

**National Petroleum Services Company
K.S.C.P. and Subsidiaries**

**INTERIM CONDENSED CONSOLIDATED
FINANCIAL INFORMATION**

30 JUNE 2021 (UNAUDITED)



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 2021, the related interim condensed consolidated statement of profit or loss and other comprehensive income for the three-month and six-month 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-month 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, as amended, and its executive regulation, as amended, or of the Parent Company's Memorandum of Incorporation and Articles of Association, as amended, during the six-month period ended 30 June 2021 that might have had a material effect on the business of the Parent Company or on its financial position.



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

11 August 2021
Kuwait

National Petroleum Services Company K.S.C.P. and Subsidiaries
**INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL
POSITION (UNAUDITED)**
As at 30 June 2021

		<i>(Audited)</i>	
	<i>30 June</i>	<i>31 December</i>	<i>30 June</i>
	<i>2021</i>	<i>2020</i>	<i>2020</i>
	<i>KD</i>	<i>KD</i>	<i>KD</i>
ASSETS			
Non-current assets			
Property, plant and equipment	9,706,507	10,214,560	10,972,422
Right-of-use assets	256,910	415,907	514,461
	<u>9,963,417</u>	<u>10,630,467</u>	<u>11,486,883</u>
Current assets			
Inventories	4,605,407	5,022,820	4,448,656
Trade receivables and contract assets	10,479,682	14,297,308	11,510,702
Prepayments and other receivables	3 4,663,005	2,910,461	2,201,814
Financial assets at fair value through profit or loss	1,544,073	936,073	953,273
Term deposits	4 11,292,000	12,500,000	18,500,000
Bank balances and cash	1,843,932	2,040,437	2,936,251
	<u>34,428,099</u>	<u>37,707,099</u>	<u>40,550,696</u>
TOTAL ASSETS	<u>44,391,516</u>	<u>48,337,566</u>	<u>52,037,579</u>
EQUITY AND LIABILITIES			
Equity			
Share capital	10,000,000	10,000,000	10,000,000
Share premium	3,310,705	3,310,705	3,310,705
Treasury shares	5 (654,461)	(654,461)	(654,461)
Treasury shares reserve	33,825	33,825	33,825
Statutory reserve	5,858,895	5,858,895	5,858,895
Voluntary reserve	5,858,895	5,858,895	5,858,895
Foreign currency translation reserve	6,503	6,503	6,503
Retained earnings	12,005,941	15,815,530	12,593,093
Equity attributable to holders of the Parent Company	<u>36,420,303</u>	<u>40,229,892</u>	<u>37,007,455</u>
Non-controlling interests	13	13	14
Total equity	<u>36,420,316</u>	<u>40,229,905</u>	<u>37,007,469</u>
Liabilities			
Non-current liabilities			
Employees' end of service benefits	2,891,259	2,916,540	2,817,728
Lease liabilities	95,863	154,406	228,810
	<u>2,987,122</u>	<u>3,070,946</u>	<u>3,046,538</u>
Current liabilities			
Accounts payable and accruals	6 4,812,341	4,760,346	11,686,781
Lease liabilities	171,737	276,369	296,791
	<u>4,984,078</u>	<u>5,036,715</u>	<u>11,983,572</u>
Total liabilities	<u>7,971,200</u>	<u>8,107,661</u>	<u>15,030,110</u>
TOTAL EQUITY AND LIABILITIES	<u>44,391,516</u>	<u>48,337,566</u>	<u>52,037,579</u>

Omran Habib Jawhar Hayat
Chairman

Khaled Hamdan Al Saif
Vice Chairman & CEO

The attached notes 1 to 16 form part of this interim condensed consolidated financial information.

