

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

**INTERIM CONDENSED CONSOLIDATED  
FINANCIAL INFORMATION**

**31 MARCH 2020 (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 31 March 2020, the related interim condensed consolidated statement of profit or loss and other comprehensive income, interim condensed consolidated statement of changes in equity and the interim condensed consolidated statement of cash flows for the three-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 three-month period ended 31 March 2020 that might have had a material effect on the business of the Parent Company or on its financial position.



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BADER A. AL-ABDULJADER  
LICENCE NO. 207-A  
EY  
AL AIBAN, AL OSAIMI & PARTNERS

10 August 2020  
Kuwait

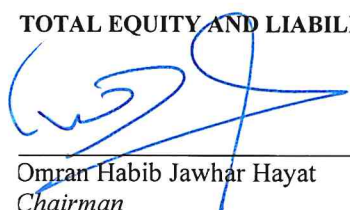
# National Petroleum Services Company K.S.C.P. and Subsidiaries

## INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

(UNAUDITED)

As at 31 March 2020

		(Audited)	
	Notes	31 March 2020 KD	31 December 2019 KD
		31 March 2019 KD	
<b>ASSETS</b>			
<b>Non-current assets</b>			
Property, plant and equipment		10,725,161	11,185,207
Right-of-use assets		600,802	355,032
		<u>11,325,963</u>	<u>11,540,239</u>
<b>Current assets</b>			
Inventories		4,561,421	3,943,510
Trade receivables and contract assets		9,861,219	11,486,215
Prepayments and other receivables	3	2,599,399	1,720,412
Financial assets at fair value through profit or loss		963,673	1,083,316
Term deposits	4	17,000,000	15,912,000
Bank balances and cash		4,138,137	2,521,780
		<u>39,123,849</u>	<u>36,667,233</u>
<b>TOTAL ASSETS</b>		<u><b>50,449,812</b></u>	<u><b>48,207,472</b></u>
<b>EQUITY AND LIABILITIES</b>			
<b>Equity</b>			
Share capital		10,000,000	10,000,000
Share premium		3,310,705	3,310,705
Treasury shares	5	(654,461)	(654,461)
Treasury shares reserve	5	33,825	33,825
Statutory reserve		5,858,895	5,858,895
Voluntary reserve		5,858,895	5,858,895
Foreign currency translation reserve		6,503	8,418
Retained earnings		17,364,647	16,336,482
		<u>41,779,009</u>	<u>40,752,759</u>
<b>Equity attributable to equity holders of the Parent Company</b>		<b>41,779,009</b>	<b>40,752,759</b>
Non-controlling interests		15	15
		<u>41,779,024</u>	<u>40,752,774</u>
<b>Total equity</b>		<b>41,779,024</b>	<b>40,752,774</b>
<b>Liabilities</b>			
<b>Non-current liabilities</b>			
Employees' end of service benefits		2,717,867	2,626,535
Lease liabilities		302,569	138,870
		<u>3,020,436</u>	<u>2,765,405</u>
<b>Current liabilities</b>			
Accounts payable and accruals	6	5,341,863	4,463,839
Lease liabilities		308,489	225,454
		<u>5,650,352</u>	<u>4,689,293</u>
<b>Total liabilities</b>		<b>8,670,788</b>	<b>7,454,698</b>
<b>TOTAL EQUITY AND LIABILITIES</b>		<u><b>50,449,812</b></u>	<u><b>48,207,472</b></u>

