

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

**CONSOLIDATED FINANCIAL STATEMENTS**

**31 DECEMBER 2015**



Building a better  
working world

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## **INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS OF NATIONAL PETROLEUM SERVICES COMPANY K.S.C.P.**

### **Report on the consolidated financial statements**

We have audited the accompanying consolidated financial statements of National Petroleum Services Company K.S.C.P. (the "Parent Company") and its subsidiaries (collectively the "Group"), which comprise the consolidated statement of financial position as at 31 December 2015, and the consolidated statement of income, consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

### *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 about 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' judgement, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.



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**INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS OF  
NATIONAL PETROLEUM SERVICES COMPANY K.S.C.P. (continued)**

*Opinion*

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the Group as at 31 December 2015, and its financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards.

*Other matter*

The consolidated financial statements of the Group for the year ended 31 December 2014 was audited by another auditor who expressed an unmodified opinion on those statements on 18 February 2015.

**Report on Other Legal and Regulatory Requirements**

Furthermore, in our opinion proper books of account have been kept by the Parent Company and the consolidated financial statements, together with the contents of the report of the Parent Company's Board of Directors relating to these consolidated financial statements, are in accordance therewith. We further report that we obtained all the information and explanations that we required for the purpose of our audit and that the consolidated financial statements incorporate all information that is required by the Companies Law No. 1 of 2016, and the executive regulation of Law No. 25 of 2012, and by the Parent Company's Memorandum of Incorporation and Articles of Association, that an inventory was duly carried out and that, to the best of our knowledge and belief, no violations of the Companies Law No. 1 of 2016, and the executive regulation of Law No. 25 of 2012, or of the Parent Company's Memorandum of Incorporation and Articles of Association have occurred during the year ended 31 December 2015 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

18 February 2016  
Kuwait

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

CONSOLIDATED STATEMENT OF INCOME

For the year ended 31 December 2015

	Notes	2015 KD	2014 KD
Sales and services revenue		19,609,382	16,065,962
Cost of sales and services		(13,112,396)	(11,132,332)
<b>GROSS PROFIT</b>		<b>6,496,986</b>	<b>4,933,630</b>
Other income		52,511	333,737
Impairment of property, plant and equipment	8	(665,857)	-
Net investments income	6	1,624,358	115,854
Administrative expenses		(1,478,564)	(1,754,002)
<b>PROFIT FOR THE YEAR BEFORE PROVISION FOR CONTRIBUTION TO KFAS, NLST, ZAKAT AND DIRECTORS' REMUNERATION</b>		<b>6,029,434</b>	<b>3,629,219</b>
Provision for Kuwait Foundation for the Advancement of Sciences (KFAS)		(54,500)	(33,829)
Provision for National Labour Support Tax (NLST)		(151,389)	(99,222)
Provision for Zakat		(60,556)	(39,689)
Provision for Directors' remuneration		(78,000)	(64,000)
<b>PROFIT FOR THE YEAR</b>	5	<b>5,684,989</b>	<b>3,392,479</b>
Attributable to:			
Equity holders of the Parent Company		5,682,281	3,392,479
Non-controlling interests		2,708	-
		<b>5,684,989</b>	<b>3,392,479</b>
<b>BASIC AND DILUTED EARNINGS PER SHARE ATTRIBUTABLE TO THE EQUITY HOLDERS OF THE PARENT COMPANY</b>	7	<b>101.60 fils</b>	<b>60.66 fils</b>

The attached notes 1 to 28 form part of these consolidated financial statements

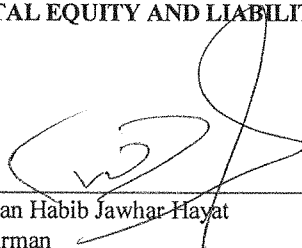
National Petroleum Services Company K.S.C.P. and its subsidiaries  
**CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME**  
For the year ended 31 December 2015

	2015 KD	2014 KD
<b>Profit for the year</b>	<b>5,684,989</b>	<b>3,392,479</b>
<b>Other comprehensive income (loss)</b>		
<i>Other comprehensive income (loss) to be reclassified to consolidated statement of income in subsequent periods:</i>		
Change in fair value of financial assets available for sale	(5,585)	(29,939)
Foreign currency translation adjustment	7,055	-
<b>Other comprehensive income (loss) for the year</b>	<b>1,470</b>	<b>(29,939)</b>
<b>Total comprehensive income for the year</b>	<b>5,686,459</b>	<b>3,362,540</b>
<b>Attributable to:</b>		
Equity holders of the Parent Company	5,682,339	3,362,540
Non-controlling interests	4,120	-
	<b>5,686,459</b>	<b>3,362,540</b>

The attached notes 1 to 28 form part of these consolidated financial statements

National Petroleum Services Company K.S.C.P. and its subsidiaries  
**CONSOLIDATED STATEMENT OF FINANCIAL POSITION**  
 At 31 December 2015

	Notes	2015 KD	2014 KD
<b>ASSETS</b>			
<b>Non-current assets</b>			
Property, plant and equipment	8	9,047,928	7,886,533
Intangible assets		66,658	114,277
Financial assets available for sale	9	43,814	49,701
		<u>9,158,400</u>	<u>8,050,511</u>
<b>Current assets</b>			
Inventories	10	3,069,190	2,211,409
Accounts receivable	11	5,541,628	5,439,881
Prepayments and other receivables	12	346,129	982,540
Financial assets at fair value through profit or loss	13	141,245	1,675,094
Cash and cash equivalents	14	7,891,236	4,196,919
		<u>16,989,428</u>	<u>14,505,843</u>
<b>TOTAL ASSETS</b>		<u><b>26,147,828</b></u>	<u><b>22,556,354</b></u>
<b>EQUITY AND LIABILITIES</b>			
<b>Equity</b>			
Share capital	15	5,760,951	5,760,951
Share premium	16	3,310,705	3,310,705
Treasury shares	17	(585,062)	(585,062)
Treasury shares reserve		33,825	33,825
Statutory reserve	18	2,723,364	2,120,691
Voluntary reserve	19	2,723,364	2,120,691
Foreign currency translation reserve		5,643	-
Cumulative changes in fair value		15,182	20,767
Retained earnings		6,414,335	4,454,228
		<u>20,402,307</u>	<u>17,236,796</u>
<b>Equity attributable to equity holders of the Parent Company</b>		<b>20,402,307</b>	<b>17,236,796</b>
Non-controlling interests		49,843	-
<b>Total equity</b>		<u><b>20,452,150</b></u>	<u><b>17,236,796</b></u>
<b>Non-current liability</b>			
Employees' end of service benefits	20	1,416,260	1,131,646
<b>Current liabilities</b>			
Accounts payables and accruals	21	4,279,418	4,187,912
<b>Total liabilities</b>		<u><b>5,695,678</b></u>	<u><b>5,319,558</b></u>
<b>TOTAL EQUITY AND LIABILITIES</b>		<u><b>26,147,828</b></u>	<u><b>22,556,354</b></u>