National Petroleum Services Company K.S.C.P. and Subsidiaries

INTERIM CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS
AND OTHER COMPREHENSIVE INCOME (UNAUDITED)

For the period ended 30 June 2021

	Notes	Three months ended 30 June		Six months ended 30 June	
		2021 KD	2020 KD	2021 KD	2020 KD
Sales and services revenue	7	5,755,572	6,755,397	12,365,269	13,106,803
Cost of sales and services rendered		(4,340,856)	(4,257,002)	(9,422,962)	(8,889,266)
GROSS PROFIT		1,414,716	2,498,395	2,942,307	4,217,537
Interest income		63,431	104,041	164,705	224,041
Net investment income (loss)	8	9,098	(1,819)	9,098	21,528
Other income		28,567	34,958	278,761	44,074
General and administrative expenses	9	(395,822)	(483,626)	(834,613)	(1,257,060)
PROFIT BEFORE TAX AND DIRECTORS' REMUNERATION		1,119,990	2,151,949	2,560,258	3,250,120
Contribution to Kuwait Foundation for the Advancement of Sciences (KFAS)		(11,200)	(21,519)	(25,603)	(32,501)
National Labour Support Tax (NLST)		(30,286)	(56,775)	(69,886)	(87,149)
Zakat		(12,114)	(22,710)	(27,954)	(34,860)
Directors' remuneration		(16,404)	(32,500)	(38,404)	(49,000)
PROFIT FOR THE PERIOD		1,049,986	2,018,445	2,398,411	3,046,610
Other comprehensive income					
<i>Other comprehensive loss that may be reclassified to profit or loss in subsequent periods:</i>					
Exchange differences on translation of foreign operations		-	-	-	(1,915)
Other comprehensive loss for the period		-	-	-	(1,915)
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD		1,049,986	2,018,445	2,398,411	3,044,695
Profit attributable to:					
Equity holders of the Parent Company		1,049,986	2,018,446	2,398,411	3,046,611
Non-controlling interests		-	(1)	-	(1)
		1,049,986	2,018,445	2,398,411	3,046,610
Total comprehensive income attributable to:					
Equity holders of the Parent Company		1,049,986	2,018,446	2,398,411	3,044,696
Non-controlling interests		-	(1)	-	(1)
		1,049,986	2,018,445	2,398,411	3,044,695
BASIC AND DILUTED EARNINGS PER SHARE (EPS) ATTRIBUTABLE TO THE EQUITY HOLDERS OF THE PARENT COMPANY	10	10.82 fils	20.81 fils	24.73 fils	31.41 fils

The attached notes 1 to 16 form part of this interim condensed consolidated financial information.

National Petroleum Services Company K.S.C.P. and Subsidiaries

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (UNAUDITED)

For the period ended 30 June 2021

Attributable to Equity Holders of the Parent Company

	<i>Share capital KD</i>	<i>Share premium KD</i>	<i>Treasury shares KD</i>	<i>Treasury shares reserve KD</i>	<i>Statutory reserve KD</i>	<i>Voluntary reserve KD</i>	<i>Foreign currency translation reserve KD</i>	<i>Retained earnings KD</i>	<i>Sub-total KD</i>	<i>Non- controlling interests KD</i>	<i>Total equity KD</i>
As at 1 January 2021 (Audited)	10,000,000	3,310,705	(654,461)	33,825	5,858,895	5,858,895	6,503	15,815,530	40,229,892	13	40,229,905
Total comprehensive income for the period	-	-	-	-	-	-	-	2,398,411	2,398,411	-	2,398,411
Cash dividends (Note 11)	-	-	-	-	-	-	-	(6,208,000)	(6,208,000)	-	(6,208,000)
At 30 June 2021	10,000,000	3,310,705	(654,461)	33,825	5,858,895	5,858,895	6,503	12,005,941	36,420,303	13	36,420,316
As at 1 January 2020 (Audited)	10,000,000	3,310,705	(654,461)	33,825	5,858,895	5,858,895	8,418	16,336,482	40,752,759	15	40,752,774
Total comprehensive (loss) income for the period	-	-	-	-	-	-	(1,915)	3,046,611	3,044,696	(1)	3,044,695
Cash dividends (Note 11)	-	-	-	-	-	-	-	(6,790,000)	(6,790,000)	-	(6,790,000)
At 30 June 2020	10,000,000	3,310,705	(654,461)	33,825	5,858,895	5,858,895	6,503	12,593,093	37,007,455	14	37,007,469

The attached notes 1 to 16 form part of this interim condensed consolidated financial information.