  
 Omran Habib Jawhar Hayat  
 Chairman



  
 Khalid 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 31 March 2020

	Notes	Three months ended 31 March	
		2020 KD	2019 KD
Sales and services revenue	7	6,351,406	7,604,160
Cost of sales and services rendered		(4,632,264)	(4,828,294)
<b>GROSS PROFIT</b>		<b>1,719,142</b>	<b>2,775,866</b>
Interest income		120,000	85,313
Net investment income	8	23,347	39,677
Other income		9,116	771
General and administrative expenses	9	(773,434)	(371,737)
<b>PROFIT BEFORE TAX AND DIRECTORS' REMUNERATION</b>		<b>1,098,171</b>	<b>2,529,890</b>
Contribution to Kuwait Foundation for the Advancement of Sciences (KFAS)		(10,982)	(22,770)
National Labour Support Tax (NLST)		(30,374)	(66,370)
Zakat		(12,150)	(26,549)
Directors' remuneration		(16,500)	(45,000)
<b>PROFIT FOR THE PERIOD</b>		<b>1,028,165</b>	<b>2,369,201</b>
<b>Other comprehensive income</b>			
<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)	-
<b>Other comprehensive (loss) for the period</b>		<b>(1,915)</b>	<b>-</b>
<b>TOTAL COMPREHENSIVE INCOME FOR THE PERIOD</b>		<b>1,026,250</b>	<b>2,369,201</b>
<b>Profit attributable to:</b>			
Equity holders of the Parent Company		1,028,165	2,369,600
Non-controlling interests		-	(399)
		<b>1,028,165</b>	<b>2,369,201</b>
<b>Total comprehensive income attributable to:</b>			
Equity holders of the Parent Company		1,026,250	2,369,600
Non-controlling interests		-	(399)
		<b>1,026,250</b>	<b>2,369,201</b>
<b>BASIC AND DILUTED EARNINGS PER SHARE (EPS) ATTRIBUTABLE TO THE EQUITY HOLDERS OF THE PARENT COMPANY</b>	10	<b>10.60 fils</b>	<b>24.43 fils</b>

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 31 March 2020

*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 2020	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)	1,028,165	1,026,250	-	1,026,250
<b>At 31 March 2020</b>	<b>10,000,000</b>	<b>3,310,705</b>	<b>(654,461)</b>	<b>33,825</b>	<b>5,858,895</b>	<b>5,858,895</b>	<b>6,503</b>	<b>17,364,647</b>	<b>41,779,009</b>	<b>15</b>	<b>41,779,024</b>
At 1 January 2019	10,000,000	3,310,705	(654,461)	33,825	5,858,895	5,858,895	8,418	11,757,883	36,174,160	40,154	36,214,314
Total comprehensive income (loss) for the period	-	-	-	-	-	-	-	2,369,600	2,369,600	(399)	2,369,201
Cash dividends (Note 11)	-	-	-	-	-	-	-	(6,790,000)	(6,790,000)	-	(6,790,000)
At 31 March 2019	10,000,000	3,310,705	(654,461)	33,825	5,858,895	5,858,895	8,418	7,337,483	31,753,760	39,755	31,793,515

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 31 March 2020

	Notes	Three months ended	
		31 March	
		2020	2019
		KD	KD
<b>OPERATING ACTIVITIES</b>			
Profit before tax and after directors' remuneration		1,081,671	2,484,890
<i>Adjustments to reconcile profit before tax to net cash flows:</i>			
Depreciation on property, plant and equipment		522,604	498,819
Depreciation on right-of-use assets		91,637	65,093
Dividend income	8	(20,651)	(38,014)
Realised gain on sale of financial assets at fair value through profit or loss	8	(3,646)	-
Unrealised loss (gain) on financial assets at fair value through profit or loss	8	950	(1,663)
Interest income		(120,000)	(85,313)
Interest expense on lease liabilities	9	11,097	9,231
Net foreign exchange differences		1,445	3,175
Provision for employees' end of service benefits		116,808	124,883
		<b>1,681,915</b>	<b>3,061,101</b>
<i>Working capital adjustments:</i>			
Inventories		(617,911)	84,632
Trade receivables and contract assets		1,624,996	(4,361,089)
Prepayments and other receivables		(844,531)	2,234,271
Accounts payable and accruals		827,238	(635,039)
Cash generated from operations		2,671,707	383,876
Employees' end of service benefits paid		(25,476)	(12,759)
Taxes paid		(705)	-
<b>Net cash flows from operating activities</b>		<b>2,645,526</b>	<b>371,117</b>
<b>INVESTING ACTIVITIES</b>			
Purchase of property, plant and equipment		(62,558)	(109,113)
Proceeds from redemption of financial assets at fair value through profit or loss		122,339	-
Dividend income received		20,651	38,014
Interest income received		85,544	85,313
Net movement in term deposits		(1,088,000)	(1,600,000)
<b>Net cash flows used in investing activities</b>		<b>(922,024)</b>	<b>(1,585,786)</b>
<b>FINANCING ACTIVITIES</b>			
Dividends paid		(5,375)	(1,014)
Payment of lease liabilities		(101,770)	(71,965)
<b>Net cash flows used in financing activities</b>		<b>(107,145)</b>	<b>(72,979)</b>
<b>NET INCREASE (DECREASE) IN BANK BALANCES AND CASH</b>		<b>1,616,357</b>	<b>(1,287,648)</b>
Bank balances and cash at 1 January		2,521,780	5,781,168
<b>BANK BALANCES AND CASH AT 31 MARCH</b>		<b>4,138,137</b>	<b>4,493,520</b>
<b>NON-CASH ITEMS</b>			
Additions to right-of-use assets on adoption of IFRS 16		(337,407)	(615,407)
Additions to lease liabilities on adoption of IFRS 16		337,407	615,407

