

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

**INTERIM CONDENSED CONSOLIDATED
FINANCIAL INFORMATION**

31 MARCH 2021 (UNAUDITED)



Building a better
working world

Ernst & Young
Al Aiban, Al Osaimi & Partners
P.O. Box 74
18-20th Floor, Baitak Tower
Ahmed Al Jaber Street
Safat Square 13001, Kuwait

Tel: +965 2295 5000
Fax: +965 2245 6419
kuwait@kw.ey.com
ey.com/mena

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

Report on the Interim Condensed Consolidated Financial Information

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 subsidiaries (collectively, the "Group") as at 31 March 2021, 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 2021 that might have had a material effect on the business of the Parent Company or on its financial position.

We further report that, during the course of our review, to the best of our knowledge and belief, we have not become aware of any violations of the provisions of Law No. 7 of 2010, concerning the Capital Markets Authority and its related regulations during the three-month period ended 31 March 2021 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

11 May 2021
Kuwait

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

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION (UNAUDITED)

As at 31 March 2021

		31 March 2021 KD	(Audited) 31 December 2020 KD	31 March 2020 KD
	Notes			
ASSETS				
Non-current assets				
Property, plant and equipment		9,758,673	10,214,560	10,725,161
Right-of-use assets		328,228	415,907	600,802
		<u>10,086,901</u>	<u>10,630,467</u>	<u>11,325,963</u>
Current assets				
Inventories		4,855,897	5,022,820	4,561,421
Trade receivables and contract assets		11,984,167	14,297,308	9,861,219
Prepayments and other receivables	3	3,072,736	2,910,461	2,599,399
Financial assets at fair value through profit or loss		936,073	936,073	963,673
Term deposits	4	13,000,000	12,500,000	17,000,000
Bank balances and cash		5,505,006	2,040,437	4,138,137
		<u>39,353,879</u>	<u>37,707,099</u>	<u>39,123,849</u>
TOTAL ASSETS		<u>49,440,780</u>	<u>48,337,566</u>	<u>50,449,812</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		17,163,955	15,815,530	17,364,647
Equity attributable to holders of the Parent Company		<u>41,578,317</u>	<u>40,229,892</u>	<u>41,779,009</u>
Non-controlling interests		13	13	15
Total equity		<u>41,578,330</u>	<u>40,229,905</u>	<u>41,779,024</u>
Liabilities				
Non-current liabilities				
Employees' end of service benefits		2,877,326	2,916,540	2,717,867
Lease liabilities		122,724	154,406	302,569
		<u>3,000,050</u>	<u>3,070,946</u>	<u>3,020,436</u>
Current liabilities				
Accounts payable and accruals	6	4,644,075	4,760,346	5,341,863
Lease liabilities		218,325	276,369	308,489
		<u>4,862,400</u>	<u>5,036,715</u>	<u>5,650,352</u>
Total liabilities		<u>7,862,450</u>	<u>8,107,661</u>	<u>8,670,788</u>
TOTAL EQUITY AND LIABILITIES		<u>49,440,780</u>	<u>48,337,566</u>	<u>50,449,812</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 31 March 2021

		<i>Three months ended 31 March</i>	
	<i>Notes</i>	<i>2021 KD</i>	<i>2020 KD</i>
Sales and services revenue	7	6,609,697	6,351,406
Cost of sales and services rendered		(5,082,106)	(4,632,264)
GROSS PROFIT		1,527,591	1,719,142
Interest income		101,274	120,000
Net investments income	8	-	23,347
Other income		250,194	9,116
General and administrative expenses	9	(438,791)	(773,434)
PROFIT BEFORE TAX AND DIRECTORS' REMUNERATION		1,440,268	1,098,171
Contribution to Kuwait Foundation for the Advancement of Sciences (KFAS)		(14,403)	(10,982)
National Labour Support Tax (NLST)		(39,600)	(30,374)
Zakat		(15,840)	(12,150)
Directors' remuneration		(22,000)	(16,500)
PROFIT FOR THE PERIOD		1,348,425	1,028,165
Other comprehensive loss			
<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		1,348,425	1,026,250
Profit attributable to Equity holders of the Parent Company		1,348,425	1,028,165
Total comprehensive income attributable to Equity holders of the Parent Company		1,348,425	1,026,250
BASIC AND DILUTED EARNINGS PER SHARE (EPS) ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT COMPANY	10	13.90 fils	10.60 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 31 March 2021