National Petroleum Services Company K.S.C.P. and Subsidiaries

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

(UNAUDITED)

For the period ended 30 June 2021

		<i>Six months ended</i>	
		<i>30 June</i>	
	<i>Notes</i>	<i>2021</i>	<i>2020</i>
		<i>KD</i>	<i>KD</i>
OPERATING ACTIVITIES			
Profit before tax and after directors' remuneration		2,521,854	3,201,120
<i>Adjustments to reconcile profit before tax and after directors' remuneration to net cash flows:</i>			
Depreciation expense		1,041,206	1,068,475
Depreciation of right-of-use assets		162,128	177,978
Gain on sale of property, plant and equipment		(239,698)	-
Dividend income	8	(9,098)	(20,651)
Realised gain on sale of financial assets at fair value through profit or loss	8	-	(877)
Interest income		(164,705)	(224,041)
Allowance for expected credit losses		-	109,920
Net foreign exchange differences		(23,746)	15,890
Interest expense on lease liabilities	9	11,906	21,870
Provision for employees' end of service benefits		235,183	235,850
Gain on derecognition of right-of-use assets and lease liabilities		(312)	-
		3,534,718	4,585,534
<i>Working capital changes:</i>			
Inventories		417,413	(505,146)
Trade receivables and contract assets		3,817,626	(134,407)
Prepayments and other receivables		(1,820,777)	(453,806)
Accounts payable and accruals		112,497	266,755
		6,061,477	3,758,930
Employees' end of service benefits paid		(260,464)	(44,657)
Taxes paid		(252,067)	(753)
Net cash flows from operating activities		5,548,946	3,713,520
INVESTING ACTIVITIES			
Purchase of property, plant and equipment		(533,200)	(855,690)
Proceeds from sale of property, plant and equipment		239,745	-
Purchase of financial assets at FVTPL		(608,000)	-
Proceeds from sale/redemption of financial assets at FVTPL		-	130,920
Dividend income received		9,098	20,651
Interest income received		232,938	196,445
Net movement in term deposits		1,208,000	(2,588,000)
Net cash flows from (used in) investing activities		548,581	(3,095,674)
FINANCING ACTIVITIES			
Dividends paid		(6,116,132)	(5,375)
Payment of principal portion of lease liabilities		(177,900)	(198,000)
Net cash flows used in financing activities		(6,294,032)	(203,375)
NET (DECREASE) INCREASE IN BANK BALANCES AND CASH		(196,505)	414,471
Bank balances and cash at 1 January		2,040,437	2,521,780
BANK BALANCES AND CASH AT 30 JUNE		1,843,932	2,936,251
Non-cash items excluded from the interim condensed consolidated statement of cash flows:			
Additions to right-of-use assets		(9,718)	(337,407)
Additions to lease liabilities		9,718	337,407
Derecognition of right-of-use assets		6,587	-
Derecognition of lease liabilities		(6,899)	-

The attached notes 1 to 16 form part of this interim condensed consolidated financial information.

National Petroleum Services Company K.S.C.P. and Subsidiaries

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (UNAUDITED)

As at and for the period ended 30 June 2021

1 CORPORATE INFORMATION

The interim condensed consolidated financial information of National Petroleum Services Company K.S.C.P. (the “Parent Company”) and its subsidiaries (collectively, the “Group”) for the six months ended 30 June 2021 was authorised for issue in accordance with a resolution of the Parent Company’s Board of Directors on 11 August 2021.

The consolidated financial statements of the Group for the year ended 31 December 2020 were approved by the Parent Company’s shareholders at the annual general assembly meeting (“AGM”) held on 22 April 2021. Dividends approved by the Parent Company for the year then ended are provided in Note 11.

The Parent Company is a Kuwaiti Shareholding Company incorporated on 3 January 1993 and whose shares are publicly traded on Boursa Kuwait. The Parent Company is a subsidiary of Qurain Petrochemical Industries Company K.S.C.P. (the “Ultimate Parent Company”). The Parent Company is located at Shuaiba Industrial Area, Al-Ahmadi, Plot 3 and its registered postal address is P.O. Box 9801, 61008, Kuwait.

The Parent Company is engaged in the provision of upstream and downstream oil field services.