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 31 March 2020

### 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 three months ended 31 March 2020 was authorised for issue in accordance with a resolution of the Parent Company’s Board of Directors on 10 August 2020.

The consolidated financial statements of the Group for the year ended 31 December 2019 were approved by the Parent Company’s shareholders at the AGM held on 18 June 2020. Dividends declared and paid 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. The principal activities of the Group are described in Note 13.

### 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 three months ended 31 March 2020 have been prepared in accordance with IAS 34 - “*Interim Financial Reporting*”.

The interim condensed consolidated financial information does not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the Group’s annual consolidated financial statements as at 31 December 2019.

The interim condensed consolidated financial information provides comparative information in respect of the previous period. Certain comparative information has been reclassified and represented to conform to classification in the current period. Such reclassification has been made to improve the quality of information presented (Note 15).

#### 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 are consistent with those followed in the preparation of the Group’s annual consolidated financial statements for the year ended 31 December 2019, except for the adoption of new amendments effective as of 1 January 2020. The Group has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective.

Several other amendments and interpretations apply for the first time in 2020, but do not have an impact on the interim condensed consolidated financial information of the Group.

##### **Amendments to IFRS 3: *Definition of a Business***

The amendment to IFRS 3 clarifies that to be considered a business, an integrated set of activities and assets must include, at a minimum, an input and a substantive process that together significantly contribute to the ability to create output. Furthermore, it clarified that a business can exist without including all of the inputs and processes needed to create outputs. These amendments had no impact on the consolidated financial statements of the Group but may impact future periods should the Group enter into any business combinations.

##### **Amendments to IAS 1 and IAS 8: *Definition of Material***

The amendments provide a new definition of material that states “information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements, which provide financial information about a specific reporting entity.”

# 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 31 March 2020

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

#### 2.2 NEW STANDARDS, INTERPRETATIONS AND AMENDMENTS ADOPTED BY THE GROUP (continued)

##### Amendments to IAS 1 and IAS 8: *Definition of Material* (continued)

The amendments clarify that materiality will depend on the nature or magnitude of information, either individually or in combination with other information, in the context of the financial statements. A misstatement of information is material if it could reasonably be expected to influence decisions made by the primary users. These amendments had no impact on the interim condensed consolidated financial information of, nor is there expected to be any future impact to the Group.

##### Conceptual Framework for Financial Reporting issued on 29 March 2018

The Conceptual Framework is not a standard, and none of the concepts contained therein override the concepts or requirements in any standard. The purpose of the Conceptual Framework is to assist the IASB in developing standards, to help preparers develop consistent accounting policies where there is no applicable standard in place and to assist all parties to understand and interpret the standards. The revised Conceptual Framework includes some new concepts, provides updated definitions and recognition criteria for assets and liabilities and clarifies some important concepts.

These amendments had no impact on the consolidated financial statements of the Group.

