Your Strategic Partner

in Energy & Sustainability Services

NAPESCO
نابيسكو

ANNUAL 2024 REPORT

الشركة الوطنية للخدمات البترولية (ش.م.ك) عامة

National Petroleum Services Co. (K.S.C.P.)

www.napesco.com

بسم الله الرحمن الرحيم

ANNUAL 2024 REPORT

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H.H. Sheikh Meshal Al-Ahmad Al-Jaber Al-Sabah
Amir Of The State Of Kuwait

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H.H. Sheikh Sabah Khaled Al-Hamad Al-Sabah
Crown Prince Of The State Of Kuwait


NAPESCO

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COMPANY OVERVIEW

Founded in 1993, the National Petroleum Services Company (NAPESCO) was the first Kuwaiti public shareholding company specialized in oilfield services to meet the needs of the Kuwait Oil Company. Since its inception, NAPESCO has pursued a continuous expansion strategy focused on delivering integrated, high-quality services across its operational activities. This approach has contributed to strengthening the company's presence and achieving significant growth in its performance.

In its early stages, NAPESCO concentrated on providing cementing services to Kuwait Oil Company, relying solely on national expertise without the support of an international partner. The company's success in this field positioned it as a leading provider of cementing services to both Kuwait Oil Company and the Joint Operations.

Over the years, NAPESCO has diligently diversified its portfolio by expanding the range of services offered in the oilfields. These include coiled tubing, well simulation, hydraulic fracturing, and environmental services. This strategic diversification and expansion have significantly broadened NAPESCO's operational scope and enhanced its reputation as a key player in the oilfield services sector. As a result, the company has become well-positioned to compete with international companies operating in similar domains.

NAPESCO's revenue is primarily generated from three core areas: drilling services, well services, and environmental services.

The company maintains strong relationships with most subsidiaries of the Kuwait Petroleum Corporation, particularly with the Kuwait Oil Company. This long-term strategic partnership with Kuwait Oil Company has proven successful in overcoming challenges and fostering productive collaboration between the public and private sectors.

Kuwait Oil Company views NAPESCO as a reliable local partner, especially during crises and pandemics when international companies face restrictions in accessing the local market. In addition, NAPESCO has secured medium-scale environmental contracts with both the Kuwait National Petroleum Company (KNPC) and the Kuwait Integrated Petroleum Industries Company and is currently working on further expansion plans. Nonetheless, Kuwait Oil Company remains NAPESCO's principal partner.

Over the years, the company has achieved consistent and sustained growth in both revenue and net profit. NAPESCO relies primarily on contracts with Kuwait Oil Company and the Joint Operations, as is typical for companies operating in this sector. However, the company is actively pursuing business development opportunities in new regional markets, where greater growth potential exists. This includes enhancing current services and introducing new offerings to both existing and prospective clients.

NAPESCO is also exploring expansion into the industrial sector, a move that would enable the company to secure stable and recurring income, thus increasing business resilience and reducing reliance on specific contracts. In doing so, NAPESCO aims to elevate its technical and professional standards to align with those of leading global oil and gas companies.

Company Activities Overview

Environmental & Sustainability Services

1. Cleaning of oil and petrochemical tanks and containers
2. Installation of fire alarm systems
3. Installation of firefighting systems and equipment
4. Installation of fire piping systems
5. General cleaning, industrial cleaning, and building maintenance services
6. Firefighting equipment and machinery
7. Paper compaction of all types
8. Metal processing, coating, coloring, and cleaning
9. Transportation of fresh water
10. Transportation of non-fresh (brackish or wastewater)
11. Soil testing and engineering materials analysis
12. Transportation of liquids, liquefied gases, or chemical materials
13. Treatment and disposal of non-hazardous waste
14. Sewage treatment and disposal
15. Separation and sorting of waste and metal scrap, and types of metals for use as raw materials
16. Importation of chemical materials
17. Environmental laboratories for water testing
18. Environmental laboratories for air testing
19. Environmental laboratories for biological testing
20. Treatment and disposal of hazardous waste
21. Treatment and disposal of non-hazardous waste
22. Transportation of solid and liquid waste
23. Testing and measurement of environmental indicators
24. Recruitment of specialized technical labor
25. Environmental consulting services
26. Ownership of intellectual property rights, including patents, trademarks, industrial designs, franchises, and other intangible rights, and their utilization or leasing to affiliated holding companies and other entities
27. Collection of hazardous waste
28. Collection of non-hazardous waste
29. Preparation and provision of technical, economic, evaluation, and environmental studies and consultations
30. Recruitment of administrative and general labor
31. Ownership of real estate and movable assets necessary to conduct business, within the limits permitted by law
32. Operation of renewable and alternative energy power plants
33. Maintenance of oil facilities, wells, oil refineries, and petrochemical plants
34. Safety and industrial security consulting services
35. Fire prevention consulting services
36. Technical consulting services
37. Experimental research and development in the fields of natural and engineering sciences
38. Retail sale of safety and security systems
39. Retail sale of waste, scrap, and recyclable materials
40. Wholesale of safety and security systems
41. Consulting offices for physical and chemical testing and analysis
42. Environmental laboratories for soil testing
43. Establishment of renewable and alternative energy power plants
44. Painting and maintenance of oil pipelines
45. Processing and coating of machine-treated metals

Oilfield Services

1. Gas injection in oil fields
2. Transportation of fluids, liquefied gases, or chemical materials
3. Maintenance and repair of oil pipelines
4. Transportation of fresh water
5. Transportation of non-fresh (brackish or wastewater)
6. Importation of chemical materials
7. Recruitment of administrative and general labor
8. Recruitment of specialized technical labor
9. Ownership of intellectual property rights, including patents, trademarks, industrial designs, franchises, and other intangible rights, as well as their utilization and leasing to subsidiary holding companies or other entities
10. Ownership of real estate and movable assets necessary for conducting business, within the limits permitted by law
11. Coating and maintenance of oil pipelines
12. Services related to oil and gas extraction, excluding surveying services
13. Technical consulting services
14. Experimental research and development in the fields of natural and engineering sciences
15. Wholesale of industrial chemicals
16. Consulting offices for physical and chemical analysis and testing
17. Drilling of natural gas wells
18. Drilling of oil wells

General Company Activities

1. Wholesale trade of waste, scrap, and recyclable materials, including collection, classification, disassembly, stripping, storage, delivery, and transportation
2. Buying and selling stocks and bonds on behalf of the company.
3. Exploiting the company›s available financial surpluses.

CERTIFICATES AND APPROVED CATEGORIES

ISO CERTIFICATES


Certificate of Approval
Issued by Indian Register Quality Systems

Certificate No.
IRQS/240101727

To certify that the Quality Management Systems of

National Petroleum Services Company (NAPESCO)

ADDRESS

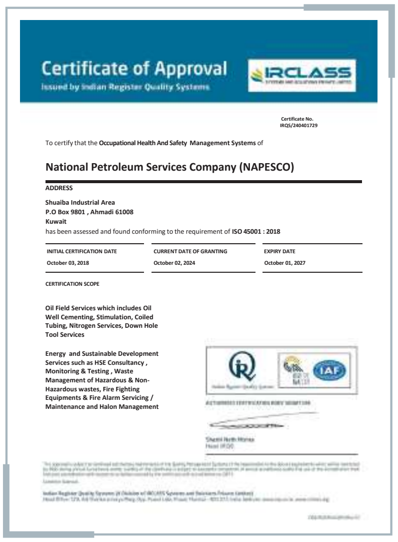
Shuaiba Industrial Area
P.O Box 9801 , Ahmadi 61008
Kuwait
has been assessed and found conforming to the requirement of **ISO 9001 : 2015**

INITIAL CERTIFICATION DATE	CURRENT DATE OF GRANTING	EXPIRY DATE
October 03, 2018	October 02, 2024	October 01, 2027

CERTIFICATION SCOPE

Oil Field Services which includes Oil Well Cementing, Stimulation, Coiled Tubing, Nitrogen Services, Down Hole Tool Services

Energy and Sustainable Development Services such as HSE Consultancy , Monitoring & Testing , Waste Management of Hazardous & Non-Hazardous wastes, Fire Fighting Equipments & Fire Alarm Servicing / Maintenance and Halon Management


Certificate of Approval
Issued by Indian Register Quality Systems

Certificate No.
IRQS/240401729

To certify that the **Occupational Health And Safety Management Systems** of

National Petroleum Services Company (NAPESCO)

ADDRESS

Shuaiba Industrial Area
P.O Box 9801 , Ahmadi 61008
Kuwait
has been assessed and found conforming to the requirement of **ISO 45001 : 2018**

INITIAL CERTIFICATION DATE	CURRENT DATE OF GRANTING	EXPIRY DATE
October 03, 2018	October 02, 2024	October 01, 2027

CERTIFICATION SCOPE

Oil Field Services which includes Oil Well Cementing, Stimulation, Coiled Tubing, Nitrogen Services, Down Hole Tool Services

Energy and Sustainable Development Services such as HSE Consultancy , Monitoring & Testing , Waste Management of Hazardous & Non-Hazardous wastes, Fire Fighting Equipments & Fire Alarm Servicing / Maintenance and Halon Management


Certificate of Approval
Issued by Indian Register Quality Systems

Certificate No.
IRQS/240301728

To certify that the **Environmental Management Systems** of

National Petroleum Services Company (NAPESCO)

ADDRESS

Shuaiba Industrial Area
P.O Box 9801 , Ahmadi 61008
Kuwait
has been assessed and found conforming to the requirement of **ISO 14001 : 2015**

INITIAL CERTIFICATION DATE	CURRENT DATE OF GRANTING	EXPIRY DATE
October 03, 2018	October 02, 2024	October 01, 2027

CERTIFICATION SCOPE

Oil Field Services which includes Oil Well Cementing, Stimulation, Coiled Tubing, Nitrogen Services, Down Hole Tool Services

Energy and Sustainable Development Services such as HSE Consultancy , Monitoring & Testing , Waste Management of Hazardous & Non-Hazardous wastes, Fire Fighting Equipments & Fire Alarm Servicing / Maintenance and Halon Management


ACCREDITATION CERTIFICATE

Testing Laboratory
No. ATL 0174
National Petroleum Services Company
Shuaiba West Industrial Area, Block 3, Plot 476, Integration Road MA10 with M6, Mina Abdullah, Kuwait.

is accredited by the GCC Accreditation Center (GAC) in accordance with the recognised International Standard ISO/IEC 17025:2017 "General requirements for the competence of testing and calibration laboratories"

A laboratory's fulfilment of the requirements of ISO/IEC 17025 means the laboratory meets both the technical competence requirements and management system requirements that are necessary for it to consistently deliver technically valid test results. The management system requirements in ISO/IEC 17025 are written in language relevant to laboratory operations and operate generally in accordance with the principles of ISO 9001 (refer to joint ISO-ILAC-IAF communiqué, April 2017).

This accreditation demonstrates technical competence for a defined scope, as detailed in and at the locations specified in the scope of accreditation. the accreditation scope to this certificate is an essential accreditation document and from time to time may be revised and reissued by the GCC Accreditation Center. The most recent issue of the scope of accreditation which bears the same accreditation number as this certificate, is available from the GAC website www.gcc-accreditation.org

The accreditation is subject to continuing conformity with GAC Accreditation requirements and the status of accreditation can be checked in the GAC's website to confirm the validity of this accreditation.

Issue Date: 12 February 2024

Director General, GCC Accreditation Center

EXCELENCE CERTIFICATES

ISO 9001:2015

- Quality Management System

ISO 45001:2018

- Health & Safety Management System

ISO 14001:2015

- Environmental Monitoring Services Including Laboratory Testing Of Water, Soil and Air Samples and Eia

MINISTRY OF HEALTH

- Radiation License specific for Frac- Stor-ing using and transporting Radiation Source

ISO 17025:2017

- Testing Laboratory TL-490

BOARD OF DIRECTORS

Sheikh Sabah Mohammad Abdulaziz Al Sabah

Chairman

Mr. Muhaiman Ali Al-Behbehani

Vice Chairman & CEO

Sheikh Hamad Jaber Al-Sabah

Member (Independent)

Ms. Ghada Eissa Khalaf

Member

Mr. Sadoun Mohammad Ali

Member

Mr. Khalid Hamdan Al Saif

Member

Mr. Mohammad Fahad Alajmi

Member (Independent)

Board of Directors' Report

2024 was a pivotal year in NAPESCO's journey, marked by strategic expansion, the acquisition of high-value contracts, and robust financial growth. These achievements reinforced the company's leadership in the energy sector and underscored its unwavering commitment to excellence and sustainability.

Dear Shareholders of National Petroleum Services Company,

On my own behalf and on behalf of the Board of Directors, I am pleased to present to you the Annual Report of National Petroleum Services Company for the year 2024, along with the audited financial statements for the fiscal year ended on 31 December 2024. This report highlights the Company's progress over the past year and the continued activation of its innovation strategy to realize a sustainable and comprehensive future. Through a series of strategic initiatives, the Company has reaffirmed its firm commitment to excellence, development, and sustainability. Reflecting on the accomplishments of 2024, I would like to express the Board of Directors', Executive Management's, and all employees' collective pride in what the Company has achieved. During the year, we placed strong emphasis on enhancing governance practices and creating long-term sustainable value for all stakeholders. Our combined efforts have resulted in remarkable outcomes that have further strengthened the Company's leading position within the energy sector.

The year 2024 marked a significant milestone in the Company's journey, highlighted by a series of qualitative achievements. Most notably, the successful acquisition of the Oil Projects Company has begun to yield tangible results, positively impacting the Company's financial performance during the year. This milestone also reinforced the Company's strategic direction toward regional expansion. In this context, the Board of Directors approved the establishment of subsidiaries in the Kingdom of Saudi Arabia and the United Arab Emirates, following prequalification by two of the region's most prominent clients ARAMCO and ADNOC. Particularly, the Company has advanced the development of Oil Services Technologies within its Oil Services Division, aiming to enhance operational efficiency and support the creation of a more sustainable business environment.

In light of an increasingly dynamic global landscape marked by unprecedented economic challenges, disruptions in supply chains, and complex geopolitical developments, NAPESCO remains firmly committed to upholding the highest ethical standards and principles of good governance. The Company's agile and forward-looking governance framework fosters transparency, accountability, and ethical conduct at all organizational levels. The Board of Directors, in close coordination with a dedicated executive management team, places strong emphasis on aligning strategic decisions with NAPESCO's core humanitarian values—ultimately contributing to the effective advancement of shareholders' interests.

We are pleased to express our pride and satisfaction with the Company's exceptional achievements in 2024, which are the result of the relentless efforts and dedication of all our teams. It is also our pleasure to highlight the Company's remarkable accomplishments in operational

A Year of Strategic Growth and Regional Breakthroughs

processes during the fiscal year 2024, reflecting our unwavering commitment to creativity, efficiency, and sustainable growth across all areas of our business:

- Executed a five-year contract with Kuwait Oil Company for a **"Long-Term Supply Agreement of Completion Equipment for Development Drilling & Workover Wells with Services"**, valued at KD 11,954,006.
- Executed a five-year contract with Kuwait Oil Company for **"Waste Management Services within North Kuwait Operational Areas"**, amounting to KD 5,148,811.
- Executed a five-year contract with Kuwait Oil Company for **"Waste Management Services within South & East Kuwait, Export, and Marine Operational Areas"**, valued at KD 5,323,404.
- Executed a four-year contract with Equate Company for the **"Ambient Air Quality Monitoring Equipment"**, totaling KD 130,000.
- Executed a two-year contract with the Ministry of Electricity and Water for the **"Groundwater Quality Monitoring Program in Raudhatain and Umm Al-Aish Freshwater Aquifers, Stage Two"**, valued at KD 114,523.
- Executed a five-year contract with Joint Operations for **"Cementing and Associated Services for Drilling and Workover Operations"**, worth KD 17,000,000.
- Executed a five-year contract with Joint Operations for the **"Provision of Coiled Tubing & Associated Services"**, valued at KD 15,000,000.
- Increased the value of the existing **"Cementing & Associated Services for Drilling & Workover Operations for Unconventional Services"** contract with Kuwait Oil Company by KD 13,720,000, with an extension of the contract period by 16 months.
- Increased the value of the existing **"Cementing & Associated Services for Drilling & Workover Operations for Conventional Services"** contract with Kuwait Oil Company by KD 7,120,000, with an extension of the contract period by 16 months.
- Increased the value of the existing **"Provision of Coiled Tubing & Associated Services"** contract with Kuwait Oil Company by KD 5,024,063 to include a new service and extended the contract period by one year.
- Prequalification with a partner for a Joint Venture to provide engineering services and drilling fluid products to Kuwait Oil Company for both traditional and non-traditional project categories.

