

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



التقرير السنوي

2014

National Petroleum Services Company (K.S.C.)

التقرير السنوي

ANNUAL REPORT

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National Petroleum Services Company (K.S.C.)



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الشركة الوطنية للخدمات البترولية (ش.م.ك)





His Highness  
**Sheikh Sabah Al-Ahmed Al-Jaber Al-Sabah**  
Amir of the State of Kuwait



His Highness  
**Sheikh Nawaf Al-Ahmed Al-Jaber Al-Sabah**  
Crown Prince



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



**National Petroleum Services Company K.S.C.  
Kuwait**

**Financial statements and independent auditors' report**

*FOR THE FISCAL YEAR ENDED DECEMBER 31, 2014*

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



## Board of Directors



**Omran Habib Jawhar Hayat**  
Chairman



**Khalid Hamdan Al-Saif**  
Deputy of Chairman & CEO



**Fahad Yaaqob Al-Jouan**  
Member



**Sheikh / Hamad Jaber Al-Sabah**  
Member



**Munawer Anwar Al-Nouri**  
Member



**Muhammen Ali Behbehani**  
Member  
Represented Qurain Plastic  
Industrial Company



**Ali Masood Hayat**  
Member



## CHAIRMAN'S SPEECH

### *Ladies, Gentlemen and NAPESCO Shareholders*

On behalf of the Board of Directors and NAPESCO's employees, I welcome you and present our Annual Report for 2014 along with some of the important developments related to our operational and contractual activities.

Our Company has grown over the years to become a well-known and reliable service provider in the Oil Field and Environmental areas. We continue to present a strong performance which is clearly reflected in the financial results and profits achieved in 2014.

#### **Below are the Company achievements during the year 2014:**

- A three year contract with Joint Operations (Kuwait Gulf Oil Company and Saudi Arabian Chevron) valued at KD 3.376 Million for Services & Supply of Equipment for Earth Moving.
- A five year consulting services contract with Joint Operations (Kuwait Gulf Oil Company and Saudi Arabian Chevron) valued at KD 2.726 Million for Operational Procedures and Risk Management Studies.
- A 3 year contract with KNPC valued at 1.091 Million KD for Oil Leak Detection & Repair Services.
- Our Company has received a purchase order valued at 483,048 KD from Kuwait Oil Company for the Supply of Materials & Equipment for Drilling Operational Support over 10 months.
- We have received Qualification Status from the Governorate of Basra, Iraq for Environmental Services and there are on-going negotiations with Iraqi Drilling Company to provide Cementing & Associated Services.
- We postponed our expansion plans into Kurdistan, Iraq to avoid the current high risk political situation there and will continue to do so in the near term.

The Company is conducting two projects as a Subcontractor for the reclamation of waste oil. We are of the opinion that the Environmental Field will have a positive impact on the Company's future growth. Hence, we have elected to invest in the necessary manpower and equipment needed for these types of projects during 2014 and will continue to develop this business segment in the coming years ahead.

It is the Company's strategic vision and future goal to become an integrated services provider within the oil field services sector. This shall entail the provision of a greater number of technical and support services required of drilling and workover operations. Additionally, we anticipate increasing the size of our downstream business activities within the Kuwait energy sector including refining, distribution and petrochemicals.

The Company anticipates Revenue will increase 8% over the next three to five years while maintaining a Profit Margin and a Return on Equity rates of 15% to 20%. This, without affecting the workflow or the volume of investment required to develop and renew the company's assets.

We continue to remain sincerely committed to delivering the highest level of quality services to our clients and ensuring customer satisfaction across all of our business activities.

***Here are the Financial Results for the year ending 31/12/2014:***

- The Company achieved Revenue from Sales & Services amounting to 16,065,962 KD in 2014 as compared with 14,803,852 KD in 2013, an increase of 8.5%.
- A Net Profit of 3,392,479 KD was realized in 2014 (60.66 Fills per Share) compared with 2,811,380 KD in 2013 (50.39 Fills per Share), an increase of 20.66%.
- Shareholders' Equity has been increased to 17,236,796 KD in 2014 compared with 15,831,789 KD in 2013, an increase of 8.87%.

Thus, the Company maintains a continuous upward growth in achieving greater revenues and higher profits.

The Board of Directors has recommended that 45% of the nominal value of the shares (45 fills per share) be allotted as a cash dividend to the shareholders for the year ending 31/12/2014 and also recommended to reward the members of the Board of Directors with cash totaling 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 2014, wishing them every success and continuation of this successful process to serve our shareholders and our beloved Kuwait.



***Omran Habib Jawhar Hayat***

***Chairman***



## COMPANY OUTLINE

<b>Name of the Company</b>	<b>National Petroleum Services Company (K.S.C)</b>
<b>Commercial Registration No.</b>	49911 dated 28 March 1993
<b>Date Established</b>	3rd of January 1993
<b>Date Listed on the K S E</b>	18th of October 2003
<b>Address</b>	Shuaibah Industrial Area, Block 3, Street 6, Plot 76
<b>P.O. Box</b>	9801 Ahmadi 61008 Kuwait
<b>Tel.</b>	22251000
<b>Fax</b>	22251010
<b>Website</b>	<a href="http://www.napesco.com">www.napesco.com</a>
<b>Authorized Capital</b>	KD 5,760,951
<b>Paid Up</b>	KD 5,760,951
<b>Nominal Value of the Share</b>	100 Fils
<b>Auditor</b>	<b>SRM A Albazie &amp; Co.</b>

### Public Accountants

P.O. Box 2115 Safat 13022 State of Kuwait  
Tel. 22410010 - 22961000  
Fax 22412761

