

**National Petroleum Services Company K.S.C.P.
and its subsidiaries**

**INTERIM CONDENSED CONSOLIDATED
FINANCIAL INFORMATION**

30 JUNE 2016 (UNAUDITED)



Building a better
working world

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REPORT ON REVIEW OF INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION TO THE BOARD OF DIRECTORS OF NATIONAL PETROLEUM SERVICES COMPANY K.S.C.P.

Introduction

We have reviewed the accompanying interim condensed consolidated statement of financial position of National Petroleum Services Company K.S.C.P. (the “Parent Company”) and its subsidiaries (collectively the “Group”) as at 30 June 2016, the related interim condensed consolidated income statement, interim condensed consolidated statement of comprehensive income for the three months and six months periods then ended, and the interim condensed consolidated statement of changes in equity and the interim condensed consolidated statement of cash flows for the six months period then ended. The management of the Parent Company is responsible for the preparation and presentation of this interim condensed consolidated financial information in accordance with International Accounting Standard 34, *Interim Financial Reporting* (“IAS 34”). Our responsibility is to express a conclusion on this interim condensed consolidated financial information based on our review.

Scope of Review

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

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying interim condensed consolidated financial information is not prepared, in all material respects, in accordance with IAS 34.

Report on Other Legal and Regulatory Requirements

Furthermore, based on our review, the interim condensed consolidated financial information is in agreement with the books of account of the Parent Company. We further report that, to the best of our knowledge and belief, we have not become aware of any violations of the Companies Law No. 1 of 2016, and its executive regulations, or of the Parent Company’s Memorandum of Incorporation and Articles of Association during the six months period ended 30 June 2016 that might have had a material effect on the business of the Parent Company or on its financial position.

WALEED A. AL OSAIMI
LICENCE NO. 68 A
EY
AL AIBAN, AL OSAIMI & PARTNERS

QAIS M. AL NISF
LICENCE NO. 38 A
BDO AL NISF & PARTNERS

27 July 2016
Kuwait

National Petroleum Services Company K.S.C.P. and its Subsidiaries
INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
(UNAUDITED)
As at 30 June 2016

	Notes	30 June 2016 KD	(Audited) 31 December 2015 KD	30 June 2015 KD
ASSETS				
Non-current assets				
Property, plant and equipment		8,507,840	9,047,928	8,324,967
Intangible assets		42,849	66,658	90,467
Financial assets available-for-sale	3	48,750	43,814	48,301
		<hr/>	<hr/>	<hr/>
		8,599,439	9,158,400	8,463,735
Current assets				
Inventories		2,958,715	3,069,190	2,847,095
Accounts receivable	4	6,192,774	5,541,628	5,134,671
Prepayments and other receivables		733,400	346,129	1,860,229
Financial assets at fair value through profit or loss		1,037,256	141,245	163,314
Bank balances, deposits and cash	5	6,444,456	7,891,236	5,421,554
		<hr/>	<hr/>	<hr/>
		17,366,601	16,989,428	15,426,863
TOTAL ASSETS		25,966,040	26,147,828	23,890,598
EQUITY AND LIABILITIES				
Equity				
Share capital		5,760,951	5,760,951	5,760,951
Share premium		3,310,705	3,310,705	3,310,705
Treasury shares	6	(585,062)	(585,062)	(585,062)
Treasury shares reserve	6	33,825	33,825	33,825
Statutory reserve		2,723,364	2,723,364	2,120,691
Voluntary reserve		2,723,364	2,723,364	2,120,691
Foreign currency translation reserve		5,643	5,643	-
Cumulative changes in fair value		20,118	15,182	19,367
Retained earnings		6,833,045	6,414,335	5,400,997
		<hr/>	<hr/>	<hr/>
Equity attributable to equity holders of the Parent Company		20,825,953	20,402,307	18,182,165
Non-controlling interests		30,257	49,843	-
Total equity		20,856,210	20,452,150	18,182,165
Liabilities				
Non-current liability				
Employees' end of service benefits		1,608,758	1,416,260	1,344,684
		<hr/>	<hr/>	<hr/>
Current liability				
Accounts payables and accruals		3,501,072	4,279,418	4,363,749
Total liabilities		5,109,830	5,695,678	5,708,433
TOTAL EQUITY AND LIABILITIES		25,966,040	26,147,828	23,890,598



Omran Habib Jawhar Hayat
Chairman



The attached notes 1 to 13 form part of this interim condensed consolidated financial information.