We are pleased to present a summary report on the Company's financial statements for the fiscal year ended on 31 December 2024, as outlined below:

The Company recorded a net profit of KD 13,424,081 in 2024, compared to KD 8,595,516 in 2023, reflecting a significant increase of 56.18%. Operational revenues rose to KD 41,028,898 in 2024, up from KD 39,522,799 in 2023. Net Operational profit also witnessed a notable rise, reaching KD 13,182,314 in 2024 compared to KD 10,872,181 in the previous year, an increase of 21.25%.

As we continue our journey toward the future, we remain steadfast in our commitment to shared values and a unified sense of purpose. These serve as the cornerstone of our path forward, guided by unwavering efforts to diversify revenue streams, reduce risk, and operate in alignment with sound governance practices and a long-term sustainability strategy.

On my own behalf and on behalf of the Board of Directors, I would like to extend our sincere gratitude to our valued shareholders and stakeholders for their continued trust and support. I would also like to express my deep appreciation to my fellow Board members for their meaningful contributions, and to the executive management team for their exceptional leadership. Special thanks go to our dedicated employees, the true driving force behind NAPESCO's continued success.

Sheikh Sabah Mohammad Abdulaziz Al Sabah
Chairman

GOVERNANCE REPORT

For the Financial Year ended on 31st December 2024

Introduction:

Through its Board of Directors and Executive Management, National Petroleum Services Company remains committed to adopting best-in-class practices in governance, risk management, and the protection of shareholders' and stakeholders' rights. The Company has placed strong emphasis on cultivating a culture of governance and regulatory compliance, continuously enhancing its governance framework to establish sound and effective institutional values. National Petroleum Services Company has implemented a comprehensive suite of corporate policies and systems, regularly updating them as necessary, driven by its firm belief that the optimal application of governance practices delivers significant benefits. These include, but are not limited to, the enhancement of shareholder equity, the protection and maximization of stakeholder rights, and the strengthening of the Company’s ability to manage risks and crises effectively. The Company continues its journey of growth and advancement by reinforcing the principles of transparency, integrity, and proactive communication with all stakeholders. This approach aims to foster greater awareness and deeper understanding of governance requirements, embedding the governance framework into the Company’s culture. The Board of Directors affirms its unwavering commitment to keeping pace with the latest developments in communication and disclosure channels, ensuring that shareholders, investors, and stakeholders are consistently provided with timely, neutral, transparent, and equitable access to corporate updates and developments.

National Petroleum Services Company reaffirms its commitment to full disclosure regarding its compliance with the governance requirements set forth in Volume Fifteen (Corporate Governance) of the Executive Regulations of Law No. 7 of 2010 concerning the Establishment of the Capital Markets Authority and the Regulation of Securities Activity, as amended. The Company shall read out and present this disclosure to its shareholders at the Annual Ordinary General Assembly, as outlined below:

1. First Rule: Building a Balanced Board of Directors Structure

1-1 Board of Directors Formation Standards

The Board of Directors has a well-balanced structure that is dedicated to achieving the shareholders' objectives and overseeing the company's executive management. It is appropriately sized to the company, enabling it to fulfill the company's strategic goals by ensuring that the executive management executes its responsibilities effectively. Furthermore, the Board ensures that the executive management enhances the company's competitiveness, achieves robust growth rates, and works towards maximizing profits.

The Company is committed to maintaining a balanced and effective Board that comprises non-executive members with diverse expertise, positively impacting the Company’s overall performance. This diversity, in turn, helps strengthen the Company’s financial position and market share. Additionally, the Company ensures the inclusion of two independent members, in compliance with the provisions of the Executive Regulations of the Capital Markets Authority Law, specifically Volume Fifteen ("Corporate Governance"), Article 2.3. The Board members collectively bring extensive experience from various fields, including engineering, business administration, accounting, and finance, which enriches the decision-making process

on matters brought before the Board. Currently, the Board is composed of seven members. Below is a summary of the classifications, qualifications, and experiences of the Board members:

Board of Directors Composition:

Name	Member Classification (Executive, Non-Executive, Independent), Board Secretary	Academic Degree and Professional Experience	Date of election/ appointment of the Board Secretary
Sheikh Sabah Mohammad Abdulaziz AlSabah	Chairman (Non-Executive)	Bachelor’s degree in management and organization from Kuwait University - Experience in investment, industrial, and real estate sectors - Held the position of Chairman and CEO at United Industries Company.	01/05/2023
Mr. Muhaiman Ali AlBehbehani	Deputy Chairman (CEO)	Bachelor’s degree in mechanical engineering - Experience in the oil sector and public administration.	01/05/2023
Sheikh Hamad Jaber AlSabah	Board Member (Independent)	Certified Management Accountant (CMA) from the Institute of Management Accountants (IMA) - Bachelor’s degree in finance from Kuwait University - Experience in accounting auditing, public administration, and regulatory affairs.	01/05/2023
Mr. Khaled Hamdan AlSaif	Board Member (Non-Executive)	Master of Business Administration from Maastricht University, UK - Bachelor’s degree in electrical engineering - Experience in the oil sector.	01/05/2023
Mr. Sadoun Abdullah Hussein Ali	Board Member (Non-Executive)	Bachelor’s degree in financial service management and financial accounting from Ashland University, USA, and a Diploma in Commercial Banking from the Public Authority for Applied Education and Training.	20/11/2023
Ms. Ghadah Eissa Ahmad Khalaf	Board Member (Non-Executive)	Master’s degree in chemical engineering from Imperial College London and an MBA from the Tepper School of Business, Carnegie Mellon University, USA.	01/05/2023
Mr. Mohammad Fahad AlAjmi	Board Member (Independent)	MBA from the University of Hull, UK - Bachelor’s degree in engineering from Concordia University, Montreal, Canada - Over thirty years of experience in the oil industry.	01/05/2023
Mr. Sameh ElSayed Basha	Board Secretary	Master’s degree in international legal business transactions and logistics from the Arab Academy for Science, Technology and Maritime Transport, Alexandria, Egypt - Bachelor of Law from Ain Shams University, Egypt - Diploma in International Commercial Arbitration (ICA) - Certified Compliance Officer - Certified Governance Analyst (CCGO)- Experience in legal affairs and regulatory compliance.	01/05/2023

1.2 Meetings Organization of Board of Directors

The Board members are committed to dedicating adequate time to attend Board meetings. The Company ensures, through its secretary, that invitations to attend Board meetings, along with the relevant agenda documents, are sent well in advance no less than three business days prior to the meeting. This allows each Board member sufficient time to review and discuss the matters at hand. Below is a summary of the meetings held in 2024, along with the attendance of each member:

Board of Directors' meetings from 01/01/2024 To 31/12/2024										
Name of Member	**Description**	**Meeting No. (1) Held on 15/01**	**Meeting No. (2) Held on 07/03**	**Meeting No. (3) Held on 27/03**	**Meeting No. (4) Held on 14/05**	**Meeting No. (5) Held on 12/08**	**Meeting No. (6) Held on 22/09**	**Meeting No. (7) Held on 13/11**	**Meeting No. (8) Held on 25/12**	**No. of Meetings**
1. Sheikh Sabah Mohammad Abdulaziz AlSabah	Chairman	✓	✓	✓	✓	✓	✓	✓	✓	8
2. Mr. Muhaiman Ali AlBehbehani	Deputy chairman	✓	✓	✓	✓	✓	✓	✓	✓	8
3. Sheikh Hamad Jaber AlSabah	Member	✓	✓	✓	✓	✓	✓	✓	✓	8
4. Mr. Khaled Hamdan Alsaif	Member	✓	✓	✓	✓	✓	✓	✓	✓	8
5. Mr. Sadoun Abdullah Hussein Ali	Member	✓	Apology	✓	✓	✓	✓	✓	✓	7
6. Ms. Ghadah Eissa Ahmad Khalaf	Member	Apology	✓	✓	✓	✓	✓	✓	✓	7
7. Mr. Mohammad Fahad AlAjmi	Member	Apology	Apology	✓	✓	✓	Apology	✓	✓	5
8. Mr. Sameh Elsayed Basha	Secretary	✓	✓	✓	✓	✓	✓	✓	✓	8

1.3 Recording, Coordinating, and Archiving Meeting Minutes

The Board Secretary plays a pivotal role in supporting the Board members by ensuring they have access to any information required, either in accordance with the Board's decisions or in consultation with the Chairman. The Secretary also ensures that invitations for meetings, along with all relevant agenda documents, are sent at least three business days in advance. In addition to this, the Secretary assists the Chairman in preparing the Board meeting agenda and is responsible for recording the minutes of the meetings. The Secretary ensures that the results of any voting processes are properly documented, and that all attendees sign the minutes. These records, along with all relevant documents and instruments, are maintained in an organized manner to facilitate quick and efficient access by any Board member at any time. Furthermore, the Board Secretary follows up on Board decisions by coordinating with the Executive Management (CEO) to communicate those decisions to all relevant corporate departments. This coordination also ensures that the Board is kept informed of any new developments.

1.4 Declarations of Independent Board Members

As for independent members, the Company ensures that the Board of Directors includes two independent members, in compliance with the provisions of the Executive Rules of the Capital Markets Authority Law, particularly Volume Fifteen on 'Corporate Governance,' Articles 2.2 and 2.3. Furthermore, the Nomination and Remuneration Committee periodically monitors the independence of independent board members by reviewing and discussing their declarations at committee meetings. The committee verifies that each independent member continues to meet the criteria for independence as outlined in the aforementioned articles, and that they possess the technical qualifications, experience, and skills relevant to the Company’s operations. Attached are the Declarations of Independent Members.

2. Second Rule: Proper Definition of Roles and Responsibilities

2.1 Roles and Responsibilities of the Board of Directors

The Board of Directors consistently strives to serve the best interests of the Company’s shareholders through the effective supervision and oversight of executive management, ensuring the implementation of the Company’s strategy and objectives, and monitoring performance in accordance with established plans. This is achieved while maintaining a clear separation between the roles of the Board of Directors and the Executive Management through the application of governance principles, and by clearly defining the duties, roles, and responsibilities of both parties. During the year, the Board of Directors reviewed and updated the Company’s strategy and risk appetite, including future plans and expansion initiatives currently underway, as disclosed. The Board has also remained committed to embedding institutional values across all levels of the organization, with continuous efforts aimed at achieving strategic objectives, enhancing performance levels, and ensuring full compliance with applicable laws, regulations, and, in particular, governance requirements. The Board has adopted a comprehensive set of policies, regulations, systems, and procedures, which are effectively and consistently applied throughout the Company. This stems from a belief that governance should not merely be seen as regulatory compliance, but rather as an essential part of the Company's institutional culture and core business philosophy. The key roles and responsibilities of the Board of Directors include, but are not limited to, the following:

- Approving the Company’s general strategic goals, plans, and policies.
- Approving the annual projected budgets, as well as the quarterly and annual financial statements.
- Overseeing the Company’s major capital expenditures, and the acquisition and disposal of assets.
- Verifying the Company’s compliance with policies and procedures to ensure adherence to applicable internal regulations and rules.
- Ensuring the accuracy and integrity of all reportable information in line with the Company’s disclosure and transparency policies, procedures, and systems.
- The Board of Directors is also in the process of approving the Strategic Sustainability Policy to ensure alignment with international and local standards, thereby contributing to the Company’s comprehensive corporate strategy.

Furthermore, the policies and procedures approved by the Board of Directors, which define the Board's duties and responsibilities towards the Company's shareholders as well as the executive management's responsibilities towards the Board, include, as previously mentioned, the job descriptions of the Board members, clearly specifying the tasks and responsibilities assigned to each member. They also incorporate the authority matrix, outlining the powers of the Board of Directors, executive management, and committees, which is regularly tracked and updated in accordance with the relevant supervisory instructions, laws, and regulations.

- **Executive Management**

The Company has a qualified team comprising members of the executive management. An approved delegation of authority guide is in place, covering all Company sectors. The tasks of the executive management include, but are not limited to, the following:

- Implementing all internal policies, regulations, and systems approved by the Board of Directors.
- Executing the annual strategy and plan as approved by the Board of Directors.
- Preparing periodic financial and non-financial reports on the Company's activity progress in light of its plans and goals, and presenting such reports to the Board of Directors.
- Managing daily operations and running the Company's activities.
- Actively participating in building and developing the Company's ethical values.

2.2 Achievements of the Board of Directors

In line with the Board of Directors' responsibilities namely achieving optimal financial and operational results and ensuring the effective implementation of the Company's strategic plan the Board has accomplished several key achievements during its current term in the fiscal year ended 31st December 2024. These achievements are reflected in the positive outcomes and tangible indicators across various financial, marketing, and technical fields. The Board's main achievements are summarized as follows:

- Approval of the Company's annual projected budget for the year 2025.
- Approval of the Company's five-year plan for the period 2025–2029.
- Approval of the Company's strategy for regional expansion within the Arabian Gulf region.
- Approval of the incorporation of a subsidiary in the Kingdom of Saudi Arabia and disclosure thereof.
- Review and approval of the action plan for the newly incorporated subsidiary in the Kingdom of Saudi Arabia.
- Review and approval of the organizational structure, policies, and procedures for the subsidiary to be incorporated in the Kingdom of Saudi Arabia.
- Approval of the progress report and the annual financial statements for the fiscal year ended 31st December 2024.
- Follow up and approval of integrity of the Board of Directors' disclosures in accordance with the approved disclosure and transparency policies and regulations.

- Monitoring and approval of the performance of board members and executive management through Key Performance Indicators (KPIs).
- Monitoring and approval of updates to the policies and procedures of corporate departments.
- Monitoring and approval of the Board of Directors' training plan and development of its members.
- Review and discussion of the company's tenders and bids.
- Monitoring and approval of the company's regional expansion strategy, including the proposal to incorporate a subsidiary in the UAE.
- Continuous monitoring of the company's organizational structure.
- Review of the evaluation of the company's internal control systems for the fiscal year ended 31st December 2024.
- Review of the evaluation and effectiveness of the actions of the Board of Directors and its committees.
- Review of the internal control and risk management systems, in collaboration with external consultancy firms Grant Thornton Economic and Administrative Consultancies, represented by Mr. Hazem Al-Ajez (internal audit services) and Mr. Abdullatif Mohamed Al-Aiban (risk management services), ensuring the efficiency, sufficiency, and compliance of these systems with the company's risk appetite, through ongoing coordination with executive management.

2.3 Formation of Sub-committees of the Board of Directors

The Board of Directors has established its committees in accordance with the governance rules and guidelines set forth by the Capital Markets Authority for the formation of such committees. The board has constituted the following four committees:

1-

Name of Committee		Date of Formation	Committee Duration	No. of Members
Audit and Risk Management Committee		Date of New Formation	Committee Duration	No. of Members
		02/05/2023	3	3
Committee Members	Sr.	Name	Position	Classification
	1	Sheikh Hamad Jaber AlSabah	Chairman	Independent Member
	2	Ms. Ghadah Eissa Ahmad Khalaf	Member	Non-Executive Member
	3	Mr. Mekki Zacharia	Member	Non-Executive Member
	4	Mr. Sameh ElSayed Saleh	Board Secretary	-
Audit and Risk Management Committee		Date of New Re-Formation	Committee Duration	No. of Members
		20/11/2023	3	3
Committee Members	Sr.	Name	Position	Classification
	1	Sheikh Hamad Jaber AlSabah	Chairman	Independent member
	2	Ms. Ghadah Eissa Ahmad Khalaf	Member	Non-executive member
	3	Mr. Sadoun Abdullah Ali	Member	Non-executive member
	4	Mr. Sameh ElSayed Saleh	Board Secretary	-

Committee Tasks	• Review periodical financial statements and reports, engage in discussions with the relevant executive management members, and provide opinions, proposals, and recommendations prior to their presentation to the Board of Directors. • Evaluate the adequacy of the applied internal control systems. • Supervise the internal audit department and assess the efficiency of its performance in terms of implementing the relevant requirements set by the Board of Directors. • Review and approve the internal audit plan, encompassing all corporate departments and units. • Review the internal auditor's report, propose corrective measures for any identified issues, and follow up on the resolution of any comments observed across various departments. • Review the internal control report (ICR) and provide necessary recommendations to the executive management, subsequently referring the matter to the Board of Directors for review and feedback. • Recommend to the Board of Directors the appointment or re-appointment of the external auditor, determine their fees, and assess their independence. • Revise and update the company's powers matrix. • Review and assess the company's risk register. • Review the risk assessment report and recommend any necessary actions. • Prepare, review, and revise the company's risk management and risk appetite strategies and policies prior to board approval, ensuring that their implementation aligns with the company's business nature and scale. • Discuss the risk study related to the company's acquisition of stocks in an unlisted shareholding company with the external advisor and provide relevant recommendations to the Board of Directors. • Review the internal auditor's evaluation.

