

**NATIONAL PETROLEUM SERVICES COMPANY - K.S.C. (CLOSED)
AND ITS SUBSIDIARY
STATE OF KUWAIT**

**INTERIM CONSOLIDATED FINANCIAL INFORMATION
FOR THE THREE MONTHS ENDED MARCH 31, 2014
(UNAUDITED)
WITH
REPORT ON REVIEW OF INTERIM CONSOLIDATED FINANCIAL INFORMATION**

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

INTERIM CONSOLIDATED FINANCIAL INFORMATION
FOR THE THREE MONTHS ENDED MARCH 31, 2014
(UNAUDITED)

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Report on review of interim consolidated financial information

The Board of Directors
National Petroleum Services Company - K.S.C. (Closed)
State of Kuwait

Introduction

We have reviewed the accompanying interim condensed consolidated statement 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 of March 31, 2014 and the related interim condensed consolidated statements of profit or loss, profit or loss and other comprehensive income, changes in equity and cash flows for the three months period then ended. The Parent Company's management is responsible for the preparation and presentation of this interim consolidated financial information in accordance with International Accounting Standard 34, 'Interim Financial Reporting'. Our responsibility is to express a conclusion on this interim consolidated financial information based on our review.

Scope of review

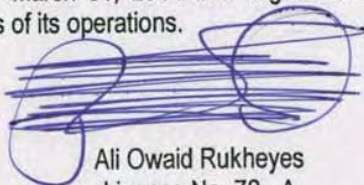
We conducted our review in accordance with International Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity". A review of interim consolidated financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

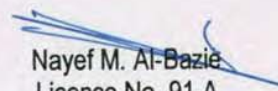
Based on our review, nothing has come to our attention that causes us to believe that the accompanying interim consolidated financial information is not prepared, in all material respects, in accordance with International Accounting Standard No. 34.

Report on other legal and regulatory requirements

Furthermore, based on our review, the interim consolidated financial information is in agreement with the books of account of the Parent Company. We further report that, to the best of our knowledge and belief, we have not become aware of any violations of the Companies Law 25 of 2012, its amendments and its executive regulation, the Articles of Incorporation or the Articles of Association of the Parent Company during the financial period ended March 31, 2014 that might have had a material effect on the Parent Company's financial position or results of its operations.



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State of Kuwait
April 29, 2014

NATIONAL PETROLEUM SERVICES COMPANY - K.S.C. (CLOSED)
AND ITS SUBSIDIARY
INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION (UNAUDITED)
AS OF MARCH 31, 2014
All amounts are in Kuwaiti Dinars)

ASSETS	Note	March 31, 2014	December 31, 2013 (Audited)	March 31, 2013
Non-current assets:				
Properties, plants and equipments		8,777,350	8,691,154	7,092,743
Investments available for sale		390,743	415,201	503,273
Total non-current assets		9,168,093	9,106,355	7,596,016
Current assets:				
Inventory		1,682,360	1,645,301	1,197,719
Trade receivables		4,740,280	3,690,138	3,475,776
Advance payments and other debit balances		1,280,047	1,100,943	866,586
Investments at fair value through profit or loss		1,687,605	1,687,628	1,642,067
Cash on hand and at banks		3,383,056	3,196,493	4,797,220
Total current assets		12,773,348	11,320,503	11,979,368
Total assets		21,941,441	20,426,858	19,575,384
EQUITY AND LIABILITIES				
Equity:				
Capital		5,760,951	5,760,951	5,760,951
Share premium		3,310,705	3,310,705	3,310,705
Treasury shares	3	(585,062)	(585,062)	(593,267)
Treasury shares reserve		33,825	33,825	29,095
Statutory reserve		1,757,769	1,757,769	1,456,346
Voluntary reserve		1,757,769	1,757,769	1,456,346
Cumulative change in fair value		43,138	50,706	27,711
Retained earnings		4,771,321	3,745,126	4,115,965
Total equity		16,850,416	15,831,789	15,563,852
Non-current liabilities:				
Provision for end of service indemnity		899,846	860,604	762,784
Total non-current liabilities		899,846	860,604	762,784
Current liabilities:				
Accounts payable and other credit balances		4,191,179	3,734,465	3,248,748
Total current liabilities		4,191,179	3,734,465	3,248,748
Total equity and liabilities		21,941,441	20,426,858	19,575,384

The accompanying notes from (1) to (9) form an integral part of the interim consolidated financial information