### Al-Waha

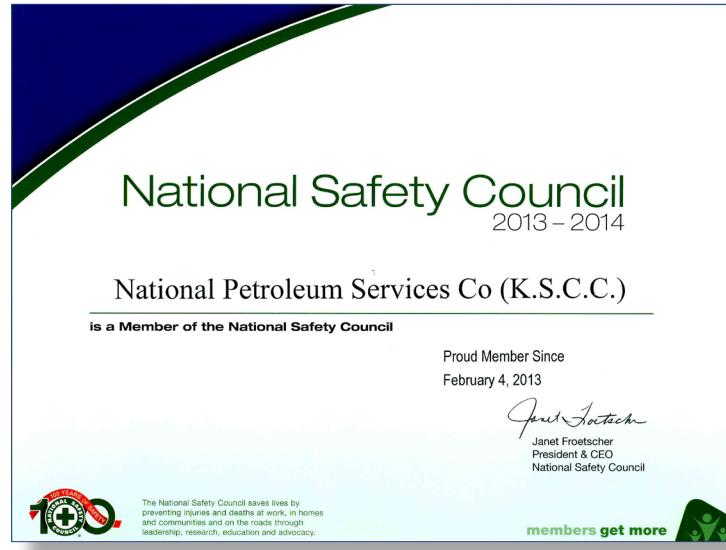
### Auditing Office

### Ali Awaid Office

P.O. Box 27387, Safat, 13134, State of Kuwait  
Tel. : 22423415  
Fax: 22423417



## SAFETY CERTIFICATES



## AWARDS





## LIST OF PRINCIPAL COMPANIES

COMPANY NAME	COUNTRY OF ORIGIN	SERVICES
FLOWSERVE LIMITORQUE	United State	ELECTRIC ACTUATORS, MOTORISED VALVES
FPC (FIRE PROTECTION CONSULTANT)	BELGIUM	FIRE ENGINEERING CONSULTANCY
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
JOSLER HYDROCARBONS	INDIA	GEOLOGICAL ENGINEERING AND CONSULTANCY
HIRO NISHA SYSTEMS PVT, LTD.	INDIA	HIGH PRESSURE, POSITIVE DISPLACEMENT TRIPLEX PLUNGER PUMPS
SWELORE ENGG. PVT. LTD	INDIA	CHEMICAL DOSING /INJECTION SYSTEMS

## ACCREDITATION / CERTIFICATION

ENVIRONMENT PUBLIC AUTHORITY	EIA STUDIES ENVIRONMENTAL CONSULTATIONS EVALUATION OF EXISTING ENVIRONMENTAL CONDITIONS MERCURY CONTAMINATED SOIL TREATMENT HALON MANAGEMENT SERVICES
MINISTRY OF DEFENCE	MAINTENANCE OF FIRE ALARM AND FIRE FIGHTING SYSTEM SUPPLY OF INDUSTRIAL PRODUCTS
MINISTRY OF ELECTRICITY & WATER	SOIL INVESTIGATION ENVIRONMENTAL CONSULTATIONS SERVICES
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 CERTIFICATE OF PROFESSIONAL COMPETENCE IN DANGEROUS GOOD BY ROAD (ADR)
IRU Academy ADR Certificate	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

## 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
	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
Joint Operations - Wafra	CEMENTING SERVICES
	COILD TUBING,NITROGEN AND STIMULATION SERVICES
	OILY VISCOS LIQUID TREATMENT
	FIRE ALARM AND FIRE FIGHTING SYSTEM, DESIGN SURVEY AND ASSESSMENT
	ENVIRONMENTAL CONSULTANCY & MONITORING
	SAFETY CONSULTANCY
	CONSULTANCY SERVICES FOR FIRE PROTECTION SYSTEM
Joint Operations - Khafji	ASBESTOS CONSULTANCY
	ENVIRONMENTAL CONSULTANCY
	INDOOR AIR QUALITY SERVICES
	STACK EMISSION MONITORING SERVICES
	LEED CONSULTANCY
Petrochemical Industries Company (PIC)	ONLINE LABORATORY MAINTENANCE SERVICES
	LABORATORY ANALYTICAL SERVICES FOR SOIL, OIL AND WATER (SOW)
	WELL TESTING SERVICES
	ENVIRONMENTAL MONITORING
	LOCAL RECRUITMENT
	MAINTENANCE OF FIRE FIGHTING SYSTEM
	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
	WELL TESTING SERVICES
	WASTE MANAGEMENT SERVICES
	ENGINEERING & RISK ASSESSMENT SERVICES
	ENVIRONMENTAL RESTORATION AND EARTH MOVING WORKS
	ANALYTICAL LABORATORY SERVICES
	CRUDE OILY SLUDGE TREATMENT
	HYDROCARBON CONTAMINATED SOIL TREATMENT
	SEISMIC DATA INTERPRETATION & QUALITY CONTROL
	FIRE FIGHTING & FIRE ALARM MAINTENANCE SERVICES



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National Petroleum Services Company (K.S.C.)





**SRM A Albazie & Co.**

**Public Accountants**

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**Al-Waha**

**Auditing Office**

**Ali Awaad Office**

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## **INDEPENDENT AUDITORS' REPORT**

### **THE SHAREHOLDERS**

**NATIONAL PETROLEUM SERVICES COMPANY - K.S.C. (PUBLIC)  
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. (Public) (the Parent Company) and its subsidiary (the Group), which comprise the consolidated statement of financial position as of December 31, 2014, and the consolidated statements of profit or loss, profit or loss and other comprehensive income, changes in equity and cash flows for the fiscal 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



**SRM A Albazie & Co.**

**Public Accountants**

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مكتب الواحة  
لتحقيق الحسابات  
علي عويد رخيص

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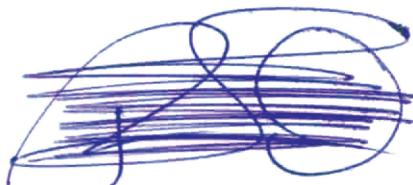
appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

**Opinion**

In our opinion, the consolidated financial statements present fairly, in all material respects, financial position of National Petroleum Services Company - K.S.C. (Public) as of December 31, 2014, and its financial performance and its cash flows for the fiscal 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 of 2012, its amendments and Executive regulations, the Parent Company's Memorandum 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 Parent Company's books. According to the information available to us, there were no contraventions during the fiscal year ended December 31, 2014 of both the Companies Law No. 25 of 2012, its amendments and Executive regulations or of the Parent Company's Memorandum of Incorporation or Articles of Association which might have materially affected the Parent Company's financial position or results of its operations.



Ali Awaid Rukheyes

Licence No. 72 - A

Member of the International Group  
of Accounting Firms

State of Kuwait  
February 18, 2015



Nayef M. Al-Bazie

Licence No. 91-A

RSM Albazie & Co.