- **<u>Meetings of Audit and Risk Management Committee</u>**

Name of member	Position	No. of Meetings: (8) Meetings From 01/01/2024 to 31/12/2024							
		1 08/01	2 24/03	3 27/03	4 09/05	5 05/08	6 18/09	7 07/11	8 15/12
Sheikh Hamad Jaber AlSabah	**Chairman Independent**	✓	✓	✓	✓	✓	✓	✓	✓
Ms. Ghadah Eissa Ahmad Khalaf	**Member**	✓	✓	✓	✓	✓	✓	✓	✓
Mr. Sadoun Abdullah Ali	**Member**	✓	✓	✓	✓	✓	✓	✓	✓
Mr. Sameh ElSayed Saleh	**Board Secretary**	✓	✓	✓	✓	✓	✓	✓	✓
Committee Achievements	• Meet with the external auditor to review the progress and annual financial statements prior to their presentation to the Board of Directors. • Meet with the internal auditor to discuss the reports submitted by the internal audit department regarding the findings from the audit of corporate departments and activities. • Approve the annual internal audit plan. • Prepare, review, and revise risk management strategies, policies, and the risk appetite before submitting them for board approval, ensuring their implementation aligns with the nature and scale of corporate activities. • Ensure that sufficient resources and systems are available for effective risk management. • Review the evaluation of the internal auditor's performance. • Review the evaluation of the corporate internal control systems for the fiscal year 2024. • Discuss the risk study related to corporate transactions. • Discuss recommendations regarding the renewal or non-renewal of the external auditor's appointment.								

2-

Name of Committee		Date of Formation	Committee Duration	No. of Members
Nomination and Remuneration Committee		Date of New Formation	Committee Duration	No. of Members
		02/05/2023	3	3
Committee Members	Sr.	Name	Position	Classification
	1	Sheikh Sabah Mohammad AlSabah	Chairman	Non-Executive Member
	2	Mr. Khaled Hamdan AlSaif	Member	Non-Executive Member
	3	Mr. Mohammad Fahad AlAjmi	Member	Independent Member
	4	Mr. Sameh ElSayed Saleh	Board Secretary	-
Nomination and Remuneration Committee		Date of New Re-Formation	Committee Duration	No. of Members
		20/11/2023	3	3
Committee Members	Sr.	Name	Position	Classification
	1	Sheikh Sabah Mohammad AlSabah	Chairman	Non-Executive Member
	2	Mr. Khaled Hamdan AlSaif	Member	Non-Executive Member
	3	Mr. Mohammad Fahad AlAjmi	Member	Independent Member
	4	Mr. Sameh ElSayed Saleh	Board Secretary	-
Committee Tasks	• Recommend the acceptance of appointments for executive management positions. • Establish a clear remuneration policy for the Board of Directors and executive management members. • Determine a performance appraisal mechanism for the entire Board of Directors, as well as for each individual board member and the executive management. • Review the evaluation mechanisms for corporate staff remuneration. • Prepare and present the governance report to the Board of Directors. • Assess the independence of independent board members.			

- **Meetings of Nomination and Remuneration Committee**

Name of member	Position	No. of Meetings: 1 Meeting From 01/01/2024 to 31/12/2024
		20/03/2024
Sheikh Sabah Mohammad AlSabah	Chairman	✓
Mr. Khaled Hamdan AlSaif	Member	✓
Mr. Mohammad Fahad AlAjmi	Member	✓
Mr. Sameh ElSayed Saleh	Board Secretary	✓
Committee Achievements	• Review the remuneration of board members in accordance with the board-approved recommendation policies. • Assess the executive management's appraisal and remuneration in line with the executive management remuneration policy. • Evaluate the independence of independent board members. • Review and approve the annual governance report, with recommendations to the Board of Directors for discussion and approval. • Discuss annual salary increments for company staff.	

3-

Name of Committee		Date of Re-Formation	Committee Duration	No. of Members
Investment and Strategy Committee		Date of New Formation	Committee Duration	No. of Members
		02/05/2023	3	3
Committee Members	Sr.	Name	Position	Classification
	1	Sheikh Sabah Mohammad AlSabah	Chairman	Non-Executive Member
	2	Mr. Muhaiman Ali AlBehbehani	Member	Non-Executive Member
	3	Mr. Khaled Hamdan AlSaif	Member	Executive Member
	4	Mr. Mekki Zacharia	Member	Non-Executive Member
	5	Mr. Sameh ElSayed Saleh	Board Secretary	-
Investment and Strategy Committee		Date of New Re-Formation	Committee Duration	No. of Members
		20/11/2023	3	3
Committee Members	Sr.	Name	Position	Classification
	1	Sheikh Sabah Mohammad AlSabah	Chairman	Non-Executive Member
	2	Mr. Muhaiman Ali AlBehbehani	Member	Executive Member
	3	Sheikh Hamad Jaber AlSabah	Member	Independent Member
	4	Mr. Sameh ElSayed Saleh	Board Secretary	-
Committee Tasks	• Analyse the market, develop strategies related to company activities, and present recommendations to the Board of Directors. • Evaluate investment opportunities presented by executive management, provide advice, and make recommendations to the Board of Directors.			

- **Meetings of Investment and Strategy Committee**

Name of Member	Position	No. of Meetings: 1 Meeting From 01/01/2024 to 31/12/2024
		22/12/2024
Sheikh Sabah Mohammad AlSabah	Chairman	✓
Mr. Muhaiman Ali AlBehbehani	Member	✓
Sheikh Hamad Jaber AlSabah	Member	✓
Mr. Sameh ElSayed Saleh	Board Secretary	✓
Committee achievements		• Recommend the increase of National Petroleum Services Company's holding in its unlisted subsidiary, United Oil Projects Company K.S.C. (Closed), through the purchase of 2,160,000 shares. Although the transaction is not considered fundamental to the value of the shares, the committee determined that the acquisition and increased holding would provide long-term benefits and help preserve the value of the company's shares and therefore recommended referring the matter to the Board of Directors.

4-

Name of Committee		Date of Re-Formation	Committee Duration	No. of Members
Budget Committee		Date of New Formation	Committee Duration	No. of Members
		02/05/2023	3	3
Committee Members	Sr.	Name	Position	Classification
	1	Sheikh Hamad Jaber AlSabah	Chairman	Independent Member
	2	Ms. Ghadah Eissa Khalaf	Member	Non-Executive Member
	3	Mr. Mekki Zacharia	Member	Non-Executive Member
	4	Mr. Sameh ElSayed Saleh	Board Secretary	-
Budget Committee		Date of New Re-Formation	Committee Duration	No. of Members
		20/11/2023	3	3
Committee Members	Sr.	Name	Position	Classification
	1	Sheikh Hamad Jaber AlSabah	Chairman	Independent Member
	2	Ms. Ghadah Eissa Khalaf	Member	Non-Executive Member
	3	Mr. Sadoun Abdullah Ali	Member	Non-Executive Member
	4	Mr. Sameh ElSayed Saleh	Board Secretary	-
Committee Tasks	• Review the corporate five-year plan and make recommendations to the Board of Directors. • Discuss the annual budget and make recommendations to the Board of Directors. • Review the company's overall performance and the detailed performance of corporate sectors and discuss deviations from the action plan and projected budget.			

- **Meetings of the Budget Committee**

Name of member	Position	No. of Meetings: (5) Meetings From 01/01/2024 to 31/12/2024				
		1 08/01	2 09/05	3 05/08	4 07/11	5 15/12
Sheikh Hamad Jaber AlSabah	Chairman Independent	✓	✓	✓	✓	✓
Ms. Ghadah Eissa Khalaf	Member	✓	✓	✓	✓	✓
Mr. Sadoun Abdullah Ali	Member	✓	✓	✓	✓	✓
Mr. Sameh ElSayed Saleh	Board Secretary	✓	✓	✓	✓	✓
Committee Achievements	• Review the corporate five-year plan for 2025–2029. • Review the corporate projected budget for the fiscal year 2025. • Review the company's performance on a progressive basis and compare the interim financial statements to the projected budget at the end of each financial period to ensure there are no fundamental deviations from the approved budget for the fiscal year.					

2.4 Summary of Application of the Requirements for Board Members' Access to Accurate and Timely Data and Information:

The Board of Directors has approved a procedural guide that ensures board members have access to accurate and timely information, in compliance with the relevant laws and regulations. This guide outlines the mechanisms for presenting information to the Board, as well as the procedures and obligations of members to maintain the confidentiality of any information acquired during the course of their duties. For instance, the board secretary ensures that all agenda-related documents are circulated to board members at least three days in advance of any board meeting, allowing sufficient time for members to review the items for discussion. In the event that a board member raises inquiries regarding matters not available during the meeting or regarding new developments, the secretary records the member’s requests and inquiries in the minutes. The secretary then coordinates with the executive management to provide the relevant information for presentation to the Board, as requested.

3. Third Rule: Selection of Qualified Individuals for Membership on the Board of Directors and Executive Management.

3.1 Summary of the Requirements for the Formation of the Nomination and Remuneration Committee:

The Board of Directors has formed the Nomination and Remuneration Committee in accordance with the governance rules set forth in Article 1.4 of the fifteenth volume of Corporate Governance. The committee is composed of three members, including one independent member and two non-executive members. The committee's charter outlines its tasks and responsibilities. The committee is tasked with the following, including but not limited to:

- Establish a clear policy for the remuneration of members of the Board of Directors and executive management.
- Solicit and review applications for executive positions as required and thoroughly evaluate and assess such applications.
- Define and outline the various categories of remuneration for staff, including performance-related compensation and end-of-service indemnities.
- Ensure that the independence of independent members is maintained and has not lapsed.
- Prepare an annual governance report detailing the total remuneration provided to the members of the Board of Directors, executive management, and directors, including cash amounts, benefits, or privileges of any nature. This report will be presented to the Board of Directors and subsequently to the General Assembly of shareholders for approval.
- Outline the mechanisms for the performance appraisal of the Board as a whole, as well as the individual members of the Board of Directors and executive management.
- Ensure that remuneration is in compliance with the approved remuneration policy.

- Review the corporate human resources policies and any relevant amendments prior to their presentation to the Board of Directors.

3.2 Report on Remuneration and Incentives for the Members of the Board of Directors, Executive Management, and Directors

- The Board members receive a cash amount (basic remuneration), which is approved by the general assembly for the previous fiscal year. This basic remuneration is disclosed in the annual report. In addition to the basic remuneration, annual committee remuneration is provided to Board members who serve on any of the board committees. These committee remunerations, also disclosed in the annual report, are determined using the same principles as the basic remuneration. The remuneration paid to the Board of Directors is directly linked to the performance of the company and the Board, in alignment with the key performance indicators (KPIs) set by the company.

- For the executive management, the Board of Directors believes that a combination of a fixed salary and a performance-based incentive effectively supports the company in attracting and retaining key talent. Additionally, the executive management is eligible for incentives tied to the achievement of shareholder value, with a portion of the incentive being contingent upon performance outcomes.

- In line with the company's commitment to maintaining the highest standards of transparency, in accordance with leading practices and corporate governance regulations, a detailed report has been prepared outlining all remunerations paid to the members of the Board of Directors and executive management. Below is a summary of the remunerations for both the Board members and executive management:

Remunerations and Benefits Report

Remunerations and Benefits of Board Members							
Total number of Members	Remuneration and Benefits through parent company			Remunerations and Benefits through subsidiaries			
	Fixed Remunerations and Benefits (KD)	Variable Remunerations and Benefits (KD)		Fixed Remunerations and Benefits (KD)		Variable Remunerations and Benefits (KD)	
	Medical insurance	Annual Remuneration	Committee Remuneration	Medical insurance	Monthly salaries (total during the year)	Annual Remuneration	Committee Remuneration
7	1300	169,381	Nil	Nil	Nil	Nil	Nil

Total remunerations and benefits provided to the five senior executives who received the highest remuneration, in addition to the Chief Executive Officer and the Finance Manager														
Total number of executive positions	Remuneration and Benefits through parent company							Remunerations and Benefits through subsidiaries						
	Fixed Remunerations and Benefits (KD)						Variable Remunerations and Benefits (KD)	Fixed Remunerations and Benefits (KD)						Variable Remunerations and Benefits (KD)
	Monthly salaries (Annual total)	Medical insurance	Annual air tickets	Housing allowance	Transport allowance	Tuition allowance	Annual remunerations	Monthly salaries (Annual total)	Medical insurance	Annual air tickets	Housing allowance	Transport allowance	Tuition allowance	Annual remunerations
5	374,436	5,270	12,700	19,200	19,800	22,500	256,880	Nil	Nil	Nil	Nil	Nil	Nil	Nil

3.3 It is noted that there have been no significant deviations from the remuneration policy approved by the Board of Directors. The governance report, including the details of remunerations and benefits, is presented periodically to the company's shareholders at the annual general assembly for their approval on an annual basis.

4. Fourth Rule: Integrity of Financial Reports

4.1 First: Commitments Regarding Financial Reports

In light of the commitment of the Board of Directors and executive management to uphold the integrity and accuracy of financial reports, the company strives to ensure that its financial position is accurately represented. This commitment enhances the company’s credibility and fosters greater trust among existing shareholders and potential investors in the data and information provided by the company.

The Board of Directors and executive management each provide written representations confirming the accuracy and integrity of the prepared financial reports. **Attached herewith are the written representations** affirming that the data contained in the financial reports have been prepared in accordance with the international accounting standards approved by the Capital Markets Authority. Furthermore, these reports accurately reflect all financial aspects of the company, including operational data and results, and ensure that the information presented is fair and properly disclosed.

4.2 Second: Summary of the Application of the Requirements for Forming the Audit Committee

In alignment with the Board of Directors’ commitment to fostering a culture of compliance within the company and ensuring the integrity and accuracy of its financial reports, as well as the sufficiency and effectiveness of its internal controls, the Board established an Audit Committee and approved its charter. This is in accordance with the governance requirements outlined in Article 6-5 of the fifteenth volume of (Corporate Governance) in the executive regulations of the Capital Markets Authority.

Further details on the formation and accomplishments of the committee are presented in the previous section.

4.3 **<u>Third: There is no conflict between the recommendations of the Audit Committee and the decisions made by the Board of Directors.</u>**

4.4 **<u>Fourth: Concerning the external auditor’s independence and neutrality, the Audit and Risk Management Committee shall:</u>**

- Review the proposed scope, approach, and plan for the external auditor’s work, ensuring coordination between the external audit and internal audit functions.

- Supervise the external auditor's performance to ensure that no services have been provided to the company beyond those required for the external audit.

- Make recommendations to the Board of Directors regarding the appointment or re-appointment of the external auditor or propose their replacement if necessary. Additionally, propose the auditor's fees and review the auditor's letter of appointment, ensuring that the auditor is registered in the special register of the Capital Markets Authority and complies with all conditions outlined in the Authority's decision regarding the auditor registration system.

- Periodically assess the external auditor’s independence, both before and after appointment, ensuring that the auditor has not performed any tasks outside of their assigned duties that may impact their independence, in compliance with auditing standards.

- Discuss any challenges or obstacles faced by the external auditor, including any restrictions on the auditor's scope of work or access to necessary information, as well as any potential conflicts with management.