Omran Habib Hassan Jawhar Hayat
Chairman

NATIONAL PETROLEUM SERVICES COMPANY - K.S.C. (CLOSED)
AND ITS SUBSIDIARY
INTERIM CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS (UNAUDITED)
FOR THE THREE MONTHS ENDED MARCH 31, 2014
(All amounts are in Kuwaiti Dinars)

	Note	Three months ended March 31	
		2014	2013
Sales and services revenue		3,931,039	3,750,484
Cost of sales and services		(2,503,085)	(2,590,296)
Gross profit		1,427,954	1,160,188
Other (expense) income		(2,342)	47,576
Net investments (loss) income	4	(10,458)	36,011
General and administrative expenses		(323,263)	(285,929)
Profit for the period before contribution to Kuwait Foundation for the Advancement of Sciences, National Labor Support Tax, contribution to Zakat and Board of Directors' remuneration		1,091,891	957,846
Contribution to Kuwait Foundation for the Advancement of Sciences (KFAS)		(9,835)	(8,621)
National Labor Support Tax (NLST)		(28,471)	(24,991)
Contribution to Zakat		(11,388)	(9,996)
Board of Directors' remuneration		(16,002)	(12,000)
Net profit for the period		1,026,195	902,238
Earnings per share –fils	5	18.35	16.27

The accompanying notes from (1) to (9) form an integral part of the interim consolidated financial information

NATIONAL PETROLEUM SERVICES COMPANY - K.S.C. (CLOSED)
AND ITS SUBSIDIARY
INTERIM CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER
COMPREHENSIVE INCOME (UNAUDITED)
FOR THE THREE MONTHS ENDED MARCH 31, 2014
(All amounts are in Kuwaiti Dinars)

	Three months ended March 31	
	2014	2013
Net profit for the period	1,026,195	902,238
Other comprehensive income:		
<u>Items that may be reclassified subsequently to statement of profit or loss</u>		
Change in fair value of investments available for sale	(7,568)	3,423
Other comprehensive (loss) income for the period	(7,568)	3,423
Total comprehensive income for the period	1,018,627	905,661

The accompanying notes from (1) to (9) form an integral part of the interim consolidated financial information

**NATIONAL PETROLEUM SERVICES COMPANY - K.S.C. (CLOSED)
AND ITS SUBSIDIARY
INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (UNAUDITED)
FOR THE THREE MONTHS ENDED MARCH 31, 2014**

(All amounts are in Kuwaiti Dinars)

	Capital	Share premium	Treasury shares	Treasury shares reserve	Statutory reserve	Voluntary reserve	Cumulative change in fair value	Retained earnings	Total
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	-	-	(2,325)	-	-	-	-	-	(2,325)
Sale of treasury shares	-	-	277,869	65,718	-	-	-	-	343,587
Total comprehensive income for the period	-	-	-	-	-	-	3,423	902,238	905,661
Balance at March 31, 2013	5,760,951	3,310,705	(593,267)	29,095	1,456,346	1,456,346	27,711	4,115,965	15,563,852
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
Total comprehensive (loss) income for the period	-	-	-	-	-	-	(7,568)	1,026,195	1,018,627
Balance at March 31, 2014	5,760,951	3,310,705	(585,062)	33,825	1,757,769	1,757,769	43,138	4,771,321	16,850,416

The accompanying notes from (1) to (9) form an integral part of the interim consolidated financial information

NATIONAL PETROLEUM SERVICES COMPANY - K.S.C. (CLOSED)
AND ITS SUBSIDIARY
INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS (UNAUDITED)
FOR THE THREE MONTHS ENDED MARCH 31, 2014
(All amounts are in Kuwaiti Dinars)