## Consolidated statement of financial position As at 31 December 2014

ASSETS	Note	2014	2013
Non-current assets:			
Property, plant and equipment	3	8,000,810	8,691,154
Investments available for sale	4	49,701	415,201
Total non- current assets		8,050,511	9,106,355
Current assets:			
Inventories	5	2,211,409	1,645,301
Accounts receivable	6	5,439,881	3,690,138
Pre-payments and other debit balances	7	982,540	1,100,943
Investments at fair value through profit or loss	8	1,675,094	1,687,628
Cash on hand and at banks		4,196,919	3,196,493
Total current assets		14,505,843	11,320,503
<b>Total assets</b>		<b>22,556,354</b>	<b>20,426,858</b>
<b>SHAREHOLDERS' EQUITY AND LIABILITIES</b>			
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)	(585,062)
Treasury shares reserve		33,825	33,825
Statutory reserve	12	2,120,691	1,757,769
Voluntary reserve	13	2,120,691	1,757,769
Cumulative change in fair value		20,767	50,706
Retained earnings		4,454,228	3,745,126
<b>Total equity</b>		<b>17,236,796</b>	<b>15,831,789</b>
Non-current liabilities:			
Provision for end of service indemnity	14	1,131,646	860,604
<b>Total non-current liabilities</b>		<b>1,131,646</b>	<b>860,604</b>
Current liabilities:			
Accounts payable and other credit balances	15	4,187,912	3,734,465
Total current liabilities		4,187,912	3,734,465
Total liabilities		5,319,558	4,595,069
<b>Total shareholders' equity and liabilities</b>		<b>22,556,354</b>	<b>20,426,858</b>

  
**Omran Habib Hayat**  
 Chairman

The accompanying notes (1) to (31) form an integral part of the consolidated financial statements



**Consolidated statement of profit or loss  
For the year ended 31 December 2014**

	Note	2014	2013
Sales and services revenue		16,065,962	14,803,852
Cost of sales and services		(11,132,332)	(10,544,169)
Gross profit		4,933,630	4,259,683
General and administrative expenses	16	(1,754,002)	(1,287,243)
Provision for doubtful debts	6	-	(102,667)
Operating Profit		3,179,628	2,869,773
Net investment income	17	115,854	57,383
Other income	18	333,737	87,069
Profit for the year before contribution to Kuwait Foundation for the Advancement of Sciences (KFAS), National Labor Support Tax (NLST), contribution to Zakat and Board of Directors' remuneration		3,629,219	3,014,225
Contribution to Kuwait Foundation for the Advancement of Sciences (KFAS)	19	(33,829)	(27,128)
National Labor Support Tax (NLST)	20	(99,222)	(79,798)
Contribution to Zakat	21	(39,689)	(31,919)
Board of directors' remuneration	15	(64,000)	(64,000)
Net profit for the year		3,392,479	2,811,380
Earnings per share - (fils)	22	60.66	50.39

The accompanying notes (1) to (31) form an integral part of the consolidated financial statements

**Consolidated statement of profit or loss and other comprehensive income**  
**For the year ended 31 December 2014**

	Note	2014	2013
Net profit for the year		<b>3,392,479</b>	2,811,380
Other comprehensive income :			
<u>Items that may be reclassified subsequently to consolidated statement profit or loss</u>			
Change in fair value of investments available for sale	4	<b>(29,939)</b>	26,418
Other comprehensive (loss) income for the year		<b>(29,939)</b>	26,418
Total comprehensive income for the year		<b>3,362,540</b>	2,837,798

The accompanying notes (1) to (31) form an integral part of the consolidated financial statements



**Consolidated statement of changes in shareholders' equity  
For the year ended 31 December 2014**

	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, 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 25)	-	-	-	-	-	-	-	(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
Total comprehensive (loss) income for the year	-	-	-	-	-	-	(29,939)	3,392,479	3,362,540
Cash dividends 2013 (35 fils per share) - (Note 25)	-	-	-	-	-	-	-	(1,957,533)	(1,957,533)
Transfer to reserves	-	-	-	-	362,922	362,922	-	(725,844)	-
Balance at December 31, 2014	5,760,951	3,310,705	(585,062)	33,825	2,120,691	2,120,691	20,767	4,454,228	17,236,796

The accompanying notes (1) to (31) form an integral part of the consolidated financial statements

## Consolidated statement of cash flows For the year ended 31 December 2014

	2014	2013
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	3,629,219	3,014,225
Adjustments for:		
Depreciation	2,005,476	1,295,469
Loss (Gain) on sale of property, plant and equipment	15,012	(81,831)
Net investment income	<u>(115,854)</u>	<u>(57,383)</u>
Provision for doubtful debts	-	102,667
Net Provisions no longer required	(333,086)	-
Interest income	(763)	(444)
Provision for end of service indemnity	<u>334,121</u>	<u>177,673</u>
	<u>5,534,125</u>	<u>4,450,376</u>
Changes in operating assets and liabilities:		
Inventories	(566,108)	(255,460)
Accounts receivable, prepayments and other debit balances	(1,631,340)	(1,889,434)
Accounts payable and other credit balances	<u>1,088,243</u>	<u>751,304</u>
Cash generated from operating activities	4,424,920	3,056,786
Payment of Kuwait Foundation for the Advancement of Sciences	(27,128)	(21,483)
Payment of National Labor Support Tax	(144,870)	-
Payment of Zakat	(57,948)	-
Board of Directors' remuneration paid	(64,000)	(48,000)
Paid for end of service indemnity	(63,079)	(42,735)
Net cash generated from operating activities	<u>4,067,895</u>	<u>2,944,568</u>
Cash flows from investing activities		
Paid for purchase of property, plant and equipments	(1,575,180)	(2,825,919)
Proceeds from sale of property, plant and equipments	532	119,109
Proceeds from sale of investments available for sale	354,524	-
Dividend income received	109,827	115,374
Interest income received	763	444
Net movement in cash at portfolios	(402)	305
Net cash used in investing activities	<u>(1,109,936)</u>	<u>(2,590,687)</u>
Cash flows from financing activities		
Proceeds from sale of treasury shares	-	357,887
Paid for purchase of treasury shares	-	(3,690)
Cash dividends paid	(1,957,533)	(1,677,135)
Net cash used in financing activities	<u>(1,957,533)</u>	<u>(1,322,938)</u>
Net increase (decrease) in cash on hand and at banks	1,000,426	(969,057)
Cash on hand and at banks at beginning of the year	3,196,493	4,165,550
Cash on hand and at banks at end of the year	<u>4,196,919</u>	<u>3,196,493</u>

The accompanying notes (1) to (31) form an integral part of the consolidated financial statements



## Notes to the consolidated financial statements For the year ended 31 December 2014

### 1. Incorporation and objectives of the Parent Company

National Petroleum Services Company - K.S.C. (Public) 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.357 dated June 15, 2014 and according to the Parent Company's Shareholders' Extraordinary General Assembly meeting held on May 1, 2014, the Parent Company had complied with the requirements of the Companies' Law No. 25 of 2012 and its subsequent amendments and executive regulations, which has been ratified by the Shareholders' General Assembly.