5. **<u>Fifth Rule: Establishment of Effective Risk Management and Internal Control Systems</u>**

5.1 **<u>First: Berif Statement on the Application of the Requirements for the Constitution of the Independent Risk Management Department/Office/Unit.</u>**

The Risk Management Department is responsible for implementing the company’s risk policy, preparing periodic reports on the nature of the company’s risks, and presenting these reports to the Audit and Risk Management Committee. Additionally, the department regularly updates the company’s risk register and submits it for review by the committee. To further enhance its risk management capabilities, the company has engaged an external consultancy firm, Grant Thornton Economic and Administrative Consultancy, represented by Mr. Abdullatif Mohamed Al-Aiban, to provide specialized risk management services aimed at improving business efficiency. The staff within the Risk Management Department operate independently, as they report directly to the Audit and Risk Management Committee of the Board of Directors, in accordance with the approved organizational structure and in compliance with governance regulations.

5.2 Second: Brief on Application of the Formation Requirements of the Risk Management Committee

The Board of Directors has also established the Audit and Risk Management Committee in accordance with the governance rules outlined in the fifteenth volume of the 'Corporate Governance' section of the Executive Rules of the Capital Markets Authority. The details regarding the committee's formation and achievements are provided in a previous section.

5.3 Third: Brief on Internal Control Systems

- Approved policies and procedures covering all key activities and operations of the company and its departments.
- A comprehensive organizational structure, detailed and approved by the Board of Directors, encompassing all corporate sectors and departments.
- Approved job descriptions covering all corporate staff members.
- Regulations, approved by the Board of Directors, governing all board committees in line with the governance rules.
- Policies, approved by the Board of Directors, addressing all governance rule requirements.
- A financial and administrative powers matrix, approved by the Board of Directors, specifying the powers of different parties and covering all key operations.
- An integrated system covering key operations.
- Oversight by multiple independent parties, including internal departments (internal audit, quality and safety, and control compliance departments and (external parties) external audit.

5.4 Fourth: Brief Statement on the Application of the Requirements for the Constitution of the Internal Audit Department/Office/Unit.

The Company has established an effective Internal Audit Department, which operates under a contract with an independent external firm (Grant Thornton Economic and Administrative Consultancy Mr. Hazem Al-Ajez) to perform internal audit activities and provide support to company's internal audit department. The Internal Audit Department enjoys full technical and administrative independence, as it reports directly to the Audit and Risk Management Committee of the Board of Directors. Its responsibilities include, but are not limited to, the following:

- Assessing the company's potential risks to develop a risk-based audit plan and presenting it to the Audit and Risk Management Committee for approval.
- Conducting audits that cover all corporate operations and activities in accordance with the audit plan approved by the Audit and Risk Management Committee, to evaluate the effectiveness of internal controls.
- Performing quarterly reviews to ensure that the executive management has implemented the agreed corrective actions identified in internal audit reports.
- Presenting all audit findings to the Audit and Risk Management Committee and discussing them in the presence of executive management representatives.

– Carrying out any special assignments delegated by the Audit and Risk Management Committee.

6. Sixth Rule: Promoting Professional Conduct and Ethical Values

6.1 First: Brief on the Work Charter Encompassing Standards and Guidelines for Professional Conduct and Ethical Values

The company represented by the Board of Directors, executive management, and all staff firmly believes that professional conduct and adherence to ethical values are among the most critical factors contributing to its success and the achievement of its objectives. In line with this commitment, the Board of Directors has approved a policy that defines the company's professional and ethical standards, along with the specific responsibilities of the company itself, the Board of Directors, executive management, and all employees. The policy also establishes that all parties are responsible for reporting any observed unlawful or unsafe activities. Members of the Board of Directors, executive management, and all staff are required to uphold these standards in the performance of their duties, regardless of their location or working conditions.

Upon commencement of their duties, all staff members of National Petroleum Services Company, including the Board of Directors, are required to adhere to the Professional Charter, which outlines the applicable standards and behaviors to be maintained throughout their work. The professional behavior rules and standards, as approved by the Board of Directors, are designed to provide guidance on ethical issues and establish proper conduct to mitigate potential operational risks, thereby fostering a clear, integrated, and transparent work environment. Compliance with this policy is mandatory for all employees across the company.

6.2 Second: Policies and Mechanisms for Mitigating Conflict of Interest

The company has established a Conflict of Interest Policy to ensure the implementation of appropriate measures for identifying, addressing, and efficiently managing actual, potential, and anticipated conflicts of interest. This policy ensures that the Board of Directors appropriately handles all cases of conflict of interest, with all decisions taken solely in the best interests of the company. It forms a core part of the company's firm commitment to maintaining integrity, fairness, and transparency in dealing with all relevant parties. The policy outlines the rules for managing conflicts of interest, defines the concept and scope of conflict of interest, identifies the parties whose interests may conflict with those of the company, and clarifies the roles of the Board of Directors, executive management, compliance and internal audit departments, and the general assembly in managing such conflicts. It also details the procedures for handling conflict of interest cases and the mechanisms for disclosure.

Some Responsibilities of Board Members:

1. The Board of Directors is fully responsible for ensuring compliance with proper standards and mechanisms designed to prevent or mitigate conflicts of interest.
2. Each board member is required to disclose any direct or indirect personal interest in the company to the Board of Directors on an annual basis. A member with such an interest shall refrain from participating in any discussions or voting related to the relevant decision.

3. A board member is prohibited from participating in discussions or voting on any matter that may involve a conflict of interest, whether direct or indirect, which could impair their ability to offer an unbiased opinion or effectively carry out their assigned duties.

Some Responsibilities of Executive Management:

1. Executive management members shall not engage in any decisions or tasks that involve a direct or indirect personal interest in the company, particularly if such interests may impair their ability to effectively carry out their assigned duties in a manner that serves the best interests of the company. All executive management members are required to adhere strictly to the terms of this policy.
2. Executive management members are prohibited from undertaking any work for third parties, whether compensated or not, without prior approval from the Board of Directors. Such approval will only be granted after confirming that the external work will not create a conflict of interest that could affect their capacity to fulfil their responsibilities to the company.

7. Seventh Rule: Accurate and Timely Disclosure and Transparency

7.1 First: Mechanisms for accurate and transparent presentation and disclosure that specify the aspects, fields, and characteristics of disclosure.

Compliance with transparency standards is crucial to fostering shareholders' trust. Therefore, the company adheres to its disclosure and transparency policy, ensuring compliance with all relevant laws, regulations, and guidelines issued by regulatory authorities at the appropriate times. This reflects the company's strong belief in the significance of transparency in enhancing shareholder and stakeholder trust while maintaining its reputation in the market.

In line with compliance with disclosure and transparency laws and regulations issued by the competent supervisory bodies, the company ensures the accurate and timely disclosure of its financial statements, profit reports, audit reports, and other essential information. The company also discloses vital information in accordance with the applicable rules and provides efficient communication channels with stakeholders and relevant parties, demonstrating the Board of Directors' unwavering commitment to integrity and transparency. The company management affirms that all disclosed information is accurate, correct, and not misleading, and that the company's annual financial reports comply with international accounting standards and financial reporting requirements.

Additionally, the company maintains a special register that tracks all disclosures made to the Kuwait Stock Exchange and the Capital Markets Authority over the past five years. These disclosures are also available on the company's website, as per the Capital Markets Authority's requirements.

7.2 Second: Brief on Application of the Requirements for Registering the Disclosures of Members of the Board of Directors, Executive Management, and Directors

The company maintains a dedicated register for the disclosures of members of the Board of Directors, executive management, and directors. This register is accessible to all shareholders of the company. Furthermore, the company ensures that its shareholders are entitled to access this register at no cost.

It is committed to updating the register on a regular basis to accurately reflect the current positions and interests of related parties.

7.3 <u>Third: A Brief Statement on Application of the Formation Requirements of Investor Affairs Unit</u>

The company has established an Investor Affairs Unit responsible for maintaining communication with both current and potential shareholders, and for providing necessary financial data, information, and reports. The unit operates with the independence required to ensure that information and reports are provided in a timely and accurate manner through recognized disclosure channels, such as the company’s corporate website.

Additionally, the company has enhanced its website to facilitate better communication with shareholders and has allocated a mobile phone number, alongside the existing landline, for the Investor Affairs Unit. The availability of multiple communication channels with shareholders is a key objective for the company, ensuring continuous and efficient engagement.

7.4 <u>Fourth: A Brief of How to Develop IT Infrastructure and Rely Heavily on it in Disclosure Processes.</u>

The company is committed to the ongoing application and expansion of IT resources for communication with its shareholders, investors, and related parties. A dedicated corporate governance section has been created on the company’s website, which provides up-to-date information and resources that enable shareholders and potential investors to exercise their rights and assess the company's performance. Additionally, the company offers an Investor Relations webpage and a mobile application for investor relations.

8. <u>Eighth Rule: Respecting Shareholders’ Rights</u>

8.1 <u>First: A Brief on the Application of the Requirements of Specification and Protection of Shareholders' General Rights to Ensure Justice and Equality of all Shareholders</u>

Through its Investor Relations Unit, the company upholds its responsibility to treat shareholders with the highest standards of transparency and fairness. The company believes that robust corporate governance practices enhance shareholder value and establish clear guidelines for the Board of Directors, its committees, and executive management to perform their duties in the best interests of the company and its shareholders. As part of this commitment, the company aims to achieve the highest standards of transparency, accountability, and effective management by adopting and monitoring the execution of strategies, goals, and policies that ensure compliance with its organizational and ethical responsibilities.

The company is dedicated to ensuring that all shareholders are able to exercise their rights fairly, and that these rights are not infringed upon or abused by the company's management, Board of Directors, or major shareholders, including:

1. A clear mechanism for attendance at the ordinary and extraordinary general assembly meetings as specified in the company's articles of association in accordance with the companies' law and relevant laws.
2. Shareholders have the right to hold the Board of Directors accountable for their tasks.
3. Collection of the stipulated share of dividends.
4. Participation at the shareholder general assembly meetings and voting on its decisions and ensuring that the shareholders have received at least seven days prior to the general assembly meeting the financial statements of the expired fiscal period as well as the Board of Directors' report and the auditor's report.
5. Collection of a share of the company's assets in case of its liquidation.

The company encourages all its shareholders to vote on all general assembly decisions including the election of the board members.

8.2 <u>Second: Brief on the Special Register Maintained with the Clearing Agency in Compliance with the Requirements for Continuous Monitoring of Shareholders' Details</u>

The company maintains an updated copy of the shareholders' register with Kuwait Clearing Company, which includes the names, particulars, and the number of shares held by each shareholder, updated on a daily basis. The company is committed to ensuring that all information contained in the shareholders' register remains confidential and is accessible only to authorized personnel. Additionally, the company provides its shareholders with access to the shareholders' register.

8.3 <u>Third: Brief on the Promotion of Shareholder Participation and Voting at General Assembly Meetings</u>

Firstly, the company announces the date of the general assembly meeting upon its determination by the Board of Directors. A public invitation is then sent to shareholders, inviting them to attend and participate in the general assembly meeting, regardless of its type, and including the meeting's agenda. This invitation is published in at least two Arabic daily newspapers twice: the first notice at least two weeks in advance, and the second notice at least one week in advance. The second notice is also published in the official gazette.

Additionally, the company publishes the date of the general assembly meeting on the websites of the Kuwait Stock Exchange, the Capital Markets Authority, and other relevant supervisory entities such as the Ministry of Commerce and Industry, as well as on the investor relations section of the company's official website.

To ensure broader participation, the company also holds its annual general assembly meeting via audio and video communication, enabling all shareholders to participate in discussions and voting remotely.

9. Ninth Rule: Recognition of the Role of Stakeholders

9.1 First: Brief on the Regulations and Policies for the Protection and Recognition of Stakeholders' Rights

The company respects and protects the rights of its stakeholders in all internal and external dealings and transactions. Stakeholders' contributions are considered a crucial resource for enhancing the company's competitiveness and reinforcing its profitability. To avoid any conflicts of interest in transactions or contracts that may affect shareholders' interests, the company ensures that no stakeholder benefits from their involvement in contracts or transactions related to the company's ordinary business activities.

The supervisory role of the Board of Directors is a key element of an efficient governance framework, supported by several policies designed to protect stakeholders' rights. These policies include, but are not limited to, the conflict of interest policy, whistleblower policy, and related parties' transactions policy. As such, the Board of Directors assumes primary responsibility for safeguarding the rights of stakeholders in all dealings and transactions. These policies ensure that all actions taken are in alignment with the best interests of stakeholders and maintain transparency and accountability.

- A mechanism for the resolution of any complaints or disputes between the company and its stakeholders.
- Ensuring that dealings with board members and stakeholders are conducted under standard conditions, without any discrimination or preferential treatment.
- Enabling stakeholders to access and refer to information in a timely, organized, and efficient manner.
- Notifying the Board of Directors of any illegal practices committed within the company, with appropriate protection provided to the reporting parties.

9.2 Second: Brief on the Promotion of Stakeholder Participation in Monitoring the Company's Activities

The company shall treat board members and stakeholders under the same conditions applied to all parties, ensuring there is no discrimination or preferential treatment. Additionally, the company will review and assess transactions and dealings it proposes to enter into with related parties, providing appropriate recommendations to the Board of Directors regarding these transactions.

10. Tenth Rule: Promotion and Improvement of Performance

10.1 First: Brief on the Application of Mechanisms Facilitating Continuous Access to Training Programs and Courses for Board and Executive Management Members

The company is committed to ongoing training and professional development, ensuring that members of the Board of Directors and executive management possess a comprehensive understanding of all subjects relevant to the company's operations. This training also keeps them informed about the latest developments in administrative, financial, and economic fields, as well as enhancing their strategic planning capabilities to align with the company's needs and objectives.

The Board of Directors and executive management regularly participate in periodic training courses focused on developments in governance mechanisms, risk management, and other subjects directly related to the company's activities. These courses are part of a structured and continuous development program.

10.2 Second: Brief on the Appraisal of the Performance of the Entire Board of Directors, Individual Board Members, and Executive Management

The company has established systems and mechanisms for the periodic appraisal of the performance of each member of the Board of Directors and executive management. These appraisals are based on a set of performance parameters that assess the achievement of the company's strategic goals, the effectiveness of risk management, and the efficiency of internal systems. The Board of Directors has also approved the performance appraisal criteria for both the Board and executive management to ensure alignment with the company's objectives and continuous improvement.

10.3 Third: Brief on the Board of Directors' Efforts for Value Creation for Company Staff Through Achievement of Strategic Goals and Improvement of Performance Standards

The Board of Directors and executive management are committed to fostering institutional values within the company by adhering to the highest standards of professional conduct, as outlined in the company's code of ethics and staff guidelines. These efforts are aimed at achieving superior business practices, aligning with the company's strategic goals, and continuously improving performance standards. Through these initiatives, the company effectively creates a culture of institutional values for its staff, promoting ongoing efforts to uphold the company's financial integrity and long-term success.

11. Eleventh Rule: Emphasis on the Significance of Corporate Social Responsibility

11.1 First: Summary of the Policy Setting Balance Between Company Goals and Society Goals

National Petroleum Services Company is committed to maintaining its position as one of the leading Kuwaiti companies, actively playing a key role in implementing its corporate social responsibility policy, which has been approved by the Board of Directors. The company consistently upholds ethical business practices and contributes to community development in alignment with Kuwait's Vision 2035. This commitment is reflected in its ongoing efforts to:

- Contributing to the creation of new job opportunities, facilitating the integration of manpower into society, and ensuring the provision of appropriate working conditions.
- Providing comprehensive health and safety coverage for its staff, ensuring a secure and supportive work environment.
- Empowering the private sector, particularly small and medium-sized enterprises and crafts, to enhance their environmental performance by offering consultancy services for environmental assessments at affordable prices.

11.2 Second: Brief on Applied Programs and Mechanisms Highlighting the Company’s Efforts in the Social Work Field

- Providing comprehensive medical insurance for all company staff.
- Donating 1% of the company’s annual net profit to charitable projects and initiatives.
- Fostering the development and promotion of national Kuwaiti manpower, enhancing their competitiveness in the workforce.
- Ensuring compliance with public societal interests and contributing to effective economic development when making important business decisions.
- Actively working to protect the environment by preventing pollution and minimizing other environmental damages.
- Considering the social impact of services or products, including the impact of recalls and immediate responses, while adhering to applicable laws and regulations.
- Designing company activities in alignment with the economic conditions and cultural context of society.
- Providing training programs to develop the capabilities of targeted societal groups.
- Participating in seminars and forums to raise awareness among undergraduates and graduates about labor requirements and the workings of the Kuwaiti private sector.
- Encouraging staff to adopt technology in both professional and personal lives to reduce their carbon footprint and minimize exposure to traffic accidents.
- Offering awareness courses for staff and their families regarding household safety practices.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AUDIT AND RISK MANAGEMENT COMMITTEE’S REPORT

For the Financial year ended on 31st December 2024

• **Introduction:**

The Audit and Risk Management Committee assists the Board of Directors in fulfilling its oversight responsibilities related to the preparation of financial reports, evaluation of internal control systems, risk management processes, and audit activities. The Committee also provides relevant recommendations and oversees the company's procedures for ensuring compliance with applicable laws, regulations, and standards of professional conduct.