	Attributable to Equity Holders of the Parent Company							Non-controlling interests KD	Total equity KD
	Share capital KD	Share premium KD	Treasury shares KD	Treasury shares reserve KD	Statutory reserve KD	Voluntary reserve KD	Foreign currency translation reserve KD	Retained earnings KD	Sub-total KD
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
Total comprehensive income for the period	-	-	-	-	-	-	-	1,348,425	1,348,425
At 31 March 2021	10,000,000	3,310,705	(654,461)	33,825	5,858,895	5,858,895	6,503	17,163,955	41,578,317
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
Total comprehensive (loss) income for the period	-	-	-	-	-	-	(1,915)	1,028,165	1,026,250
At 31 March 2020	10,000,000	3,310,705	(654,461)	33,825	5,858,895	5,858,895	6,503	17,364,647	41,779,024

National Petroleum Services Company K.S.C.P. and Subsidiaries
INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS
(UNAUDITED)

For the period ended 31 March 2021

		Three months ended 31 March	
	Notes	2021 KD	2020 KD
OPERATING ACTIVITIES			
Profit before tax and after directors' remuneration		1,418,268	1,081,671
Adjustments to reconcile profit before tax and after directors' remuneration to net cash flows:			
Depreciation expense		519,057	522,604
Depreciation of right-of-use assets		81,092	91,637
Gain on sale of property, plant and equipment		(228,135)	-
Dividend income	8	-	(20,651)
Realised gain on sale of financial assets at fair value through profit or loss	8	-	(3,646)
Unrealised loss on financial assets at fair value through profit or loss	8	-	950
Interest income		(101,274)	(120,000)
Net foreign exchange differences		(7,109)	1,445
Interest expense on lease liabilities	9	6,204	11,097
Provision for employees' end of service benefits		143,740	116,808
Gain on derecognition of right-of-use assets and lease liabilities		(312)	-
		1,831,531	1,681,915
Working capital changes:			
Inventories		166,923	(617,911)
Trade receivables and contract assets		2,313,141	1,624,996
Prepayments and other receivables		(271,441)	(844,531)
Accounts payable and accruals		(173,854)	827,238
		3,866,300	2,671,707
Employees' end of service benefits paid		(182,954)	(25,476)
Taxes paid		(578)	(705)
Net cash flows from operating activities		3,682,768	2,645,526
INVESTING ACTIVITIES			
Purchase of property, plant and equipment		(63,170)	(62,558)
Proceeds from sale of property, plant and equipment		228,135	-
Proceeds from sale/redemption of financial assets at FVPL		-	122,339
Dividend income received		-	20,651
Interest income received		210,440	85,544
Net movement in term deposits		(500,000)	(1,088,000)
Net cash flows used in investing activities		(124,595)	(922,024)
FINANCING ACTIVITIES			
Dividends paid		(4,573)	(5,375)
Payment of principal portion of lease liabilities		(89,031)	(101,770)
Net cash flows used in financing activities		(93,604)	(107,145)
NET INCREASE IN BANK BALANCES AND CASH		3,464,569	1,616,357
Bank balances and cash at 1 January		2,040,437	2,521,780
BANK BALANCES AND CASH AT 31 MARCH		5,505,006	4,138,137
Non-cash items excluded from the interim condensed consolidated statement of cash flows:			
Additions to right-of-use assets		-	(337,407)
Additions to lease liabilities		-	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 31 March 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 three months ended 31 March 2021 was authorised for issue in accordance with a resolution of the Parent Company's Board of Directors on 11 May 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 three months ended 31 March 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 31 March 2021

