year ended 31/12/2013:

- The company achieved revenue from Sales & Services amounting to 14,803,852 KD in 2013 as compared with 11,630,357 KD in 2012.
- A Net Profit of 2,811,380 KD was realized in 2013 (50.39 Fills per Share) compared with 2,226,756 KD in 2012 (40 Fills per Share).
- Shareholders' Equity has been increased to 15,831,789 KD in 2013 compared with 14,316,929 KD in 2012.

Thus the Company maintains a continuous upward growth in achieving higher profits.

The Board of Directors have recommended 35% of the nominal value of the shares (35 fils per share) as cash dividend to the shareholders for the year ended 31/12/2013. And also recommended to reward the members of the Board of Directors cash totaling to KD 64,000

In light of the Company's results, achievements and the rates of profits realized, the Board of Directors is extending its sincere appreciation and gratitude to all Company employees who have participated and contributed to this success.

Finally, I would like to thank the Company Board of Directors for their efforts in 2013, wishing them every success and continuation of this successful process to serve our shareholders and our beloved Kuwait.



Mohaiman Ali Behbehani
Deputy Chairman

INDEPENDENT AUDITORS' REPORT

The Shareholders
National Petroleum Services Company - K.S.C.
State of Kuwait

Report on the consolidated financial statements

We have audited the accompanying consolidated financial statements of National Petroleum Services Company - K.S.C. (Closed) (the Parent Company) and its subsidiary (the Group), which comprise the consolidated statement of financial position as of December 31, 2013, and the consolidated statements of profit or loss, profit or loss and other 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 consolidated financial statements

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

Auditors' responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance 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 auditors consider 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 National Petroleum Services Company - K.S.C. (Closed) and its subsidiary as of December 31, 2013, and 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

Also in our opinion, the consolidated financial statements include the disclosures required by the Companies Law No. 25 for the year 2012, its amendments and executive regulation, the Parent Company's Articles of incorporation and Articles of Association, and we obtained the information we required to perform our audit. In addition, proper books of account have been kept, physical stocktaking was carried out in accordance with recognized practice, and the accounting information given in the Directors' Report is in agreement with the Company's books. According to the information available to us, there were no contraventions during the year ended December 31, 2013 of both the Companies Law of 2012, its amendments and executive regulation or of the Parent Company's Articles of incorporation and Articles of Association which might have materially affected the Group's financial position or results of its operations.



Ali Owaid Rukheyas
Licence No. 72 - A
Member of the International
Group
of Accounting Firms



Nayef M. Al-Bazie
Licence No. 91-A
RSM Albazie & Co.

State of Kuwait

February 20, 2014

PRINCIPAL COMPANIES

COMPANY NAME	COUNTRY OF ORIGIN	SERVICES
CHOLAMANDALAM MS RISK SERVICES	INDIA	SAFETY & RISK CONSULTANCY
FLOWERVE LIMITORQUE	U.S.A.	ELECTRIC ACTUATORS, MOTORISED VALVES
FPC (FIRE PROTECTION CONSULTANT)	BELGIUM	FIRE ENGINEERING CONSULTANCY
FUSION PETROLEUM	U.S.A.	INTEGRATED GEOLOGICAL, GEOPHYSICAL AND ENGINEERING SERVICES
ENSERVE ENGG PVT LTD	SOUTH AFRICA	LEAK DETECTION AND REPAIRING AND EMISSION MONITORING
MEKE DENIZ TEMIZILIGI LTD. SERVICES	TURKEY	OIL SPILL CONTROL AND MANAGEMENT
CHINA OIL HBP SCIENCE & TECHNOLOGY CORPORATION LTD.	CHINA	PRODUCTION TEST SEPARATORS, PROCESS EQUIPMENTS
FILTERS S.R.L	ITALY	PROCESS FILTERS
N.V GOUDA VUURVAST	THE NETHERLAND	REFRACTORIES, INSULATION MATERIALS
PETROLEUM DEVELOPMENT CONSULTANT	UNITED KINGDOM	OIL & GAS INDUSTRY CONSULTING
RODLESS PUMPS INC.	CHINA	PROGRESS CAVITY RODLESS PUMPS
CHINA SHENYANG GOLDFIELD OIL MACHINE MFG CO.	CHINA	INTELLIGENT PUMPING SYSTEMS
MUTTRAH OILFIELD SUPPLY & SERVICES (MOSS) LLC	OMAN	OILFIELD SUPPLY & SERVICES
JOSLER HYDROCARBONS	INDIA	GEOLOGICAL ENGINEERING AND CONSULTANCY

LIST OF PARTNER COMPANIES

Company Name	Country of Origin	Activity / Product
ECON INDUSTRIES GMBH	GERMANY	THERMAL DESORPTION TECHNOLOGY AND SEPARATION SYSTEMS
ENVIRON	UNITED KINGDOM	ENVIRONMENTAL, HEALTH CONSULTANCY AND SOIL REMEDIATION
PETROLEUM PIPE COMPANY	DUBAI	OCTG, TUBING, LINE PIPES
SHANGDONG MOLONG	CHINA	OCTG, TUBING
FIRELAST	USA	SMOKE DETECTOR
SEVO SYSTEMS. INCH	USA	FIRE PROTECTION FLUID AND RELATED DETECTION / CONTROLS

PREQUALIFIED ACTIVITIES

Company Name	Type of Work
Kuwait Oil Company	CEMENTING SERVICES COILD TUBING,NITROGEN AND STIMULATION SERVICES ENVIRONMENTAL CONSULTANCY HEALTH, SAFETY, ENVIRONMENTAL AND MANAGEMENT SYSTEM CONSULTANCY SERVICES WASTE MANAGEMENT SERVICES TUBULAR CLEANING SERVICES LABORATORY ANALYTICAL SERVICES FOR SOIL, OIL AND WATER (SOW) WELL TESTING SERVICES ENVIRONMENTAL MONITORING LOCAL RECRUITMENT MAINTENANCE OF FIRE FIGHTING SYSTEM
Kuwait Petroleum Corporation	TRAINING SERVICES PROVIDER
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 (Partnership) OIL SPILL CONTROL AND MANAGEMENT (Partnership) QUANTATIVE RISK ASSESSMENT (QRA) STUDIES INDUSTRIAL HYGIENE HAZOP ASSESSMENT SAFETY & FIRE OPERATION AND MAINTENANCE OF SLUDGE HANDLING MAINTENANCE OF ON-LINED AND LABORATORY ANALYZERS FIRE SUPPRESSION AGENT AND SYSTEMS INSTALLATION HALON PHASE OUT CONSULTANCY

PREQUALIFIED ACTIVITIES

Joint Operations - Wafra	OILY VISCOUS LIQUID TREATMENT FIRE ALARM AND FIRE FIGHTING SYSTEM, DESIGN SURVEY AND ASSESSMENT ENVIRONMENTAL CONSULTANCY & MONITORING SAFETY CONSULTANCY CONSULTANCY SERVICES FOR FIRE PROTECTION SYSTEM WELL TESTING SERVICES WASTE MANAGEMENT SERVICES ENGINEERING & RISK ASSESSMENT SERVICES ENVIRONMENTAL RESTORATION AND EARTH MOVING WORKS ANALYTICAL LABORATORY SERVICES
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Joint Operations - Khafji

ASBESTOS CONSULTANCY
 ENVIRONMENTAL CONSULTANCY
 INDOOR AIR QUALITY SERVICES
 STACK EMISSION MONITORING SERVICES
 CRUDE OILY SLUDGE TREATMENT
 HYDROCARBON CONTAMINATED SOIL TREATMENT
 SEISMIC DATA INTERPRETATION & QUALITY CONTROL