National Petroleum Services Company K.S.C.P. and its subsidiaries

INTERIM CONDENSED CONSOLIDATED INCOME STATEMENT (UNAUDITED)

Period ended 30 June 2016

Notes	<i>Three month ended 30 June</i>		<i>Six month ended 30 June</i>	
	<i>2016 KD</i>	<i>2015 KD</i>	<i>2016 KD</i>	<i>2015 KD</i>
Revenues	6,881,653	5,502,049	11,787,083	9,843,943
Cost of revenues	(3,988,938)	(3,108,843)	(7,160,997)	(6,311,672)
GROSS PROFIT	2,892,715	2,393,206	4,626,086	3,532,271
Other income (expenses)	102,647	(7,821)	102,988	(4,292)
Impairment of property, plant and equipment	(116,145)	(665,857)	(116,145)	(665,857)
Net investments income	20,560	13,540	146,170	1,496,574
Administrative expenses	(376,112)	(248,362)	(715,480)	(636,681)
Selling and distribution expenses	(40,503)	(36,739)	(72,497)	(63,305)
PROFIT FOR THE PERIOD BEFORE CONTRIBUTION TO KUWAIT FOUNDATION FOR THE ADVANCEMENT OF SCIENCES (KFAS), NATIONAL LABOUR SUPPORT TAX (NLST), ZAKAT AND DIRECTORS' REMUNERATION	2,483,162	1,447,967	3,971,122	3,658,710
KFAS	(22,427)	(13,764)	(35,819)	(32,928)
NLST	(62,299)	(37,300)	(99,498)	(91,468)
Zakat	(25,827)	(17,050)	(41,910)	(38,717)
Directors' remuneration	(19,500)	(15,998)	(39,000)	(32,000)
PROFIT FOR THE PERIOD	2,353,109	1,363,855	3,754,895	3,463,597
Attributable to :				
Equity holders of the Parent Company	2,358,967	1,363,855	3,774,481	3,463,597
Non-controlling interests	(5,858)	-	(19,586)	-
	2,353,109	1,363,855	3,754,895	3,463,597
BASIC AND DILUTED EARNINGS PER SHARE ATTRIBUTABLE TO THE EQUITY HOLDERS OF THE PARENT COMPANY	9	42.18 fils	24.39 fils	67.49 fils
				61.93 fils

The attached notes 1 to 13 form part of this interim condensed financial information.

National Petroleum Services Company K.S.C.P. and its subsidiaries

INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE

INCOME (UNAUDITED)

Period ended 30 June 2016

	Three month ended 30 June		Six month ended 30 June	
	2016 <i>KD</i>	2015 <i>KD</i>	2016 <i>KD</i>	2015 <i>KD</i>
Profit for the period	2,353,109	1,363,855	3,754,895	3,463,597
Other comprehensive income				
<i>Items that are or may be subsequently reclassified to interim condensed consolidated income statement :</i>				
Unrealised gain (loss) on financial assets available for sale	8,343	(4,308)	4,936	(1,400)
Other comprehensive income (loss) for the period	8,343	(4,308)	4,936	(1,400)
Total comprehensive income for the period	2,361,452	1,359,547	3,759,831	3,462,197
Attributable to:				
Equity holders of the Parent Company	2,367,310	1,359,547	3,779,417	3,462,197
Non-controlling interests	(5,858)	-	(19,586)	-
Total comprehensive income for the period	2,361,452	1,359,547	3,759,831	3,462,197

The attached notes 1 to 13 form part of this interim condensed consolidated financial information.