3 PREPAYMENTS AND OTHER RECEIVABLES

	31 March 2021 KD	(Audited) 31 December 2020 KD	31 March 2020 KD
Advance payments to suppliers	1,306,414	1,913,828	1,866,159
Staff receivables	348,028	384,605	379,764
Deposits and other receivables	1,418,294	612,028	353,476
	<u>3,072,736</u>	<u>2,910,461</u>	<u>2,599,399</u>

4 TERM DEPOSITS

Term deposits amounting to KD 13,000,000 (31 December 2020: KD 12,500,000 and 31 March 2020: KD 17,000,000) 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 1.6% (31 December 2020: 2.3% and 31 March 2020: 3.1%).

5 TREASURY SHARES

	31 March 2021	(Audited) 31 December 2020	31 March 2020
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)	2,790,000	3,147,000	3,300,000
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

	31 March 2021 KD	(Audited) 31 December 2020 KD	31 March 2020 KD
Trade payables	688,521	782,288	1,362,215
Dividends payable	178,871	183,444	61,917
Accrued staff costs	992,710	1,040,273	1,522,617
Advances received from client	356,655	356,655	356,655
Taxes payable	381,313	312,048	614,892
Accrued directors' remuneration	122,000	100,000	196,500
Other accrued expenses and provisions	1,924,005	1,985,638	1,227,067
	<u>4,644,075</u>	<u>4,760,346</u>	<u>5,341,863</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 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 31 March</i>	
	<i>2021</i>	<i>2020</i>
	<i>KD</i>	<i>KD</i>
Type of goods or services		
<i>Oil field contracts</i>		
Pumping services	4,781,449	4,310,750
<i>Non-oil field contracts</i>		
Health, safety, environment and man-power supply services	1,532,052	1,646,247
Other services	296,196	394,409
Total sales and services revenue	6,609,697	6,351,406
Timing of revenue recognition		
Goods and services transferred at a point in time	100,530	518,785
Goods and services transferred over time	6,509,167	5,832,621
Total sales and services revenue	6,609,697	6,351,406
Geographical markets		
State of Kuwait	6,594,681	6,333,395
Others	15,016	18,011
	6,609,697	6,351,406

8 NET INVESTMENT INCOME

	<i>Three months ended 31 March</i>	
	<i>2021</i>	<i>2020</i>
	<i>KD</i>	<i>KD</i>
Dividend income	-	20,651
Realised gain on sale of financial assets at fair value through profit or loss	-	3,646
Unrealised loss on financial assets at fair value through profit or loss	-	(950)
	-	23,347

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 2021

9 GENERAL AND ADMINISTRATIVE EXPENSES

	<i>Three months ended 31 March</i>	
	<i>2021 KD</i>	<i>2020 KD</i>
Staff costs	264,650	209,919
Depreciation expense	6,689	7,528
Depreciation of right-of-use assets	14,873	14,434
Interest expense on lease liabilities	6,204	11,097
Professional fees	7,800	53,522
Marketing and business development expenses	6,807	51,841
Charity expenses	14,007	10,983
Donations*	-	285,000
Other expenses	117,761	129,110
	438,791	773,434

*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 31 March</i>	
	<i>2021</i>	<i>2020</i>
Profit for the period attributable to equity holders of the Parent Company (KD)	1,348,425	1,028,165
Weighted average number of ordinary shares outstanding during the period	100,000,000	100,000,000
Less: weighted average number of treasury shares outstanding during the period	(3,000,000)	(3,000,000)
Weighted average number of ordinary shares (excluding treasury shares) outstanding during the period	97,000,000	97,000,000
Basic and diluted EPS	13.90 Fils	10.60 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 31 March 2021, the Group provided guarantees for the performance of certain contracts amounting to KD 27,428,986 (31 December 2020: KD 27,072,629 and 31 March 2020: KD 26,677,592). 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 2021, the Group had commitments not recognised as liabilities relating to the purchase of property, plant and equipment amounting to KD 944,592 (31 December 2020: KD 430,420 and 31 March 2020: KD 319,682).