Petrochemical Industries
Company (PIC)

LEED CONSULTANCY
 ONLINE LABORATORY MAINTENANCE SERVICES
 FIRE FIGHTING & FIRE ALARM MAINTENANCE SERVICES

Accreditation / Certification

ENVIRONMENT PUBLIC AUTHORITY

EIA STUDIES
 ENVIRONMENTAL CONSULTATIONS
 EVALUATION OF EXISTING ENVIRONMENTAL CONDITIONS
 MERCURY CONTAMINATED SOIL TREATMENT
 HALON MANAGEMENT SERVICES

MINISTRY OF DEFENCE
 MINISTRY OF ELECTRICITY
 & WATER

MAINTENANCE OF FIRE ALARM AND FIRE FIGHTING SYSTEM
 SUPPLY OF INDUSTRIAL PRODUCTS
 ENVIRONMENTAL CONSULTATIONS SERVICES
 SOIL INVESTIGATION

U.S- DOT

PRESSURIZED CYLINDER RETESTER'S IDENTIFICATION NUMBER

DNV

SURVEY AND MAINTENANCE OF FIRE EXTINGUISHERS & SYSTEMS

Lloyds Register

SURVEY AND MAINTENANCE OF FIRE EXTINGUISHERS & SYSTEMS

ISO 9001 : 2008

QUALITY MANAGEMENT SYSTEM

ISO 14001 : 2004

ENVIRONMENTAL MONITORING SERVICES INCLUDING LABORATORY TESTING OF WATER, SOIL AND AIR SAMPLES AND EIA

ISO 17025 2005

TESTING LABORATORY TL-490

KFD - Kuwait Fire Service
Directorate

(GRADE 4) - FIRE ALARM AND FIRE FIGHTING MAINTENANCE SERVICES

IRU Academy ADR Certificate

CERTIFICATE OF PROFESSIONAL COMPETENCE IN DANGEROUS GOOD BY ROAD (ADR)

The IRU Academy is a professional road transport training organisation with a global reach as per (ADR) agreement

NIPPON KAIJI KYOKAI

APPROVED AS A FIRM ENGAGED IN SURVEYS AND MAINTENANCE OF FIRE EXTINGUISHER EQUIPMENT AND SYSTEMS & SELF CONTAINED BREATHING APPARATUS

ROSPA

THE ROYAL SOCIETY FOR THE PREVENTION OF ACCIDENTS

NATIONAL SAFETY COUNCIL

CERTIFIED SAFETY INSTRUCTOR COURSE

QUALITY MANAGEMENT SYSTEME CERTIFICATES



AWARDS



APPROVALS AND ENDORSMENTS



APPROVALS AND ENDORSMENTS



NATIONAL PETROLEUM SERVICES COMPANY - K.S.C. (CLOSED) AND ITS SUBSIDIARY
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS OF DECEMBER 31, 2013
 (All amounts are in Kuwaiti Dinars)

	Note	2013	2012
ASSETS			
Non-current assets:			
Property, plant and equipments	3	8,691,154	6,963,988
Investments available for sale	4	415,201	499,850
Total non- current assets		9,106,355	7,463,838
Current assets:			
Inventories	5	1,645,301	1,623,835
Accounts receivable	6	3,690,138	2,406,670
Pre-payments and other debit balances	7	1,100,943	597,644
Investments at fair value through profit or loss	8	1,687,628	1,634,857
Cash on hand and at banks		3,196,493	4,165,550
Total current assets		11,320,503	10,428,556
Total assets		20,426,858	17,892,394
SHAREHOLDERS' EQUITY AND LIABILITIES			
Shareholders' equity:			
Share capital	9	5,760,951	5,760,951
Share premium	10	3,310,705	3,310,705
Treasury shares	11	(585,062)	(868,811)
Treasury shares reserve		33,825	(36,623)
Statutory reserve	12	1,757,769	1,456,346
Voluntary reserve	13	1,757,769	1,456,346
Cumulative change in fair value		50,706	24,288
Retained earnings		3,745,126	3,213,727
Total equity		15,831,789	14,316,929
Non-current liabilities:			
Provision for end of service indemnity	14	860,604	725,666
Total non-current liabilities		860,604	725,666
Current liabilities:			
Accounts payable and other credit balances	15	3,734,465	2,849,799
Total current liabilities		3,734,465	2,849,799
Total shareholders' equity and liabilities		20,426,858	17,892,394

The accompanying notes (28) to (55) form an integral part of the consolidated financial statements


Mohaiman Ali Behbehani
 Deputy Chairman

NATIONAL PETROLEUM SERVICES COMPANY - K.S.C. AND ITS SUBSIDIARY
CONSOLIDATED STATEMENT OF PROFIT OR LOSS
FOR THE YEAR ENDED DECEMBER 31, 2013
 (All amounts are in Kuwaiti Dinars)

	Note	2013	2012
Sales and service revenue		14,803,852	11,630,357
Cost of sales and services		(10,544,169)	(8,080,082)
Gross profit		4,259,683	3,550,275
Other income	16	202,443	108,943
Impairment loss for investments available for sale	4	(111,067)	(241)
Unrealized gain from changes in fair value of the investments at fair value through profit or loss	8	53,076	2,472
General and administrative expenses	17	(1,287,243)	(1,247,659)
Provision for doubtful debts	6	(102,667)	-
Finance charges		-	(26,795)
Profit for the year before contribution to Kuwait Foundation for the Advancement of Sciences, National Labor Support Tax, contribution to Zakat and Board of Directors remuneration		3,014,225	2,386,995
Contribution to Kuwait Foundation for the Advancement of Sciences (KFAS)	18	(27,128)	(21,483)
National Labor Support Tax (NLST)	19	(79,798)	(64,826)
Contribution to Zakat	20	(31,919)	(25,930)
Board of directors' remuneration		(64,000)	(48,000)
Net profit for the year		2,811,380	2,226,756
Earnings per share - (fils)	21	50.39	40.40

The accompanying notes (28) to (55) form an integral part of the consolidated financial statements

NATIONAL PETROLEUM SERVICES COMPANY - K.S.C. AND ITS SUBSIDIARY
CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE YEAR ENDED DECEMBER 31, 2013
 (All amounts are in Kuwaiti Dinars)

	Note	2013	2012
<u>Net profit for the year</u>		2,811,380	2,226,756
Other comprehensive income :			
<u>Items that may be reclassified subsequently to profit or loss</u>			
Change in fair value of investments available for sale	4	26,418	8,444
Other comprehensive income for the year		26,418	8,444
Total comprehensive income for the year		<u>2,837,798</u>	<u>2,235,200</u>

The accompanying notes (28) to (55) form an integral part of the consolidated financial statements

NATIONAL PETROLEUM SERVICES COMPANY - K.S.C. AND ITS SUBSIDIARY
CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY
FOR THE YEAR ENDED DECEMBER 31, 2013
(All amounts are in Kuwaiti Dinars)