### 3 PREPAYMENTS AND OTHER RECEIVABLES

	<i>31 March</i> <i>2020</i> <i>KD</i>	<i>(Audited)</i> <i>31 December</i> <i>2019</i> <i>KD</i>	<i>31 March</i> <i>2019</i> <i>KD</i>
Advance payments to suppliers	<b>1,866,159</b>	1,092,467	452,338
Staff receivables	<b>379,764</b>	407,512	432,051
Deposits and other receivables	<b>353,476</b>	220,433	490,427
	<b><u>2,599,399</u></b>	<u>1,720,412</u>	<u>1,374,816</u>

### 4 TERM DEPOSITS

Term deposits amounting to KD 17,000,000 (31 December 2019: KD 15,912,000 and 31 March 2019: KD 13,000,000) 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 3.1% (31 December 2019: 2.8% and 31 March 2019: 2.6%).

### 5 TREASURY SHARES AND TREASURY SHARES RESERVE

	<i>31 March</i> <i>2020</i> <i>KD</i>	<i>(Audited)</i> <i>31 December</i> <i>2019</i> <i>KD</i>	<i>31 March</i> <i>2019</i> <i>KD</i>
Number of treasury shares	<b>3,000,000</b>	3,000,000	3,000,000
Percentage of issued shares	<b>3.00%</b>	3.00%	3.00%
Market value (KD)	<b>3,300,000</b>	3,510,000	3,042,000
Cost (KD)	<b>654,461</b>	654,461	654,461

The balance in the treasury shares reserve of KD 33,825 (31 December 2019: KD 33,825 and 31 March 2019: KD 33,825) is not available for distribution. 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.



# 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 31 March 2020

### 6 ACCOUNTS PAYABLE AND ACCRUALS

	<i>(Audited)</i>	
	<i>31 March</i>	<i>31 December</i>
	<i>2020</i>	<i>2019</i>
	<i>KD</i>	<i>KD</i>
Trade payables	<b>1,362,215</b>	449,403
Dividends payable	<b>61,917</b>	67,292
Accrued staff costs	<b>1,522,617</b>	1,585,368
Advances received from clients	<b>356,655</b>	356,655
Taxes payable	<b>614,892</b>	562,091
Accrued directors' remuneration	<b>196,500</b>	180,000
Other accrued expenses and provisions	<b>1,227,067</b>	1,263,030
	<b><u>5,341,863</u></b>	<u>4,463,839</u>

### 7 SALES AND SERVICES REVENUE

	<i>Three months ended</i>	
	<i>31 March</i>	
	<i>2020</i>	<i>2019</i>
	<i>KD</i>	<i>KD</i>
<b>Type of goods or services</b>		
<i>Oil field contracts</i>		
Pumping services	<b>4,310,750</b>	5,390,776
<i>Non-oil field contracts</i>		
Health, safety, environment and man-power supply services	<b>1,646,247</b>	1,752,156
Sales and services revenue from contracts with customers	<b>5,956,997</b>	7,142,932
Non-contract revenue	<b>394,409</b>	461,228
<b>Total sales and services revenue</b>	<b><u>6,351,406</u></b>	<u>7,604,160</u>
<b>Timing of revenue recognition</b>		
Goods and services transferred at a point in time	<b>518,785</b>	209,164
Goods and services transferred over time	<b>5,832,621</b>	7,394,996
<b>Total sales and services revenue</b>	<b><u>6,351,406</u></b>	<u>7,604,160</u>

### 8 NET INVESTMENT INCOME

	<i>Three months ended</i>	
	<i>31 March</i>	
	<i>2020</i>	<i>2019</i>
	<i>KD</i>	<i>KD</i>
Dividend income	<b>20,651</b>	38,014
Realised gain on sale of financial assets at fair value through profit or loss	<b>3,646</b>	-
Unrealised (loss) gain on financial assets at fair value through profit or loss	<b>(950)</b>	1,663
	<b><u>23,347</u></b>	<u>39,677</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 31 March 2020