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:
  - Performing all support services for wells drilling, repairs and preparation operations for production as well as related maintenance services.
  - Establishing of industrial firms with a view to manufacture and production of equipments and materials necessary for such objectives after obtaining the approval of the competent authorities.
  - Importing and processing of machinery tools and tools necessary for the execution of such objectives.
  - Processing of Lands and real estates necessary for setting up its facilities and requirements.
  - Importing and exporting of chemicals necessary for the execution of the works stated in clause (1) above.
  - Concluding agreements and obtaining of franchise which it deems necessary for the achieving its objectives.
  - Processing of necessary patents, and trademarks which it needs.
  - Obtaining and granting of agencies in connection with the company's activities.
- 1- Providing environmental services and related comprehensive laboratories environmental analyzes in addition to advisory services relating to the environment, health and safety as well as environmental training and carrying out environmental studies and research, including environmental impact studies after the approval of the concerned authorities. Environmental services include the following:
  - 2- Taking, processing and examination of all kinds of waste samples and transfer, processing, recycling and waste disposal operations related to oil drilling and production of oil and lake sediments and oil tanks and other environmentally harmful industrial wastes.
  - 3- Treating all harmful environmental wastes (solid - semi-solid - liquid - gas - Others) such as those related to oil industry and services and turn it into energy, namely oil wells offshore oil platforms and oil platforms and wild plants of oil and gas , chemicals and services to the industrial , marine and offal refining , in addition to waste industry and services related to sanitation and waste industry , refining and desalination of water and medical fields.
  - 4- Fulfillment of collection and transport, cleaning, processing and recycling and disposal of

## **Notes to the consolidated financial statements**

### **For the year ended 31 December 2014**

industrial and chemical residues on the work of drilling, transportation, storage, production and export of petroleum (oil - gas).

- 5- Import, export, leasing, sale and storage of equipments and machineries used in the collection and transport and cleaning , processing and recycling and disposal of waste of all kinds.
- 6- Providing solutions, technologies and software support in dealing with the environment and dealing with all kinds of offal.
- 7- Trading in raw materials and manufactured products to protect and preserve the environment.
- 8- Providing all kinds of environmental training at independent specialized training centers, and security related consultancy, health and environment, environmental and chemical laboratories, provided that required conditions are met in those who are engaged in the profession and after the approval of the concerned authorities.
- 9- Providing credits and environmental auditing and monitoring of relevant institutions and qualifying and licensing human resources to do all the works required and environmental activities.
- 10- Supply and installation of mobile and fixed devices in the oil and non-oil sites to measure air pollutants on a regular basis.
- 11- Supply of technical manpower specialized in the work of the Special Anti- marine environment surrounding the oil pollution sites.
- 12- Examining and monitoring of the safety of oil installations, transmission lines and oil and gas tankers, refineries, factories and related supplements.
- Supply and installation of safety equipments and security systems and control of oil ports for as, surveillance cameras and alarm systems against theft and fire-fighting equipments and explosives detection, and so on.
- Utilizing surplus funds of the Parent Company by investing in portfolios managed by specialized companies.
- The establishment of industrial plants and related accessories for the purpose of making and production, import, export, sale, storage and rental linings wells and pipe production and conservation, and the heads of the wells and all the necessary operations for the drilling of wells and production, as well as required to implement the purposes of equipment materials.
- Acting as a middleman for all other operations necessitated by the Parent Company of various business interests and a variety of purposes in all the major oil fields of the oil sector.
- Carrying out all types of drilling wells and the subsequent development of processes to those wells and maintenance.
- Conduct studies and surveys and research related to the purposes of the Parent Company.

The Parent company is allowed to conduct all these activities inside State of Kuwait or abroad, have an interest or participate in any means with enterprises conducting related activities, which could assist the Parent Company in conducting its activities inside State of Kuwait or abroad, or acquire those enterprises or be associated thereto.



## Notes to the consolidated financial statements For the year ended 31 December 2014

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, 2014, the Group had 666 employees (2013 – 452 employees).

The consolidated financial statements were authorized for issue by the Board of Directors of the Parent Company on February 18, 2015. 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 which is the functional currency of the Parent Company, and are prepared under the historical cost convention, except for, 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 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 (r).

#### Standards and Interpretations issued and effective

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 as of 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".

#### Amendments to IAS 36 – Recoverable amount disclosures for non-financial assets

The amendments to IAS 36 remove the requirement to disclose the recoverable amount of a cash generating unit ("CGU") to which goodwill or other intangible assets with indefinite useful lives had been allocated when there has been no impairment or reversal of impairment of the related CGU. Furthermore, the amendments introduce additional disclosure requirements applicable to when the recoverable amount of an asset or CGU is measured at fair value less costs of disposal. These new disclosures include fair value hierarchy, key assumptions and valuation techniques used which are in line with the disclosures required by IFRS 13 Fair Value Measurements.

## **Notes to the consolidated financial statements**

### **For the year ended 31 December 2014**

#### Amendments to IAS 39 – Novation of derivatives and continuation of hedge accounting

The amendments to IAS 39 provide relief from the requirement to discontinue hedge accounting when a derivative designated as a hedging instrument is novated under certain circumstances. The amendments also clarify that any change to the fair value of the derivative designated as a hedging instrument arising from novation should be included in the assessment and measurement of hedge effectiveness.

These amendments and standards are not expected to have a material impact on the consolidated financial statements.

#### Standards and Interpretations issued but not effective

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

#### IFRS 9 - Financial Instruments

The standard, effective for annual periods beginning on or after January 1, 2018, replaces the existing guidance in IAS 39 Financial Instruments: Recognition and Measurement. IFRS 9 specifies how an entity should classify and measure its financial instruments and includes a new expected credit loss model for calculating impairment of financial assets and the new general hedge accounting requirements. It also carries forward the guidance on recognition and derecognition of financial instruments from IAS 39.

#### Amendments to IFRS 11 – Accounting for acquisitions of interests in joint operations

The amendments clarify the accounting for acquisitions of an interest in a joint operation when the operation constitutes a business requiring the acquirer to apply all the principles on business combinations accounting in IFRS 3 and other IFRSs. The amendments are effective prospectively for annual periods beginning on or after 1 January 2016, with earlier application being permitted.

#### IFRS 15 - Revenue from contracts with customers

- The standard, effective for annual periods beginning on or after January 1, 2017, establishes a comprehensive framework for determining whether, how much and when revenue is recognized. It replaces the following existing standards and interpretations upon its effective date:
  - IAS 18 – Revenue,
  - IAS 11 – Construction Contracts,
  - IFRIC 13 – Customer Loyalty Programs,
  - IFRIC 15 – Agreements for the Construction of Real Estate,
  - IFRIC 18 – Transfers of Assets from Customers, and,

#### SIC 31 – Revenue-Barter Transactions Involving Advertising Services

#### Amendments to IAS 16 and IAS 38 – Clarification of acceptable methods of depreciation and amortization

The amendments, effective prospectively for annual periods beginning on or after January 1, 2016, clarify the principle in IAS 16 and IAS 38 that revenue reflects a pattern of economic benefits that are generated from operating a business (of which the asset is a part) rather than the economic benefits



## Notes to the consolidated financial statements For the year ended 31 December 2014

that are consumed through the use of an asset. As a result, a revenue based method cannot be used to depreciate property, plant and equipment and may only be used in very limited circumstances to amortize intangible assets.