	Share capital	Share premium	Treasury shares	Treasury shares reserve	Statutory reserve	Voluntary reserve	Cumulative change in fair value	Retained earnings	Total
Balance at December 31, 2011	5,486,620	3,310,705	(868,811)	(36,623)	1,217,647	1,217,647	15,844	3,050,868	13,393,897
Total comprehensive income for the year	-	-	-	-	-	-	8,444	2,226,756	2,235,200
Cash dividends 2011 (25 fils per share) - (Note 23)	-	-	-	-	-	-	-	(1,312,168)	(1,312,168)
Bonus shares 2011(5%) - (Note 23)	274,331	-	-	-	-	-	-	(274,331)	-
Transfer to reserves	-	-	-	-	238,699	238,699	-	(477,398)	-
Balance at December 31, 2012	5,760,951	3,310,705	(868,811)	(36,623)	1,456,346	1,456,346	24,288	3,213,727	14,316,929
Purchase of treasury shares	-	-	(3,690)	-	-	-	-	-	(3,690)
Sale of treasury shares	-	-	287,439	70,448	-	-	-	-	357,887
Total comprehensive income for the year	-	-	-	-	-	-	26,418	2,811,380	2,837,798
Cash dividends 2012 (30 fils per share) - (Note 23)	-	-	-	-	-	-	-	(1,677,135)	(1,677,135)
Transfer to reserves	-	-	-	-	301,423	301,423	-	(602,846)	-
Balance at December 31, 2013	5,760,951	3,310,705	(585,062)	33,825	1,757,769	1,757,769	50,706	3,745,126	15,831,789

The accompanying notes (28) to (55) form an integral part of the consolidated financial statements

NATIONAL PETROLEUM SERVICES COMPANY - K.S.C. AND ITS SUBSIDIARY
CONSOLIDATED STATEMENT OF CASH FLOWS.
FOR THE YEAR ENDED DECEMBER 31, 2013
 (All amounts are in Kuwaiti Dinars)

	2013	2012
Cash flows from operating activities		
Profit for the year before contribution to Kuwait Foundation for the Advancement of Sciences, National Labor Support Tax, contribution to Zakat and Board of Directors remuneration	3,014,225	2,386,995
Adjustments for:		
Depreciation	1,295,469	1,230,796
Gain on sale of Property, plant and equipments	(81,831)	(883)
Unrealized gain from changes in fair value of the investments at fair value through profit or loss	(53,076)	(2,472)
Impairment loss for investments available for sale	111,067	241
Provision for doubtful debts	102,667	-
Interest income	(444)	(4,902)
Dividend income	(115,374)	(90,922)
Finance charges	-	26,795
Provision for end of service indemnity	177,673	206,055
	4,450,376	3,751,703
Changes in operating assets and liabilities:		
Inventories	(255,460)	(79,644)
Accounts receivable and other debit balances	(1,889,434)	(436,536)
Accounts payable and other credit balances	751,304	773,623
Cash generated from operating activities	3,056,786	4,009,146
Payment of Kuwait Foundation for the Advancement of Sciences	(21,483)	(21,749)
Payment of National Labor Support Tax	-	(65,374)
Payment of Zakat	-	(26,149)
Board of Directors' remuneration paid	(48,000)	(32,000)
Paid for end of service indemnity	(42,735)	(50,085)
Net cash generated from operating activities	2,944,568	3,813,789
Cash flows from investing activities		
Paid for purchase of property, plant and equipments	(2,825,919)	(403,730)
Proceeds from sale of property, plant and equipments	119,109	2,800
Paid for purchase of investments available for sale	-	(315,000)
Dividend income received	115,374	90,922
Interest income received	444	4,902
Net movement in cash at portfolio	305	(34)
Net cash used in investing activities	(2,590,687)	(620,140)
Cash flows from financing activities		
Net movement on term loans	-	(1,569,571)
Proceeds from sale of treasury shares	357,887	-
Paid for purchase of treasury shares	(3,690)	-
Finance charges paid	-	(26,796)
Cash dividends paid	(1,677,135)	(1,312,168)
Net cash used in financing activities	(1,322,938)	(2,908,535)
Net (decrease) increase in cash on hand and at banks	(969,057)	285,114
Cash on hand and at banks at beginning of the year	4,165,550	3,880,436
Cash on hand and at banks at end of the year	3,196,493	4,165,550

The accompanying notes (28) to (55) form an integral part of the consolidated financial statements

1. Incorporation and objectives of the Parent Company

National Petroleum Services Company - K.S.C. (Closed) was incorporated pursuant to the Articles of Association duly authenticated at the Ministry of Justice, Real Estate Registration and Authentication Department under Ref. No. 73 volume 1 dated January 3, 1993. The Parent Company was registered in the Commercial Register under Ref. No. 49911 dated May 1, 1995.

As per the issued letter from the Department of Shareholding Companies No.156 dated May 7, 2012 and as per the Extraordinary General Assembly meeting held on April 5, 2012 the following have been approved:

- Approval of increasing the Company's capital from KD 5,486,620 to KD 5,760,951, amounted to KD 274,331 through the distribution of bonus shares equal to 2,743,310 shares with the percentage of 5% of the Company capital by 5 shares for every 100 shares, to be allocated to the existing shareholders in the Company's records on the date of the General Assembly Meeting.
- Amended Articles No. (5) from the Article of Incorporation and article No. (6) from Article of Association of the Company to be the following: "The Company's Capital is KD 5,760,951 distributed over 57,609,510 shares with value of 100 fils for share and all shares are in cash.

The Parent Company's shares were listed on the Kuwait Stock Exchange on October 18, 2003.

The objectives, for which the Parent Company was incorporated for, are carrying out cement, coil tubing, pumping, stimulation and other miscellaneous associated services relating to drilling operations

The Companies Law issued on 26 November 2012 by Decree Law No. 25 of 2012 (the "Companies Law"), cancelled the Commercial Companies Law No. 15 of 1960. The Companies Law was subsequently amended on 27 March 2013 by Decree Law No. 97 of 2013 (the Decree). The Executive Regulation of the new amended law was issued on 29 September 2013 and was published in the official Gazette on 6 October 2013. As per article three of the executive regulation, the companies have one year from the date of publishing the executive regulation to comply with the new amended law.

The address of the Parent Company is: Shuaiba Industrial - Plot 3 - P. O. Box 9801, Al-Ahmadi, Postal Code 61008, State of Kuwait.

As of December 31, 2013, the Group had 452 employees (2012 - 439 employees).

The consolidated financial statements were authorized for issue by the Board of Directors of the Parent Company on February 20, 2014. The Shareholders' General Assembly has the power to amend these consolidated financial statements after issuance.

2. Significant accounting policies

The accompanying consolidated financial statements of the Group have been prepared in accordance with the International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB) and applicable requirements of Ministerial Order No. 18 of 1990. Significant accounting policies are summarized as follows:

a) Basis of preparation:

The consolidated financial statements are presented in Kuwaiti Dinars and are prepared under the historical cost convention, except that, investments at fair value through profit or loss and certain investment available for sale that are stated at their fair value.

Historical cost is generally based on the fair value of the consideration given in exchange for goods and services. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

The accounting policies applied by the Group are consistent with those used in the previous year, except for the changes due to implementation of the following new and amended International Financial Reporting Standards effective January 1, 2013:

IAS 1 Presentation of items of other comprehensive income

The amendments to IAS 1 require items of other comprehensive income to be grouped into two categories:

- (a) Items that will not be reclassified, subsequently to consolidated statement of profit or loss.
- (b) Items that may be reclassified to consolidated statement of profit or loss when specific conditions are met.

The amendments are effective for annual periods beginning on or after July 1, 2012.

IAS 16 Property, plant and equipment

The amendments to IAS 16 clarify that spare parts, stand-by equipment and servicing equipment should be classified as property, plant and equipment when they meet the definition of property, plant and equipment in IAS 16 and as inventories, otherwise if they meet definition of inventories as per IAS 2. The amendments are effective for annual periods beginning on or after January 1, 2013.

IFRS 7 Offsetting financial assets and financial liabilities and related disclosures

The amendments to IFRS 7 require entities to disclose information about rights

of offset and related arrangements for financial instruments under an enforceable master netting agreement or similar arrangement. The amendments are effective for annual periods beginning on or after January 1, 2013.