National Petroleum Services Company K.S.C.P. and its subsidiaries

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (UNAUDITED)
Period ended 30 June 2016

Attributable to equity holders of the Parent Company

	Share capital KD	Share premium KD	Treasury shares KD	Treasury reserve KD	Statutory reserve KD	Voluntary reserve KD	Foreign currency translation reserve KD	Cumulative changes in fair value KD	Retained earnings KD	Sub total KD	Non-controlling interests KD	Total KD
At 1 January 2016	5,760,951	3,310,705	(585,062)	33,825	2,723,364	2,723,364	5,643	15,182	6,414,335	20,402,307	49,843	20,452,150
Profit (loss) for the period	-	-	-	-	-	-	-	-	3,774,481	3,774,481	(19,586)	3,754,895
Other comprehensive income	-	-	-	-	-	-	-	4,936	-	-	4,936	4,936
Total comprehensive income (loss) for the period	-	-	-	-	-	-	-	4,936	3,774,481	3,779,417	(19,586)	3,759,831
Dividend paid (Note 10)	-	-	-	-	-	-	-	-	(3,355,771)	(3,355,771)	-	(3,355,771)
At 30 June 2016	5,760,951	3,310,705	(585,062)	33,825	2,723,364	2,723,364	5,643	20,118	6,833,045	20,825,953	30,257	20,856,210
At 1 January 2015	5,760,951	3,310,705	(585,062)	33,825	2,120,691	2,120,691	-	20,767	4,454,228	17,236,796	-	17,236,796
Profit for the period	-	-	-	-	-	-	-	-	3,463,597	3,463,597	-	3,463,597
Other comprehensive loss	-	-	-	-	-	-	-	(1,400)	-	(1,400)	-	(1,400)
Total comprehensive (loss) income for the period	-	-	-	-	-	-	-	(1,400)	3,463,597	3,462,197	-	3,462,197
Dividend paid (Note 10)	-	-	-	-	-	-	-	-	(2,516,828)	(2,516,828)	-	(2,516,828)
At 30 June 2015	5,760,951	3,310,705	(585,062)	33,825	2,120,691	2,120,691	-	19,367	5,400,997	18,182,165	-	18,182,165

National Petroleum Services Company K.S.C.P. and its subsidiaries

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

(UNAUDITED)

Period ended 30 June 2016

		<i>Six month ended 30 June</i>	
	Notes	2016 <i>KD</i>	2015 <i>KD</i>
OPERATING ACTIVITIES			
Profit for the period		3,754,895	3,463,597
Non-cash adjustments to reconcile profit for the period to net cash flows:			
Depreciation and amortisation		798,279	829,353
Impairment of property, plant and equipment		116,145	665,857
Gain on disposal of property, plant and equipment		-	(15,388)
Net investments income	7	(146,170)	(1,496,574)
Provision for employees' end of service benefits		211,063	214,501
		<hr/>	<hr/>
		4,734,212	3,661,346
Working capital adjustments:			
Inventories		110,475	(635,686)
Accounts receivable		(651,146)	305,210
Prepayments and other receivables		(387,271)	(877,689)
Accounts payable and accruals		(832,185)	115,618
		<hr/>	<hr/>
Cash flows from operations		2,974,085	2,568,799
Employees' end of service benefits paid		(18,565)	(1,463)
		<hr/>	<hr/>
Net cash flows from operating activities		2,955,520	2,567,336
		<hr/>	<hr/>
INVESTING ACTIVITIES			
Purchase of property, plant and equipment		(350,527)	(1,949,592)
Proceeds from disposal of property, plant and equipment		-	55,146
Purchase of financial assets at fair value through profit or loss		(900,000)	-
Proceeds from sale of financial assets at fair value through profit or loss		150,000	3,000,000
Dividend income received	7	11,370	8,708
Investment expenses	7	(11,211)	-
Net movement in financial assets at fair value through profit or loss		-	(354)
		<hr/>	<hr/>
Net cash flows (used in) from investing activities		(1,100,368)	1,113,908
		<hr/>	<hr/>
FINANCING ACTIVITY			
Dividends paid		(3,301,932)	(2,456,609)
		<hr/>	<hr/>
Net cash flows used in financing activity		(3,301,932)	(2,456,609)
		<hr/>	<hr/>
(DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS		(1,446,780)	1,224,635
Cash and cash equivalents at 1 January		3,891,236	4,196,919
		<hr/>	<hr/>
CASH AND CASH EQUIVALENTS AT 30 JUNE	5	2,444,456	5,421,554
		<hr/>	<hr/>

The attached notes 1 to 13 form part of this interim condensed consolidated financial information.