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 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 three-month periods ended 31 March 2021 and 2020 respectively:

	Three months ended 31 March 2021			Three months ended 31 March 2020				
	Oil field Services KD	Non-oil field services KD	Unallocated items KD	Total KD	Oil field services KD	Non-oil field services KD	Unallocated items KD	Total KD
Segment revenue	4,781,449	1,828,248	-	6,609,697	4,310,750	2,040,656	-	6,351,406
Income/(expenses)								
Cost of sales ¹	(3,232,712)	(1,270,807)	-	(4,503,519)	(2,427,469)	(1,612,516)	-	(4,039,985)
Depreciation expense	(391,380)	(120,988)	(6,689)	(519,057)	(385,356)	(129,720)	(7,528)	(522,604)
Depreciation of right-of-use assets	(42,735)	(23,484)	(14,873)	(81,092)	(47,445)	(29,758)	(14,434)	(91,637)
General and administrative expenses ¹	-	-	(417,229)	(417,229)	-	-	(751,472)	(751,472)
Tax expenses	-	-	(69,843)	(69,843)	-	-	(53,506)	(53,506)
Directors' remuneration	-	-	(22,000)	(22,000)	-	-	(16,500)	(16,500)
Unallocated income ²	-	-	351,468	351,468	-	-	152,463	152,463
Profit (loss) for the period	1,114,622	412,969	(179,166)	1,348,425	1,450,480	268,662	(690,977)	1,028,165

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

² 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 2021

13 SEGMENT INFORMATION (continued)

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

	31 March 2021			(Audited) 31 December 2020			31 March 2020		
	Oil field services KD	Non-oil field services KD	Total KD	Oil field services KD	Non-oil field services KD	Total KD	Oil field services KD	Non-oil field services KD	Total KD
Segment assets	46,795,621	1,709,086	48,504,707	46,535,409	866,084	47,401,493	48,395,237	1,090,902	49,486,139
Unallocated assets			936,073			936,073			963,673
			49,440,780			48,337,566			50,449,812
Segment liabilities	7,811,478	50,972	7,862,450	8,075,649	32,012	8,107,661	8,529,084	141,704	8,670,788

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 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:
(Audited)

	<i>Entities under common control KD</i>	<i>31 March 2021 KD</i>	<i>31 December 2020 KD</i>	<i>31 March 2020 KD</i>
Cost of sales and services rendered	10,177	10,177	15,308	765

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

	<i>Entities under common control KD</i>	<i>31 March 2021 KD</i>	<i>31 December 2020 KD</i>	<i>31 March 2020 KD</i>
Accounts payable and accruals	3,410	3,410	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 three months ended 31 March</i>		<i>Balance outstanding as at 31 March</i>	
	<i>2021 KD</i>	<i>2020 KD</i>	<i>2021 KD</i>	<i>2020 KD</i>
Key management compensation				
Salaries and other short-term benefits	84,331	88,611	182,890	40,000
Employees' end of service benefits	3,551	3,551	147,022	131,689
	<u>87,882</u>	<u>92,163</u>	<u>329,912</u>	<u>171,689</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 2021

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.

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>
31 March 2021			
Financial assets at fair value through profit or loss	-	936,073	936,073
31 December 2020 (Audited)			
Financial assets at fair value through profit or loss	-	936,073	936,073
31 March 2020			
Financial assets at fair value through profit or loss	10,400	953,273	963,673

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 three months ended 31 March 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:

	<i>31 March 2021 KD</i>	<i>(Audited) 31 December 2020 KD</i>	<i>31 March 2020 KD</i>
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)	-	(126,547)	(105,856)
	936,073	936,073	953,273

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 2021

15 FAIR VALUE MEASUREMENT (continued)

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 three months ended March 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.