IFRS 10 Consolidated Financial Statements

The new Standard identifies the principles of control, determines how to identify whether an investor controls an investee and therefore must consolidate the investee, and sets out the principles for the preparation of consolidated financial statements. It introduces a single consolidation model that identifies control as the basis for consolidation for all types of entities, where control is based on whether an investor has power over the investee, exposure/rights to variable returns from its involvement with the investee and the ability to use its power over the investee to affect the amount of the returns. This standard is effective for annual periods beginning on or after January 1, 2013.

IFRS 12 Disclosure of Interests in Other Entities

The new Standard combines, enhances and replaces the disclosure requirements for subsidiaries, joint arrangements, associates and unconsolidated structured entities. It requires extensive disclosure of information that enables users of financial statements to evaluate the nature of, and risks associated with, interests in other entities and the effects of those interests on the entity's financial position, financial performance and cash flows. IFRS 12 is effective for annual periods beginning on or after January 1, 2013.

IFRS 13 Fair Value Measurement

This IFRS

- (a) defines fair value
- (b) Sets out in a single IFRS a framework for measuring fair value and
- (c) Requires disclosures about fair value measurements. IFRS 13 applies when other IFRSs require or permit fair value measurements. It does not introduce any new requirements to measure an asset or a liability at fair value, change what is measured at fair value in IFRS or address how to present changes in fair value. The new requirements are effective for annual periods beginning on or after January 1, 2013.

The adoption of this amendment did not have any material impact on the consolidated financial position or performance of the Group.

The preparation of consolidated financial statements in conformity with International Financial Reporting Standards requires management to make judgments, estimates and assumptions in the process of applying the Group's accounting policies. Significant accounting judgments, estimates and assumptions are disclosed in Note 2 (q).

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Standards and interpretations issued but not effective

The following IASB Standards and Interpretations have been issued but are not yet effective, and have not been adopted by the Group:

Amendments to IAS 32 offsetting financial assets and financial liabilities

The amendments to IAS 32 clarify the meaning of “currently has a legally enforceable right of set off” and “simultaneous realization and settlement”. These are effective for annual periods beginning on or after January 1, 2014.

IFRS 9 Financial Instruments:

The standard, which will be effective for annual periods beginning on or after January 1, 2015, specifies how an entity should classify and measure its financial assets. It requires all financial assets to be classified entirely based on the entity's business model for managing the financial assets and the contractual cash flow characteristics of the financial assets. Financial assets are measured either at amortized cost or fair value.

These requirements improve and simplify the approach for classification and measurement of financial assets compared with the requirements of IAS 39. They apply a consistent approach to classifying financial assets and replace the numerous categories of financial assets in IAS 39, each of which had its own classification criteria. They also result in one impairment method, replacing the numerous impairment methods in IAS 39 that arise from the different classification categories.

Amendments to IFRS 10, IFRS 12 Investment Entities.

The amendments to IFRS 10 define an investment entity and require a reporting entity that meets the definition of investment entity not to consolidate its subsidiaries but instead to measure its subsidiaries at fair value through profit or loss in its consolidated financial statements. The amendments are effective for annual periods beginning on or after January 1, 2014.

These standards are not expected to have any material impact on the Group's consolidated financial statements.

b) Basis of consolidation:

The consolidated financial information for National Petroleum Services Company K.S.C. (Closed) (the Parent Company) and the following subsidiary:

Name of subsidiary	Incorporation country	Ownership percentage %	
		2013	2012
Napesco International Petroleum Company W.L.L	Kuwait	99%	99%
Services			

Subsidiaries are those enterprises controlled by the Parent Company. Control exists when the Parent Company:

- has power over the investee.
- is exposed, or has rights to variable returns from its involvement with the investee; and
- has the ability to use its power to affect its returns.

The Company reassess whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

When the Company has less than a majority of voting rights of an investee, it has power over the investee when the voting rights are sufficient to give it the practical ability to direct the relevant activities of the investee unilaterally. The Company considers all relevant facts and circumstances in assessing whether or not the Company's voting rights in an investee are sufficient to give it power, including:

- the size of the Company's holding of voting rights relative to the size and dispersion of holdings of the other vote holders;
- potential voting rights held by the company, other vote holders or other parties;
- rights arising from other contractual arrangements; and
- any additional facts and circumstances that indicate that the Company has, or does not have, the current ability to direct the relevant activities at the time that decisions need to be made, including voting patterns at previous shareholders' meetings.

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. All inter-company balances and transactions, including inter-company profits and unrealized profits and losses are eliminated in full on consolidation. Consolidated financial statements are prepared using uniform accounting policies for like transactions and other events in similar circumstances.

Non-controlling interests in the net assets of consolidated subsidiaries are identified separately from the Group's equity therein. Non-controlling interests consist of the amount of those interests at the date of the original business combination and the Non-controlling shareholder's share of changes in equity since the date of the combination.

Non-controlling interests are measured at either fair value, or at its proportionate interest in the identifiable assets and liabilities of the acquiree, on a transaction-by-transaction basis.

A change in the ownership interest of a subsidiary, without a change of control, is accounted for as an equity transaction. The carrying amounts of the group's ownership interests and non-controlling interests are adjusted to reflect changes in their relative interests in the subsidiaries. Any difference between the amount by which non-controlling interests are adjusted and fair value of the consideration paid or received is recognized directly in equity and attributable to owners of the Company. Losses are attributed to the non-controlling interest even if that results in a deficit balance. If the Group loses control over a subsidiary, it:

- Derecognises the assets (including goodwill) and liabilities of the subsidiary;
- Derecognises the carrying amount of any non-controlling interest;
- Derecognises the cumulative translation differences, recorded in equity;
- Recognises the fair value of the consideration received;
- Recognises the fair value of any investment retained;
- Recognises any surplus or deficit in profit or loss; and
- Reclassifies the Parent Company's share of components previously recognised in other comprehensive income to profit or loss or retained earnings as appropriate.

(c) Financial instruments

Financial assets and financial liabilities carried on the consolidated statement of financial position include investments, accounts receivable, cash on hand and at banks and accounts payable.

Financial instruments are classified as liabilities or equity in accordance with the substance of the contractual arrangement. Interest, dividends, gains, and losses relating to a financial instrument classified as a liability are reported as expense or income. Distributions to holders of financial instruments classified as equity are charged directly to equity. Financial instruments are offset when the Group has a legally enforceable right to offset and intends to settle either on a net basis or to realize the asset and settle the liability simultaneously.

c.1) Accounts receivable:

Receivables are recognized initially at fair value and subsequently measured at amortized cost using the effective interest method, less provision for impairment. A provision for impairment of trade receivables is established when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of the receivables. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganization, and default or delinquency in payments are considered indicators that the trade receivable is impaired. The amount of the provision is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate. The carrying amount of the asset is reduced through the use of an allowance account, and the amount of the loss is

recognized in the consolidated statement of profit or loss. When a trade receivable is uncollectible, it is written off against the allowance account for trade receivables. Subsequent recoveries of amounts previously written off are credited in the consolidated statement of profit or loss.

c.2) Investments

The Group classifies its investments in the following categories: Investments at fair value through profit or loss and available for sale investments. The classification depends on the purpose for which the investments were acquired and is determined at initial recognition by the management.

(i) Investments at fair value through profit or loss

This category has two sub-categories: investments held for trading, and those designated at fair value through profit or loss at inception.

An investment is classified as held for trading if acquired principally for the purpose of selling in the short term or if it forms part of an identified portfolio of investments that are managed together and has a recent actual pattern of short-term profit making or it is a derivative that is not designated and effective as a hedging instrument.