### Amendments to IAS 27 – Equity method in separate financial statements

The amendment, effective for annual periods beginning on or after January 1, 2016, allow entities to use the equity method to account for investments in subsidiaries, joint ventures and associates in their separate financial statements. Entities already applying IFRS and electing to change to the equity method in its separate financial statements will have to apply that change retrospectively.

### Amendments to IFRS 10 and IAS 28 – Sale or contribution of assets between an investor and its associate or joint venture

The amendments address a conflict between the requirements of IAS 28 ‘Investments in Associates and Joint Ventures’ and IFRS 10 ‘Consolidated Financial Statements’ and clarify that in a transaction involving an associate or joint venture, the extent of gain or loss recognition depends on whether the assets sold or contributed constitute a business. They are effective for annual periods beginning on or after 1 January 2016, with earlier application being permitted.

These amendments, revisions and standards are not expected to have a material impact on the consolidated financial statements.

### **b) Basis of consolidation:**

The consolidated financial statements incorporate the financial statements of National Petroleum Services Company K.S.C. (Public) (the Parent Company) and the following subsidiary:

Name of subsidiary	Incorporation country	Ownership percentage	
		2014	2013
Napesco International Petroleum Services Company W.L.L	Kuwait	99%	99%

Subsidiaries (investees) are those enterprises controlled by the Parent Company. Control is achieved 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 Parent 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 Group 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 Group considers all relevant facts and circumstances in assessing whether or not the Group’s voting rights in an investee are sufficient to give it power, including:

the size of the Group’s holding of voting rights relative to the size and dispersion of holdings of the other vote holders;

## **Notes to the consolidated financial statements**

### **For the year ended 31 December 2014**

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 Group 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 Parent 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

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

#### **c) Financial instruments**

Financial assets and financial liabilities are recognized when the Group becomes a party to the contractual provisions of the instruments.

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

Financial instruments are classified as liabilities or equity in accordance with the substance of the



## Notes to the consolidated financial statements For the year ended 31 December 2014

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 amounts due from customers for merchandise sold or services performed in the ordinary course of business and is 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:

#### Initial recognition and measurement

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

#### 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 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 the settlement date – the date on which an asset is

## **Notes to the consolidated financial statements**

### **For the year ended 31 December 2014**

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.

#### **Subsequent measurement**

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

#### **Derecognition**

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.

#### **Impairment**

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.



## Notes to the consolidated financial statements For the year ended 31 December 2014

### 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) Joint arrangements:

The Group classifies its interests in joint arrangements as either joint operations or joint ventures depending on the Group's right to the assets and obligations for the liabilities of the arrangements.

#### e) Joint Ventures

A joint venture is a joint arrangement, whereby the parties that have joint control of the arrangement have rights to the net assets of the joint arrangement. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require unanimous consent of the parties sharing control.

Investment in Joint Ventures is accounted based on equity method similar to associates.

#### f) Joint Operations

A joint operation is a joint arrangement, whereby the parties that have joint control of the arrangement have rights to the assets, and obligations for the liabilities, relating to the arrangement. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require unanimous consent of the parties sharing control.

When a group entity undertakes its activities under joint operations, the Group as a joint operator recognizes in relation to its interest in a joint operation:

Its assets, including its share of any assets held jointly.

Its liabilities, including its share of any liabilities incurred jointly.

Its revenue from the sale of its share of the output arising from the joint operation.

Its share of the revenue from the sale of the output by the joint operation.

Its expenses, including its share of any expenses incurred jointly.

The Group accounts for the assets, liabilities, revenues and expenses relating to its interest in a joint operation in accordance with the IFRSs applicable to the particular assets, liabilities, revenues and expenses.

When a group entity transacts with a joint operation in which a group entity is a joint operator (such as a sale or contribution of assets), the Group is considered to be conducting the transaction with the other parties to the joint operation, and gains and losses resulting from the transactions are recognized in the Group's consolidated financial statements only to the extent of other parties' interests in the joint operation.

When a group entity transacts with a joint operation in which a group entity is a joint operator (such as a purchase of assets), the Group does not recognize its share of the gains and losses until it resells those assets to a third party.

## **Notes to the consolidated financial statements**

### **For the year ended 31 December 2014**

#### **g) Property, plant and equipment:**

The initial cost of property, plant and equipment 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 profit or loss 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 equipment.

Property, plant and equipment 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 consolidated statement of profit or loss for the period.

Properties in the course of construction for production, supply or administrative purposes are carries at cost, less any recognized impairment losses. Cost includes professional fees and, for qualifying assets, borrowing

Costs capitalized in accordance with the Group's accounting policy. Such properties are classified in the appropriate categories of property, plant and equipment when completed and ready for intended use.

Depreciation of these assets, on the same basis as other property assets, commences when the assets are ready for their intended use.

Land is not depreciated. Depreciation is computed on a straight-line basis over the estimated useful lives of other property, plant and equipments as follows:

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

An item of property, plant and equipment is derecognized upon disposal or when no future economic benefits are expected to arise from the continued use of the asset.

#### **h) Impairment of assets:**

At the end of each reporting period, 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



## Notes to the consolidated financial statements For the year ended 31 December 2014

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.

### i) 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 and where applicable, direct labor costs and those overheads that have been incurred in bringing the inventories 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. Write-down is made for obsolete and slow-moving items based on their expected future use and net realizable value.

### j) Share 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.

### k) 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 share premium, 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.

## **Notes to the consolidated financial statements**

### **For the year ended 31 December 2014**

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 shareholders.

#### **l) End of service indemnity:**

Provision is made for amounts payable to employees under the Kuwaiti Labor Law in the private sector, 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.

#### **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) 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.

**Commission:** When the Group acts in the capacity of an agent rather than as the principal in a transaction, the revenue recognized is the net amount of commission made by the Group.

**Services income:** Revenue from services 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.



## Notes to the consolidated financial statements For the year ended 31 December 2014

**Other income and expenses:** Other income and expenses are recognized on accrual basis.

### **o) 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 as at the end of 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 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 other comprehensive income.