	Three months ended March 31	
	2014	2013
Cash flows from operating activities:		
Profit for the period before contribution to Kuwait Foundation for the Advancement of Sciences, National Labor Support Tax, contribution to Zakat and Board of Directors' remuneration	1,091,891	957,846
Adjustments:		
Depreciation	377,010	294,464
Loss (gain) on sale of properties, plants and equipments	7	(39,738)
Net investments loss (income)	10,458	(36,011)
Interest income	(36)	(149)
Provision for end of service indemnity	44,058	37,118
	<u>1,523,388</u>	<u>1,213,530</u>
Change in operating assets and liabilities:		
Inventory	(37,059)	187,048
Accounts receivable and other debit balances	(1,229,246)	(1,338,048)
Accounts payable and other credit balances	391,018	345,045
Cash generated from operations	<u>648,101</u>	<u>407,575</u>
End of service indemnity paid	<u>(4,816)</u>	<u>-</u>
Net cash generated from operating activities	<u>643,285</u>	<u>407,575</u>
Cash flows from investing activities:		
Paid for purchase of properties, plants and equipments	(463,213)	(185,722)
Proceeds from sale of properties, plants and equipments	-	39,742
Dividend income received	6,430	28,664
Interest income received	36	149
Net movement on cash in investment portfolio	25	-
Net cash used in investing activities	<u>(456,722)</u>	<u>(117,167)</u>
Cash flows from financing activities:		
Proceeds from sale of treasury shares	-	343,587
Paid for purchase of treasury shares	-	(2,325)
Net cash generated from financing activities	<u>-</u>	<u>341,262</u>
Net increase in cash on hand and at banks	<u>186,563</u>	<u>631,670</u>
Cash on hand and at banks at beginning of the period	<u>3,196,493</u>	<u>4,165,550</u>
Cash on hand and at banks at end of the period	<u>3,383,056</u>	<u>4,797,220</u>

The accompanying notes from (1) to (9) form an integral part of the interim consolidated financial information

NATIONAL PETROLEUM SERVICES COMPANY - K.S.C. (CLOSED)
AND ITS SUBSIDIARY
NOTES TO INTERIM CONSOLIDATED FINANCIAL INFORMATION (UNAUDITED)
MARCH 31, 2014
(All amounts are in Kuwaiti Dinars)

1. Parent Company's incorporation and activities

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

The Parent Company was listed on the Kuwait Stock Exchange Market 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 November 26, 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 by Decree Law No. 97 of 2013 (the Decree). The Executive Regulation of the new amended law was issued on September 29, 2013 and was published in the official Gazette on October 6, 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: Industrial Shuaiba - Plot 3 - P.O. Box 9801 Al-Ahmadi, Postal Code 61008, State of Kuwait.

The interim consolidated financial information was authorized for issue by the Parent Company's Board of Directors on April 29, 2014.

2. Basis of preparation

This interim consolidated financial information has been prepared in accordance with International Accounting Standard 34 "Interim Financial Reporting". The accounting policies used in the preparation of this interim consolidated financial information for the period are consistent with those used in the preparation of the annual consolidated financial statements for the financial year ended December 31, 2013, except for the implementation of the following standards which are effective January 1, 2014:

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.

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.

The implementation of these amendments and standards did not have significant impact on the interim consolidated financial information of the Group.

Standards and Interpretations issued but not effective:

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

IFRS 9 Financial Instruments

The standard, which was earlier effective for annual periods beginning on or after January 1, 2015 and now deferred 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.

NATIONAL PETROLEUM SERVICES COMPANY - K.S.C. (CLOSED)
AND ITS SUBSIDIARY
NOTES TO INTERIM CONSOLIDATED FINANCIAL INFORMATION (UNAUDITED)
MARCH 31, 2014
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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.

This standard is not expected to have material impact on the interim consolidated financial information of the Group.

The interim consolidated financial information does not include all the information and notes required for complete financial statements prepared in accordance with International Financial Reporting Standards. In the opinion of management, all adjustments consisting of normal recurring accruals considered necessary for a fair presentation. Operating results for the financial period ended March 31, 2014 are not necessarily indicative of the results that may be expected for the financial year ending December 31, 2014. For further information, refer to the consolidated financial statements and notes thereto for the financial year ended December 31, 2013.

3. Treasury shares

	March 31, 2014	December 31, 2013 (Audited)	March 31, 2013
Number of treasury shares (share)	1,680,000	1,680,000	1,705,000
Percentage to issued shares (%)	%2.92	%2.92	%2.96
Market value (KD)	1,008,000	840,000	818,400
Cost (KD)	585,062	585,062	593,267

According to the decision of Capital Markets Authority on December 30, 2013, the Parent Company's management made freezing to part of the reserves equals to the balance of treasury shares as of the date of interim consolidated financial information. This reserve is not available for distribution throughout the period in which the Group keeps treasury shares within.