An investment is designated by the management on initial recognition if such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise or; if they are managed and their performance is evaluated and reported internally on a fair value basis in accordance with a documented risk management or investment strategy.

Investments in this category are classified as current assets if they are either held for trading or are expected to be realized within 12 months from the end of the reporting period.

(ii) Investments available for sale:

Investments available for sale are non-derivative financial assets that are either designated in this category or not classified in any of the other categories. They are included in non-current assets unless management intends to dispose of the investment within 12 months from the end of the reporting period.

Purchases and sales of investments are recognized on trade-date – the date on which the Group commits to purchase or sell the asset / settlement date – the date on which an asset is delivered to or by the Group. Investments are initially recognized at fair value plus transaction costs for all financial assets not carried at fair value through profit or loss.

After initial recognition, investments at fair value through profit or loss and

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investments available for sale are subsequently carried at fair value. Loans and receivables and held-to-maturity investments are carried at amortized cost using the effective interest method less any allowance for impairment. The fair values of quoted investments are based on current bid prices. If the market for an investment is not active (and for unlisted securities), the Group establishes fair value by using valuation techniques. These include the use of recent arm's length transactions, reference to other instruments that are substantially the same, discounted cash flow analysis, and option pricing models refined to reflect the issuer's specific circumstances.

Realized and unrealized gains and losses from investments at fair value through profit or loss are included in the consolidated statement of profit or loss. Unrealized gains and losses arising from changes in the fair value of investments available for sale are recognized in cumulative changes in fair value in other comprehensive income.

Where investments available for sale could not be measured reliably, these are stated at cost less impairment losses, if any.

When an investment available for sale is disposed off or impaired, any prior fair value earlier reported in other comprehensive income is transferred to the consolidated statement of profit or loss.

An investment (in whole or in part) is derecognized either when: the contractual rights to receive the cash flows from the investment have expired; or the Group has transferred its rights to receive cash flows from the investment and either (a) has transferred substantially all the risks and rewards of ownership of the investment, or (b) has neither transferred nor retained substantially all the risks and rewards of the investment, but has transferred control of the investment. Where the Group has retained control, it shall continue to recognize the investment to the extent of its continuing involvement in the investment.

The Group assesses at the end of each reporting period whether there is objective evidence that a financial asset or a group of financial assets is impaired. In the case of equity securities classified as available for sale, a significant or prolonged decline in the fair value of the security below its cost is considered in determining whether the securities are impaired. Significant decline is evaluated against the original cost of the investment and prolonged against the period in which fair value has been below its original cost. If any such evidence exists for investments available for sale, the cumulative loss – measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that investment previously recognized in profit or loss – is removed from other comprehensive income and recognized in the consolidated statement of profit or loss. Impairment losses recognized in the consolidated statement of profit or loss on available for sale equity instruments are

not reversed through the consolidated statement of profit or loss.

c.3) Accounts payable

Accounts payable include trade and other payables. Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Trade payables are recognized initially at fair value and subsequently measured at amortized cost using the effective interest method. Accounts payable are classified as current liabilities if payment is due within one year or less (or in the normal operating cycle of the business if longer). If not, they are presented as non-current liabilities.

d) Property, plant and equipments:

The initial cost of property, plant and equipments comprises its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use. Expenditures incurred after the property, plant and equipment have been put into operation, such as repairs and maintenance and overhaul costs, are normally charged to consolidated statement of income in the period in which the costs are incurred. In situations where it can be clearly demonstrated that the expenditures have resulted in an increase in the future economic benefits expected to be obtained from the use of an item of property, plant and equipment beyond its originally assessed standard of performance, the expenditures are capitalized as an additional cost of property, plant and equipments.

Property, plant and equipments are stated at cost less accumulated depreciation and impairment losses. When assets are sold or retired, their cost and accumulated depreciation are eliminated from the accounts and any gain or loss resulting from their disposal is included in the consolidated statement of profit or loss.

Land is not depreciated. Depreciation is computed on a straight-line basis over the estimated useful lives of other fixed assets as follows:

	Depreciation rate
Buildings	5%
Machinery and equipments	10%
Computer equipments, furniture and decorations	20% - 33,33%
Motor vehicles	20% - 33,33%

Certain property, plant and equipment used in certain projects are depreciated over the period of the respective contracts.

The useful life and depreciation method are reviewed periodically to ensure that the method and period of depreciation are consistent with the expected pattern of economic benefits from items of Property, plant and equipments.

e) Impairment of assets:

At the end of financial year, the Group reviews the carrying amounts of its 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 Group estimates the recoverable amount of the cash-generating unit to which the asset belongs.

Recoverable amount is the higher of the 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.

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 recognized immediately in the consolidated statement of profit or loss, 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 recognized for the asset (cash-generating unit) in prior years. A reversal of an impairment loss is recognized immediately in the consolidated statement of profit or loss, 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.

f) Inventories

Inventories are valued at the lower of cost or net realizable value after providing allowances for any obsolete or slow-moving items. Costs comprise direct materials, direct labor costs and those overheads that have been incurred in bringing the inventory to their present location and condition. Cost is determined on a weighted average basis.

Net realizable value is the estimated selling price in the ordinary course of business less the costs of completion and selling expenses.

g) Capital:

Ordinary shares are classified as equity Incremental costs directly attributable to the issue of new shares are shown in equity as a deduction from the proceeds.

h) Treasury shares:

Treasury shares consist of the Parent Company's own shares that have been issued, subsequently reacquired by the Group and not yet reissued or canceled. The treasury shares are accounted for using the cost method. Under the cost method, the weighted average cost of the shares reacquired is charged to a contra equity account. When the treasury shares are reissued, 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, reserves, and then share premium.

Gains realized subsequently on the sale of treasury shares are first used to offset any recorded losses in the order of reserves, retained earnings and the 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.

Where any Group's company purchases the Parent Company's equity share capital (treasury shares), the consideration paid, including any directly attributable incremental costs is deducted from equity attributable to the Parent Company's equity holders until the shares are cancelled or reissued. Where such shares are subsequently reissued, any consideration received, net of any directly attributable incremental transaction costs, is included in equity attributable to the Parent Company's equity holders.

i) Borrowing costs:

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalization.

All other borrowing costs are recognized in consolidated statement of profit or loss in the period in which they are incurred.

j) Provision for end of service indemnity:

Provision is made for amounts payable to employees under the Kuwaiti and Qatari Labor Law and employee contracts. This liability, which is unfunded, represents the amount payable to each employee as a result of involuntary termination at the end of the reporting period and approximates the present value of the final obligation.

k) Revenue recognition:

Revenue comprises the fair value of the consideration received or receivable for the sale of goods and services in the ordinary course of the Group's activities. Revenue is shown net of returns, rebates and discounts and after eliminating sales within the Group.

The Group recognizes revenue when the amount of revenue can be reliably measured, it is probable that future economic benefits will flow to the entity and specific criteria have been met for each of the Group's activities as described below. The amount of revenue is not considered to be reliably measurable until all contingencies relating to the sale have been resolved. The Group bases its estimates on historical results, taking into consideration the type of customer, the type of transaction and the specifics of each arrangement.

Sale of goods

Sales represent the total invoiced value of goods sold during the year. Revenue from sale of goods is recognized when significant risks and rewards of ownership of goods are transferred to the buyer.

Services income

Revenue from service contracts is recognized when the service is rendered.

Interest income

Interest income is recognized using the effective interest method.