The assets and liabilities of the foreign subsidiary are translated into Kuwaiti Dinars at rates of exchange prevailing at the end of reporting period. The results of the subsidiary are translated into Kuwaiti Dinars at rates approximating the exchange rates prevailing at the dates of the transactions. Foreign exchange differences arising on translation are recognized directly in other comprehensive income. Such translation differences are recognized in consolidated statement of profit or loss in the period in which the foreign operation is disposed off.

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing rate.

### **p) Contingencies:**

Contingent liabilities are not recognized in the financial statements unless it is probable as a result of past events that an outflow of economic resources will be required to settle a present, legal or constructive obligation; and the amount can be reliably estimated. Else, they are disclosed unless the possibility of an outflow of resources embodying economic losses is remote.

Contingent assets are not recognized in the financial statements but disclosed when an inflow of economic benefits as a result of past events is probable.

### **q) 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.

### **r) Fiduciary assets**

Assets held in trust or in a fiduciary capacity are not treated as assets of the Group and accordingly are not included in these consolidated financial statements but are disclosed in the notes to the consolidated financial statements.

## **Notes to the consolidated financial statements**

### **For the year ended 31 December 2014**

#### **s) Cash and non-cash dividend to shareholders of the Parent Company:**

The Group recognizes a liability to make cash and non-cash distributions to shareholders of the Parent Company when the distribution is authorized and the distribution is no longer at the discretion of the Group. A distribution is authorized when it is approved by the shareholders of the Parent company at the Annual General Meeting. A corresponding amount is recognized directly in equity.

Non-cash distributions are measured at the fair value of the assets to be distributed with fair value re-measurement recognized directly in equity. Upon distribution of non-cash assets, any difference between the carrying amount of the liability and the carrying amount of the assets distributed is recognized in the statement of profit or loss.

Distributions for the year that are approved after the reporting date are disclosed as an event after the date of consolidated statement of financial position.

#### **t) 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.

#### **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.

##### **(i) 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.

##### **(i) 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 / Company 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".



## Notes to the consolidated financial statements For the year ended 31 December 2014

### (ii) Impairment of investments

The Group 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.

### 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 inventory

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. The assumptions and models used for estimating fair value for stock option plan transactions are disclosed in Note 28.

## Notes to the consolidated financial statements

### For the year ended 31 December 2014

#### 3. Property, plant and equipment

	Buildings	Machinery and equipment	Computer, furniture and decorations	Vehicles	Total
<b><u>Cost:</u></b>					
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
Transfers	-	31,089	(30,581)	(508)	-
Additions	42,652	1,290,151	242,377	-	1,575,180
Disposals	-	(8,265)	(6,249)	(3,785)	(18,299)
Written off	-	(1,222,976)	(284,412)	-	(1,507,388)
<b>At December 31, 2014</b>	<b><u>2,827,278</u></b>	<b><u>14,675,227</u></b>	<b><u>740,791</u></b>	<b><u>375,215</u></b>	<b><u>18,618,511</u></b>
<b><u>Accumulated depreciation:</u></b>					
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	<u>983,103</u>	<u>8,036,053</u>	<u>687,796</u>	<u>170,912</u>	<u>9,877,864</u>
Related to Transfers	-	3,428	(1,699)	(1,729)	-
Charge for the year	287,816	1,504,365	109,853	103,442	2,005,476
Related to disposals	-	-	(2,755)	-	(2,755)
Related to written off	-	(970,429)	(292,455)	-	(1,262,884)
<b>At December 31, 2014</b>	<b><u>1,270,919</u></b>	<b><u>8,573,417</u></b>	<b><u>500,740</u></b>	<b><u>272,625</u></b>	<b><u>10,617,701</u></b>
<b>Net book value:</b>					
<b>At December 31, 2014</b>	<b><u>1,556,359</u></b>	<b><u>6,101,810</u></b>	<b><u>240,051</u></b>	<b><u>102,590</u></b>	<b><u>8,000,810</u></b>
<b>At December 31, 2013</b>	<b><u>1,801,523</u></b>	<b><u>6,549,175</u></b>	<b><u>131,860</u></b>	<b><u>208,596</u></b>	<b><u>8,691,154</u></b>

Depreciation charge for the year was allocated as follows:

	2014	2013
Cost of sales and services	<b><u>1,550,052</u></b>	1,211,915
Others (Note 16)	<b><u>455,424</u></b>	83,554
	<b><u>2,005,476</u></b>	1,295,469

- The Group's buildings are constructed on land leased from Public Authority of Industry, which will expire on July 31, 2018.
- During the fiscal year ended December 31, 2014, management of the Parent Company wrote off property, plant and equipment with a carrying value of KD 244,504; using provision for contracts no longer required (Note 18).
- During the fiscal year ended December 31, 2014, the Parent Company revised depreciation rates of computer, furniture and decorations from 20% to 33.33%, which resulted in increasing amount of depreciation charged during the year by KD 333,086.



## Notes to the consolidated financial statements For the year ended 31 December 2014

### 4. Investments available for sale

	2014	2013
Funds and Portfolios	<b>13,721</b>	351,835
Quoted equity securities	<b>35,980</b>	63,366
	<b>49,701</b>	415,201

Movement during the year is as follows:

	2014	2013
Balance at beginning of the year	<b>415,201</b>	499,850
Disposals	<b>(315,000)</b>	-
Changes in fair value	<b>(29,939)</b>	26,418
Impairment losses (Note 17)	<b>(20,561)</b>	(111,067)
Balance at end of the year	<b>49,701</b>	415,201

Impairment losses in the value of some investments available for sale was calculated during the year in accordance with the principles contained in the Notes (2 and 29).

Investments available for sale are denominated in the following currencies:

<u>Currency</u>	2014	2013
Kuwaiti Dinars	<b>49,701</b>	100,201
US Dollar	<b>-</b>	315,000
	<b>49,701</b>	415,201

### 5. Inventories

	2014	2013
Cement and acidizing chemicals	<b>1,505,280</b>	1,072,710
Chemicals	<b>44,709</b>	30,874
Spare parts and tools	<b>661,420</b>	541,717
	<b>2,211,409</b>	1,645,301

The cost of inventories recognized as expense and included in 'cost of sales and services' amounted to KD 2,468,677 (2013 – KD 1,274,808).