2 BASIS OF PREPARATION AND CHANGES TO THE GROUP’S ACCOUNTING POLICIES

2.1 Basis of preparation

The interim condensed consolidated financial information for the six months ended 30 June 2021 have been prepared in accordance with International Accounting Standard (“IAS”) 34 *Interim Financial Reporting*. The Group has prepared the financial statements on the basis that it will continue to operate as a going concern. The Directors consider that there are no material uncertainties that may cast doubt significant doubt over this assumption. They have formed a judgement that there is a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future, and not less than 12 months from the end of the reporting period.

The interim condensed consolidated financial information does not include all the information and disclosures required in the annual financial statements prepared in accordance with International Financial Reporting Standards and should be read in conjunction with the Group’s annual consolidated financial statements as at 31 December 2020.

2.2 New standards, interpretations and amendments adopted by the Group

The accounting policies adopted in the preparation of the interim condensed consolidated financial information is consistent with those followed in the preparation of the Group’s annual consolidated financial statements for the year ended 31 December 2020, except for the adoption of new standards effective as of 1 January 2021. The Group has not early adopted any standard, interpretation or amendment that has been issued but is not yet effective.

Several amendments apply for the first time in 2021, but do not have an impact on the interim condensed consolidated financial information of the Group.

Interest Rate Benchmark Reform – Phase 2: Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16

The amendments provide temporary reliefs which address the financial reporting effects when an interbank offered rate (IBOR) is replaced with an alternative nearly risk-free interest rate (RFR).

The amendments include the following practical expedients:

- ▶ A practical expedient to require contractual changes, or changes to cash flows that are directly required by the reform, to be treated as changes to a floating interest rate, equivalent to a movement in a market rate of interest
- ▶ Permit changes required by IBOR reform to be made to hedge designations and hedge documentation without the hedging relationship being discontinued
- ▶ Provide temporary relief to entities from having to meet the separately identifiable requirement when an RFR instrument is designated as a hedge of a risk component

These amendments had no impact on the interim condensed consolidated financial information of the Group. The Group intends to use the practical expedients in future periods if they become applicable.

National Petroleum Services Company K.S.C.P. and Subsidiaries

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (UNAUDITED)

As at and for the period ended 30 June 2021

3 PREPAYMENTS AND OTHER RECEIVABLES

	<i>30 June</i> <i>2021</i> <i>KD</i>	<i>(Audited)</i> <i>31 December</i> <i>2020</i> <i>KD</i>	<i>30 June</i> <i>2020</i> <i>KD</i>
Advance payments to suppliers	1,868,513	1,913,828	1,422,599
Staff receivables	334,597	384,605	349,756
Deposits and other receivables	2,459,895	612,028	429,459
	<u>4,663,005</u>	<u>2,910,461</u>	<u>2,201,814</u>

4 TERM DEPOSITS

Term deposits amounting to KD 11,292,000 (31 December 2020: KD 12,500,000 and 30 June 2020: KD 18,500,000) are denominated in Kuwaiti Dinars and are placed with local banks.

Term deposits have a maturity of more than 3 months and less than 12 months from the placement date and yield interest at an average rate of 1.75% (31 December 2020: 2.3% and 30 June 2020: 2.26%).

5 TREASURY SHARES

	<i>30 June</i> <i>2021</i> <i>KD</i>	<i>(Audited)</i> <i>31 December</i> <i>2020</i> <i>KD</i>	<i>30 June</i> <i>2020</i> <i>KD</i>
Number of treasury shares	3,000,000	3,000,000	3,000,000
Percentage of issued shares	3.00%	3.00%	3.00%
Market value (KD)	2,712,000	3,147,000	3,270,000
Cost (KD)	654,461	654,461	654,461

Reserves equivalent to the cost of the treasury shares held are not available for distribution during the holding period of such shares as per CMA guidelines.

6 ACCOUNTS PAYABLE AND ACCRUALS

	<i>30 June</i> <i>2021</i> <i>KD</i>	<i>(Audited)</i> <i>31 December</i> <i>2020</i> <i>KD</i>	<i>30 June</i> <i>2020</i> <i>KD</i>
Trade payables	911,217	782,288	882,804
Dividends payable	275,312	183,444	6,851,917
Accrued staff costs	438,850	1,040,273	1,543,290
Advances received from client	356,655	356,655	356,655
Taxes payable	183,424	312,048	715,848
Accrued directors' remuneration	38,424	100,000	49,000
Other accrued expenses and provisions	2,608,459	1,985,638	1,287,267
	<u>4,812,341</u>	<u>4,760,346</u>	<u>11,686,781</u>