National Petroleum Services Company K.S.C.P. and its subsidiaries
NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION
(UNAUDITED)
As at 30 June 2016

1 CORPORATE INFORMATION

The Group comprises of National Petroleum Services Company K.S.C.P. (the “Parent Company”) and its subsidiaries (collectively the “Group”). The Parent Company was established as a Kuwaiti shareholding company on 3 January 1993 and was listed on the Kuwait Stock Exchange Market on 18 October 2003.

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

The objectives of the Parent Company are as follows:

- Performing all support services for wells drilling, repairing and preparation for production as well as wells maintenance related services.
- Importing and exporting chemicals necessary for the execution of the works stated above.
- Establishing industrial firms for the purpose of manufacturing and producing the equipments and materials necessary for achieving such objectives after obtaining the approval of the competent authorities.
- Importing and owning machines, tools and materials necessary for achieving its objectives.
- Owning lands and real estate necessary for establishing its entities and equipments.
- Concluding agreements and obtaining privileges which it deems necessary for achieving its objectives.
- Possessing the needed patents, and trademarks.
- Obtaining and granting agencies in respect of the Parent Company’s business.
- Conducting studies, queries and researches relevant to the Parent Company’s objectives.

The Parent Company may practice all of the above mentioned activities inside or outside the State of Kuwait. The Parent Company may also have an interest or participate in any way with entities practicing activities similar to its own or which may assist it in achieving its objectives inside or outside the state of Kuwait, or may acquire those entities or have them affiliated to it.

The new Companies Law No. 1 of 2016 was issued on 24 January 2016 and was published in the Official Gazette on 1 February 2016 which cancelled the Companies Law No. 25 of 2012, and its amendments. According to article No. 5, the new Law will be effective retrospectively from 26 November 2012. The new Executive Regulations of Law No. 1 of 2016 was issued on 12 July 2016 and was published in the Official Gazette on 17 July 2016 which cancelled the Executive Regulations of Law No. 25 of 2012.

The interim condensed consolidated financial information for the period ended 30 June 2016 were authorised for issue in accordance with a resolution of the Board of Directors of the Parent Company on 27 July 2016.

2 BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES

Basis of preparation

The interim condensed consolidated financial information of the Group for the six month period ended 30 June 2016 has been prepared in accordance with International Accounting Standard 34, *Interim Financial Reporting* (“IAS 34”).

The interim condensed consolidated financial information are presented in Kuwaiti Dinars (“KD”) which is also the functional currency of the Group.

The interim condensed consolidated financial information do not include all information and disclosures required in the annual consolidated financial statements prepared in accordance with International Financial Reporting Standards (“IFRS”), and should be read in conjunction with the Group’s annual consolidated financial statements for the year ended 31 December 2015. In the opinion of management, all adjustments consisting of normal recurring accruals considered necessary for a fair presentation have been included. Further, operating results for the six month period ended 30 June 2016 are not necessarily indicative of the results that may be expected for the financial year ending 31 December 2016.

National Petroleum Services Company K.S.C.P. and its subsidiaries

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (UNAUDITED)

As at 30 June 2016

2 BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (continued)

Significant accounting policies

The accounting policies used in the preparation of the interim condensed consolidated financial information are consistent with those used in the preparation of the annual consolidated financial statements for the year ended 31 December 2015 except for the adoption of the amendments and annual improvements to IFRSs, relevant to the Group which are effective for annual reporting period starting from 1 January 2016 and did not result in any material impact on the accounting policies, financial position or performance of the Group.

a. New standards, interpretations and amendments effective from 1 January 2016

A number of new or amended standards became applicable for the current reporting period. However, the Group did not have to change its accounting policies or make retrospective adjustments as a result of adopting these standards:

- Amendments to IAS 1 – Disclosure Initiative.
- Amendments to IAS 16 and IAS 38 – Clarification of acceptable methods of depreciation and amortization.
- Amendments to IAS 16 and IAS 41 – Agriculture: Bearer Plants.
- Amendments to IAS 27 – Equity method in separate financial statements.
- Amendments to IFRS 10, IFRS 12, and IAS 28 – Investment Entities: Applying the Consolidated Exception.
- Amendments to IFRS 10 and IAS 28 – Sale or contribution of assets between an investor and its associate or joint venture
- Amendments to IFRS 11 – Accounting for acquisitions of interests in joint operations.
- IFRS 14 – Regulatory Deferral Accounts.
- Annual improvements to IFRS 2012-2014 cycle

b. 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 1 January 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.