### 6. Accounts receivable

	2014	2013
Trade receivables (a)	<b>5,582,548</b>	3,832,805
Provision for doubtful debts (b)	<b>(142,667)</b>	(142,667)
	<b>5,439,881</b>	3,690,138

## Notes to the consolidated financial statements

For the year ended 31 December 2014

a) Trade receivables:

Trade receivables are non interest bearing and are generally due within 90 days. The aging analysis of these trade receivables is as follows:

	Neither past due nor impaired	Past due but not impaired		Total	
	Less than 90 days	91 – 180 days	More than 180 days		
			Impaired		
2014	<b>3,321,507</b>	<b>1,343,944</b>	<b>613,849</b>	<b>303,248</b>	<b>5,582,548</b>
2013	2,416,870	-	1,293,330	122,605	3,832,805

As of December 31, 2014, trade receivables amounting to KD 160,581 (2013 - Nil) were past due but not impaired. These relate to a number of independent customers for whom there is no recent history of default.

b) Provision for doubtful debts:

Movement of the provision for doubtful debts is as follows:

	2014	2013
Balance at beginning of the year	<b>142,667</b>	40,000
Charge for the year	-	102,667
Balance at end of the year	<b>142,667</b>	142,667

**7. Pre-payments and other debit balances**

	2014	2013
Advance payments to suppliers	<b>669,463</b>	760,184
Letters of Guarantee	<b>164,198</b>	164,198
Staff receivables	<b>132,462</b>	136,220
Prepaid expenses	<b>12,076</b>	39,153
Refundable deposits	<b>3,846</b>	1,188
Other	<b>495</b>	-
	<b>982,540</b>	1,100,943

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 pre-payments and other debit balances mentioned above. Further, the Group does not hold any collateral as security, for pre-payments and other debit balances.



## Notes to the consolidated financial statements

For the year ended 31 December 2014

### 8. Investments at fair value through profit or loss

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

The movement during the year is as follows:

	2014	2013
Balance at beginning of the year	<u>1,687,628</u>	1,634,857
Net movement in cash at portfolio	<u>402</u>	(305)
Changes in fair value ( Note 17)	<u>(12,936)</u>	53,076
Balance at the end of the year	<u><u>1,675,094</u></u>	1,687,628

Subsequent to the date of consolidated statement of financial position the Parent Company redeemed one of its fund's units which resulted gain of KD 1,500,000 will be recognized in the consolidated statement of profit or loss for the fiscal year ended December 31, 2015.

### 9. Share capital

The authorized, issued and fully paid-up capital consists of 57,609,510 shares (2013 – 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

	2014	2013
Number of treasury shares (share)	<u>1,680,000</u>	1,680,000
Percentage of issued shares (%)	<u>2.92%</u>	2.92%
Market value (KD)	<u>1,024,800</u>	840,000
Cost (KD)	<u>585,062</u>	585,062

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

## **Notes to the consolidated financial statements**

**For the year ended 31 December 2014**

### **12. Statutory reserve**

As required by the Companies Law and the Parent Company's Articles of Association, 10% of 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 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**

	<b>2014</b>	<b>2013</b>
Balance at beginning of the year	860,604	725,666
Charge for the year	334,121	177,673
Paid during the year	(63,079)	(42,735)
Balance at end of the year	<b>1,131,646</b>	<b>860,604</b>

### **15. Accounts payable and other credit balances**

	<b>2014</b>	<b>2013</b>
Trade payable	561,062	574,690
Accrued expenses	2,530,830	2,567,189
Advance received from subcontractor	715,020	156,385
Accrued leave	144,605	142,600
Kuwait Foundation for Advancement of Sciences payable	33,829	27,128
National Labor Support Tax payable	98,976	144,624
Zakat payable	39,590	57,849
Board of Directors' remuneration	64,000	64,000
	<b>4,187,912</b>	<b>3,734,465</b>

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



## Notes to the consolidated financial statements

For the year ended 31 December 2014

### 16. General and administrative expenses

	<b>2014</b>	2013
Staff costs	<b>903,953</b>	805,874
Professional fees	<b>14,535</b>	30,749
Depreciation (Note 3)	<b>455,424</b>	83,554
Other	<b>380,090</b>	367,066
	<b>1,754,002</b>	1,287,243

	<b>2014</b>	2013
Short term benefits	<b>215,525</b>	197,925
Terminal benefits	<b>11,538</b>	11,538
Board of directors' remuneration	<b>64,000</b>	64,000
	<b>291,063</b>	273,463

Staff costs include compensation to key management personnel as follows:

### 17. Net investment income

	<b>2014</b>	2013
Impairment loss for investments available for sale (Note 4)	<b>(20,561)</b>	(111,067)
Changes in fair value of the investments at fair value through profit or loss (Note 8)	<b>(12,936)</b>	53,076
Realized gain from sale of investments available for sale	<b>39,524</b>	-
Cash dividends	<b>109,827</b>	115,374
	<b>115,854</b>	57,383

### 18. Other income

	<b>2014</b>	2013
Net provision no longer required (a)	<b>333,086</b>	-
(Loss) gain on sale of Property, plant and equipment	<b>(15,012)</b>	81,831
Foreign currency exchange	<b>5,278</b>	(2,649)
Interest income	<b>763</b>	444
Other	<b>9,622</b>	7,443
	<b>333,737</b>	87,069

## **Notes to the consolidated financial statements**

### **For the year ended 31 December 2014**

Net provision no longer required represents provisions related to contracts with Kuwait Oil Company which have been accounted for during the previous years as a discount on sales and services invoices provided to Kuwait Oil Company. During the fiscal year ended December 31, 2014, an agreement was reached with Kuwait Oil Company specifying that the discount rate shall not exceed 12.5%, of the invoices issued on manpower supplied from the Parent Company to Kuwait Oil Company. Accordingly, extra provision amounted to KD 577,590 has been reversed, out of which an amount of KD 244,504 was deducted representing net book value of property, plant and equipment written off from the books of the Parent Company (Note 3), and the remaining amount of KD 333,086 was reversed to the consolidated statement of profit or loss, classified within other income.

#### **19. 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 before KFAS, NLST and Zakat and after deducting its share of income from shareholding subsidiaries and associates and transfer to statutory reserve.**

#### **20. National Labor Support Tax (NLST)**

National Labor Support Tax is calculated at 2.5% on the consolidated profit of the Parent Company before KFAS, NLST and Zakat and 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.

#### **21. Contribution to Zakat**

Zakat is calculated at 1% on the consolidated profit of the Parent Company before KFAS, NLST and Zakat and 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.

#### **22. Earnings per share**

There are no potential dilutive ordinary shares. The information necessary to calculate basic earnings per share based on the weighted average number of shares outstanding during the year is as follows:



## Notes to the consolidated financial statements For the year ended 31 December 2014

	2014	2013
Net profit for the year	<u>3,392,479</u>	<u>2,811,380</u>
 <u>Number of shares outstanding :</u>		
Number of issued shares at beginning of the year	<u>57,609,510</u>	<u>57,609,510</u>
Less : Weighted average number of treasury shares	<u>(1,680,000)</u>	<u>(1,814,527)</u>
Weighted average number of outstanding shares	<u>55,929,510</u>	<u>55,794,983</u>
Earnings per share (Fils)	<u>60.66</u>	<u>50.39</u>

### 23. Staff costs

Staff costs charged to cost of sales and services for the year ended December 31, 2014 amounted to KD 5,055,275 (2013 – KD 4,367,667).