### 9 GENERAL AND ADMINISTRATIVE EXPENSES

	<i>Three months ended 31 March</i>	
	<i>2020</i>	<i>2019</i>
	<i>KD</i>	<i>KD</i>
Staff costs*	<b>209,919</b>	185,830
Depreciation on right-of-use assets	<b>14,434</b>	11,262
Interest expense on lease liabilities*	<b>11,097</b>	9,231
Professional fees	<b>53,522</b>	13,968
Depreciation expense*	<b>7,528</b>	6,160
Marketing and business development expenses*	<b>51,841</b>	45,586
Charity expense	<b>10,983</b>	-
Donations	<b>285,000</b>	-
Other expenses*	<b>129,110</b>	99,700
	<b>773,434</b>	371,737

\* Certain amounts shown here do not correspond to the interim condensed consolidated financial information as at 31 March 2019 and have been reclassified to conform to current period's presentation. Such reclassifications have no effect on previously reported profit or total equity of the Group.

### 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 31 March</i>	
	<i>2020</i>	<i>2019</i>
Profit for the period attributable to the equity holders of the Parent Company (KD)	<b>1,028,165</b>	2,369,600
Weighted average number of ordinary shares	<b>100,000,000</b>	100,000,000
Less: weighted average number of treasury shares	<b>(3,000,000)</b>	(3,000,000)
Weighted average number of shares outstanding during the period	<b>97,000,000</b>	97,000,000
<b>Basic and diluted EPS (fils)</b>	<b>10.60 fils</b>	24.43 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.

# 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 31 March 2020

### **11 DISTRIBUTIONS MADE AND PROPOSED**

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.

The Parent Company's Board of Directors in their meeting held on 7 February 2019 proposed cash dividends of 70 fils per share (aggregating to KD 6,790,000) for the year ended 31 December 2018. The 2018 proposed dividends were approved at the AGM on 28 March 2019.

### **12 CONTINGENCIES AND COMMITMENTS**

#### **12.1 Guarantees**

As at 31 March 2020, the Group provided guarantees for the performance of certain contracts amounting to KD 26,677,592 (31 December 2019: KD 17,029,032 and 31 March 2019: KD 13,043,957). 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 31 March 2020, the Group had commitments not recognised as liabilities relating to the purchase of property, plant and equipment amounting to KD 319,682 (31 December 2019: KD 1,108,292 and 31 March 2019: KD 1,393,203). These commitments are expected to be settled in 2020.

## 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 31 March 2020

#### 13 SEGMENT INFORMATION

For management purposes, the Group is organized 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 three-month period ended 31 March 2020 and 2019 respectively:

	<i>Three months ended 31 March 2020</i>				<i>Three months ended 31 March 2019</i>			
	<i>Oil field services</i>	<i>Non-oil field services</i>	<i>Unallocated items</i>	<i>Total</i>	<i>Oil field services</i>	<i>Non-oil field services</i>	<i>Unallocated items</i>	<i>Total</i>
	<i>KD</i>	<i>KD</i>	<i>KD</i>	<i>KD</i>	<i>KD</i>	<i>KD</i>	<i>KD</i>	<i>KD</i>
Segment revenue	<b>4,310,750</b>	<b>2,040,656</b>	-	<b>6,351,406</b>	5,390,776	2,213,384	-	7,604,160
<b>Income/(expenses)</b>								
Cost of sales**	(2,427,469)	(1,612,516)	-	(4,039,985)	(2,706,250)	(1,575,554)	-	(4,281,804)
Depreciation expense	(385,356)	(129,720)	(7,528)	(522,604)	(369,816)	(122,843)	(6,160)	(498,819)
Depreciation on right-of-use assets	(47,445)	(29,758)	(14,434)	(91,637)	(27,328)	(26,503)	(11,262)	(65,093)
General and administrative expenses **	-	-	(751,472)	(751,472)	-	-	(354,315)	(354,315)
Tax expenses	-	-	(53,506)	(53,506)	-	-	(115,689)	(115,689)
Directors' remuneration	-	-	(16,500)	(16,500)	-	-	(45,000)	(45,000)
Unallocated income***	-	-	152,463	152,463	-	-	125,761	125,761
Profit (loss) for the period	<b>1,450,480</b>	<b>268,662</b>	<b>(690,977)</b>	<b>1,028,165</b>	2,287,382	488,484	(406,665)	2,369,201

\* Certain comparative figures have been reclassified to conform to the current period presentation. Such reclassifications have been made to improve the quality of information presented