National Petroleum Services Company K.S.C.P. and Subsidiaries

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (UNAUDITED)

As at and for the period ended 30 June 2021

7 SALES AND SERVICES REVENUE

Disaggregated revenue information

Set out below is the disaggregation of the Group's sales and services revenue:

	<i>Three months ended</i> <i>30 June</i>		<i>Six months ended</i> <i>30 June</i>	
	<i>2021</i>	<i>2020</i>	<i>2021</i>	<i>2020</i>
	<i>KD</i>	<i>KD</i>	<i>KD</i>	<i>KD</i>
Type of goods or services				
<i>Oil field contracts</i>				
Pumping services	3,984,972	5,031,505	8,766,421	9,342,255
<i>Non-oil field contracts</i>				
Health, safety, environment and man-power supply services	1,597,045	1,451,701	3,129,097	3,097,948
Other services	173,555	272,191	469,751	666,600
Total sales and services revenue	5,755,572	6,755,397	12,365,269	13,106,803
Timing of revenue recognition				
Goods and services transferred at a point in time	146,758	38,841	247,288	557,626
Goods and services transferred over time	5,608,814	6,716,556	12,117,981	12,549,177
Total sales and services revenue	5,755,572	6,755,397	12,365,269	13,106,803
Geographical markets				
State of Kuwait	5,741,111	6,734,367	12,335,792	13,067,762
Others	14,461	21,030	29,477	39,041
	5,755,572	6,755,397	12,365,269	13,106,803

8 NET INVESTMENT INCOME (LOSS)

	<i>Three months ended</i> <i>30 June</i>		<i>Six months ended</i> <i>30 June</i>	
	<i>2021</i>	<i>2020</i>	<i>2021</i>	<i>2020</i>
	<i>KD</i>	<i>KD</i>	<i>KD</i>	<i>KD</i>
Dividend income	9,098	-	9,098	20,651
Realised (loss) gain on sale of financial assets at fair value through profit or loss	-	(1,819)	-	877
	9,098	(1,819)	9,098	21,528

National Petroleum Services Company K.S.C.P. and Subsidiaries

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (UNAUDITED)

As at and for the period ended 30 June 2021

9 GENERAL AND ADMINISTRATIVE EXPENSES

	<i>Three months ended</i> <i>30 June</i>		<i>Six months ended</i> <i>30 June</i>	
	<i>2021</i> <i>KD</i>	<i>2020</i> <i>KD</i>	<i>2021</i> <i>KD</i>	<i>2020</i> <i>KD</i>
Staff costs	225,493	202,774	490,143	412,693
Depreciation expense	13,349	7,646	20,038	15,174
Depreciation on right-of-use assets	15,636	14,472	30,509	28,906
Interest expense on lease liabilities	5,702	10,773	11,906	21,870
Professional fees	8,888	10,250	16,688	63,772
Marketing and business development expenses	5,255	14,453	12,062	66,294
Charity expense	10,066	21,560	24,073	32,543
Donations*	-	-	-	285,000
Allowance for expected credit losses	-	109,920	-	109,920
Other expenses	111,433	91,778	229,194	220,888
	395,822	483,626	834,613	1,257,060

*The Parent Company donated KD 285,000 during the previous year to support the Government of the State of Kuwait towards their management of the COVID-19 pandemic.

10 EARNINGS PER SHARE (EPS)

Basic EPS amounts are calculated by dividing the profit for the period attributable to ordinary equity holders of the Parent Company by the weighted average number of ordinary shares outstanding during the period. Diluted EPS is calculated by dividing the profit attributable to ordinary equity holders of the Parent Company by the weighted average number of ordinary shares outstanding during the period plus the weighted average number of ordinary shares that would be issued on conversion of all the dilutive potential ordinary shares into ordinary shares. As there are no dilutive instruments outstanding, basic and diluted earnings per share are identical.