### 24. Joint operations

The Group has a joint operation under “respond to oil leaks services project” which was contracted by the Parent Company in partnership with a Turkey company “MEKE Group” to execute a contract with “KNPC”, where the Group has 50% ownership interest in that project. The consolidated financial statements include the Group’s proportionate share in the joint operation’s assets and net revenues amounting to KD 885,806 and KD 55,785 respectively.

### 25. General Assembly

- The Parent Company’s Board of directors meeting held on February 18, 2015 proposed the distribution of cash dividends of 45 fils per share for the year ended December 31, 2014 and granting remuneration for parent company’s Board of Directors amounting to KD 64,000. This suggestion is subject to approval from shareholders’ General Assembly Meeting.
- The Parent Company`s shareholders` general assembly held on May 1, 2014 approved the distribution of cash dividends of 35 fils per share for the year ended December 31, 2013, and granting remuneration for parent company’s Board of Directors amounting to KD 64,000
- The Parent Company`s shareholders` general assembly held on April 30, 2013 approved the distribution of cash dividends of 30 fils per share for the year ended December 31, 2012, and granting remuneration for parent company’s Board of Directors amounting to KD 48,000.
- 

### 26. Commitments and Contingent liabilities

- a) At the date of consolidated statement of financial position, the Group was contingently liable in respect Letters of guarantee amounted to KD 4,829,655 (2013 - KD 3,261,242).

## Notes to the consolidated financial statements

### For the year ended 31 December 2014

b) At the date of consolidated statement of financial position, the Group has capital commitment for purchase of property, plant and equipments amounting to KD 1,781,590 (2013 - KD 265,671).

#### 27. Segment information

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

- Oil field services.
- Non oil field services.

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

	Oil field services		Non oil field services		Total	
	2014	2013	2014	2013	2014	2013
Segment Sales and services revenue	<b>12,740,066</b>	10,951,426	<b>3,325,896</b>	3,852,426	<b>16,065,962</b>	14,803,852
Segment Sales and services cost	(7,161,386)	\(6,671,720)	(3,970,946)	(3,872,449)	(11,132,332)	(10,544,169)
Gross profit (loss)	<b>5,578,680</b>	4,279,706	<b>(645,050)</b>	(20,023)	<b>4,933,630</b>	4,259,683
Unallocated revenue	-	-	-	-	<b>498,100</b>	255,519
Unallocated expenses	-	-	-	-	<b>(2,039,251)</b>	(1,703,822)
Net profit for the year	-	-	-	-	<b>3,392,479</b>	2,811,380
Segment assets	<b>21,487,805</b>	18,200,134	<b>1,068,549</b>	2,226,724	<b>22,556,354</b>	20,426,858
Segment liabilities	<b>5,319,558</b>	<b>4,595,069</b>	-	-	<b>5,319,558</b>	4,595,069

#### 28. 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. The Group is not currently exposed significantly to such risk.

##### **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.



## Notes to the consolidated financial statements

For the year ended 31 December 2014

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:

Foreign currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign currency exchange rates. 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 following table demonstrates the sensitivity to a reasonably possible change in the foreign exchange between Kuwaiti Dinar and (USD).

2014	Increase / (Decrease) against KD	Balance	Effect on consolidated statement of profit or loss
USD	<b>5% ±</b>	<b>258,115</b>	<b>± 14,256</b>
2013	Increase / (Decrease) against KD	Balance	Effect on consolidated statement of profit or loss
USD	<b>5% ±</b>	<b>1,367,008</b>	<b>± 68,350</b>

### 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, along with planning and managing the Group's forecasted cash flows by maintaining adequate cash reserves, maintaining valid and available credit lines with banks, and matching the maturity profiles of financial assets and liabilities.

### Maturity table for financial liabilities:

	2014		
	1-3 months	3-12 months	Total
Accounts payable and other credit balances	<b>512,558</b>	<b>3,675,354</b>	<b>4,187,912</b>
-			
2013			
	1-3 months	3-12 months	Total
Accounts payable and other credit balances	<b>365,961</b>	<b>3,368,504</b>	<b>3,734,465</b>

## Notes to the consolidated financial statements

For the year ended 31 December 2014

### 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 equity price risk exposure arises from the Group's Group's investment in equity securities classified as "at fair value through profit or loss" and "available for sale". To manage such risks, the Group diversifies its investments in different sectors within its investment portfolio.

The following table demonstrates the sensitivity to a reasonably possible change in 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 consolidated financial statement date:

Market Index	2014		2013	
	Change in equity price %	Effect on consolidated statement of profit or loss	Change in equity price %	Effect on consolidated statement of profit or loss
Investment available for sale	±5%	±2,485	±5%	±20,760
Investments at fair value through profit or loss	±5%	±83,755	±5%	±84,381

### 29. Fair value measurement

The Group measures financial assets such as investments at fair value through profit or loss and investments available for sale and non 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 shows an analysis of captions recorded at fair value by level of the fair value hierarchy:



## Notes to the consolidated financial statements For the year ended 31 December 2014

	2014		
	Level 1	Level 2	Total
Investments available for sale	<b>35,980</b>	<b>13,721</b>	<b>49,701</b>
Investments at fair value through profit or loss	-	<b>1,675,094</b>	<b>1,675,094</b>
	<b>35,980</b>	<b>1,688,815</b>	<b>1,724,795</b>
	2013		
	Level 1	Level 2	Total
Investments available for sale	<b>63,366</b>	<b>351,835</b>	<b>415,201</b>
Investments at fair value through profit or loss	-	<b>1,687,628</b>	<b>1,687,628</b>
	<b>63,366</b>	<b>2,039,463</b>	<b>2,102,829</b>

At December 31, the fair values of financial instruments approximate their carrying amounts. The management of the Group has assessed that fair value of its financial assets and liabilities 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 Consolidated financial statements on a recurring basis, the Group determines whether transfers have occurred between Levels in the hierarchy by re-assessing categorization (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

### 30. 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.

### 31. 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:

Description	Amount before reclassification	Amount after reclassification
Consolidated statement of profit or loss:		
Other income	202,443	87,069
Net investment income	-	57,383
Impairment loss for investments available for sale	(111,067)	-
Unrealized gain from change in fair value of the investments at fair value through profit or loss	53,076	-