4. Net investments (loss) income

	Three months ended March 31	
	2014	2013
Dividend income	6,430	28,664
Impairment loss in value of investments available for sale	(16,890)	-
Unrealized gain from changes in fair value of investments at fair value through profit or loss	2	7,347
	(10,458)	36,011

5. Earnings per share

The information necessary to calculate the basic earnings per share based on the weighted average number of shares outstanding during the period is as follows:

	Three months ended March 31	
	2014	2013
Net profit for the period	1,026,195	902,238
<u>Number of outstanding shares:</u>	<u>Shares</u>	<u>Shares</u>
Number of shares issued	57,609,510	57,609,510
Less: weighted average number of treasury shares	(1,680,000)	(2,153,634)
Weighted average number of outstanding shares	55,929,510	55,455,876
Earnings per share – fils	18.35	16.27

NATIONAL PETROLEUM SERVICES COMPANY - K.S.C. (CLOSED)
AND ITS SUBSIDIARY
NOTES TO INTERIM CONSOLIDATED FINANCIAL INFORMATION (UNAUDITED)
MARCH 31, 2014
(All amounts are in Kuwaiti Dinars)

6. Contingent liabilities

	March 31, 2014	December 31, 2013 (Audited)	March 31, 2013
Letters of guarantee	2,939,706	3,261,242	2,184,106
Letters of credit	367,150	-	1,092,185
	<u>3,306,856</u>	<u>3,261,242</u>	<u>3,276,291</u>

7. General Assembly

The Parent Company's Board of Directors meeting held on February 20, 2014 suggested the distribution of cash dividends of 35 fils per share for the financial year ended December 31, 2013. This suggestion is subject to approval of annual General Assembly of Parent Company's shareholders.

The annual General Assembly of shareholders for the financial year ended December 31, 2013 has not been held until the date of preparation of the interim consolidated financial information. Accordingly, the consolidated financial statements for the financial year ended December 31, 2013 have not yet been approved till this date. The interim consolidated financial information for the financial period ended March 31, 2014 do not include any adjustments, which might have been required, in case the consolidated financial statements for the financial year ended December 31, 2013 has been approved by the General Assembly.

The General Assembly of Parent Company's shareholders held on April 30, 2013 approved the distribution of cash dividends of 30 fils per share for the financial year ended December 31, 2012.

8. Segment information

For purposes of segment reporting, the Group's management has allocated its products and services 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:

	March 31, 2014		
	Oil field services	Industrial products and services	Total
Segment revenue	3,415,823	515,216	3,931,039
Segment expenses	(1,660,196)	(842,889)	(2,503,085)
Gross profit	1,755,627	(327,673)	1,427,954
Unallocated revenue	-	-	9,800
Unallocated expenses	-	-	(411,559)
Net profit for the period	-	-	1,026,195
Segment assets	20,476,613	1,464,828	21,941,441
Segment liabilities	5,091,025	-	5,091,025

NATIONAL PETROLEUM SERVICES COMPANY - K.S.C. (CLOSED)
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NOTES TO INTERIM CONSOLIDATED FINANCIAL INFORMATION (UNAUDITED)
MARCH 31, 2014
(All amounts are in Kuwaiti Dinars)

	March 31, 2013		
	Oil field services	Industrial products and services	Total
Segment revenue	2,853,990	896,494	3,750,484
Segment expenses	(1,746,431)	(843,865)	(2,590,296)
Gross profit	1,107,559	52,629	1,160,188
Unallocated revenue	-	-	83,586
Unallocated expenses	-	-	(341,536)
Net profit for the period	-	-	902,238
Segment assets	18,664,552	910,832	19,575,384
Segment liabilities	4,011,532	-	4,011,532

9. Fair value of financial instruments

IFRS 7 requires disclosure of fair value measurements by level of the following fair value measurement hierarchy:

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

Level 2: Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices).

Level 3: Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs).

The following table presents the Group's financial instruments that are measured at fair value at:

March 31, 2014:

Assets	Level 1	Level 2	Total
Investments available for sale	55,812	334,931	390,743
Investments at fair value through profit or loss	-	1,687,605	1,687,605
	<u>55,812</u>	<u>2,022,536</u>	<u>2,078,348</u>

December 31, 2013:

Assets	Level 1	Level 2	Total
Investments 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>

March 31, 2013:

Assets	Level 1	Level 2	Total
Investments available for sale	29,444	473,829	503,273
Investments at fair value through profit or loss	-	1,642,067	1,642,067
	<u>29,444</u>	<u>2,115,896</u>	<u>2,145,340</u>

During the financial period ended March 31, 2014, there were no transfers between different levels of fair value measurement.