  
 Omran Habib Jawhar Hayat  
 Chairman



The attached notes 1 to 28 form part of these consolidated financial statements

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

## CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2015

	Attributable to equity holders of the Parent Company										Non-controlling interests	Total
	Share capital	Share premium	Treasury shares	Treasury shares reserve	Statutory reserve	Voluntary reserve	Foreign currency translation reserve	Cumulative changes in fair value	Retained earnings	Sub-total		
	KD	KD	KD	KD	KD	KD	KD	KD	KD	KD	KD	KD
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 year	-	-	-	-	-	-	-	-	5,682,281	5,682,281	2,708	5,684,989
Other comprehensive income (loss)	-	-	-	-	-	-	5,643	(5,585)	-	58	1,412	1,470
Total comprehensive income (loss) for the year	-	-	-	-	-	-	5,643	(5,585)	5,682,281	5,682,339	4,120	5,686,459
Dividend paid (Note 15)	-	-	-	-	-	-	-	-	(2,516,828)	(2,516,828)	-	(2,516,828)
Transfer to reserve	-	-	-	-	602,673	602,673	-	-	(1,205,346)	-	-	-
Net movement in non-controlling interests	-	-	-	-	-	-	-	-	-	-	45,723	45,723
At 31 December 2015	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
At 1 January 2014	5,760,951	3,310,705	(585,062)	33,825	1,757,769	1,757,769	-	50,706	3,745,126	15,831,789	-	15,831,789
Profit for the year	-	-	-	-	-	-	-	-	3,392,479	3,392,479	-	3,392,479
Other comprehensive loss	-	-	-	-	-	-	-	(29,939)	-	(29,939)	-	(29,939)
Total comprehensive (loss) income for the year	-	-	-	-	-	-	-	(29,939)	3,392,479	3,362,540	-	3,362,540
Dividend paid	-	-	-	-	-	-	-	-	(1,957,533)	(1,957,533)	-	(1,957,533)
Transfer to reserve	-	-	-	-	362,922	362,922	-	-	(725,844)	-	-	-
At 31 December 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	-	17,236,796

The attached notes 1 to 28 form part of these consolidated financial statements

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

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2015

	Notes	2015 KD	2014 KD
<b>OPERATING ACTIVITIES</b>			
Profit for the year		5,684,989	3,392,479
Non-cash adjustments to reconcile profit for the year to net cash flows:			
Depreciation and amortization	5	1,651,287	2,005,476
Impairment of property, plant and equipment	8	665,857	-
(Gain) loss on sale of property, plant and equipment		(16,719)	15,012
Net investments income	6	(1,624,358)	(115,854)
Write back of provision for doubtful debts		(102,667)	-
Provision for employees' end of service benefits	20	365,303	334,121
		<u>6,623,692</u>	<u>5,631,234</u>
Working capital adjustments:			
Inventories		(857,781)	(566,108)
Accounts receivable		920	(2,082,066)
Prepayments and other receivables		636,411	118,403
Accounts payables and accruals		65,581	1,030,274
		<u>6,468,823</u>	<u>4,131,737</u>
Cash generated from operations			
Employees' end of service benefits paid	20	(80,689)	(63,079)
		<u>6,388,134</u>	<u>4,068,658</u>
Net cash flows from operating activities			
<b>INVESTING ACTIVITIES</b>			
Purchase of property, plant and equipment	8	(3,466,612)	(1,430,880)
Proceeds from sale of property, plant and equipment		51,325	532
Purchase of intangible assets		-	(144,300)
Proceeds from sale of financial assets available for sale		-	354,524
Proceeds from sale of financial assets at fair value through profit or loss		3,150,001	-
Dividend income received		8,708	109,827
Net movement in financial assets at fair value through profit or loss	13	(200)	(402)
Net movement in term deposits		(4,000,000)	-
		<u>(4,256,778)</u>	<u>(1,110,699)</u>
Net cash flows used in investing activities			
<b>FINANCING ACTIVITIES</b>			
Dividends paid		(2,490,903)	(1,957,533)
Net movement in non-controlling interests		45,723	-
		<u>(2,445,180)</u>	<u>(1,957,533)</u>
Net cash flows used in financing activities			
(DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS		(313,824)	1,000,426
Foreign currency translation adjustment		8,141	-
Cash and cash equivalents at 1 January	14	4,196,919	3,196,493
CASH AND CASH EQUIVALENTS AT 31 DECEMBER	14	<u>3,891,236</u>	<u>4,196,919</u>

The attached notes 1 to 28 form part of these consolidated financial statements



## 1 CORPORATE INFORMATION

The Group comprises 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, Al-Ahmadi, Plot 3, P.O. Box 9801, 61008, Kuwait.

The objectives for which the Parent Company was incorporated for, are:

- Performing all support services for wells drilling, repairing and preparation for production as well as wells maintenance related services.
- 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.
- Importing and exporting chemicals necessary for the execution of the works stated in item no. (1) above.
- Concluding agreements and obtaining privileges which it deems necessary for the 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 consolidated financial statements of the Group for the year ended 31 December 2015 were authorised for issue in accordance with a resolution of the Parent Company's Board of Directors on 18 February 2016 and are subject to the approval of Annual General Assembly meeting of the shareholders of the Parent Company. The Annual General Assembly meeting of the shareholders has the power to amend these consolidated financial statements after issuance.

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 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 of November 2012, the executive regulation of Law No. 25 of 2012 will continue until a new set of executive regulation is issued.

Details of subsidiaries are given in Note 2.2.

### 2.1 BASIS OF PREPARATION

#### Statement of compliance

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB").

#### Basis of preparation

The consolidated financial statements are prepared under the historical cost convention modified to include the measurement at fair value of financial assets available for sale and financial assets at fair value through profit or loss.

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

### 2.2 BASIS OF CONSOLIDATION

The consolidated financial statements comprise the financial statements of the Parent Company and its subsidiaries (investees which are controlled by the Group) as at 31 December 2015. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Specifically, the Group controls an investee if and only if the Group has:

- Power over the investee (i.e. existing rights that give it the current ability to direct the relevant activities of the investee);
- Exposure, or rights, to variable returns from its involvement with the investee, and
- The ability to use its power over the investee to affect its returns.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

At 31 December 2015

**2.2 BASIS OF CONSOLIDATION (continued)**

When the Group has less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

- The contractual arrangement with the other vote holders of the investee;
- Rights arising from other contractual arrangements;
- The Group's voting rights and potential voting rights.

The Group re-assesses 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. Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Assets, liabilities, income and expenses of a subsidiary acquired or disposed of during the year are included in the statement of comprehensive income from the date the Group gains control until the date the Group ceases to control the subsidiary.

Profit or loss and each component of consolidated statement of other comprehensive income (OCI) are attributed to the equity holders of the Parent Company and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance. When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with the Group's accounting policies. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction. 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;
- Reclassifies the parent's share of components previously recognized in other comprehensive income to profit or loss or retained earnings, as appropriate, as would be required if the group had directly disposed of the related assets or liabilities.