The Committee is composed of three (3) members, including one independent member. It is responsible for reviewing significant accounting matters and reports, including complex or unusual transactions, areas requiring discretionary judgments, and matters of a professional or supervisory nature. The Committee assesses the impact of such issues on the financial statements, provides opinions, and submits recommendations to the Board of Directors. It also reviews audit findings in coordination with the company's management and external auditors, including any challenges or issues encountered during the audit process.

The Committee periodically reviews the financial statements prior to their submission to the Board of Directors and provides its opinions and recommendations in this regard. This process aims to ensure the transparency and fairness of the financial reports.

The Committee also oversees internal audit activities through regular meetings with the Internal Auditor, reviewing audit findings, and following up on internal audit reports. It reviews and approves the risk report prepared by the Risk Officer, as well as the matrix of authorities. The Committee provides recommendations to the Board of Directors regarding these matters, reviews the nature of relevant risks, and ensures the independence of both the Risk Management Officer and the Internal Audit Officer.

Additionally, the Committee evaluates the Internal Audit Department and provides recommendations to the Board of Directors. It also makes recommendations to the Board regarding the renewal or non-renewal of the external auditor's appointment, through a final vote before the Ordinary General Assembly of Shareholders.

• **Internal Audit Systems:**

The Board of Directors approved the policies and procedural guidelines that cover all corporate activities and departments, outlining the corporate control strategy as well as the responsibilities and duties of corporate staff. The Audit and Risk Management Committee of the Board monitors the implementation of these policies and procedures. It held regular meetings to manage and assess the efficiency of internal control systems. The Committee also reviewed the reports and observations submitted in accordance with the reporting hierarchy across various departments, ensuring a dual layer of oversight.

Furthermore, the Committee held regular meetings with the Internal Auditor to review reports related to various corporate departments, as well as all the findings of the Internal Auditor. It also examined the previous year's comments and the corresponding management responses in order to identify potential corporate risks and obstacles, assess their significance, and ensure appropriate measures are taken to avoid them. The Committee also ensures that effective control is exercised across all corporate departments in line with the corporate governance structure, and that qualified personnel and appropriate control tools are available to support an efficient internal control environment.

The Audit and Risk Management Committee also reviews and approves the proposed Internal Audit plan and ensures its effective implementation.

• <u>**Correctness of financial statements and reports:**</u>

The Audit and Risk Management Committee performs its role in reviewing and supervising the external auditors' reports on the company's quarterly and annual financial statements prior to their submission to the Board of Directors. The Committee ensures the accuracy of the financial statements, as well as the independence and integrity of the external auditor. The auditor's independent opinion is included as part of the company's annual report.

Summary of the Audit and Risk Management Committee's meetings:

Name of member	Position	No. of meetings: (8) meetings From 01/01/2024 To 31/12/2024							
		1 08/01	2 24/03	3 27/03	4 09/05	5 05/08	6 18/09	7 07/11	8 15/12
Sheikh, Hamad Jaber Al-Sabah	**Chairman Independent**	✓	✓	✓	✓	✓	✓	✓	✓
Ms. Ghada Eissa Khalaf	**Member**	✓	✓	✓	✓	✓	✓	✓	✓
Mr. Sadoun Abdullah Ali	**Member**	✓	✓	✓	✓	✓	✓	✓	✓
Mr. Sameh El-Sayed Basha	**Board Secretary**	✓	✓	✓	✓	✓	✓	✓	✓

Audit and Risk Management Committee
National Petroleum Services Company (K.S.C.) Public


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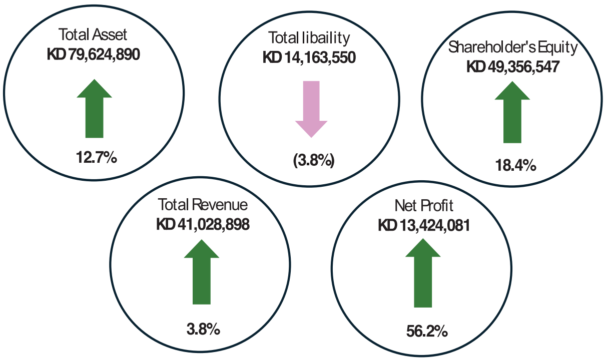
COMPANY PERFORMANCE

1. Company Overview

1.1 Company Quick Facts

Particulars	
Name of the Company	National Petroleum Services Company
Nature of the Company	Kuwaiti Public Shareholding Company
Establishment Year	1993
Auditor	RSM Albazie & Co.
Financial Year End	31st December
Share Capital as of 31st December 2024	KD 10,000,000

Key Indicators, YoY changes (FY'24 compared to FY'23)



Source: FY'24 Consolidated Audited Financial Statements

1.2 About the Company

National Petroleum Services Company K.S.C.P. (the "Parent Company") is a Kuwaiti Public Shareholding Company incorporated on 3rd January 1993 and its shares are publicly traded **in** Boursa Kuwait. The Parent Company is registered in Commercial Register under No. 4991 dated 28th March 1993.

The main objectives of the Parent Company are as follows:

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

As of 31st December 2024, the detailed of the Group's subsidiaries are as follows:

Name of Entity	Principal Activities	Country of Incorporation	% Equity Interest	
Directly held:			FY'24	FY'23
Napesco International Petroleum Services S.P.C. ("Napesco International")	Drilling and maintenance of oil wells and chemical waste management	Kuwait	100%	100%
United Oil Projects Company K.S.C. (Closed)*	Petroleum activities	Kuwait	55.59%	52.92%
Indirectly held through Napesco International:				
Napesco India LLP ("Napesco India")	Support activities for petroleum and natural gas mining incidental to onshore and offshore oil and gas extraction.	India	99.99%	99.99%
Indirectly held through UOP:				
United Qmax Drilling Fluids Company – W.L.L.	Petroleum activities	Kuwait	100%	51%

*Note: * Under shares purchase agreements dated 30th January 2024, and August 25, 2024, between the Group's management and Qmax Solutions Inc., the Group acquired the remaining 49% ownership interest in United Qmax Drilling Fluids Company - W.L.L. (* formerly a 51%-owned joint venture of the Group) for a total consideration of KD 688,860, of which KD 153,802 was paid in cash during the current year, while KD 535,058 represents tax liabilities of the selling company, which the Group will assume.*

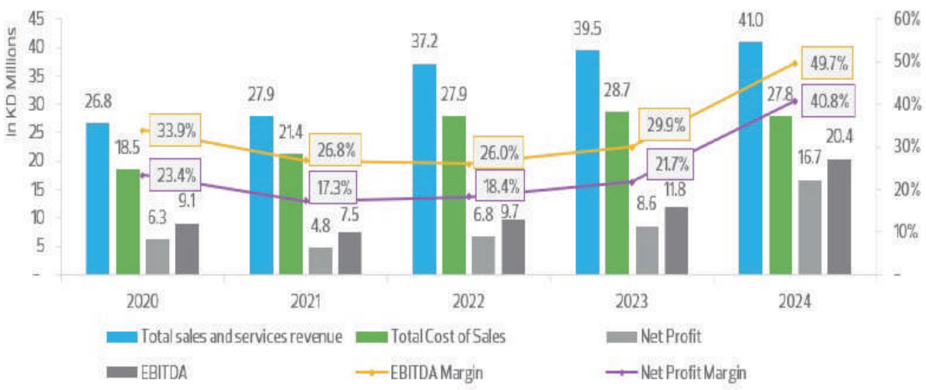
2. Performance Analysis

2.1 Introduction

Operational performance measures how the NAPESCO performed in the past five-years, through conducting a comparison across the years between FY 2020 and FY 2024.

2.2 Performance Trends

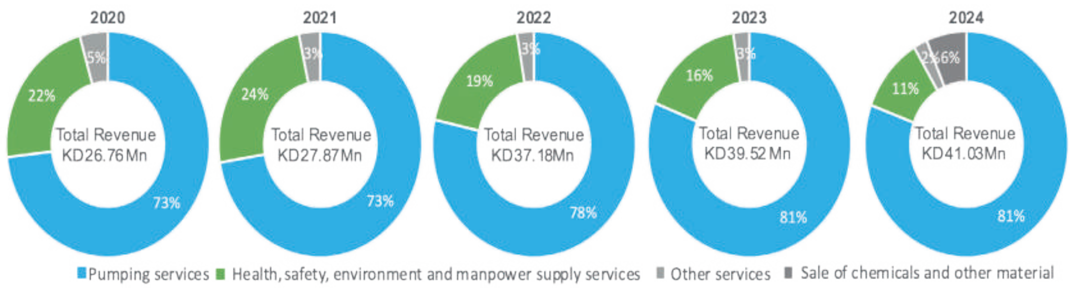
I. Total Revenue and Profitability Trend for the last 5-Years:



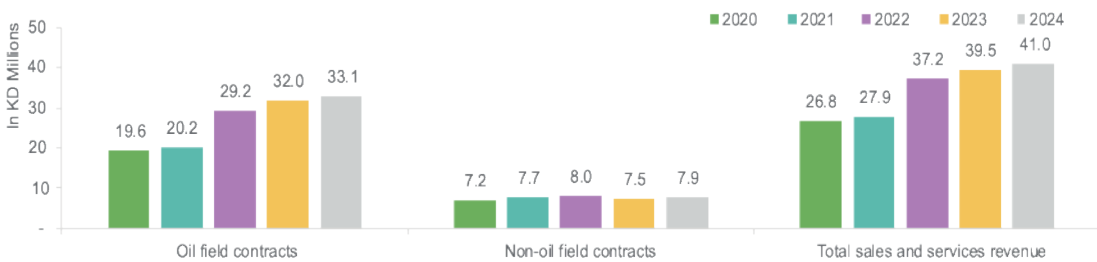
Source: Consolidated Audited Financial Statements

- Over the five-year period from FY'20 to FY'24, the Group demonstrated significant growth in key financial metrics. Total sales and services revenue increased at a CAGR of 11.3% to reach KD 41.03 million in FY'24, indicating a steady rise in business activity. The total cost of sales also grew, from KD 18.54 million in FY'20 to KD 27.85 million in FY'22, before declining slightly in FY'24 to KD 27.85 million, showing a more controlled approach to cost management.
- Net profit grew notably at a CAGR of 27.8%, from KD 6.27 million in FY'20 to KD 16.73 million in FY'24 (KD 13.42 attributable to parent company shareholders), reflecting efficient cost management and improved profitability. EBITDA also showed a strong upward trend, rising from KD 9.07 million in FY'20 to KD 20.39 million in FY'24, leading to a significant increase in EBITDA margin from 33.9% in FY'20 to 49.7% in FY'24, a clear sign of operational efficiency and cost control.
- The net profit margin also showed significant improvement, increasing from 23.4% in FY'20 to 40.8% in FY'24, indicating that the Group's profitability was significantly enhanced over the period, driven by revenue growth, improved cost control, and operational optimization.

II. Total Revenue Segment as a Percentage to Total Revenue in the last 5 Years:



The graph illustrates the Group's revenue segments over the past five years. Total revenue grew consistently at a CAGR of 11.3% from FY'20 to FY'24, reaching KD 41.03 million in FY'24. This growth was primarily driven by the expansion of pumping services, which increased from KD 19.58 million in FY'20 to KD 33.09 million in FY'24, as well as the introduction of a new revenue stream—sales of chemicals and other materials—which contributed KD 2.63 million in FY'24, highlighting the Group's efforts toward diversification.

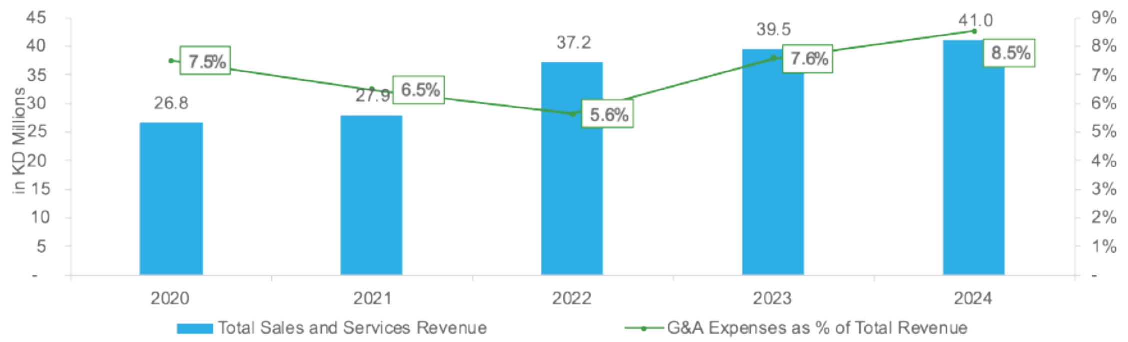


Source: Consolidated Audited Financial Statements

2. Performance Analysis… Cont'd.

2.2 Performance Trends… Cont'd.

III. General & Administrative (G&A) Expenses as a Percentage of Total Revenue in the last 5 years:



Source: Consolidated Audited Financial Statements

eneral and administrative (G&A) expenses, primarily comprising staff costs, amortization of right-of-use assets, professional fees, marketing, business development xpenses, charity expenses, depreciation expenses and other operational expenses, increased steadily over the five-year period, rising from D 2.00 million in FY'20 to KD 3.50 million in FY'24.

s a percentage of total revenue, G&A expenses declined from 7.5% in FY'20 to 5.6% in FY'22, indicating improved cost efficiency during that period. However, the ıtio increased again to 7.6% in FY'23 and reached 8.5% in FY'24. This recent uptick may be attributed to higher staffing costs, professional fees, charity spending, and ther administrative expenses.

espite overall revenue growth, controlling G&A expenses remains important for maintaining profitability margins.

3. Consolidated Financial Statement Analysis

Introduction

Financial statement analysis and its common sizing involve an examination of a Company's financial statements in an attempt to evaluate the past performance of the company. The information comprising the balance sheet and income statement are analyzed as a means of monitoring and comparing the financial operating strength of the Company and aid in deciphering the financial status of the Company.

Statement of Financial Position ("Balance Sheet")

Balance Sheet (in KD)	2020	%	2021	%	2022	%	2023	%	2024	%	CAGR
Assets:											
Non-current assets:											
Property, plant and equipment	10,214,560	21.1%	9,411,500	19.8%	12,322,241	23.2%	13,958,715	19.7%	15,929,009	20.0%	11.7%
Right-of-use assets	415,907	0.9%	239,654	0.5%	366,769	0.7%	277,018	0.4%	63,520	0.1%	(37.5%)
Investment in associate	-	-	-	-	-	-	16,615,128	23.5%	18,388,539	23.1%	NM
Investment in joint venture	-	-	-	-	-	-	1,601,491	2.3%	-	-	NM
Financial assets at fair value through other comprehensive income	-	-	-	-	-	-	1,172,720	1.7%	605,467	0.8%	NM
Due from a related party	-	-	-	-	-	-	17,579	0.0%	-	-	NM
Total non-current assets	10,630,467	22.0%	9,651,154	20.3%	12,689,010	23.9%	33,642,651	47.6%	34,986,535	43.9%	34.7%
Current assets:											
Inventories	5,022,820	10.4%	4,238,694	8.9%	5,479,455	10.3%	4,531,445	6.4%	6,438,266	8.1%	6.4%
Trade receivables and contract assets	14,297,308	29.6%	12,711,640	26.8%	13,366,220	25.1%	12,655,113	17.9%	11,275,938	14.2%	(5.8%)
Prepayments and other receivables	2,910,461	6.0%	4,236,730	8.9%	2,822,896	5.3%	2,248,937	3.2%	2,565,109	3.2%	(3.1%)
Financial assets at fair value through profit or loss	936,073	1.9%	1,406,279	3.0%	613,041	1.2%	613,823	0.9%	792	0.0%	(82.9%)
Due from a related party	-	-	-	-	-	-	260,572	0.4%	-	-	NM
Term deposits	12,500,000	25.9%	13,000,000	27.4%	16,000,000	30.1%	14,069,746	19.9%	19,116,683	24.0%	11.2%
Bank balances and cash	2,040,437	4.2%	2,195,814	4.6%	2,180,992	4.1%	2,660,961	3.8%	5,241,567	6.6%	26.6%
Total current assets	37,707,099	78.0%	37,789,157	79.7%	40,462,604	76.1%	37,040,597	52.4%	44,638,355	56.1%	4.3%
Total assets	48,337,566	100.0%	47,440,311	100.0%	53,151,614	100.0%	70,683,248	100.0%	79,624,890	100.0%	13.3%

Statement of Financial Position ("Balance Sheet")... Cont'd.