The Group anticipates that the application of IFRS 9 in the future may not have a material impact on amounts reported in respect of the Group's financial assets and financial liabilities. However, it is not practicable to provide a reasonable estimate of the effect of IFRS 9 until the Group undertakes a detailed review.

IFRS 15 - Revenue from contracts with customers

The standard, effective for annual periods beginning on or after 1 January 2018, 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

The Group is currently assessing the impact of IFRS 15 and plans to adopt the new standard on the required effective date.

National Petroleum Services Company K.S.C.P. and its subsidiaries

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION
(UNAUDITED)

As at 30 June 2016

3 FINANCIAL ASSETS AVAILABLE FOR SALE

	<i>(Audited)</i>		
	30 June 2016 KD	31 December 2015 KD	30 June 2015 KD
Fund and managed portfolios	3,223	3,223	3,223
Quoted equity securities	<u>45,527</u>	<u>40,591</u>	<u>45,078</u>
	<u><u>48,750</u></u>	<u><u>43,814</u></u>	<u><u>48,301</u></u>
Movement during the period/year is as follows:			
At 1 January	43,814	49,701	49,701
Changes in fair value	4,936	(5,585)	(1,400)
Impairment loss	-	(302)	-
	<u><u>48,750</u></u>	<u><u>43,814</u></u>	<u><u>48,301</u></u>

4 ACCOUNTS RECEIVABLE

Subsequent to the period ended 30 June 2016, the Parent Company has collected an amount of KD 2,042,997 from one of its key customer till the date of approval of interim condensed consolidated financial information.

5 BANK BALANCES, DEPOSITS AND CASH

	<i>(Audited)</i>		
	30 June 2016 KD	31 December 2015 KD	30 June 2015 KD
Bank balances and cash	2,444,456	3,891,236	5,421,554
Term deposits	<u>4,000,000</u>	<u>4,000,000</u>	-
	<u><u>6,444,456</u></u>	<u><u>7,891,236</u></u>	<u><u>5,421,554</u></u>
Less: Term deposits whose original maturity is more than 3 months	<u>(4,000,000)</u>	<u>(4,000,000)</u>	-
Cash and cash equivalents for the purpose of interim condensed consolidated statement of cash flows	<u><u>2,444,456</u></u>	<u><u>3,891,236</u></u>	<u><u>5,421,554</u></u>

Term deposits are denominated in Kuwaiti Dinars and are placed with local banks and earn interest at commercial rates.

6 TREASURY SHARES

	<i>(Audited)</i>		
	30 June 2016 KD	31 December 2015 KD	30 June 2015 KD
Number of treasury shares	1,680,000	1,680,000	1,680,000
Percentage of issued shares	2.92%	2.92%	2.92%
Market value (KD)	1,310,400	1,092,000	907,200
Cost (KD)	585,062	585,062	585,062
Average market price (KD)	690 fils	597 fils	589 fils

The balance in the treasury shares reserve of KD 33,825 (31 December 2015: KD 33,825 and 30 June 2015: KD 33,825) is not available for distribution. Reserves and retained earnings equivalent to the cost of the treasury shares held are not available for distribution throughout the holding period of treasury shares.

National Petroleum Services Company K.S.C.P. and its subsidiaries
NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION
(UNAUDITED)
As at 30 June 2016

7 NET INVESTMENTS INCOME

	<i>Three month ended 30 June</i>		<i>Six month ended 30 June</i>	
	<i>2016 KD</i>	<i>2015 KD</i>	<i>2016 KD</i>	<i>2015 KD</i>
Dividend income	11,370	500	11,370	8,708
Realised gain on sale of financial assets at fair value through profit or loss	-	-	150,000	1,500,000
Unrealized gain (loss) on financial assets at fair value through profit or loss	11,311	13,040	(3,989)	(12,134)
Investment expenses	(2,121)	-	(11,211)	-
	20,560	13,540	146,170	1,496,574
	=====	=====	=====	=====