The consolidated financial statements comprise the financial statements of the Parent Company and its subsidiaries at 31 December, which is detailed below:

<i>Entity</i>	<i>Country of Incorporation</i>	<i>Principal activities</i>	<i>Effective ownership %</i>	
			<i>2015</i>	<i>2014</i>
Napesco International Petroleum Services Single Person Company*	Kuwait	Drilling & maintenance of oil wells and chemical waste management	100%	99%
Napesco India LLP (owned through Napesco International Petroleum Services)**	India	Support activities for petroleum and natural gas mining incidental to onshore and offshore oil & gas extraction.	79.99%	-

\*During the year ended 31 December 2015, the Memorandum of Incorporation have been amended to change the legal form of the entity from Limited Liability company to Single Person Company.

\*\*This entity was incorporated during the year.

**Non-controlling interests**

Non-controlling interests represent the portion of profit or loss and net assets not held by the Group and are presented separately in the consolidated statement of income, consolidated statement comprehensive income and within equity in the consolidated statement of financial position, separately from the equity attributable to shareholders of the Parent Company.

## 2.3 CHANGES IN ACCOUNTING POLICIES

The accounting policies used in the preparation of these consolidated financial statements are consistent with those used in the previous year, except for the adoption of the following new and amended standards effective as of 1 January 2015:

### *IFRS 3 Business Combinations*

The amendment is applied prospectively and clarifies that all contingent consideration arrangements classified as liabilities (or assets) arising from a business combination should be subsequently measured at fair value through profit or loss whether or not they fall within the scope of IAS 39. This is consistent with the Group's current accounting policy and thus, this amendment did not impact the Group's accounting policy.

### *IFRS 8 Operating Segments*

The amendments are applied retrospectively for annual periods beginning on or after 1 January 2015 and clarify that:

- An entity must disclose the judgements made by management in applying the aggregation criteria in paragraph 12 of IFRS 8, including a brief description of operating segments that have been aggregated and the economic characteristics (e.g., sales and gross margins) used to assess whether the segments are 'similar'.
- The reconciliation of segment assets to total assets is only required to be disclosed if the reconciliation is reported to the chief operating decision maker, similar to the required disclosure for segment liabilities. The Group has not applied the aggregation criteria in IFRS 8.12 and, thus, this amendment did not impact the Group's accounting policy.

The Group has presented the reconciliation of segment assets to total assets in previous years and continues to disclose the same in Note 24 in this year's consolidated financial statements as the reconciliation is reported to the chief operating decision maker for the purpose of its decision making.

### *IAS 24 Related Party Disclosures*

The amendment is applied retrospectively for annual periods beginning on or after 1 January 2015 and clarifies that a management entity (an entity that provides key management personnel services) is a related party subject to the related party disclosures. In addition, an entity that uses a management entity is required to disclose the expenses incurred for management services. This amendment is not relevant for the Group as it does not receive any management services from other entities.

### *IFRS 13 Fair Value Measurement*

The amendment is applied prospectively and clarifies that the portfolio exception in IFRS 13 can be applied not only to financial assets and financial liabilities, but also to other contracts within the scope of IAS 39. The Group does not apply the portfolio exception in IFRS 13.

Other amendments to IFRSs which are effective for annual accounting period starting from 1 January 2015 did not have any material impact on the accounting policies, financial position or performance of the Group.

## 2.4 STANDARDS ISSUED BUT NOT YET EFFECTIVE

Standards issued but not yet effective up to the date of issuance of the Group's consolidated financial statements are listed below. This listing of standards issued is those that the Group reasonably expects to have an impact on disclosures, financial position or performance when applied at a future date. The Group intends to adopt these standards when they become effective.

### *IFRS 9 Financial Instruments*

The IASB issued IFRS 9 - Financial Instruments in its final form in July 2014 and is effective for annual periods beginning on or after 1 January 2018 with a permission to early adopt. IFRS 9 sets out the requirements for recognizing and measuring financial assets, financial liabilities and some contracts to buy or sell non-financial assets. This standard replaces IAS 39 Financial Instruments: Recognition and Measurement. The adoption of this standard will have an effect on the classification and measurement of Group's financial assets but is not expected to have a significant impact on the classification and measurement of financial liabilities. The Group is in the process of quantifying the impact of this Standard on the Group's consolidated financial statements, when adopted.

## 2.4 STANDARDS ISSUED BUT NOT YET EFFECTIVE (continued)

### *IFRS 15 Revenue from Contracts with Customers*

IFRS 15 was issued by IASB on 28 May 2014 and is effective for annual periods beginning on or after 1 January 2017. IFRS 15 supersedes IAS 11 – Construction Contracts and IAS 18 – Revenue along with related IFRIC 13, IFRIC 18 and SIC 31 from the effective date. This new standard would remove inconsistencies and weaknesses in previous revenue recognition requirements, provide a more robust framework for addressing revenue issues and improve comparability of revenue recognition practices across entities, industries, jurisdictions and capital markets. The Group is in the process of evaluating the effect of IFRS 15 on the Group and do not expect any significant impact on adoption of this standard.

Annual improvements for 2010-2012 and 2011-2013 cycle which are effective from 1 January 2016 are not expected to have a material impact on the Group.

Additional disclosures will be made in the consolidated financial statements when these standards, revisions and amendments become effective. The Group, however, expects no material impact from the adoption of the amendments on its financial position or performance.

## 3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

### **Revenue recognition**

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured, regardless of when the payment is being made. Revenue is measured at the fair value of the consideration received or receivable taking into account contractually defined terms of payment and excluding discounts and rebates. The Group assesses its revenue arrangements against specific criteria in order to determine if it is acting as principal or agent. The Group has concluded that it is acting as a principal in all of its revenue arrangements.

The following specific recognition criteria must also be met before revenue is recognised:

#### *Sale of goods*

Sales represent the invoiced value of goods supplied net of returns. Revenue from sale of goods is recognised when significant risks and rewards of ownership of goods are transferred to the buyer, normally on delivery of goods.

#### *Service income*

Service income is recognized when the service is rendered.

#### *Dividend income*

Dividend income is recognised when the Group's right to receive the 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.

### **Taxation**

#### *Kuwait Foundation for the Advancement of Sciences (KFAS)*

The Parent Company calculates the contribution to KFAS at 1% in accordance with the modified calculation based on the Foundation's Board of Directors resolution, which states that the income from shareholding associates and subsidiaries, Board of Directors' remuneration, transfer to statutory reserve should be excluded from profit for the year when determining the contribution.

#### *National Labour Support Tax (NLST)*

The Parent Company calculates the NLST in accordance with Law No. 19 of 2000 and the Ministry of Finance Resolutions No. 24 of 2006 at 2.5% of taxable profit for the year. As per law, income from associates and subsidiaries, cash dividends from listed companies which are subjected to NLST have been deducted from the profit for the year.

#### *Zakat*

Contribution to Zakat is calculated at 1% of the profit of the Parent Company in accordance with the Ministry of Finance resolution No. 58/2007.

**3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**Property, plant and equipment**

Property, plant and equipment is stated at cost, net of accumulated depreciation and impairment losses, if any.