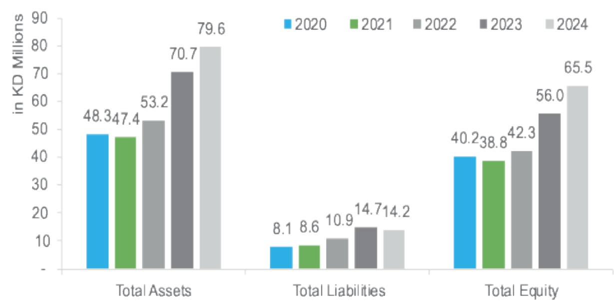
Balance Sheet (in KD)	2020	%	2021	%	2022	%	2023	%	2024	%	CAGR
Equity and Liabilities:											
Equity:											
Share capital	10,000,000	20.7%	10,000,000	21.1%	10,000,000	18.8%	10,000,000	14.1%	10,000,000	12.6%	-
Share premium	3,310,705	6.8%	3,310,705	7.0%	3,310,705	6.2%	3,310,705	4.7%	3,310,705	4.2%	-
Treasury shares	(654,461)	(1.4%)	(654,461)	(1.4%)	(654,461)	(1.2%)	(6,002,371)	(8.5%)	(6,002,371)	(7.5%)	74.0%
Treasury shares reserve	33,825	0.1%	33,825	0.1%	33,825	0.1%	33,825	0.0%	33,825	0.0%	-
Statutory reserve	5,858,895	12.1%	5,858,895	12.4%	5,858,895	11.0%	5,858,895	8.3%	5,858,895	7.4%	-
Voluntary reserve	5,858,895	12.1%	5,858,895	12.4%	5,858,895	11.0%	5,858,895	8.3%	5,858,895	7.4%	-
Cumulative changes in fair values	-	-	-	-	-	-	-	-	(289,923)	(0.4%)	NM
Effect of changes in other comprehensive income of associates	-	-	-	-	-	-	-	-	33,952	0.0%	NM
Foreign currency translation reserve	6,503	0.0%	(8,072)	(0.0%)	(15,695)	(0.0%)	(15,259)	(0.0%)	(16,453)	(0.0%)	NM
Retained earnings	15,815,530	32.7%	14,442,021	30.4%	17,871,126	33.6%	22,639,857	32.0%	30,569,022	38.4%	17.9%
Equity attributable to equity holders of the Parent Company	40,229,892	83.2%	38,841,808	81.9%	42,263,290	79.5%	41,684,547	59.0%	49,356,547	62.0%	5.2%
Non-controlling interests	13	0.0%	14	0.0%	10	0.0%	14,281,592	20.2%	16,104,793	20.2%	3,236.2%
Total equity	40,229,905	83.2%	38,841,822	81.9%	42,263,300	79.5%	55,966,139	79.2%	65,461,340	82.2%	12.9%
Non-current liabilities:											
Employees end of service benefits	2,916,540	6.0%	3,023,880	6.4%	3,452,533	6.5%	2,779,532	3.9%	3,271,822	4.1%	2.9%
Lease liabilities	154,406	0.3%	71,463	0.2%	164,422	0.3%	53,867	0.1%	-	-	(100.0%)
Total non-current liabilities	3,070,946	6.4%	3,095,343	6.5%	3,616,955	6.8%	2,833,399	4.0%	3,271,822	4.1%	1.6%
Current liabilities:											
Accounts payable and accruals expenses	4,760,346	9.8%	5,325,550	11.2%	7,057,298	13.3%	11,650,349	16.5%	10,813,494	13.6%	22.8%
Due to a related party	-	-	-	-	-	-	-	-	14,093	0.0%	NM
Lease liabilities	276,369	0.6%	177,596	0.4%	214,061	0.4%	233,361	0.3%	64,141	0.1%	(30.6%)
Total current liabilities	5,036,715	10.4%	5,503,146	11.6%	7,271,359	13.7%	11,883,710	16.8%	10,891,728	13.7%	21.3%
Total liabilities	8,107,661	16.8%	8,598,489	18.1%	10,888,314	20.5%	14,717,109	20.8%	14,163,550	17.8%	15.0%
Total equity and liabilities	48,337,566	100.0%	47,440,311	100.0%	53,151,614	100.0%	70,683,248	100.0%	79,624,890	100.0%	13.3%

Source: Consolidated Audited Financial Statements
**NM – Not Meaningful*

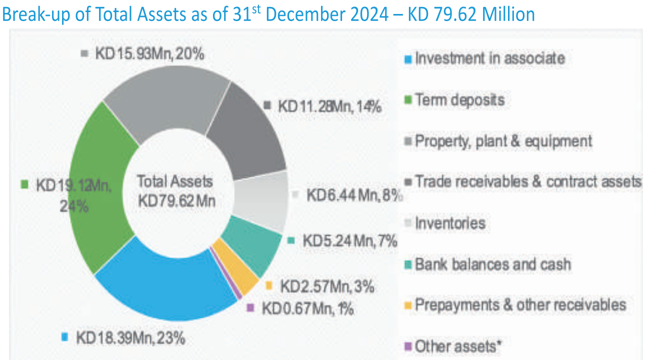
3.1 Balance Sheet Analysis

- The Group's total assets grew significantly at a CAGR of 13.3%, from KD 48.34 million in FY'20 to KD 79.62 million in FY'24, primarily driven by substantial growth in both non-current and current assets. Non-current assets saw a notable increase from KD 10.63 million to KD 34.99 million, largely due to expanded investments in property, plant, and equipment, which grew from KD 10.21 million in FY'20 to KD 15.93 million in FY'24, driven by addition and capital expenditures.
- Investments in associates and joint ventures became more prominent, with an investment of KD 16.62 million in FY'23 and a rise to KD 18.39 million in FY'24. In FY'24, investment in associates represent the following:
- On the current asset side, inventories increased from KD 5.02 million in FY'20 to KD 6.44 million in FY'24, while term deposits increased markedly from KD 12.50 million to KD 19.12 million over the same period, highlighting effective liquidity management. Although trade receivables and contract assets declined from KD 14.30 million in FY'20 to KD 11.28 million in FY'24, possibly due to improved collections or a shift in sales volumes, prepayments and other receivables also dropped from KD 2.91 million in FY'20 to KD 2.57 million in FY'24.
- The Group's cash and bank balances improved from KD 2.04 million to KD 5.24 million, contributing to a rise in total current assets from KD 37.71 million in FY'20 to KD 44.64 million in FY'24.

Assets vs Liabilities vs Equity



Break-up of Total Assets as of 31st December 2024 – KD 79.62 Million



*Note: * Other assets includes right-of-use assets, Financial assets at FVOCI and Financial assets at FVTPL.*

3.1 Balance Sheet Analysis… Cont'd.

- During the year ended 31st December 2024, the Group acquired control over the joint venture, and its ownership interest in the joint venture increased to 100%, as detailed below:

Name of Associate	Principal Activities	% of Ownership		Amount in KD	
		FY'23	FY'24	FY'23	FY'24
United Qmax Drilling Fluids Company W.L.L.	Petroleum activities	51%	100%	1,601,491	-
			Total	1,601,491	-

- The Group's total equity increased significantly, from KD 40.23 million in FY'20 to KD 65.46 million in FY'24, with a CAGR of 12.9%, primarily due to growth in retained earnings, which increased from KD 15.82 million in FY'20 to KD 30.57 million in FY'24. Non-controlling interests also saw a sharp rise, reaching KD 16.10 million in FY'24, largely due to contributions from newly acquired subsidiaries.
- Share capital remained unchanged at KD 10.00 million throughout the period.
- On the liabilities side, the Group's total liabilities increased from KD 8.11 million in FY'20 to KD 14.16 million in FY'24, largely due to higher accounts payable and accrued expenses, which increased from KD 4.76 million in FY'20 to KD 10.81 million in FY'24, as well as some fluctuations in lease liabilities and employee-related provisions.
- Non-current liabilities remained relatively stable, increasing slightly from KD 3.07 million in FY'20 to KD 3.27 million in FY'24, while lease liabilities declined significantly from KD 0.43 million in FY'20 to just KD 64,141 in FY'24, reflecting the settlement of leasing obligations.
- Despite the rise in liabilities, the robust growth in equity more than offset the increase, strengthening the Group's overall financial position.
- As of 31st December 2024, the Group has capital commitments relating to the purchase of property, plant and equipment amounting to KD 1.90 million (FY'23: KD 1.72 million). Additionally, the Group provided guarantees for the performance of certain contracts related to letters of guarantee (KD 34.80 million) and letters of guarantee (related to the Group's subsidiaries), amountint to KD 4.62 million (FY'23: KD 4.43 million).

Statement of Activities ("Income Statement")

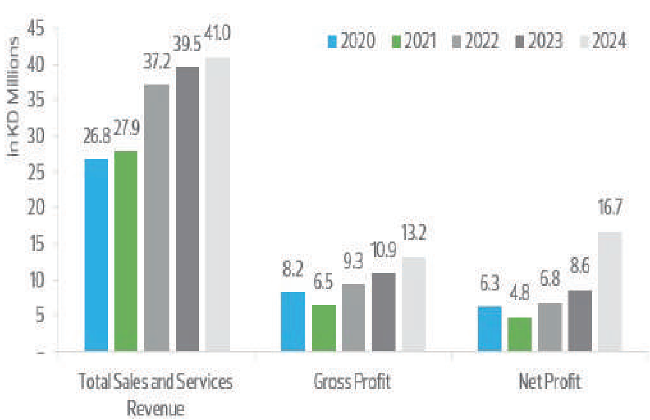
Income Statement (in KD)	2020	%	2021	%	2022	%	2023	%	2024	%	CAGR
Sales and services revenue	26,755,330	100.0%	27,871,171	100.0%	37,184,789	100.0%	39,522,799	100.0%	41,028,898	100.0%	11.3%
Cost of sales and services rendered	(18,541,736)	(69.3%)	(21,358,638)	(76.6%)	(27,854,616)	(74.9%)	(28,650,618)	(72.5%)	(27,846,584)	(67.9%)	10.7%
Gross profit	**8,213,594**	**30.7%**	**6,512,533**	**23.4%**	**9,330,173**	**25.1%**	**10,872,181**	27.5%	**13,182,314**	32.1%	12.6%
Interest income	373,041	1.4%	275,228	1.0%	290,958	0.8%	870,811	2.2%	567,028	1.4%	11.0%
Net investments income (loss)	35,639	0.1%	(111,536)	(0.4%)	(442,647)	(1.2%)	60,881	0.2%	44,958	0.1%	6.0%
Other income	66,488	0.2%	295,899	1.1%	415,115	1.1%	236,379	0.6%	261,665	0.6%	40.8%
Gain on acquisition of a subsidiary	-	-	-	-	-	-	-	-	2,606,240	6.4%	NM
Group's share of results from associates	-	-	-	-	-	-	-	-	2,436,388	5.9%	NM
Group's share of results from joint venture	-	-	-	-	-	-	-	-	2,159,378	5.3%	NM
Provision for expected credit loss (charged) no longer required	-	-	-	-	(214,123)	(0.6%)	75,656	0.2%	(243,200)	(0.6%)	NM
General and administrative expenses	(2,002,685)	(7.5%)	(1,808,262)	(6.5%)	(2,092,332)	(5.6%)	(2,992,530)	(7.6%)	(3,502,498)	(8.5%)	15.0%
Profit before tax and directors' remuneration	**6,686,077**	25.0%	**5,163,862**	18.5%	**7,287,144**	19.6%	**9,123,378**	23.1%	**17,512,273**	42.7%	27.2%
KFAS	(66,861)	(0.2%)	(51,639)	(0.2%)	(72,871)	(0.2%)	(91,234)	(0.2%)	(107,270)	(0.3%)	12.5%
NLST	(178,693)	(0.7%)	(143,052)	(0.5%)	(200,514)	(0.5%)	(214,130)	(0.5%)	(390,296)	(1.0%)	21.6%
Zakat	(71,477)	(0.3%)	(57,221)	(0.2%)	(80,369)	(0.2%)	(85,652)	(0.2%)	(119,070)	(0.3%)	13.6%
Director's remuneration	(100,000)	(0.4%)	(77,458)	(0.3%)	(109,289)	(0.3%)	(136,851)	(0.3%)	(169,381)	(0.4%)	14.1%
Profit	**6,269,046**	**23.4%**	**4,834,492**	**17.3%**	**6,824,101**	**18.4%**	**8,595,511**	21.7%	**16,726,256**	40.8%	27.8%
Attributable to:											
The Parent Company's Shareholders	6,269,048	23.4%	4,834,491	17.3%	6,824,105	18.4%	8,595,516	21.7%	13,424,081	32.7%	21.0%
Non-controlling interests	(2)	(0.0%)	1	0.0%	(4)	(0.0%)	(5)	(0.0%)	3,302,175	8.0%	NM
	6,269,046	23.4%	4,834,492	17.3%	6,824,101	18.4%	8,595,511	21.7%	16,726,256	40.8%	27.8%

Source: Consolidated Audited Financial Statements
**NM – Not Meaningful*

3.2 Income Statement Analysis

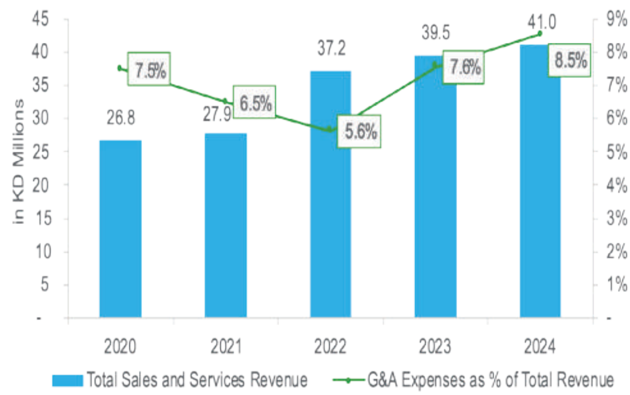
- Over the five-year period, the Group achieved robust top-line growth, with Sales and Services Revenue grew at a CAGR of 11.3%, from KD 26.76 million in FY'20 to KD 41.03 million in FY'24, driven by higher demand for oil filed contracts (pumping services) as well as the sale of chemicals and other material.
- Despite rising revenue, Cost of Sales and Services rendered grew at a slower pace, from KD 18.54 million in FY'20 to KD 27.85 million in FY'24. This drive a significant increase in Gross Profit, nearly doubling from KD 8.21 million in FY'20 to KD 13.18 million in FY'24.
  Gross margins improved from 30.7% in FY'21 to 32.1% in FY'24, reflecting better operational efficiency and cost containment.
- In recent years, Other Income streams gained prominence. Interest Income remained stable from FY'20 and FY'22, then increased to KD 0.87 million in FY'23 before slightly declining to KD 0.57 million in FY'24.

Revenue vs Gross Profit vs Net Profit



- In FY'22, the Group recorded a Net Investment Loss of KD 0.44 million due to changes in the fair value of financial assets. However, it rebounded in subsequent years, posting gains of gains of KD 60,881 in FY'23 and KD 44,958 in FY'24. Additionally, a one-time Gain on Acquisition of a Subsidiary (KD 2.61 million), and contributions from associates and joint ventures totaling KD 4.60 million in FY'24, boosted non-operating income in FY'24
- General and Administrative expenses increased from KD 2.00 million in FY'20 to KD 3.50 million in FY'24, mainly due to higher staff costs, professional fees, charity contributions, and other operational expenses.
- The Group's Net Profit grew at a CAGR of 27.8%, from KD 6.27 million in FY'20 to KD 16.73 million in FY'24, reflecting successful expansion and operational optimization. Notably, Net Profit Attributable to the Parent Company's Shareholders reached KD 13.42 million in FY'24, while non-controlling interests accounted for KD 3.30 million, driven by contributions from newly acquired subsidiaries.