Dividends income

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

Gain on sale of investments

Gain on sale of investments is measured by the difference between the sale proceeds and the carrying amount of the investment at the date of disposal, and is recognized at the time of the sale.

l) Foreign currencies:

Foreign currency transactions are translated into Kuwaiti Dinars at rates of exchange prevailing on the date of the transactions. Monetary assets and liabilities denominated in foreign currency at the end of the reporting period are retranslated into Kuwaiti Dinars at rates of exchange prevailing on that date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated 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.

Exchange differences arising on the settlement of monetary items, and on the

retranslation of monetary items, are included in the consolidated statement of profit or loss for the period. Translation differences on non-monetary items such as equity investments which are classified as investments at fair value through profit or loss are reported as part of the fair value gain or loss. Translation differences on non-monetary items such as equity investments classified as investments available for sale are included in “cumulative changes in fair value” in the consolidated statement of profit or loss and other comprehensive income.

m) Provisions:

A provision is recognized when the Group has a present legal or constructive obligation as a result of a past event and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation. Provisions are reviewed at the end of each reporting period and adjusted to reflect the current best estimate. Where the effect of the time value of money is material, the amount of a provision is the present value of the expenditures expected to be required to settle the obligation. Provisions are not recognized for future operating losses.

n) Contingencies:

Contingent liabilities are not recognized but disclosed in the consolidated financial statements except when the possibility of an outflow of resources embodying economic benefits is remote.

A contingent asset is not recognized in the consolidated financial statements but disclosed when an inflow of economic benefits is probable.

o) Segment reporting:

A segment is a distinguishable component of the Group that engages in business activities from which it earns revenue and incurs costs. Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker is identified as the person being responsible for allocating resources, assessing performance and making strategic decisions regarding the operating segments.

p) Dividend distribution

Dividend distribution to the Parent Company's shareholders is recognised as a liability in the group's financial statements in the period in which the dividends are approved by the Parent Company's shareholders.

q) Critical accounting estimates and judgments:

The Group makes judgments, estimates and assumptions concerning the future. The preparation of consolidated financial statements in conformity with International Financial Reporting Standards requires management to make judgments, estimates

and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenue and expenses during the year. Actual results could differ from the estimates.

a) Judgments:

In the process of applying the Group's accounting policies which are described in note 2, management has made the following judgments that have the most significant effect on the amounts recognized in the consolidated financial statements.

(i) Revenue Recognition:

Revenue is recognized to the extent it is probable that the economic benefits will flow to the Group / Company and the revenue can be reliably measured. The determination of whether the revenue recognition criteria as specified under IAS 18 are met requires significant judgment.

(ii) Provision for doubtful debts and inventory:

The determination of the recoverability of the amount due from customers and the marketability of the inventory and the factors determining the impairment of the receivable and inventory involve significant judgment.

(iii) Classification of investments:

On acquisition of an investment, the Group decides whether it should be classified as "at fair value through profit or loss", "available for sale" or "held to maturity". The Group follows the guidance of IAS 39 on classifying its investments.

The Group classifies investments as "at fair value through profit or loss" if they are acquired primarily for the purpose of short term profit making or if they are designated at fair value through profit or loss at inception, provided their fair values can be reliably estimated. The Group classifies investments as "held to maturity" if the Group has the positive intention and ability to hold to maturity. All other investments are classified as "available for sale".

(iv) Impairment of investments

The Company follows the guidance of IAS 39 to determine when an available-for-sale equity investment is impaired. This determination requires significant judgment. In making this judgment, the group evaluates, among other factors, a significant or prolonged decline in the fair value below its cost; and the financial health of and short term business outlook for the investee, including factors such as industry and sector performance, changes in technology and operational and financing cash flow. The determination of what is "significant" or "prolonged" requires significant judgment.

b) Estimates and assumptions:

The key assumptions concerning the future and other key sources of estimating uncertainty at the end of the reporting period 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.

(i) Fair value of unquoted equity investments

If the market for a financial asset is not active or not available, the Group establishes fair value by using valuation techniques which include the use of recent arm's length transactions, reference to other instruments that are substantially the same, discounted cash flow analysis, and option pricing models refined to reflect the issuer's specific circumstances. This valuation requires the Group to make estimates about expected future cash flows and discount rates that are subject to uncertainty.

(ii) Provision for doubtful debts and inventories:

The extent of provision for doubtful debts and inventories involves estimation process. Provision for doubtful debts is made when there is objective evidence that the Group will not be able to collect the debts. Bad debts are written off when identified. The carrying cost of inventories is written down to their net realizable value when the inventories are damaged or become wholly or partly obsolete or their selling prices have declined. The benchmarks for determining the amount of provision or write-down include ageing analysis, technical assessment and subsequent events. The provisions and write-down of accounts receivable and inventory are subject to management approval.

(iii) Impairment of non-financial assets

Impairment exists when the carrying value of an asset or cash generating unit exceeds its recoverable amount, which is the higher of its fair value less costs to sell and its value in use. The fair value less costs to sell calculation is based on available data from binding sales transactions in an arm's length transaction of similar assets or observable market prices less incremental costs for disposing of the asset. The value in use calculation is based on a discounted cash flow model. The cash flows are derived from the budget for the next five years and do not include restructuring activities that the Group is not yet committed to or significant future investments that will enhance the asset's performance of the cash generating unit being tested. The recoverable amount is most sensitive to the discount rate used for the discounted cash flow model as well as the expected future cash inflows and the growth rate used for extrapolation purposes.

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3. Property, plant and equipments

	Buildings	Machinery and equipments	Computer equipments, furniture and decorations	Motor vehicles	Total
<u>Cost:</u>					
At December 31, 2011	2,599,583	11,781,267	697,568	315,447	15,393,865
Additions	59,015	251,833	32,782	60,100	403,730
Disposals	-	-	-	(11,600)	(11,600)
At December 31, 2012	2,658,598	12,033,100	730,350	363,947	15,785,995
Additions	126,028	2,457,241	90,271	152,379	2,825,919
Transfer from inventory	-	233,994	-	-	233,994
Disposals	-	(139,107)	(965)	(136,818)	(276,890)
At December 31, 2013	2,784,626	14,585,228	819,656	379,508	18,569,018
<u>Accumulated depreciation:</u>					
At December 31, 2011	717,244	6,094,443	557,543	231,664	7,600,894
Charge for the year	130,094	979,402	85,524	35,776	1,230,796
Related to disposals	-	-	-	(9,683)	(9,683)
At December 31, 2012	847,338	7,073,845	643,067	257,757	8,822,007
Charge for the year	135,765	1,066,147	45,501	48,056	1,295,469
Related to disposals	-	(103,939)	(772)	(134,901)	(239,612)
At December 31, 2013	983,103	8,036,053	687,796	170,912	9,877,864
<u>Net book value:</u>					
At December 31, 2013	1,801,523	6,549,175	131,860	208,596	8,691,154
At December 31, 2012	1,811,260	4,959,255	87,283	106,190	6,963,988

Depreciation charge for the year was allocated as follows:

	2013	2012
Cost of sales and services	1,211,915	1,112,027
General and administrative expenses (Note 17)	83,554	118,769
	1,295,469	1,230,796

The Group's buildings are constructed on land leased from State of Kuwait, which expired on July 31, 2018.

The Group's buildings areas are pledged in favor of local bank for unused bank facilities amounting to KD 4,500,000.

4. Investments available for sale

	2013	2012
Funds and Portfolios	351,835	474,842
Quoted shares	63,366	25,008
	415,201	499,850

The movement on the investments during the year as follows:

	2013	2012
Balance at beginning of the year	499,850	176,647
Additions	-	315,000
Changes in fair value	26,418	8,444
Impairment losses	(111,067)	(241)
Balance at end of the year	415,201	499,850

Investments available for sale are denominated in the following currencies:

Currency	2013	2012
Kuwaiti Dinars	100,201	183,582
US Dollar	315,000	316,268
	415,201	499,850

5. Inventories

	2013	2012
Cement and acidizing chemicals	1,072,710	936,938
Environmental chemicals	30,874	49,931
Spare parts and tools	541,717	636,966
	1,645,301	1,623,835

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The cost of inventories recognized as expense and included in 'cost of goods sold' amounted to KD 1,274,808 (2012 – KD1,658,139).