Depreciation is calculated on a straight line basis over the estimated useful lives of the property, plant and equipment as follows:

• Buildings	20 years
• Plant and Machinery	10 years
• Furniture and fixtures	3 years
• Motor vehicles	3 years

The carrying values of property, plant and equipment are reviewed for impairment when events or changes in circumstances indicate the carrying value may not be recoverable. If any such indication exists and where the carrying values exceed the estimated recoverable amount, the assets are written down to their recoverable amount, being the higher of their fair value less costs to sell and their value in use.

Expenditure incurred to replace a component of an item of property, plant and equipment that is accounted for separately is capitalised and the carrying amount of the component that is replaced is written off. Other subsequent expenditure is capitalised only when it increases future economic benefits of the related item of property, plant and equipment. All other expenditure is recognised in the consolidated statement of income as the expense is incurred.

An item of property, plant and equipment and any significant part initially recognised is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the consolidated statement of income when the asset is derecognised.

The assets residual values, useful lives and methods of depreciation are reviewed at each financial year end, and adjusted prospectively, if appropriate.

**Intangible assets**

Intangible assets represent payment made towards acquiring right to use software. Intangible assets are carried at cost less accumulated amortisation and any impairment in value, if any.

Intangible assets with finite lives are amortised over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at least at each financial year end. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset is accounted for by changing the amortisation period or method, as appropriate, and are treated as changes in accounting estimates. The amortisation expense on intangible assets with finite lives is recognised in the consolidated statement of income in the expense category consistent with the function of the intangible assets. Amortisation is computed on straight line basis on the estimated useful lives of 3 years.

Gains or losses arising from derecognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognised in the consolidated statement of income when the asset is derecognised.

**Financial instruments**

**Financial assets**

**Initial recognition and measurement**

Financial assets within the scope of IAS 39 are classified as financial assets carried at fair value through profit or loss, loans and receivables, held-to-maturity investments or financial assets available for sale, as appropriate. The Group determines the classification of its financial assets at initial recognition.

Financial assets are recognised initially at fair value plus transaction costs except, in the case of financial assets not at fair value through profit and loss.

Purchases or sales of financial assets that require delivery of assets within frame established by regulation or convention in the market place (regular way trades) are recognised on the trade date, i.e., the date that Group commits to purchase or sell the asset.

**3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**Financial instruments (continued)**

**Financial assets (continued)**

**Initial recognition and measurement (continued)**

The Group's financial assets include financial assets available for sale, accounts receivables, financial assets at fair value through profit or loss and bank balances and cash. At 31 December 2015, the Group did not have any held-to-maturity investments.

**Subsequent measurement**

The subsequent measurement of financial assets depends on their classification as described below:

*Financial assets available-for-sale*

Financial assets available-for-sale are those non-derivative financial assets that are designated as available-for-sale or are not designated at fair value through profit or loss, investments held-to-maturity or loans and receivables.

After initial measurement, financial assets available-for-sale are subsequently measured at fair value with unrealised gains or losses recognised as other comprehensive income in the cumulative changes in fair values reserve until the investment is derecognised or determined to be impaired at which time the cumulative gain or loss is recognised in the consolidated statement of income. Investments whose fair value cannot be reliably measured are carried at cost less impairment losses, if any

*Accounts receivable*

Accounts receivable are stated at original invoice amount less a provision for any uncollectible amounts. An estimate for doubtful debts is made when collection of the full amount is no longer probable. Bad debts are written off when there is no possibility of recovery.

*Financial assets at fair value through profit or loss*

The category of financial assets at fair value through profit or loss is sub divided into:

*Financial assets held for trading*

Financial assets are classified as held for trading if they are acquired for the purpose of selling or repurchasing in the near term. Financial assets at fair value through profit or loss are carried in the consolidated statement of financial position at fair value with changes in fair value recognised in the consolidated statement of income.

*Financial assets designated at fair value through profit or loss upon initial recognition:*

Financial assets are designated at fair value through profit or loss if they are managed, and their performance is evaluated on reliable fair value basis in accordance with a documented investment strategy. After initial recognition financial assets at fair value through profit or loss are remeasured at fair value with all changes in fair value recognised in the consolidated statement of income.

**Derecognition**

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

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

When the Group has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if and to what extent it has retained the risks and rewards of ownership. When it has neither transferred nor retained substantially all of the risks and rewards of the asset, nor transferred control of the asset, the asset is recognised to the extent of the Group's continuing involvement in the asset. In that case, the Group also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Group has retained.

**3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**Financial instruments (continued)**

**Financial assets (continued)**

**Impairment of financial assets**

The Group assesses at each reporting date whether there is any objective evidence that a financial asset or a group of financial assets is impaired. A financial asset or a group of financial assets is deemed to be impaired if, and only if, there is objective evidence of impairment as a result of one or more events that has occurred after the initial recognition of the asset (an incurred 'loss event') and that loss event has an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated. Evidence of impairment may include indications that the borrowers or a group of borrowers is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganisation and where observable data indicate that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

*Financial assets available-for-sale*

For financial assets available-for-sale, the Group assesses at each reporting date whether there is objective evidence that a financial asset available-for-sale or a group of financial assets available-for-sale is impaired.

In the case of equity investments classified as financial assets available-for-sale, objective evidence would include a significant or prolonged decline in the fair value of the equity investment below its cost. 'Significant' is evaluated against the original cost of the investment and 'prolonged' against the period in which the fair value has been below its original cost. Where there is evidence of impairment, the cumulative loss measured as the difference between the acquisition cost and the current fair value, less any impairment loss on those financial assets available-for-sale previously recognised in the consolidated statement of income, is removed from other comprehensive income and recognised in the consolidated statement of income. Impairment losses on equity investments are not reversed through the consolidated statement of income; increase in their fair value after impairment is recognised directly in other comprehensive income.

**Financial liabilities**

**Initial recognition and measurement**

Financial liabilities within the scope of IAS 39 are classified as financial liabilities at fair value through profit or loss, loan and borrowings, as appropriate. The Group determines the classification of its financial liabilities at initial recognition.

Financial liabilities are recognised initially at fair value and in the case of loans and borrowings, directly attributable transaction costs.

The Group's financial liabilities include accounts payables. At 31 December 2015, the Group did not have any financial liabilities at fair value through consolidated statement of income.

**Subsequent measurement**

The measurement of financial liabilities depends on their classification as follows:

*Accounts payables*

Liabilities are recognised for amounts to be paid in the future for goods or services received, whether billed by the supplier or not.

**Derecognition**

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

**3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**Financial instruments (continued)**

**Offsetting of financial instruments**

Financial assets and financial liabilities are offset and the net amount reported in the consolidated statement of financial position if, and only if, there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liabilities simultaneously.

**Impairment of non-financial assets**

At each reporting date, the Group reviews the carrying amounts of its non-financial assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs. Where a reasonable and consistent basis of allocation can be identified, assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining the fair value less costs to sell, an appropriate valuation model is used.

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

Where an impairment loss subsequently reverses the carrying amount of the asset (cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (cash-generating unit) in prior years. A reversal of an impairment loss is recognised immediately in the consolidated statement of income.

**Fair value**

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.

The principal or the most advantageous market must be accessible to by the Group.

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.



### 3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

#### **Fair value (continued)**

All assets and liabilities for which fair value is measured or disclosed in the consolidated 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 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.