	<i>Three months ended</i> <i>30 June</i>		<i>Six months ended</i> <i>30 June</i>	
	<i>2021</i>	<i>2020</i>	<i>2021</i>	<i>2020</i>
Profit for the period attributable to the equity holders of the Parent Company (KD)	1,049,986	2,018,446	2,398,411	3,046,611
Weighted average number of ordinary shares	100,000,000	100,000,000	100,000,000	100,000,000
Less: weighted average number of treasury shares	(3,000,000)	(3,000,000)	(3,000,000)	(3,000,000)
Weighted average number of shares outstanding during the period	97,000,000	97,000,000	97,000,000	97,000,000
Basic and diluted EPS	10.82 fils	20.81 fils	24.73 fils	31.41 fils

There have been no transactions involving ordinary shares between the reporting date and the date of authorisation of this interim condensed consolidated financial information which would require the restatement of EPS.

11 DISTRIBUTIONS MADE AND PROPOSED

Proposed dividends on ordinary shares are subject to approval at the annual general meeting and are not recognised as a liability as at 31 December.

- ▶ The Parent Company's Board of Directors in their meeting held on 23 March 2021 proposed cash dividends of 64 fils per share (aggregating to KD 6,208,000) for the year ended 31 December 2020. The 2020 proposed dividends were approved at the AGM on 22 April 2021.
- ▶ The Parent Company's Board of Directors in their meeting held on 3 March 2020 proposed cash dividends of 70 fils per share (aggregating to KD 6,790,000) for the year ended 31 December 2019. The 2019 proposed dividends were approved at the AGM on 18 June 2020.

12 CONTINGENCIES AND COMMITMENTS

12.1 Contingent liabilities

As at 30 June 2021, the Group provided guarantees for the performance of certain contracts amounting to KD 28,265,028 (31 December 2020: KD 27,072,629 and 30 June 2020: KD 26,653,751). Management does not anticipate any liabilities to arise, which might have a material effect on the Group's interim condensed consolidated financial information.

12.2 Commitments

At 30 June 2021, the Group had commitments not recognised as liabilities relating to the purchase of property, plant and equipment amounting to KD 732,768 (31 December 2020: KD 430,420 and 30 June 2020: KD 365,513).

National Petroleum Services Company K.S.C.P. and Subsidiaries

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (UNAUDITED)

As at and for the period ended 30 June 2021

13 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 field 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 gross profit or loss.

- ▶ Oil field services : Oil field services comprise of cementing and stimulation formulations for different applications and operating environments for oil rigs. It mainly includes well cementing services, and well intervention services.
- ▶ Non-oil field services : Non-oil field services comprise of a number of diversified activities with health, safety and environmental services, engineering and consultancy services.

The following table presents revenue and profit information for the Group's operating segments for the six-month periods ended 30 June 2021 and 2020 respectively:

	<i>Six months ended 30 June 2021</i>				<i>Six months ended 30 June 2020</i>			
	<i>Oil field services KD</i>	<i>Non-oil field services KD</i>	<i>Unallocated items KD</i>	<i>Total KD</i>	<i>Oil field services KD</i>	<i>Non-oil field services KD</i>	<i>Unallocated items KD</i>	<i>Total KD</i>
Segment revenue	8,766,421	3,598,848	-	12,365,269	9,342,255	3,764,548	-	13,106,803
Income/(expenses)								
Cost of sales ¹	(5,621,971)	(2,648,204)	-	(8,270,175)	(4,881,335)	(2,805,558)	-	(7,686,893)
Depreciation expense	(783,351)	(237,817)	(20,038)	(1,041,206)	(794,724)	(258,577)	(15,174)	(1,068,475)
Depreciation of right-of-use assets	(84,996)	(46,623)	(30,509)	(162,128)	(94,878)	(54,194)	(28,906)	(177,978)
General and administrative expenses ¹	-	-	(784,066)	(784,066)	-	-	(1,212,980)	(1,212,980)
Tax expenses	-	-	(123,443)	(123,443)	-	-	(154,510)	(154,510)
Directors' remuneration	-	-	(38,404)	(38,404)	-	-	(49,000)	(49,000)
Unallocated income ²	-	-	452,564	452,564	-	-	289,643	289,643
Profit (loss) for the period	2,276,103	666,204	(543,896)	2,398,411	3,571,318	646,219	(1,170,927)	3,046,610

¹ These amounts exclude depreciation expense and depreciation of right-of-use assets.

² Unallocated income includes interest income, net investments income (loss) and other income.