G&A Expenses as a Percentage of Total Revenue



Cash Flow Statement

Cash Flow Statement (in KD)	2020	2021	2022	2023	2024	Total
Cash flows from operating activities:						
Profit before tax and directors' remuneration	6,586,077	5,086,404	7,177,855	8,986,527	17,342,892	45,179,755
Adjustments for:						
Depreciation expense	2,124,989	2,096,059	2,183,024	2,535,625	2,844,830	11,784,527
Amortization of right-of-use assets	353,959	274,824	303,331	311,752	206,000	1,449,866
Gain on sale of property, plant and equipment	(24,045)	(239,698)	(94,198)	(63,783)	(115,081)	(536,805)
Retirement of property, plant and equipment	-	-	-	59,548	47	59,595
Gain on termination of lease	-	(312)	-	-	(537)	(849)
Provision for slow moving and obsolete inventory	-	349,510	586,517	(44,161)	25,260	917,126
Group's share of results from associates	-	-	-	-	(2,436,388)	(2,436,388)
Group's share of results from joint venture	-	-	-	-	(2,159,378)	(2,159,378)
Provision for expected credit losses charged (no longer required)	106,006	-	214,123	(75,656)	243,200	487,673
Income from governments grants	(428,287)	-	-	-	-	(428,287)
Dividend income	(31,272)	(26,258)	(49,154)	(60,099)	(41,989)	(208,772)
Realized gain on sale of financial assets at fair value through profit or loss	(9,059)	-	(10,063)	-	(2,500)	(21,622)
Unrealized loss on financial assets at fair value through profit or loss	4,692	137,794	501,864	(782)	(469)	643,099
Interest income	(373,041)	(275,228)	(290,958)	(870,811)	(567,028)	(2,377,066)
Interest expense on lease liabilities	45,889	23,019	33,785	21,140	9,726	133,559
Net foreign exchange differences	29,029	(26,941)	52,377	26,600	22,372	103,437
Provision for employees' end of service benefits	461,658	558,230	784,372	610,253	801,611	3,216,124
Gain on acquisition of a subsidiary	-	-	-	-	(2,606,240)	(2,606,240)
	8,846,595	7,957,403	11,392,875	11,436,153	13,566,328	53,199,354

Cash Flow Statement (in KD)	2020	2021	2022	2023	2024	Total
Changes in operating assets and liabilities:						
Inventories	(1,079,310)	434,616	(1,827,278)	1,546,902	(938,833)	(1,863,903)
Trade receivables and contract assets	(2,917,099)	1,585,668	(868,703)	1,264,341	3,777,532	2,841,739
Net movement in due from/due to related parties	-	-	-	-	1,597,250	1,597,250
Prepayments and other receivables	(1,113,330)	(1,299,028)	1,290,535	746,253	(269,220)	(644,790)
Accounts payable and accruals	401,369	508,839	1,573,468	(374,204)	(131,580)	1,977,892
Cash flows generated from operations	4,138,225	9,187,498	11,560,897	14,619,445	17,601,477	57,107,542
Employee's end of service benefits paid	(171,653)	(450,890)	(355,719)	(1,698,784)	(365,161)	(3,042,207)
Taxes paid	(567,074)	(322,458)	(248,767)	(355,582)	(432,427)	(1,926,308)
Receipt of government grants	428,287	-	-	-	-	428,287
Net cash flows generated from operating activities	3,827,785	8,414,150	10,956,411	12,565,079	16,803,889	52,567,314

Cash Flow Statement... Cont'd.

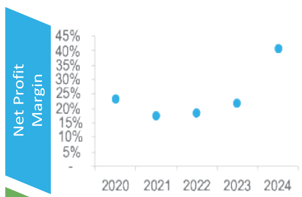
Cash Flow Statement (in KD)	2020	2021	2022	2023	2024	Total
Cash flows from investing activities:						
Purchase of property, plant and equipment	(1,154,342)	(1,293,046)	(5,215,724)	(3,774,990)	(3,014,637)	(14,452,739)
Paid for purchase of additional ownership interest in a subsidiary	-	-	-		(620,304)	(620,304)
Cash paid for acquisition of a subsidiary	-	-	-	(11,500,000)	(3,683,722)	(15,183,722)
Paid for purchase of investments in associates	-	-	-	-	(675,371)	(675,371)
Purchase of financial assets at fair value through profit or loss	-	(608,000)	(619,900)	-	-	(1,227,900)
Proceeds from sale of property, plant and equipment	24,045	239,745	216,157	63,783	115,336	659,066
Proceeds from recovery of financial assets at FVTPL	151,610	-	921,337	-	616,000	1,688,947
Proceeds from sale of financial assets at FVOCI	-	-	-		20,110	20,110
Dividend income received	31,272	26,258	49,154	60,099	41,989	208,772
Dividend received from associates	-	-	-	-	1,402,505	1,402,505
Dividend received from joint venture	-	-	-		159,038	159,038
Cash related to a consolidated subsidiary	-	-	-	1,357,272	2,180,229	3,537,501
Interest income received	296,322	247,987	414,258	848,183	520,076	2,326,826
Net movement in term deposits	3,412,000	(500,000)	(3,000,000)	6,000,000	(5,046,937)	865,063
Net cash flows generated from (used in) investing activities	2,760,907	(1,887,056)	(7,234,718)	(6,945,653)	(7,985,688)	(21,292,208)
Cash flow from financing activities:						
Cash dividends paid to the Parent Company's Shareholders	(6,673,848)	(6,054,150)	(3,394,085)	(4,804,960)	(5,350,353)	(26,277,396)
Payment of lease liabilities	(394,272)	(302,992)	(334,807)	(334,933)	(223,040)	(1,590,044)
Cash dividends paid to non-controlling interests	-	-	-	-	(663,008)	(663,008)
Net cash used in financing activities	(7,068,120)	(6,357,142)	(3,728,892)	(5,139,893)	(6,236,401)	(28,530,448)
Net increase (decrease) in bank balances and cash	(479,428)	169,952	(7,199)	479,533	2,581,800	2,744,658
Foreign currency translation adjustment	(1,915)	(14,575)	(7,623)	436	(1,194)	(24,871)
Bank balances and cash at the beginning of the year	2,521,780	2,040,437	2,195,814	2,180,992	2,660,961	2,521,780
Bank balances and cash at the end of the year	2,040,437	2,195,814	2,180,992	2,660,961	5,241,567	5,241,567

Source: Consolidated Audited Financial Statements

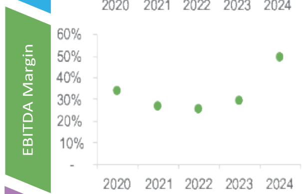
3.3 Ratio Analysis

Profitability Ratios:

Profitability ratios evaluate the Company's ability to generate revenues compared to its expenses and other costs incurred during a specific period.

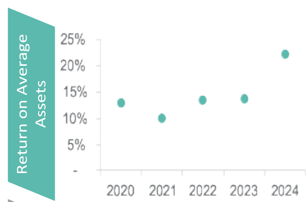


Net Profit Margin nearly doubled, from 23.4% in FY'20 to 40.8% in FY'24, primarily due to strong cost control and stable revenue growth.

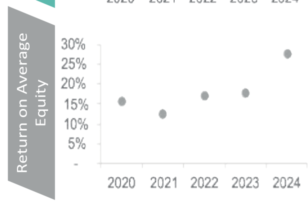


EBITDA Margin saw a significant rise, especially in FY'24, reaching 49.7%, up from 33.9% in FY'20, highlighting enhanced operating efficiency and cost discipline.

Gross Profit Margin improved from 30.7% in FY'20 to 32.1% in FY'24, indicating better control over direct costs



Return on Average Assets (ROA) increased from 13.0% in FY'20 to 22.3% in FY'24, indicating a notable enhancement in the Group's ability to generate net income from its asset base.

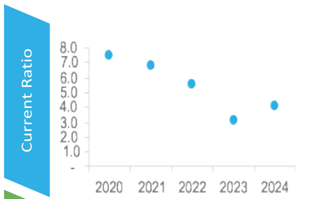


Return on Average Equity (ROE) improved from 15.5% in FY'20 to 27.5% in FY'24, driven by both higher margins and efficient use of equity.

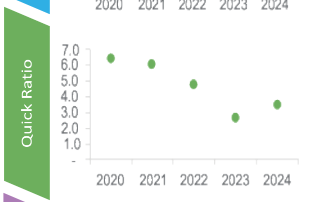
3.3 Ratio Analysis... Cont'd.

Liquidity Ratios:

Liquidity ratios measure a Company's ability to pay its debt obligations.



The Current Ratio declined from 7.49x in FY'20 to 3.12x in FY'23, before improving to 4.10x in FY'24. Despite the decline, the Company still maintains a comfortable cushion to cover short-term liabilities.

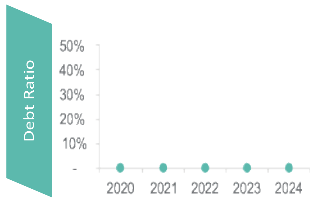


The Quick Ratio followed a similar trend, dropping from 6.49x in FY'20 to 2.74x in FY'23, and improving slightly to 3.51x in FY'24, showing robust liquidity even without inventory.

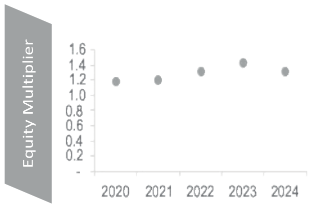
The Cash Ratio, a more conservative measure, dipped to 0.22x in FY'23 before recovering to 0.48x in FY'24, reflecting improved cash reserve.

Solvency Ratios:

Solvency ratios indicate the ability of the Company to meet its short-term and long-term obligations.



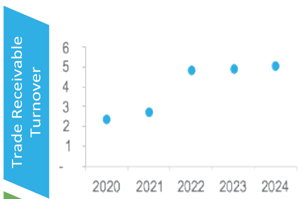
The Group maintained a debt-free status throughout the five-year period from FY'20 to FY'24, as reflected by a consistent debt ratio of 0.0%. This indicates full reliance on equity financing, enhancing financial stability and reducing interest burden.



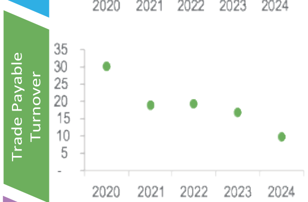
The Equity Multiplier increased from 1.19x in FY'20 to 1.44x in FY'23, before easing to 1.31x in FY'24, indicating a slight uptick in leverage over time, though still at moderate levels.

Efficiency Ratios:

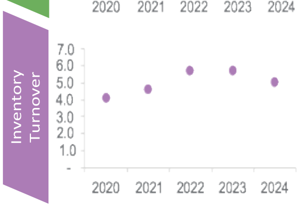
Efficiency ratios measure as Company's ability to convert different accounts within its balance sheet into cash or sales.



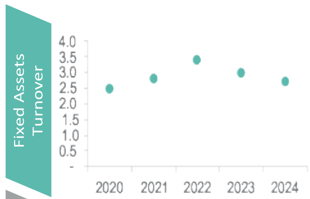
Receivables turnover increased from 2.38x in FY'20 to 5.06x in FY'24, implying more efficient collection practices over time. This is supported by a significant drop in the average collection period, from 153 days in FY'20 to 72 days in FY'24.



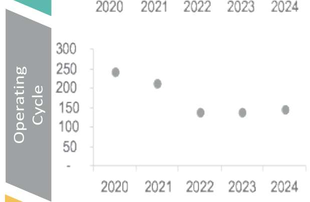
Payables Turnover decreased steadily from 30.1x in FY'20 to 9.4x in FY'24, resulting in an extended average payable period of 39 days in FY'24, compared to just 12 days in FY'20.



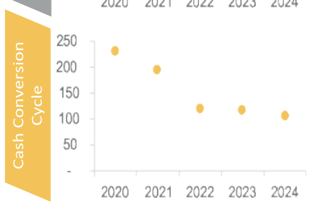
Inventory Turnover remained fairly stable, ranging between 4.14x and 5.73x, while Days Sales of Inventory (DSI) fluctuated slightly, with a small increase to 72 days in FY'24, indicating moderate inventory holding periods.



Fixed Asset Turnover peaked at 3.42x in FY'22, before settling at 2.75x in FY'24, indicating some slowdown in revenue generation from fixed assets, possibly due to recent capital expenditures or underutilized capacity.



The Operating Cycle shortened significantly from 241 days in FY'20 to 144 days in FY'24, driven mainly by faster receivables collection.



The Cash Conversion Cycle also improved, dropping from 229 days to 105 days, reflecting better overall working capital management and cash efficiency.

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CONSOLIDATED FINANCIAL STATEMENTS

For the Financial Year ended on 31st December 2024

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INDEPENDENT AUDITOR'S REPORT

To the Shareholders of
National Petroleum Services Company - K.S.C.P. and its Subsidiaries
State of Kuwait

Report on the Audit of the Consolidated Financial Statements

Opinion

We have audited the consolidated financial statements of National Petroleum Services Company - K.S.C.P. (the "Parent Company") and its subsidiaries ("the Group") which comprise the consolidated statement of financial position as at December 31, 2024, and the consolidated statements of profit or loss, profit or loss and other comprehensive income, changes in equity and cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of material accounting policies information.

In our opinion, the consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at December 31, 2024, and its financial performance and its cash flows for the year then ended in accordance with IFRS Accounting Standards (IFRSs).

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Group in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (including International Independence Standards) (IESBA Code) together with ethical requirements that are relevant to our audit of the consolidated financial statements in the State of Kuwait, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated financial statements of the current year. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. Below is the key audit matter we identified and how our audit addressed the matter.

Recognition and measurement of revenue

Revenue from sale of goods is recognized at point in time when control of the goods is transferred to the customer and in case of revenue from services, over the time when the services are rendered. Revenue for individual jobs is measured based on the contractual terms and master agreements that are agreed with customers relating to oil field services and non-oil field services.

Revenue is recognized as performance obligations are satisfied.

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Due to the multi-element nature of such jobs involving supply of goods, which are of specialized nature, and rendering of services that comprise supply of manpower and equipment usage charges, there is a significant risk of misstatement in the recognition and measurement of revenue. We considered this as a key audit matter.

Our audit procedures, among others, included assessing the appropriateness of the Group's revenue recognition accounting policies and compliance with those policies. Further, we performed test of details by verifying the revenue recognized to the underlying contracts, master agreements and records supporting delivery of goods and services rendered, including identification of performance obligations within each contract, testing of timing and selection of progress measures for revenue recognition and cut-off procedures. We also performed substantive analytical review which included a detailed comparison of revenue and gross profit margin with the previous year and budgets as well as product wise detailed analysis.

The accounting policy and the related disclosures for revenue recognition are set out in Notes (2 – r, 2 – z & 19) in the accompanying consolidated financial statements.

Other Information included in the Group's annual report for the year ended December 31, 2024

Management is responsible for the other information. Other information consists of the information included in the Group's 2024 Annual Report, other than the consolidated financial statements and our auditor's report thereon. We have obtained the Parent Company's Board of Directors report for the year ended 2024, but we have not obtained the annual report, and we expect to obtain these reports after the date of our auditor's report. In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, we consider whether the other information is materially inconsistent with the consolidated financial statements, or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard. Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance opinion thereon.

Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with IFRS Accounting Standards, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Parent Company or to cease operations, or has no realistic alternative but to do so. Those charged with governance are responsible for overseeing the Group's financial reporting process.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Group's management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Plan and perform the Group audit to obtain sufficient appropriate audit evidence regarding the financial information of the entities or business units within the Group as a basis for forming an opinion on the group financial statements. We are responsible for the direction, supervision and review of the audit work performed for purposes of the Group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current year and are therefore the key audit matters. We disclose these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

RSM

Report on Other Legal and Regulatory Requirements

Furthermore, in our opinion, proper books of account have been kept by the Parent Company and the consolidated financial statements, together with the contents of the report of the Parent Company's Board of Directors relating to these consolidated financial statements are in accordance therewith. We further report that, we obtained all the information and explanations that we required for the purpose of our audit and that the consolidated financial statements incorporate all information that is required by the Companies Law No. 1 of 2016 and its Executive Regulations, as amended, and by the Parent Company's Memorandum of Incorporation and Articles of Association, as amended, that an inventory was duly carried out, and that, to the best of our knowledge and belief, no violations of the Companies Law No. 1 of 2016 and its Executive Regulations, as amended, or of the Parent Company's Memorandum of Incorporation and Articles of association, as amended, have occurred during the year ended December 31, 2024, that might have had a material effect on the business or consolidated financial position of the Parent Company.