For financial instruments quoted in an active market, fair value is determined by reference to quoted market prices. Bid prices are used for assets and offer prices are used for liabilities. The fair value of investments in mutual funds, unit trusts or similar investment vehicles are based on the last published net assets value.

For unquoted financial instruments fair value is determined by reference to the market value of a similar investment, discounted cash flows, other appropriate valuation models or brokers' quotes. For investments in equity instruments, where a reasonable estimate of fair value cannot be determined, the investment is carried at cost.

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 categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

For the purpose of fair value disclosures, the Group has determined classes of assets and liabilities on the basis of the nature, characteristics and risks of the asset or liability and the level of the fair value hierarchy as explained above.

#### **Inventories**

Inventories are valued at the lower of cost and net realizable value after providing allowances for any obsolete or slow moving items. Costs comprise direct materials and where applicable, direct labour 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.

#### **Cash and cash equivalents**

For the purpose of the consolidated statement of cash flows, cash and cash equivalents consist of, cash in hand, bank balances, short-term deposits with an original maturity of three months or less.

#### **Treasury shares**

Treasury shares consist of the Parent Company's own issued shares that have been reacquired by the Group and not yet reissued or cancelled. The treasury shares are accounted for using the cost method. Under this method, the weighted average cost of the shares reacquired is charged in equity. When the treasury shares are reissued, gains are credited to a separate account in equity (the "treasury shares reserve"), which is not distributable. Any realised losses are charged to the same account to the extent of the credit balance in that account. Any excess losses are charged to retained earnings then to the voluntary reserve and statutory reserve. Gains realised subsequently on the sale of treasury shares are first used to offset any previously recorded losses in the order of reserves, retained earnings and the treasury shares reserve account. No cash dividends are paid on these shares. The issue of bonus shares increases the number of treasury shares proportionately and reduces the average cost per share without affecting the total cost of treasury shares.

**3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**Employees' end of service benefits**

The Group provides end of service benefits to its expatriate employees under the Kuwait Labour Law. The entitlement to these benefits is based upon the employees' final salary and length of service, subject to the completion of a minimum service period. The expected costs of these benefits are accrued over the period of employment.

With respect to its national employees, the Group makes contributions to Public Institution for Social security calculated as a percentage of the employees' salaries. The Group's obligations are limited to these contributions, which are expensed when due.

**Provisions**

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, 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.

**Foreign currencies**

The consolidated financial statements are presented in KD which is the Group's presentation currency. Each entity in the Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency.

Transactions in foreign currencies are initially recorded at the functional currency rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency rate of exchange ruling at reporting date. All exchange differences are taken to the consolidated statement of income. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using exchange rates as at the date of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined. Any goodwill arising on the acquisition of a foreign operation and any fair value adjustments to the carrying amounts of assets and liabilities arising on the acquisition are treated as assets and liabilities of the foreign operation and translated at the closing rate.

As at the reporting date, the assets and liabilities of the foreign subsidiaries are translated into the presentation currency of the Group at the rate of exchange ruling at the reporting date and their income statements are translated at the weighted average exchange rates for the year. The exchange differences arising on the translation are taken directly to the consolidated statement of comprehensive income. On disposal of a foreign entity, the deferred cumulative amount recognised in equity relating to that particular foreign operation is recognised in the consolidated statement of income.

**Contingencies**

Contingent liabilities are not recognised in the consolidated statement of financial position, but are disclosed unless the possibility of an outflow of resources embodying economic benefits is remote.

Contingent assets are not recognised in the consolidated statement of financial position, but are disclosed when an inflow of economic benefits is probable.

**Segment information**

A segment is a distinguishable component of the Group that engages in business activities from which it earns revenue and incurs costs. The operating segments are used by the management of the Group to allocate resources and assess performance. Operating segments exhibiting similar economic characteristics, product and services, class of customers where appropriate are aggregated and reported as reportable segments.

**4 SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS**

The preparation of the Group's consolidated financial statements require management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities and the disclosure of contingent liabilities, at the reporting date. However, uncertainty about the assumptions and estimates could result in outcomes that require a material adjustment to the amount of the asset or liability affected in the future periods.

**Judgements**

In the process of applying the Group's accounting policies, management has made the following judgments, which have the most significant effect on the amounts recognised in the consolidated financial statements:

**4 SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS (continued)**

*Classification of investment*

Judgements are made in the classification of financial instruments based on management's intention at acquisition.

The Group classifies financial assets and financial liabilities as held for trading if they are acquired primarily for the purpose of short term profit making.

Classification of financial assets and financial liabilities as fair value through profit or loss depends on how management monitors the performance of these financial assets and financial liabilities. When they are not classified as held for trading but have readily available fair values and the changes in fair values are reported as part of consolidated income statement in the management accounts, they are designated as fair value through profit or loss.

Classification of assets as loans and receivables depends on the nature of the asset. If the Group is unable to trade these financial assets due to inactive market and the intention is to receive fixed or determinable payments the financial asset is classified as loans and receivables. All other financial assets are classified as available-for-sale.

*Impairment of investments*

The Group treats available-for-sale equity investments as impaired when there has been a significant or prolonged decline in the fair value below its cost or where other objective evidence of impairment exists. The determination of what is "significant" or "prolonged" requires considerable judgment. In addition, the Group evaluates other factors, including normal volatility in share price for quoted equities and the future cash flows and the discount factors for unquoted equities.

**Estimates and assumptions**

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below:

*Fair value of unquoted equity investments*

Valuation of unquoted equity investments is normally based on one of the following:

- recent arm's length market transactions;
- current fair value of another instrument that is substantially the same;
- an earnings multiple or industry specific earnings multiple;
- the expected cash flows discounted at current rates applicable for items with similar terms and risk characteristics;
- other valuation models.

The determination of the cash flows and discount factors for unquoted equity investments requires significant estimation. There are a number of investments where this estimation cannot be reliably determined. As a result, these investments are carried at cost less impairment.

*Useful lives of property, plant and equipment and intangible assets*

The Group determines the estimated useful lives of its property, plant and equipment and intangible assets for calculating depreciation and amortisation. This estimate is determined after considering the expected usage of the asset or physical wear and tear. Management reviews the residual value and useful lives annually and future depreciation and amortisation charge would be adjusted where the management believes the useful lives differ from previous estimates.

*Impairment of property, plant and equipment and intangible assets*

The carrying amounts of the Group's assets are reviewed at each reporting date to determine whether there is any indication or objective evidence of impairment or when annual impairment testing for an asset is required. If any such indication or evidence exists, the asset's recoverable amount is estimated and an impairment loss is recognised in the consolidated statement of income whenever the carrying amount of an asset exceeds its recoverable amount.

*Impairment of accounts receivable*

An estimate of the collectible amount of accounts receivable is made when collection of the full amount is no longer probable. For individually significant amounts, this estimation is performed on an individual basis. Amounts which are not individually significant, but which are past due, are assessed collectively and a provision applied according to the length of time past due.