National Petroleum Services Company K.S.C.P. and Subsidiaries

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (UNAUDITED)

As at and for the period ended 30 June 2021

13 SEGMENT INFORMATION (continued)

The following table presents assets and liabilities information for the Group's operating segments as at 30 June 2021, 31 December 2020 and 30 June 2020, respectively:

	<i>30 June 2021</i>			<i>(Audited) 31 December 2020</i>			<i>30 June 2020</i>		
	<i>Oil field services KD</i>	<i>Non-oil field Services KD</i>	<i>Total KD</i>	<i>Oil field services KD</i>	<i>Non-oil field services KD</i>	<i>Total KD</i>	<i>Oil field services KD</i>	<i>Non-oil field services KD</i>	<i>Total KD</i>
Segment assets	<u>41,204,552</u>	<u>1,642,891</u>	<u>42,847,443</u>	<u>46,535,409</u>	<u>866,084</u>	<u>47,401,493</u>	<u>50,210,587</u>	<u>873,719</u>	<u>51,084,306</u>
Unallocated assets			<u>1,544,073</u>			<u>936,073</u>			<u>953,273</u>
			<u>44,391,516</u>			<u>48,337,566</u>			<u>52,037,579</u>
Segment liabilities	<u>7,929,994</u>	<u>41,206</u>	<u>7,971,200</u>	<u>8,075,649</u>	<u>32,012</u>	<u>8,107,661</u>	<u>14,896,358</u>	<u>133,752</u>	<u>15,030,110</u>

National Petroleum Services Company K.S.C.P. and Subsidiaries

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (UNAUDITED)

As at and for the period ended 30 June 2021

14 RELATED PARTY DISCLOSURES

The Group's related parties include its associates and joint ventures, major shareholders, entities under common control, directors and executive officers of the Group, close members of their families and entities of which they are principal owners or over which they are able to exercise significant influence or joint control. Pricing policies and terms of these transactions are approved by the Group's management.

Transactions with related parties included in the consolidated statement of profit or loss are as follows:

	<i>(Audited)</i>			
	<i>Entities under common control</i>	<i>30 June 2021</i>	<i>31 December 2020</i>	<i>30 June 2020</i>
	<i>KD</i>	<i>KD</i>	<i>KD</i>	<i>KD</i>
Cost of sales and services rendered	20,678	20,678	15,308	765

Balances with related parties included in the consolidated statement of financial position are as follows:

	<i>Entities under common control</i>	<i>30 June 2021</i>	<i>31 December 2020</i>	<i>30 June 2020</i>
	<i>KD</i>	<i>KD</i>	<i>KD</i>	<i>KD</i>
Accounts payable and accruals	6,668	6,668	3,330	-

Transactions with key management personnel

Key management personnel comprise of the Board of Directors and key members of management having authority and responsibility for planning, directing and controlling the activities of the Group. The aggregate value of transactions related to key management personnel were as follows.

	<i>Transaction values for the six months ended 30 June</i>		<i>Balance outstanding as at 30 June</i>	
	<i>2021</i>	<i>2020</i>	<i>2021</i>	<i>2020</i>
	<i>KD</i>	<i>KD</i>	<i>KD</i>	<i>KD</i>
Key management compensation				
Salaries and other short-term benefits	163,573	175,897	60,482	40,000
Employees' end of service benefits	7,352	7,104	150,823	135,242
	<u>170,925</u>	<u>183,001</u>	<u>211,305</u>	<u>175,242</u>

15 FAIR VALUE MEASUREMENT

Fair value hierarchy

All financial instruments for which fair value is recognised or disclosed are categorised within the fair value hierarchy, based on the lowest input that is significant to the fair value measurement as a whole, as follows:

- ▶ Level 1 - Quoted (unadjusted) market prices in active markets for identical assets or liabilities
- ▶ Level 2 - Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable
- ▶ Level 3 - Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

For financial instruments that are recognised at fair value 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.

There were no changes in the Group's valuation processes, valuation techniques, and types of inputs used in the fair value measurements during the period.