\*\* These amounts exclude depreciation expense and depreciation on right-of-use assets

\*\*\* Unallocated income includes interest income, net investments income 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 31 March 2020

#### 13 SEGMENT INFORMATION (continued)

The following table presents assets and liabilities information for the Group's operating segments as at 31 March 2020, 31 December 2019 and 31 March 2019, respectively:

	<i>31 March 2020</i>			<i>(Audited) 31 December 2019</i>			<i>31 March 2019</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>48,395,237</u>	<u>1,090,902</u>	<u>49,486,139</u>	<u>45,934,941</u>	<u>1,189,215</u>	<u>47,124,156</u>	<u>43,321,169</u>	<u>1,427,093</u>	<u>44,748,262</u>
Unallocated assets			<u>963,673</u>			<u>1,083,316</u>			<u>2,227,698</u>
			<u>50,449,812</u>			<u>48,207,472</u>			<u>46,975,960</u>
Segment liabilities	<u>8,529,084</u>	<u>141,704</u>	<u>8,670,788</u>	<u>7,262,729</u>	<u>191,969</u>	<u>7,454,698</u>	<u>15,155,033</u>	<u>27,412</u>	<u>15,182,445</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 31 March 2020

### 14 FAIR VALUE OF FINANCIAL INSTRUMENTS

Management assessed that the fair value of financial assets and financial liabilities approximate their carrying amounts as most of these instruments are of short-term maturities or are repriced immediately based on market movements in interest rates.

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 measured at fair value by level of the fair value hierarchy:

	<i>Quoted prices in active markets (Level 1) KD</i>	<i>Significant unobservable inputs (Level 3) KD</i>	<i>Total KD</i>
<i>At 31 March 2020</i>			
Financial assets at fair value through profit or loss	<u>10,400</u>	<u>953,273</u>	<u>963,673</u>
<i>At 31 December 2019 (Audited)</i>			
Financial assets at fair value through profit or loss	<u>27,658</u>	<u>1,055,658</u>	<u>1,083,316</u>
<i>At 31 March 2019</i>			
Financial assets at fair value through profit or loss	<u>28,606</u>	<u>2,199,092</u>	<u>2,227,698</u>

There were no transfers between Level 1 and Level 2 fair value measurements during the period/ year, and no transfers into or out of Level 3 fair value measurements during the period/ year.

The impact on profit or loss would be immaterial if the relevant risk variables used to fair value the unquoted securities were altered by 5%.

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

	<i>31 March 2020 KD</i>	<i>(Audited) 31 December 2019 KD</i>	<i>31 March 2019 KD</i>
As at 1 January	<b>1,055,658</b>	2,195,921	2,195,921
Remeasurement recognised in profit or loss	<b>3,471</b>	(266,458)	3,171
Purchases / sales (net)	<b>(105,856)</b>	(873,805)	-
	<u><b>953,273</b></u>	<u>1,055,658</u>	<u>2,199,092</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 31 March 2020

### 15 COMPARATIVE INFORMATION

Certain prior period amounts have been reclassified to conform to the current year presentation. There is no effect of these reclassifications on the previously reported equity as at 31 March 2019 and profit for the year then ended. Such reclassifications have been made to improve the quality of information presented.

	<i>As previously reported KD</i>	<i>Effect of reclassification KD</i>	<i>After reclassification KD</i>
<i>31 March 2019</i>			
<b><i>Interim condensed consolidated statement of financial position:</i></b>			
Trade receivables and contract assets	9,145,077	1,110,026	10,255,103
Prepayments and other receivables	3,035,156	(1,660,340)	1,374,816
Right-of-use assets	-	550,314	550,314
Accounts payable and accruals	12,830,527	(552,673)	12,277,854
Lease liabilities	-	552,673	552,673
<b><i>Interim condensed consolidated statement of cash flows:</i></b>			
Trade receivables and contract assets	(3,251,063)	(1,110,026)	(4,361,089)
Prepayments and other receivables	1,124,245	1,110,026	2,234,271

### 16 IMPACT OF COVID-19

The COVID-19 outbreak has developed rapidly in 2020, with a significant number of infections. Measures taken by various governments to contain the virus have affected economic activity and the Group's business. In addition to the already known effects of the COVID-19 outbreak and resulting government measures, the macroeconomic uncertainty causes disruption to economic activity, and it is unknown what the longer term impact on the Group's business may be.