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

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

At 31 December 2015

### 4 SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS (continued)

#### *Impairment of inventories*

Inventories are held at the lower of cost and net realisable value. When inventories become old or obsolete, an estimate is made of their net realisable value. For individually significant amounts this estimation is performed on an individual basis. Amounts which are not individually significant, but which are old or obsolete, are assessed collectively and a provision applied according to the inventory type and the degree of ageing or obsolescence, based on anticipated selling prices.

### 5 PROFIT FOR THE YEAR

Profit for the year is stated after charging:

	2015 KD	2014 KD
Inventories recognised as expenses on sale of goods	4,522,521	2,468,677
Staff costs included in:		
– Cost of sales and services	4,263,748	5,055,275
– Administrative expenses	972,253	903,953
	5,236,001	5,959,228
Depreciation and amortization included in:		
– Cost of sales and services	1,534,999	1,550,052
– Administrative expenses	116,288	455,424
	1,651,287	2,005,476

### 6 NET INVESTMENT INCOME

	2015 KD	2014 KD
Dividend income	8,708	109,827
Realised gain on sale of financial assets at fair value through profit or loss	1,650,001	-
Realised gain on sale of financial assets available for sale	-	39,524
Impairment loss on financial assets available for sale	(302)	(20,561)
Unrealized loss on financial assets at fair value through profit or loss	(34,049)	(12,936)
	1,624,358	115,854

### 7 BASIC AND DILUTED EARNINGS PER SHARE

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

	2015	2014
Profit for the year attributable to equity holders of the Parent Company (KD)	5,682,281	3,392,479
Weighted average number of ordinary shares	57,609,510	57,609,510
Less: weighted average number of treasury shares	(1,680,000)	(1,680,000)
Weighted average number of shares outstanding	55,929,510	55,929,510
Basic and diluted earnings per share attributable to the equity holders of the Parent Company (fils)	101.60	60.66

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

At 31 December 2015

8 PROPERTY, PLANT AND EQUIPMENT

	<i>Buildings KD</i>	<i>Plant and machinery KD</i>	<i>Furniture and fixtures KD</i>	<i>Motor vehicles KD</i>	<i>Total KD</i>
Cost					
As at 1 January 2015	2,827,278	14,675,227	596,491	375,215	18,474,211
Additions	-	3,276,423	48,450	141,739	3,466,612
Disposals	-	(37,500)	-	(69,291)	(106,791)
Foreign currency translation	-	-	(1,328)	(153)	(1,481)
As at 31 December 2015	<u>2,827,278</u>	<u>17,914,150</u>	<u>643,613</u>	<u>447,510</u>	<u>21,832,551</u>
Depreciation and impairment					
As at 1 January 2015	1,270,919	8,573,417	470,717	272,625	10,587,678
Charge for the year	122,254	1,317,833	70,251	93,330	1,603,668
Relating to disposals	-	(3,438)	-	(68,747)	(72,185)
Foreign currency translation	-	-	(391)	(4)	(395)
Impairment	-	665,857	-	-	665,857
As at 31 December 2015	<u>1,393,173</u>	<u>10,553,669</u>	<u>540,577</u>	<u>297,204</u>	<u>12,784,623</u>
Net carrying amount:					
As at 31 December 2015	<u>1,434,105</u>	<u>7,360,481</u>	<u>103,036</u>	<u>150,306</u>	<u>9,047,928</u>

	<i>Buildings KD</i>	<i>Plant and machinery KD</i>	<i>Furniture and fixtures KD</i>	<i>Motor vehicles KD</i>	<i>Total KD</i>
Cost					
At 1 January 2014	2,784,626	14,585,228	819,656	379,508	18,569,018
Additions	42,652	1,290,151	98,077	-	1,430,880
Transfers	-	31,089	(30,581)	(508)	-
Disposals	-	(8,265)	(6,249)	(3,785)	(18,299)
Written off	-	(1,222,976)	(284,412)	-	(1,507,388)
At 31 December 2014	<u>2,827,278</u>	<u>14,675,227</u>	<u>596,491</u>	<u>375,215</u>	<u>18,474,211</u>
Depreciation					
At 1 January 2014	983,103	8,036,053	687,796	170,912	9,877,864
Related to transfers	-	3,428	(1,699)	(1,729)	-
Charge for the year	287,816	1,504,365	79,830	103,442	1,975,453
Relating to disposals	-	-	(2,755)	-	(2,755)
Related to written off	-	(970,429)	(292,455)	-	(1,262,884)
At 31 December 2014	<u>1,270,919</u>	<u>8,573,417</u>	<u>470,717</u>	<u>272,625</u>	<u>10,587,678</u>
Net carrying amount:					
At 31 December 2014	<u>1,556,359</u>	<u>6,101,810</u>	<u>125,774</u>	<u>102,590</u>	<u>7,886,533</u>

The depreciation charged has been allocated in the consolidated statement of income as follows:

	<i>2015 KD</i>	<i>2014 KD</i>
Cost of sales and services	1,534,999	1,550,052
Administrative expenses	68,669	425,401
	<u>1,603,668</u>	<u>1,975,453</u>

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

At 31 December 2015

**8 PROPERTY, PLANT AND EQUIPMENT (continued)**

The Group's buildings are constructed on land leased from Public Authority of Industry, which will expire on July 31, 2018. Notwithstanding the contractual term of the lease, management considers that, based on market experience, the lease is renewable indefinitely, at similar nominal rates of ground rent, and with no premium payable for renewal of the lease and, consequently, as is common practice in the State of Kuwait, these leases have been accounted for as freehold land.

During the year ended 31 December 2015, the Board of Directors approved a provision for impairment of oil recovery plant and equipments (plant and machinery) at its net book value of KD 665,857.

**9 FINANCIAL ASSETS AVAILABLE FOR SALE**

	2015 KD	2014 KD
Funds and managed portfolios	3,223	3,223
Quoted equity securities	40,591	46,478
	<u>43,814</u>	<u>49,701</u>

**10 INVENTORIES**

	2015 KD	2014 KD
Cement and acidizing chemicals	2,206,100	1,549,989
Spare parts and tools	863,090	661,420
	<u>3,069,190</u>	<u>2,211,409</u>

**11 ACCOUNTS RECEIVABLE**

	2015 KD	2014 KD
Trade receivables	5,581,628	5,582,548
Less: Provision for doubtful debts	(40,000)	(142,667)
	<u>5,541,628</u>	<u>5,439,881</u>

As at 31 December 2015, the Group made a provision of KD 40,000 (2014: KD 142,667) on trade receivables. Movement in impairment of trade receivables is as follows:

	2015 KD	2014 KD
At 1 January	142,667	142,667
Written back during the year	(102,667)	-
At 31 December	<u>40,000</u>	<u>142,667</u>

As at 31 December, the ageing analysis of unimpaired trade receivables is as follows:

	Neither past due nor impaired KD	<u>Past due but not impaired</u>			Total KD
		<90 days KD	91-180 days KD	>180 days KD	
2015	<u>4,279,538</u>	<u>838,218</u>	<u>175,751</u>	<u>248,121</u>	<u>5,541,628</u>
2014	<u>3,321,507</u>	<u>1,343,944</u>	<u>613,849</u>	<u>160,581</u>	<u>5,439,881</u>

It is not the practice of the Group to obtain collateral over trade receivables.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