National Petroleum Services Company K.S.C.P. and Subsidiaries

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (UNAUDITED)

As at and for the period ended 30 June 2021

15 FAIR VALUE MEASUREMENT (continued)

Set out below that are a summary of financial instruments and non-financial assets measured at fair value on a recurring basis, other than those with carrying amounts that are reasonable approximations of fair values:

	Fair value measurement using		
	<i>Quoted prices in active markets (Level 1) KD</i>	<i>Significant unobservable inputs (Level 3) KD</i>	<i>Total KD</i>
30 June 2021			
Financial assets at fair value through profit or loss	-	1,544,073	1,544,073
31 December 2020 (Audited)			
Financial assets at fair value through profit or loss	-	936,073	936,073
30 June 2020			
Financial assets at fair value through profit or loss	-	953,273	953,273

There were no transfers between Level 1 and Level 2 fair value measurements during the period, and no transfers into or out of Level 3 fair value measurements during the six months ended 30 June 2021.

Reconciliation of Level 3 fair values

The following table shows a reconciliation of all movements in the fair value of items categorised within Level 3 between the beginning and the end of the reporting period:

	30 June 2021 KD	<i>(Audited)</i> 31 December 2020 KD	30 June 2020 KD
As at 1 January	936,073	1,055,658	1,055,658
Remeasurement recognised in profit or loss	-	6,962	3,471
Purchases / sales (net)	608,000	(126,547)	(105,856)
	1,544,073	936,073	953,273

The valuation techniques and inputs used in this interim condensed consolidated financial information are consistent with those followed in the preparation of the Group's annual consolidated financial statements for the year ended 31 December 2020.

The fair value of financial instruments classified as level 3 are, in certain circumstances, measured using valuation techniques that incorporate assumptions that are not evidenced by the prices from observable current market transactions in the same instrument and are not based on observable market data. The Group employs valuation techniques, depending on the instrument type and available market data. For example, in the absence of active market, an investment's fair value is estimated on the basis of an analysis of the investee's financial position and results, risk profile and other factors. Favourable and unfavourable changes in the value of financial instruments are determined on the basis of changes in the value of the instruments as a result of varying the levels of the unobservable parameters, quantification of which is judgmental. The management assessed that the impact on profit or loss or other comprehensive income would be immaterial if the relevant risk variables used to fair value the financial instruments classified as Level 3 were altered by 5 percent.

For other financial assets and financial liabilities carried at amortised cost, the carrying value is not significantly different from their fair value as most of these assets and liabilities are of short-term maturity or are re-priced immediately based on market movement in profit rates.

16 IMPACT OF COVID-19 OUTBREAK

The COVID-19 pandemic continues to spread across global geographies causing disruption to business and economic activities and bringing significant uncertainties to the global economic environment. Government authorities worldwide launched extensive responses designed to mitigate the severe consequences of the pandemic.

The effects of COVID-19 pandemic have been significant on the Group's annual consolidated financial statements for the year ended 31 December 2020. As compared to the year ended 31 December 2020, the Group has not yet experienced any further significant adverse effects on its operations during the six months ended June 2021. Markets, however, remain volatile and asset carrying values remain sensitive to market fluctuations. The impact of the highly uncertain economic environment remains judgmental and the Group will accordingly continue to reassess its financial position and the related impact on a regular basis.

About EY

EY is a global leader in assurance, tax, transaction and advisory services. The insights and quality services we deliver help build trust and confidence in the capital markets and in economies the world over.

We develop outstanding leaders who team to deliver on our promises to all of our stakeholders. In so doing, we play a critical role in building a better working world for our people, for our clients and for our communities.

EY refers to the global organization, and may refer to one or more, of the member firms of Ernst & Young Global Limited, each of which is a separate legal entity. Ernst & Young Global Limited, a UK company limited by guarantee, does not provide services to clients. For more information about our organization, please visit ey.com.

The MENA practice of EY has been operating in the region since 1923. For more than 90 years, we have grown to more than 6,000 people united across 20 offices and 15 countries, sharing the same values and an unwavering commitment to quality. As an organization, we continue to develop outstanding leaders who deliver exceptional services to our clients and who contribute to our communities. We are proud of our accomplishments over the years, reaffirming our position as the largest and most established professional services organization in the region.

© 2017 EYGM Limited.

All Rights Reserved.

This material has been prepared for general informational purposes only and is not intended to be relied upon as accounting, tax, or other professional advice. Please refer to your advisors for specific advice.

ey.com/mena