8 ADMINISTRATIVE EXPENSES

	<i>Three month ended 30 June</i>		<i>Six month ended 30 June</i>	
	<i>2016 KD</i>	<i>2015 KD</i>	<i>2016 KD</i>	<i>2015 KD</i>
Staff costs	278,222	175,427	542,782	488,350
Professional fees	25,732	5,808	33,939	13,379
Depreciation and amortisation	20,295	21,732	40,809	45,690
Other expenses	51,863	45,395	97,950	89,262
	376,112	248,362	715,480	636,681
	=====	=====	=====	=====

9 BASIC AND DILUTED EARNINGS PER SHARE

Basic and diluted earnings per share attributable to the equity holders of the Parent Company is calculated by dividing the profit for the period attributable to the equity holders of the Parent Company by the weighted average number of ordinary shares during the period, less weighted average number of treasury shares outstanding as follows:

	<i>Three month ended 30 June</i>		<i>Six month ended 30 June</i>	
	<i>2016</i>	<i>2015</i>	<i>2016</i>	<i>2015</i>
Profit for the period attributable to the equity holders of the Parent Company (KD)	2,358,967	1,363,855	3,774,481	3,463,597
	=====	=====	=====	=====
Number of outstanding shares during the period:				
Number of shares issued	57,609,510	57,609,510	57,609,510	57,609,510
Less: weighted average number of treasury shares	(1,680,000)	(1,680,000)	(1,680,000)	(1,680,000)
	=====	=====	=====	=====
Weighted average number of shares outstanding during the period	55,929,510	55,929,510	55,929,510	55,929,510
	=====	=====	=====	=====
Basic and diluted earnings per share	42.18 fils	24.39 fils	67.49 fils	61.93 fils
	=====	=====	=====	=====

As there are no dilutive instruments outstanding, hence basic and diluted earnings per share are identical.

National Petroleum Services Company K.S.C.P. and its subsidiaries

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

(UNAUDITED)

As at 30 June 2016

10 DIVIDEND

The shareholders at the Annual General Meeting held on 20 April 2016 approved the distribution of cash dividend of 60 fils (31 December 2014 : 45 fils) per share on the outstanding issued share capital as at 31 December 2015 amounting to KD 3,355,771 (31 December 2014: KD 2,516,828).

11 CONTINGENT LIABILITIES

As at 30 June 2016, the Group had contingent liabilities in respect of letter of guarantees arising in the ordinary course of the business from which it is anticipated that no material liabilities will arise, amounting to KD 4,627,320 (31 December 2015: KD 4,210,804 and 30 June 2015: KD 3,783,155).

12 SEGMENT INFORMATION

For management purposes, the Group is organised into business units based on the products and services and has two reportable operating segments i.e. oil field services and non-oil services. Management treats the operations of these segments separately for the purposes of decision making, resource allocation and performance assessment. The segment performance is evaluated based on operating profit or loss.

The following table presents revenue and segment results information in respect of the Group's business segments:

<i>Period ended 30 June 2016</i>	<i>Oil field services KD</i>	<i>Non-oil field services KD</i>	<i>Total KD</i>
Segment revenue	9,383,972	2,403,111	<u>11,787,083</u>
Segment cost	5,334,561	1,826,436	<u>7,160,997</u>
Segment results	4,049,411	576,675	<u>4,626,086</u>
Unallocated cost			(1,004,204)
Other income			<u>133,013</u>
Profit for the period			<u>3,754,895</u>
<i>Period ended 30 June 2015</i>	<i>Oil field services KD</i>	<i>Non-oil field services KD</i>	<i>Total KD</i>
Segment revenue	6,896,361	2,947,582	<u>9,843,943</u>
Segment cost	4,592,586	2,389,235	<u>6,981,821</u>
Segment results	2,303,775	558,347	<u>2,862,122</u>
Unallocated cost			(895,099)
Other income			<u>1,496,574</u>
Profit for the period			<u>3,463,597</u>

The following table presents segment assets information in respect of the Group's business segments:

	<i>Oil field Services KD</i>	<i>Non-oil field services KD</i>	<i>Investments KD</i>	<i>Total KD</i>
<i>At 30 June 2016</i>				
Segment assets	<u>23,177,341</u>	<u>1,702,693</u>	<u>1,086,006</u>	<u>25,966,040</u>
Segment liabilities	<u>5,099,151</u>	<u>10,679</u>	<u>-</u>	<u>5,109,830</u>

National Petroleum Services Company K.S.C.P. and its subsidiaries

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12 SEGMENT INFORMATION (continued)

	<i>Oil field services</i> KD	<i>Non-oil field services</i> KD	<i>Investments</i> KD	<i>Total</i> KD
<i>At 31 December 2015</i>				
Segment assets	24,070,613	1,892,156	185,059	26,147,828
Segment liabilities	5,615,499	80,179	-	5,695,678
<i>At 30 June 2015</i>				
Segment assets	20,927,938	2,751,045	211,615	23,890,598
Segment liabilities	5,362,982	345,451	-	5,708,433

13 FAIR VALUE OF FINANCIAL INSTRUMENTS

Fair value of financial instruments are not materially different from their carrying values. For financial assets and financial liabilities that are liquid or having a short-term maturity (less than three month), the carrying amounts approximate to their fair value.

The methods and valuation techniques used for the purpose of measuring fair value are unchanged compared to the previous reporting period.

The following table shows an analysis of financial instruments recorded at fair value by level of the fair value hierarchy:

At 30 June 2016

	<i>Level 1</i> KD	<i>Level 3</i> KD	<i>Total</i> KD
Financial assets available for sale	45,527	3,223	48,750
Financial assets at fair value through profit or loss	29,040	1,008,216	1,037,256
	74,567	1,011,439	1,086,006

At 31 December 2015

	<i>Level 1</i> KD	<i>Level 3</i> KD	<i>Total</i> KD
<i>Assets measured at fair value</i>			
Financial assets available for sale	40,591	3,223	43,814
Financial assets at fair value through profit or loss	28,380	112,865	141,245
	68,971	116,088	185,059

At 30 June 2015

	<i>Level 1</i> KD	<i>Level 3</i> KD	<i>Total</i> KD
<i>Assets measured at fair value</i>			
Financial assets available for sale	45,078	3,223	48,301
Financial assets at fair value through profit or loss	25,014	138,300	163,314
	70,092	141,523	211,615

National Petroleum Services Company K.S.C.P. and its subsidiaries

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

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As at 30 June 2016

13 FAIR VALUE OF FINANCIAL INSTRUMENTS (continued)

During the financial period ended 30 June 2016, there were no transfers between different levels of fair value measurement.

The movement in Level 3 fair value hierarchy during the period is given below:

	<i>At 1 January 2016 KD</i>	<i>Net purchases and sales KD</i>	<i>Loss recorded in consolidated income statement KD</i>	<i>Loss recorded in consolidated statement of comprehensive income KD</i>	<i>At 30 June 2016 KD</i>
Assets measured at fair value					
Financial assets available for sale	3,223	-	-	-	3,223
Financial assets at fair value through profit or loss	112,865	900,000	(4,649)	-	1,008,216
	116,088	900,000	(4,649)	-	1,011,439
 At 1 January 2015 KD					
	<i>Net purchases and sales KD</i>	<i>Loss recorded in consolidated income statement KD</i>	<i>Loss recorded in consolidated statement of comprehensive income KD</i>	<i>At 31 December 2015 KD</i>	
Assets measured at fair value					
Financial assets available for sale	3,223	-	-	-	3,223
Financial assets at fair value through profit or loss	1,644,074	(1,500,000)	(31,209)	-	112,865
	1,647,297	(1,500,000)	(31,209)	-	116,088
 At 1 January 2015 KD					
	<i>Net purchases and sales KD</i>	<i>Loss recorded in consolidated income statement KD</i>	<i>Loss recorded in consolidated statement of comprehensive income KD</i>		
Assets measured at fair value					
Financial assets available for sale	3,223	-	-	-	3,223
Financial assets at fair value through profit or loss	1,644,074	(1,500,000)	(5,774)	-	138,300
	1,647,297	(1,500,000)	(5,774)	-	141,523