6. Accounts receivable

	2013	2012
Trade receivables (a)	3,832,805	2,446,670
Provision for doubtful debts (b)	(142,667)	(40,000)
	3,690,138	2,406,670

The fair values of accounts receivable approximate its carrying values as of December 31, 2013.

a) Trade receivables:

Trade receivables are non interest bearing and are generally due within 90 days. As of December 31, 2013, the aging analysis of these trade receivables is as follows:

	2013	2012
1 to 3 months	2,416,870	1,958,697
3 to 12 months	1,293,330	463,275
Over 1 year	122,605	24,698
	3,832,805	2,446,670

b) Provision for doubtful debts:

The movement of the provision for doubtful debts is as follows:

	2013	2012
Balance at beginning of the year	40,000	40,000
Provision for the year	102,667	-
Balance at end of the year	142,667	40,000

c) The other classes within accounts receivable do not contain impaired assets. The maximum exposure to credit risk at the reporting date is the fair value of each class of receivable mentioned above. Further, the Group does not hold any collateral as security, for accounts receivable.

7. Pre-payments and other debit balances

	2013	2012
Advance payment to suppliers	760,184	406,341
Letter of Guarantee	164,198	11,729
Staff receivables	136,220	152,581
Prepaid expenses	39,153	22,010
Refundable deposits	1,188	1,060
Other	-	3,923
	1,100,943	597,644

- The fair values of pre-payments and other debit balances approximated their carrying values as at December 31, 2013.
- The other classes within pre-payments and other debit balances do not contain impaired assets. The maximum exposure to credit risk at the reporting date is the fair value of each class of receivable mentioned above. Further, the Group does not hold any collateral as security, for pre-payments and other debit balances.

8. Investments at fair value through profit or loss

The balance represents an investment portfolio and funds which was recognized at fair value based on the portfolio and funds managers' report.

	2013	2012
Balance at beginning of the year	1,634,857	1,632,351
Net movement in cash at portfolio	(305)	34
Unrealized gain from changes in fair value	53,076	2,472
Balance at end of the year	1,687,628	1,634,857

9. Share capital

The authorized, issued and fully paid-up capital consists of 57,609,510 shares (2012 - 57,609,510 shares) of 100 fils each and all shares are in cash.

10. Share premium

This represents cash received in excess of the par value of the shares issued. The share premium is not available for distribution except in cases stipulated by law.

11. Treasury shares

	2013	2012
Number of treasury shares (shares)	1,680,000	2,498,475
Percentage of issued shares (%)	2.92%	4.34%
Market value (KD)	840,000	899,541
Cost (KD)	585,062	868,811

Based on Capital Markets Authority resolution dated December 30, 2013, the Company's management has allotted an amount equal to treasury shares balance from the available reserves as of the financial reporting date. Such amount will not be available for distribution during treasury shares holding period.

12. Statutory reserve

As required by the Companies Law and the Parent Company's Articles of Association, 10% of the profit for the year attributable to equity holders of the Parent Company before contribution to Kuwait Foundation for the Advancement of Sciences (KFAS), National Labour Support Tax (NLST), Zakat and Board of Directors' remuneration is transferred to statutory reserve. The Parent Company may resolve to discontinue such annual transfers when the reserve equals 50% of the capital. This reserve is not

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available for distribution except in cases stipulated by Law and the Parent Company's Articles of Association.

13. Voluntary reserve

As required by the Parent Company's Articles of Association, 10% of the profit for the year attributable to equity holders of the Parent Company before contribution to KFAS, NLST, Zakat and Board of Directors' remuneration is transferred to the voluntary reserve. Such annual transfers may be discontinued by a resolution of the shareholders' General Assembly upon recommendation by the Board of Directors.

14. Provision for end of service indemnity

	2013	2012
Balance at beginning of the year	725,666	569,696
Charge for the year	177,673	206,055
Paid during the year	(42,735)	(50,085)
Balance at end of the year	860,604	725,666

15. Accounts payable and other credit balances

	2013	2012
Trade payable (a)	574,690	489,332
Accrued expenses	2,567,189	1,842,729
Advance received from subcontractor	156,385	243,395
Accrued leave	142,600	114,104
Payable to Kuwait Foundation for Advancement of Sciences	27,128	21,483
National Labor Support Tax payable	144,624	64,826
Zakat payable	57,849	25,930
Board of Directors' remuneration payable	64,000	48,000
	3,734,465	2,849,799

a) Trade payables are non-interest bearing and normally settled on average period of 60 days.

b) There is no material difference between the fair value and the carrying value of accounts payable and other credit balances as of December 31, 2013.

16. Other income

	2013	2012
Cash Dividends	115,374	90,922
Gain on sale of Property, plant and equipments	81,831	883
Foreign currency exchange	(2,649)	9,004
Interest income	444	4,902
Other	7,443	3,232
	202,443	108,943

17. General and administrative expenses

	2013	2012
Staff costs	805,874	751,406
Professional fees	30,749	51,837
Depreciation (Note 3)	83,554	118,769
Other	367,066	325,647
	1,287,243	1,247,659

Staff costs include compensation to key management personnel as follows:

	2013	2012
Short term benefits	197,925	184,525
Terminal benefits	11,538	11,538
Board of directors' remuneration	64,000	48,000
	273,463	244,063

18. Contribution to Kuwait Foundation for the Advancement of Sciences (KFAS)

Contribution to Kuwait Foundation for the Advancement of Sciences is calculated at 1% of the profit of the Parent Company after deducting its share of income from shareholding subsidiaries and associates and transfer to statutory reserve.

19. National Labor Support Tax (NLST)

National Labor Support Tax is calculated at 2.5% on the consolidated profit of the Parent Company after deducting its share of profit from listed associates & un-consolidated subsidiaries subject to the same law, also its share of NLST paid by listed subsidiaries subject to the same law and cash dividends received from listed companies subject to the same law in accordance with law No. 19 for year 2000 and Ministerial resolution No. 24 for year 2006 and their executive regulations.

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20. Contribution to Zakat

Contribution to Zakat is calculated at 1% on the consolidated profit of the Parent Company after deducting its share of profit from Kuwaiti shareholding associates & un-consolidated subsidiaries subject to the same law, also its share of Zakat paid by Kuwaiti shareholding subsidiaries subject to the same law and cash dividends received from Kuwaiti shareholding companies subject to the same law in accordance with law No. 46 for year 2006 and Ministerial resolution No. 58 for year 2007 and their executive regulations.

21. Earnings per share

There were no potential dilutive ordinary shares. Earnings per share is computed based on profit for the year attributable to the Parent Company's shareholders and the weighted average number of outstanding during the year as follows:

	2013	2012
Net profit for the year attributable to the Parent Company's shareholders	2,811,380	2,226,756
<u>Number of shares outstanding :</u>	<u>Shares</u>	<u>Shares</u>
Number of issued shares at beginning of the year	57,609,510	54,866,200
Add: Bonus shares	-	2,743,310
Less : Weighted average number of treasury shares	(1,814,527)	(2,498,475)
Weighted average number of outstanding shares	55,794,983	55,111,035
Earnings per share (Fils)	50.39	40.40

22. Staff costs

Staff costs for the year ended December 31, 2013 amounted to KD 3,626,133 (2012 - KD 3,183,116).