At 31 December 2015

**12 PREPAYMENTS AND OTHER RECEIVABLES**

	2015 KD	2014 KD
Advance payments to suppliers	158,436	669,463
Staff receivables	155,306	132,462
Deposits and other receivable	32,387	180,615
	<u>346,129</u>	<u>982,540</u>

**13 FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS**

	2015 KD	2014 KD
<i>Financial assets held for trading:</i>		
Quoted equities	28,380	31,020
<i>Financial assets designated at fair value through profit or loss:</i>		
Funds and managed portfolios	112,865	1,644,074
	<u>141,245</u>	<u>1,675,094</u>

**14 CASH AND CASH EQUIVALENTS**

For the purpose of consolidated statement of cash flows, cash and cash equivalents comprises the following:

	2015 KD	2014 KD
Bank balances and cash	3,891,236	4,196,919
Term deposits	4,000,000	-
	<u>7,891,236</u>	<u>4,196,919</u>
Less: Term deposits whose original maturity is more than 3 months	(4,000,000)	-
Cash and cash equivalents for the purpose of consolidated statement of cash flows	<u>3,891,236</u>	<u>4,196,919</u>

Term deposits are placed with local banks and earn interest at commercial rates.

**15 SHARE CAPITAL AND DIVIDEND**

	Authorized, issued and fully paid 2015 KD	2014 KD
57,609,510 shares of 100 fils each, paid in cash	5,760,951	5,760,951

The shareholders at the Annual General Meeting held on 31 March 2015 approved the distribution of cash dividend of 45 fils per share on the outstanding issued share capital as at 31 December 2014 amounting to KD 2,516,828.

The Parent Company's board of directors have proposed a cash dividends of 60 fils per share (2014: 45 fils per share) for the year ended 31 December 2015 which is subject to approval at the annual general meeting.

**16 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.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

At 31 December 2015

**17 TREASURY SHARES**

	2015	2014
Number of treasury shares	1,680,000	1,680,000
Percentage of issued shares	2.92%	2.92%
Market value (KD)	1,092,000	1,008,000
Cost (KD)	585,062	585,062

The balance in the treasury shares reserve of KD 33,825 (2014: KD 33,825) is not available for distribution. Reserves equivalent to the cost of the treasury shares held are not available for distribution throughout the holding period of treasury shares.

**18 STATUTORY RESERVE**

As required by the Companies Law and the Parent Company's Articles of Association, 10% of the profit for the year attributable to equity holders of the Parent Company before contribution to KFAS, NLST, Zakat and Directors' remuneration is transferred to statutory reserve. The Parent Company may resolve to discontinue such annual transfers when the reserve totals 50% of paid up share capital.

Distribution of the Parent Company's statutory reserve is limited to the amount required to enable the payment of a dividend of 5% of paid up share capital to be made in years when retained earnings are not sufficient for the payment of a dividend of that amount.

**19 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 Parent Company's shareholders' General Assembly upon a recommendation by the Board of Directors. There is no restriction on distribution of the voluntary reserve.

**20 EMPLOYEES' END OF SERVICE BENEFITS**

Movements in the provision recognized in the consolidated statement of financial position are as follows:

	2015 KD	2014 KD
Provision as at 1 January	1,131,646	860,604
Charge for the year	365,303	334,121
Paid during the year	(80,689)	(63,079)
Provision as at 31 December	<u>1,416,260</u>	<u>1,131,646</u>

**21 ACCOUNTS PAYABLES AND ACCRUALS**

	2015 KD	2014 KD
Trade payables	523,557	561,062
Accrued expenses	2,723,276	2,530,830
Advance received from subcontractor	551,227	715,020
Accrued leave	136,913	144,605
KFAS, NLST and Zakat payable	266,445	172,395
Directors' remuneration	78,000	64,000
	<u>4,279,418</u>	<u>4,187,912</u>

**22 CONTINGENT LIABILITIES**

At 31 December 2015 the Group had contingent liabilities in respect of letters of guarantee arising in the ordinary course of business from which it is anticipated that no material liabilities will arise, amounting to KD 4,210,804 (2014: KD 4,829,655).



## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

At 31 December 2015

**23 COMMITMENTS**

At 31 December 2015, Group has capital commitment for purchase of property, plant and equipment amounting to KD 185,415 (2014: KD 1,781,590).

**24 SEGMENT INFORMATION**

For management purposes, the Group is organised into business units based on the products and services and has three reportable operating segments i.e. oil field services, non-oil services and investments. 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>Year ended 31 December 2015</i>	<i>Oil field services KD</i>	<i>Non-oil field services KD</i>	<i>Investments KD</i>	<i>Total KD</i>
Segment revenue	14,949,158	4,660,224	1,624,358	21,233,740
Segment results	5,272,851	610,789	1,624,358	7,507,998
Unallocated cost				(1,823,009)
Profit for the year				5,684,989
<i>Year ended 31 December 2014</i>	<i>Oil field services KD</i>	<i>Non-oil field services KD</i>	<i>Investments KD</i>	<i>Total KD</i>
Segment revenue	12,740,066	3,325,896	115,854	16,181,816
Segment results	5,212,719	54,648	115,854	5,383,221
Unallocated cost				(1,990,742)
Profit for the year				3,392,479

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 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 31 December 2014</i>				
Segment assets	19,763,010	1,068,549	1,724,795	22,556,354
Segment liabilities	5,319,558	-	-	5,319,558

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

At 31 December 2015

**25 TRANSACTIONS WITH RELATED PARTIES**

Related parties represent the Parent Company, shareholders, entities under the Parent Company's common control, directors and key management personnel of the Group and entities controlled, jointly controlled or significantly influenced by such parties. Pricing policies and terms of these transactions are approved by the Parent Company's management.

**Compensation of key management personnel**

The remuneration of directors and other members of key management during the year is as follows:

	2015 KD	2014 KD
Salaries and short-term benefits	448,092	279,525
Employees' end of service benefits	16,674	11,538
	<u>464,766</u>	<u>291,063</u>

The shareholders at the Annual General Meeting held on 31 March 2015 approved the proposed Board of Directors' remuneration amounting to KD 64,000 for the year ended 31 December 2014.

The Board of Directors have proposed directors' remuneration for the year ended 31 December 2015 amounting to KD 78,000 and is subject to approval by annual general assembly.

**26 RISK MANAGEMENT**

Risk is inherent in the Group's activities but it is managed through a process of ongoing identification, measurement and monitoring, subject to risk limits and other controls. This process of risk management is critical to the Group's continuing profitability and each individual within the Group is accountable for the risk exposures relating to his or her responsibilities. The Group is exposed to credit risk, liquidity risk, interest/profit rate risk, foreign currency risk and equity price risk.

The Parent Company's Board of Directors is ultimately responsible for the overall risk management approach and for approving the risk strategies and principles. No significant changes were made in the risk management objectives and policies during the years ended 31 December 2015 and 31 December 2014. The management of the Group reviews and agrees policies for managing each of these risks which are summarised below:

**26.1 Credit risk**

Credit risk is the risk that counterparty will cause a financial loss to the Group by failing to discharge an obligation. Credit risk arises in the Group's normal course of business. The Group seeks to limit its credit risk with respect to customers by setting credit limits for individual customers and monitoring outstanding receivables.