Depending on the duration of COVID-19 crisis and continued negative impact on economic activity and government spending on the drilling and oil extraction activities, the exact impact on the Group's activities in the remainder of 2020 and thereafter cannot be predicted at this stage.

This note describes the impact of the outbreak on the Group's operations and the significant estimates and judgements applied by management in assessing the values of assets and liabilities as at 31 March 2020.

#### 16.1 Risk management

The management is monitoring and reassessing the risk management objectives and policies based on the current updates on COVID-19. For the period ended 31 March 2020, there were no significant changes to the risk management objectives and policies as compared to the audited consolidated financial statements as at 31 December 2019.

##### 16.1.1 Credit risk

The Group has concluded that it is not significantly exposed to credit risk as a result of the outbreak as 61% of its financial assets constitute cash and term deposits. While cash and cash equivalents are subject to the impairment requirements of IFRS 9, management determined that the identified impairment loss was immaterial as these balances are mostly held with counterparties with appropriate credit-ratings assigned by international credit-rating agencies.

##### 16.1.2 Liquidity risk

Management has taken several steps in protecting cash flows through compensating cost saving measures and prioritizing only critical capital expenditure. Further, the Group continues to maintain solid financial strength and liquidity. Cash and term deposits totalled KD 4,138,137 and KD 17,000,000 as at 31 March 2020. At both 31 December 2019 and 31 March 2020, the Group had no borrowings outstanding. The Group aims to maintain the level of its cash and cash equivalents and other highly marketable investments at an amount in excess of expected cash outflows on financial liabilities.

As at and for the period ended 31 March 2020

**16 IMPACT OF COVID-19 (continued)**

**16.2 Use of estimates and assumptions**

The Group based its assumptions and estimates on parameters available when the interim condensed consolidated financial information is prepared. The COVID-19 outbreak has created uncertainty for revenue forecasts, sourcing and workforce availability, credit ratings, etc. but also volatility in oil prices, interest and currency exchange rates. Estimates based on such metrics may be subject to change due to market changes in the near term or circumstances arising that are beyond the control of the Group.

Information about key assumptions and estimation uncertainties at the reporting date that have a significant risk of resulting in a material adjustment to the carrying amounts of assets in the next reporting period is described below:

*(i) Inventories and property, plant and equipment (“non-financial assets”)*

As at the reporting date, the Group has considered the potential impact of the current economic volatility in the determination of the reported amounts of the Group’s non-financial assets and the unobservable inputs are developed using the best available information about the assumptions that market participants would make in pricing these assets at the reporting date. The Group acknowledges that these assets may have been impacted, and as the situation continues to unfold, the Group will continuously monitor the market outlook and uses relevant assumptions in reflecting the values of these non-financial assets as and when they occur.

*(ii) Trade receivables and contract assets*

An impairment analysis is performed at each reporting date using a provision matrix to measure expected credit losses that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment. However, the segmentation applied in previous periods may no longer be appropriate and may need to be revised to reflect the different ways in which the COVID-19 outbreak affects different types of customers (e.g. by extending payment terms for trade receivables or by following specific guidance issued by the government).

The Group will continue to individually assess significant exposures as more reliable data becomes available and accordingly determine if any adjustment in the ECL is required in subsequent reporting periods.

*(iii) Fair value measurement of financial instruments*

The Group has considered potential impacts of the current market volatility in determination of the reported amounts of the Group’s unlisted managed funds, and this represents management's best assessment based on observable available information as at the reporting date. Given the impact of COVID 19, the Group is closely monitoring whether the fair values of the financial instruments represent the price that would be achieved for transactions between market participants in the current scenario. Further information on the Group’s policy in relation to fair value measurements is disclosed in Notes 3 and Note 27 to the annual consolidated financial statements as at and for the year ended 31 December 2019.



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