23. General Assembly

- The Parent Company's Board of directors meeting held on February 20, 2014 approved the distribution of cash dividends of ----- fills per share for the year ended December 31, 2013. This suggestion is subject to approval from shareholders' General Assembly Meeting.
- The Parent Company's shareholders' general assembly held on April 30, 2013 approved the distribution of cash dividends of 30 fills per share for the year ended December 31, 2012.
- The Parent Company's shareholders' general assembly held on April 5, 2012 approved the distribution of cash dividends of 25 fills and bonus shares of 5 shares for every 100 shares for the year ended December 31, 2011.

24. Contingent liabilities and claims

At the date of consolidated statement of financial position, the Group was contingently liable in respect of the following:

	2013	2012
Letters of credit	-	459,080
Letter of guarantees	3,261,242	2,802,321
	3,261,242	3,261,401

25. Segment information

For the purposes of segment reporting, the Group's management has divided its activities into the following business segments:

Oil field services.

Industrial products and services.

Details of the above segments, which constitute the segment information, are as follows:

	2013		
	Oil field services	Industrial products and services	Total
Segment revenue	10,951,426	3,852,426	14,803,852
Segment cost	(6,671,720)	(3,872,449)	(10,544,169)
Gross profit	<u>4,279,706</u>	<u>(20,023)</u>	<u>4,259,683</u>
Unallocated revenue	-	-	255,519
Unallocated expenses	-	-	(1,703,822)
Net profit for the year	-	-	2,811,380
Segment assets	<u>18,200,134</u>	<u>2,226,724</u>	<u>20,426,858</u>
Segment liabilities	<u>4,595,069</u>	-	<u>4,595,069</u>

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	2012		
	Oil field services	Industrial products and services	Total
Segment revenue	8,624,246	3,006,111	11,630,357
Segment cost	(6,368,680)	(1,711,402)	(8,080,082)
Gross profit	2,255,566	1,294,709	3,550,275
Unallocated revenue	-	-	108,742
Unallocated expenses	-	-	(1,432,261)
Net profit for the year	-	-	2,226,756
Segment assets	17,369,310	523,084	17,892,394
Segment liabilities	3,575,465	-	3,575,465

26. Financial risk management

In the normal course of business, the Group uses primary financial instruments such as investments, accounts receivable, cash on hand and at banks and account payable, and as a result, is exposed to the risks indicated below. The Group currently does not use derivative financial instruments to manage its exposure to these risks.

Interest rate risk:

Financial instruments are subject to the risk of changes in value due to changes in the rates of interest. The effective interest rates and the periods in which interest bearing financial assets and liabilities are mentioned in the respective notes.

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. Financial assets which potentially subject the Group to credit risk consist principally of cash on hands at banks and accounts receivable. The Group's cash is placed with high credit rating local banks and receivables are presented net of allowance for doubtful debts. Credit risk with respect to receivables is limited due to the large number of customers and their dispersion across different industries.

The Group's maximum exposure arising from default of the counter-party is limited to the carrying amount of cash at banks and receivables.

Foreign currency risk:

The Group incurs foreign currency risk on transactions that are denominated in a currency other than the Kuwaiti Dinar. The Group may reduce its exposure to fluctuations in foreign exchange rates through the use of derivative financial

instruments. The Group ensures that the net exposure is kept to an acceptable level, by dealing in currencies that do not fluctuate significantly against the Kuwaiti Dinar.

The Company has transactional currency exposure on account of sales and purchases in currencies other than the functional currency

The following table demonstrates the sensitivity to a reasonably possible change in the foreign exchange between Kuwaiti Dinar and each of (USD and Pound sterling).

2013	Increase / (Decrease) against KD	Balance	Effect on consolidated statement of profit or loss
USD	+ 5%		
GBP	+ 5%		
2012	Increase / (Decrease) against KD	Balance	Effect on consolidated statement of profit or loss
USD	+ 5%	812,470	3 40,624
GBP	+ 5%	2,180	3109

Liquidity risk:

Liquidity risk is the risk that the Group will encounter difficulty in raising funds to meet commitments associated with financial instruments. To manage this risk, the Group periodically assesses the financial viability of customers and invest in bank deposits and other investments that is readily realizable.

Maturity table for financial liabilities:

	2013		
	1-3 months	3-12 months	Total
Accounts payable and other credit balances			3,734,465
	2012		
	1-3 months	3-12 months	Total
Accounts payable and other credit balances	2,634,164	215,635	2,849,799

Equity price risk

Equity price risk is the risk that fair values of equities decrease as the result of changes in level of equity indices and the value of individual stocks.

The following table demonstrates the sensitivity to a reasonably possible charge in

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equity indices as a result of change in fair value of investments at fair value through profit or loss, for which the Group had exposure as of December 31:

	2013		2012	
	Change in equity price %	Effect on consolidated statement of profit or loss	Change in equity price %	Effect on consolidated statement of profit or loss
Market Index				
Investment available for sale	35%	320,760	35%	324,993
Investments at fair value through profit or loss	35%	384,381	35%	381,743

Fair value of financial instruments:

The Group measures financial assets such as investments at fair value through profit or loss and available for sale investments and non – financial assets such as at fair value at each reporting date.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

- In the principal market for the asset or liability, or
- In the absence of a principal market, in the most advantageous market for the asset or liability

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

Level 1: Quoted (unadjusted) market prices in active markets for identical assets or liabilities.

Level 2: Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable.

Level 3: Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable.

The following table presents the Group's assets that are measured at fair value as of

December 31, 2013:

Assets	Fair value measurement		Total
	Level 1	Level 2	
Investment available for sale	63,366	351,835	415,201
Investments at fair value through profit or loss	-	1,687,628	1,687,628
	<u>63,366</u>	<u>2,039,463</u>	<u>2,102,829</u>

The following table presents the Group's assets that are measured at fair value as of December 31, 2012:

Assets	Fair value measurement		Total
	Level 1	Level 2	
Investment available for sale	25,008	474,842	499,850
Investments at fair value through profit or loss	-	1,634,857	1,634,857
	<u>25,008</u>	<u>2,109,699</u>	<u>2,134,707</u>

At December 31, the fair values of financial instruments approximate their carrying amounts, with the exception of certain financial assets available for sale carried at cost as indicated in (Note 4). The management of the Group has assessed that fair value of cash and cash equivalents, accounts receivable, accounts payable approximate their carrying amounts largely due to the short-term maturities of these instruments.

During the year there were no transfers between Level 1, Level 2 and Level 3.

For assets and liabilities that are recognised in the financial statements on a recurring basis, the Group determines whether transfers have occurred between Levels in the hierarchy by re-assessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

27. Capital risk management

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

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, sell assets to reduce debt, repay loans or obtain additional loans.

Consistent with others in the industry, the Group monitors capital on the basis of the

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gearing ratio. This ratio is calculated as net debt divided by total capital resources. Net debt is calculated as total borrowings less cash on hands and at banks. Total capital resources are calculated as total equity plus net debt.

28. Comparative figures

Certain of the prior year amounts have been reclassified to conform with the amounts of current year presentation. The details of reclassification are as follows:

<u>Description</u>	Balance as of December 31 ,2012 (Amount before reclassification)	<u>Adjustment</u>	Balance as of December 31 ,2012 (Amount after reclassification)
Consolidated statement of financial position:			
Treasury shares reserve	-	(36,623)	(36,623)
Retained earnings	3,177,104	36,623	3,213,727
Consolidated statement of profit or loss:			
Interest income	4,902	(4,902)	-
Other income	104,041	4,902	108,943