***Collateral and other credit enhancements***

The Group does not have any collateral or other credit enhancements against any of the financial assets at 31 December 2015 and 31 December 2014.

***Risk concentration of maximum exposure to credit risk***

Concentrations arise when a number of counterparties are engaged in similar business activities, or activities in the same geographic region, or have similar economic features that would cause their ability to meet contractual obligations to be similarly affected by changes in economic, political or other conditions. Concentrations indicate the relative sensitivity of the Group's performance to developments affecting a particular industry or geographic location. The Group minimises concentrations of credit risk by undertaking transactions with a large number of customers and with customers in various industries. In addition, receivable balances are monitored on an ongoing basis with the result that the Group's exposure to bad debts is not significant. The Group's 5 largest customers account for 94% (2014: 89%) of outstanding trade receivables at 31 December 2015.

With respect to credit risk arising from the other financial assets of the Group, the Group's exposure to credit risk arises from default of the counterparty, with a maximum exposure equal to the carrying amount of these instruments. Bank balances are placed with financial institutions of repute.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

At 31 December 2015

**26 RISK MANAGEMENT (continued)****26.2 Liquidity risk**

Liquidity risk is the risk that the Group will be unable to meet liabilities when they fall due. Liquidity risk can be caused by market disruptions or credit downgrades which may cause certain sources of funding to dry up immediately. To limit this risk, management has arranged diversified funding sources, manages assets with liquidity in mind and monitors liquidity on a daily basis. The Group's credit sales require amounts to be paid within 60 to 90 days of the date of invoice and trade payables are normally settled within 60 to 120 days from the date of purchase.

The table below summarises the maturities of the Group's undiscounted financial liabilities at 31 December based on contractual payment dates and current market interest rates.

<i>31 December 2015</i>	<i>Less than 3 months KD</i>	<i>3 to 12 months KD</i>	<i>Total KD</i>
Accounts payable (excluding accrued expenses and advance received from subcontractor)	<u>523,557</u>	<u>481,358</u>	<u>1,004,915</u>
<i>31 December 2014</i>			
Accounts payable (excluding accrued expenses and advance received from subcontractor)	<u>561,062</u>	<u>381,000</u>	<u>942,062</u>

**26.3 Market risk**

Market risk is the risk that the value of an asset will fluctuate as a result of changes in market variables such as interest rates, foreign exchange rates, and equity prices, whether those changes are caused by factors specific to the individual investment or its issuer or factors affecting all investments traded in the market.

Market risk is managed on the basis of pre-determined asset allocations across various asset categories, diversification of assets in terms of geographical distribution and industry concentration, a continuous appraisal of market conditions and trends and management's estimate of long and short term changes in fair value.

**26.3.1 Interest rate risk**

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Group is not currently exposed significantly to such risk.

**26.3.2 Foreign currency risk**

Foreign exchange risk arises when future commercial transactions and recognised assets and liabilities are denominated in a currency that is not the Group's functional currency. Foreign exchange risk is the risk that the value of a financial instrument will fluctuate due to changes in foreign exchange rates. Foreign exchange risk is managed on the basis of limits determined by management and a continuous assessment of current and expected exchange rate movements.

The tables below indicate the currencies to which the Group had significant exposure at 31 December on its monetary assets and liabilities. The analysis calculates the effect of a 5 % change in currency rate against the Kuwaiti Dinar, with all other variables held constant on the consolidated statement of income:

	<i>Effect on profit for the year</i>	
	<i>2015</i>	<i>2014</i>
	<i>KD</i>	<i>KD</i>
US Dollars	102,580	14,256

The exposure to other foreign currencies is not significant to the Group's consolidated financial statements. There is no direct impact on the Group's other comprehensive income.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

At 31 December 2015

## 26 RISK MANAGEMENT (continued)

## 26.3 Market risk (continued)

## 26.3.3 Equity price risk

Equity price risk arises from changes in the fair values of equity investments. The Group manages the equity price risk on the basis of pre-determined asset allocations across various asset categories, a continuous appraisal of market conditions and trends and management's estimate of long and short term changes in fair value.

The effect on consolidated statement of income (as a result of a change in the fair value of financial assets at fair value through profit or loss) and on consolidated statement of comprehensive income (as a result of a change in the fair value of financial assets available for sale) due to a reasonably possible change in market indices, with all other variables held constant is as follows:

	2015			2014		
	Change in equity price %	Effect on consolidated statement of comprehensive income KD	Effect on consolidated statement of income KD	Change in equity price %	Effect on consolidated statement of comprehensive income KD	Effect on consolidated statement of income KD
Market Indices						
KSE	5%	2,030	-	5%	2,324	-
Others	5%	161	7,062	5%	-	83,916

## 27 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 months), 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:

	Level 1 KD	Level 3 KD	Total KD
<b>At 31 December 2015</b>			
<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
	<u>68,971</u>	<u>116,088</u>	<u>185,059</u>
<b>At 31 December 2014</b>			
<i>Assets measured at fair value</i>			
Financial assets available for sale	46,478	3,223	49,701
Financial assets at fair value through profit or loss	31,020	1,644,074	1,675,094
	<u>77,498</u>	<u>1,647,297</u>	<u>1,724,795</u>

The fair value of the above investment securities is categorised as per the policy on fair value measurement in Note 2. Movement in level 3 is mainly on account of purchases and change in fair value. There were no transfers between the different levels of fair value during the year.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

At 31 December 2015

## 27 FAIR VALUE OF FINANCIAL INSTRUMENTS (continued)

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

	<i>At 1 January 2015 KD</i>	<i>Net purchases and sales KD</i>	<i>Loss recorded in consolidated statement of income KD</i>	<i>Loss recorded in consolidated statement of comprehensive income KD</i>	<i>At 31 December 2015 KD</i>
<b>Assets measured at fair value</b>					
Financial assets at fair value through profit or loss	1,644,074	(1,500,000)	(31,209)	-	112,865
Financial assets available for sale	3,223	-	-	-	3,223
	<u>1,647,297</u>	<u>(1,500,000)</u>	<u>(31,209)</u>	<u>-</u>	<u>116,088</u>
<b>Assets measured at fair value</b>					
Financial assets at fair value through profit or loss	1,649,360	-	(5,286)	-	1,644,074
Financial assets available for sale	3,223	-	-	-	3,223
	<u>1,652,583</u>	<u>-</u>	<u>(5,286)</u>	<u>-</u>	<u>1,647,297</u>

The fair value of the financial instruments are not materially different from their carrying value.

## 28 CAPITAL MANAGEMENT

The primary objective of the Group's capital management is to ensure that it maintains healthy capital ratios in order to support its business and maximise shareholder value.

The Group manages its capital structure and makes adjustments to it, in light of changes in economic conditions. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholder or issue new shares. No changes were made in the objectives, policies or processes during the years ended 31 December 2015 and 2014. Capital represents equity attributable to equity holders of the Parent Company and is measured at KD 20,402,307 as at 31 December 2015 (2014: KD 17,236,796).