Furthermore, we have not become aware of any material violations of the provisions of Law 7 of 2010 relating to the Capital Markets Authority and its related regulations, as amended, during the year ended December 31, 2024, that might have had a material effect on the Parent Company's consolidated financial position or results of its operations.

Nayef M. Al Bazie
License No. 91-A
RSM Albazie & Co.

State of Kuwait
March 25, 2025

NATIONAL PETROLEUM SERVICES COMPANY - K.S.C.P. AND ITS SUBSIDIARIES
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS OF DECEMBER 31, 2024
(All amounts are in Kuwaiti Dinar)

	Notes	2024	2023
ASSETS			
Non-current assets:			
Property, plant and equipment	3	**15,929,009**	13,958,715
Investment in associates	4	**18,388,539**	16,615,128
Investment in joint venture	5	**-**	1,601,491
Financial assets at fair value through other comprehensive income ("FVOCI")	6	**605,467**	1,172,720
Due from a related party	10	**-**	17,579
Right-of-use assets		**63,520**	277,018
Total non-current assets		**34,986,535**	33,642,651
Current assets:			
Inventories	7	**6,438,266**	4,531,445
Trade receivables and contract assets	8	**11,275,938**	12,655,113
Prepayments and other debit balances	9	**2,565,109**	2,248,937
Financial assets at fair value through profit or loss ("FVTPL")		**792**	613,823
Due from a related party	10	**-**	260,572
Term deposits	11	**19,116,683**	14,069,746
Bank balances and cash	12	**5,241,567**	2,660,961
Total current assets		**44,638,355**	37,040,597
Total assets		**79,624,890**	70,683,248
EQUITY AND LIABILITIES			
Equity:			
Share capital	13	**10,000,000**	10,000,000
Share premium		**3,310,705**	3,310,705
Treasury shares	14	**(6,002,371)**	(6,002,371)
Treasury shares reserve		**33,825**	33,825
Statutory reserve	15	**5,858,895**	5,858,895
Voluntary reserve	16	**5,858,895**	5,858,895
Cumulative changes in fair values		**(289,923)**	-
Effect of changes in other comprehensive income of associates		**33,952**	-
Foreign currency translation reserve		**(16,453)**	(15,259)
Retained earnings		**30,569,022**	22,639,857
Equity attributable to Shareholders of the Parent Company		**49,356,547**	41,684,547
Non-controlling interests		**16,104,793**	14,281,592
Total equity		**65,461,340**	55,966,139
Non-current liabilities:			
Provision for employees' end of service benefits	17	**3,271,822**	2,779,532
Lease liabilities		**-**	53,867
Total non-current liabilities		**3,271,822**	2,833,399
Current liabilities:			
Account payables and accrued expenses	18	**10,813,494**	11,650,349
Due to a related party	10	**14,093**	-
Lease liabilities		**64,141**	233,361
Total current liabilities		**10,891,728**	11,883,710
Total liabilities		**14,163,550**	14,717,109
Total equity and liabilities		**79,624,890**	70,683,248

The accompanying notes from (1) to (29) form an integral part of the consolidated financial statements.

Sheikh Sabah Mohammad Abdulaziz Al Sabah
Chairman

Mr. Muhaiman Ali Sayed Naser Al-Behbehani
Vice Chairman & CEO

NATIONAL PETROLEUM SERVICES COMPANY - K.S.C.P. AND ITS SUBSIDIARIES
CONSOLIDATED STATEMENT OF PROFIT OR LOSS
FOR THE YEAR ENDED DECEMBER 31, 2024
(All amounts are in Kuwaiti Dinar)

	Notes	**2024**	2023
Sales and services revenue	19	**41,028,898**	39,522,799
Cost of sales and services rendered		**(27,846,584)**	(28,650,618)
Gross profit		**13,182,314**	10,872,181
Interest income		**567,028**	870,811
Investment income	20	**44,958**	60,881
Other income		**261,665**	236,379
Gain on acquisition of a subsidiary	2 – b	**2,606,240**	-
Group's share of results from associates	4	**2,436,388**	-
Group's share of results from joint venture	5	**2,159,378**	-
Provision for expected credit losses (charged) no longer required	8 – b	**(243,200)**	75,656
General and administrative expenses	21	**(3,502,498)**	(2,992,530)
Profit for the year before taxes and Board of Directors' remuneration		**17,512,273**	9,123,378
Contribution to Kuwait Foundation for the Advancement of Sciences (KFAS)	22	**(107,270)**	(91,234)
National Labor Support Tax (NLST)	2 – u	**(390,296)**	(214,130)
Zakat	2 – v	**(119,070)**	(85,652)
Board of Directors' remuneration	24	**(169,381)**	(136,851)
Profit for the year		**16,726,256**	8,595,511
Attributable to:			
The Parent Company's Shareholders		**13,424,081**	8,595,516
Non-controlling interests		**3,302,175**	(5)
		16,726,256	8,595,511
Basic and diluted earnings per share attributable to the Parent Company's Shareholders (Fils)	23	**148.59**	88.66

The accompanying notes from (1) to (29) form an integral part of consolidated financial statements.

NATIONAL PETROLEUM SERVICES COMPANY - K.S.C.P. AND ITS SUBSIDIARIES
CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE YEAR ENDED DECEMBER 31, 2024
(All amounts are in Kuwaiti Dinar)

	Notes	**2024**	2023
Profit for the year		**16,726,256**	8,595,511
Other comprehensive (loss) income for the year:			
Items that may be reclassified subsequently to the consolidated statement profit or loss:			
Foreign currency translation adjustments		**(1,194)**	436
Group's share of other comprehensive loss of associates	4	**(212)**	-
Items that will not be reclassified subsequently to the consolidated statement of profit or loss:			
Group's share of other comprehensive income of associates	4	**64,369**	-
Change in fair value of financial assets at FVOCI	6	**(547,143)**	-
Total other comprehensive (loss) income for the year		**(484,180)**	436
Total comprehensive income for the year		**16,242,076**	8,595,947
Attributable to:			
The Parent Company's Shareholders		**13,167,291**	8,595,952
Non-controlling interests		**3,074,785**	(5)
		16,242,076	8,595,947

The accompanying notes from (1) to (29) form an integral part of consolidated financial statements.

NATIONAL PETROLEUM SERVICES COMPANY - K.S.C.P. AND ITS SUBSIDIARIES
CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED DECEMBER 31, 2024
(All amounts are in Kuwaiti Dinar)

	Equity attributable to Shareholders of the Parent Company												
	Share capital	Share premium	Treasury shares	Treasury shares reserve	Statutory reserve	Voluntary reserve	Cumulative changes in fair values	Effect of changes in other comprehensive income of associates	Foreign currency translation reserve	Retained earnings	Subtotal	Non-controlling interests	Total equity
As at January 1, 2024	10,000,000	3,310,705	(6,002,371)	33,825	5,858,895	5,858,895	-	-	(15,259)	22,639,857	41,684,547	14,281,592	55,966,139
Profit for the year	-	-	-	-	-	-	-	-	-	13,424,081	13,424,081	3,302,175	16,726,256
Other comprehensive (loss) income for the year	-	-	-	-	-	-	(289,548)	33,952	(1,194)	-	(256,790)	(227,390)	(484,180)
Total comprehensive (loss) income for the year	-	-	-	-	-	-	(289,548)	33,952	(1,194)	13,424,081	13,167,291	3,074,785	16,242,076
Cash dividends (Note 24)	-	-	-	-	-	-	-	-	-	(5,420,405)	(5,420,405)	-	(5,420,405)
Cash dividends to non-controlling interests	-	-	-	-	-	-	-	-	-	-	-	(706,166)	(706,166)
Transfer to retained earnings on sale of financial assets at FVOCI	-	-	-	-	-	-	(375)	-	-	375	-	-	-
Purchase of additional ownership interest in a subsidiary	-	-	-	-	-	-	-	-	-	(74,886)	(74,886)	(545,418)	(620,304)
As at December 31, 2024	**10,000,000**	**3,310,705**	**(6,002,371)**	**33,825**	**5,858,895**	**5,858,895**	**(289,923)**	**33,952**	**(16,453)**	**30,569,022**	**49,356,547**	**16,104,793**	**65,461,340**
As at January 1, 2023	10,000,000	3,310,705	(654,461)	33,825	5,858,895	5,858,895	-	-	(15,695)	17,871,126	42,263,290	10	42,263,300
Profit (loss) for the year	-	-	-	-	-	-	-	-	-	8,595,516	8,595,516	(5)	8,595,511
Other comprehensive income for the year	-	-	-	-	-	-	-	-	436	-	436	-	436
Total comprehensive income (loss) for the year	-	-	-	-	-	-	-	-	436	8,595,516	8,595,952	(5)	8,595,947
Effect of acquisition of a subsidiary	-	-	(5,347,910)	-	-	-	-	-	-	1,023,215	(4,324,695)	14,281,587	9,956,892
Cash dividends (Note 24)	-	-	-	-	-	-	-	-	-	(4,850,000)	(4,850,000)	-	(4,850,000)
As at December 31, 2023	10,000,000	3,310,705	(6,002,371)	33,825	5,858,895	5,858,895	-	-	(15,259)	22,639,857	41,684,547	14,281,592	55,966,139

The accompanying notes from (1) to (29) form an integral part of the consolidated financial statements.

NATIONAL PETROLEUM SERVICES COMPANY - K.S.C.P. AND ITS SUBSIDIARIES
CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2024
(All amounts are in Kuwaiti Dinar)

	Notes	2024	2023
Cash flows from operating activities:			
Profit for the year before tax and after Board of Directors' remuneration		**17,342,892**	8,986,527
Adjustments to reconcile profit before tax and after Board of Directors' remuneration:			
Depreciation expense	3	**2,844,830**	2,535,625
Amortization of right-of-use assets		**206,000**	311,752
Profit on lease cancellation		**(537)**	-
Gain on sale of property, plant and equipment		**(115,081)**	(63,783)
Retirement of property, plant and equipment	3	**47**	59,548
Group's share of results from associates	4	**(2,436,388)**	-
Group's share of results from joint venture	5	**(2,159,378)**	-
Net provision for slow moving inventories charged (no longer required)	7 – a	**25,260**	(44,161)
Provision for expected credit losses charged (no longer required)	8 – b	**243,200**	(75,656)
Dividends income	20	**(41,989)**	(60,099)
Realized gain on sale of financial assets at FVTPL	20	**(2,500)**	-
Change in fair value of financial assets at FVTPL	20	**(469)**	(782)
Net foreign exchange differences		**22,372**	26,600
Interest income		**(567,028)**	(870,811)
Interest expense on lease liabilities	21	**9,726**	21,140
Provision for employees' end of service benefits	17	**801,611**	610,253
Gain on acquisition of a subsidiary	2 – b	**(2,606,240)**	-
		13,566,328	11,436,153
Changes in working capital:			
Inventories		**(938,833)**	1,546,902
Trade receivables and contract assets		**3,777,532**	1,264,341
Prepayments and other debit balances		**(269,220)**	746,253
Net movement in due from / due to related parties		**1,597,250**	-
Account payables and accrued expenses		**(131,580)**	(374,204)
Cash flows generated from operations		**17,601,477**	14,619,445
Payment for employees' end of service benefits	17	**(365,161)**	(1,698,784)
Taxes paid		**(432,427)**	(355,582)
Net cash flows generated from operating activities		**16,803,889**	12,565,079
Cash flows from investing activities:			
Purchase of property, plant and equipment	3	**(3,014,637)**	(3,774,990)
Paid for purchase of additional ownership interest in a subsidiary		**(620,304)**	-
Paid for acquisition of subsidiaries		**(3,683,722)**	(11,500,000)
Paid for purchase of investments in associates	4	**(675,371)**	-
Proceeds from sale of property, plant and equipment		**115,336**	63,783
Proceeds from recovery of financial assets at FVTPL		**616,000**	-
Proceeds from sale of financial assets at FVOCI	6	**20,110**	-
Dividends income received	20	**41,989**	60,099
Dividends income received from associates	4	**1,402,505**	-
Dividends income received from joint venture	5	**159,038**	-
Interest income received		**520,076**	848,183
Cash related to a consolidated subsidiary	2 – b	**2,180,229**	1,357,272
Net movement in term deposits		**(5,046,937)**	6,000,000
Net cash flows used in investing activities		**(7,985,688)**	(6,945,653)
Cash flows from financing activities:			
Cash dividends paid to the Parent Company's Shareholders		**(5,350,353)**	(4,804,960)
Cash dividends paid to non-controlling interests		**(663,008)**	-
Payment of lease liabilities		**(223,040)**	(334,933)
Net cash flows used in financing activities		**(6,236,401)**	(5,139,893)
Foreign currency translation adjustments		**(1,194)**	436
Net increase in bank balances and cash		**2,580,606**	479,969
Bank balances and cash at the beginning of the year		**2,660,961**	2,180,992
Bank balances and cash at the end of the year	12	**5,241,567**	2,660,961
Non-cash items excluded from the consolidated statement of cash flows:			
Additions to right of use assets		**-**	(202,491)
Additions to lease liabilities		**-**	202,491
		-	-

The accompanying notes from (1) to (29) form an integral part of the consolidated financial statements.

NATIONAL PETROLEUM SERVICES COMPANY - K.S.C.P. AND ITS SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2024
(All amounts are in Kuwaiti Dinar)

1- Incorporation and activities

National Petroleum Services Company K.S.C.P. (the "Parent Company") is as a Kuwaiti Public Shareholding Company incorporated on January 3, 1993, and its shares are publicly traded in Boursa Kuwait. The Parent Company is registered in Commercial Register under No. 49911 dated March 28, 1993.

The main objectives of the Parent Company are as follows:

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

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

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 consolidated financial statements were authorized for issue by the Parent Company's Board of Directors on March 25, 2025.

2- Material accounting policies information

a) Basis of preparation:

The consolidated financial statements of the Group have been prepared in accordance with the IFRS Accounting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB"). Material accounting policies are summarized as follows:

The consolidated financial statements are presented in Kuwaiti Dinars ("KD") which is the functional currency of the Group and are prepared under the historical cost basis except for financial assets at FVOCI and financial assets at FVTPL that are stated at their fair value.

Historical cost is generally based on the fair value of the consideration given in exchange for goods and services. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

The preparation of consolidated financial statements in conformity with IFRS Accounting Standards requires management to make judgments, estimates and assumptions in the process of applying the Group's accounting policies. Significant accounting judgments, estimates and assumptions are disclosed in Note (2 – z). The key sources of estimation uncertainty are consistent with the annual audited consolidated financial statements of the Group for the year ended December 31, 2023.

NATIONAL PETROLEUM SERVICES COMPANY - K.S.C.P. AND ITS SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2024
(All amounts are in Kuwaiti Dinar)

Adoption of new and revised Standards

New and revised Standards that are effective for the current year

The accounting policies used in the preparation of these consolidated financial statements are consistent with those used in the previous year except for the changes due to implementation of the following new and revised IFRS Accounting Standards as of January 1, 2024:

Amendments to IFRS 16: Lease Liability in a Sale and Leaseback

The amendments to IFRS 16 require a seller-lessee, in measuring the lease liability arising in a sale and leaseback transaction, not to recognize any amount of the gain or loss that relates to the right of use it retains.

The amendments must be applied retrospectively to sale and leaseback transactions entered into after the date of initial application of IFRS 16.

Amendments to IAS 1 Presentation of Financial Statements—Non-current Liabilities with Covenants

The amendments specify that only covenants that an entity is required to comply with on or before the end of the reporting period affect the entity's right to defer settlement of a liability for at least twelve months after the reporting date (and therefore must be considered in assessing the classification of the liability as current or non-current). Such covenants affect whether the right exists at the end of the reporting period, even if compliance with the covenant is assessed only after the reporting date (e.g. a covenant based on the entity's financial position at the reporting date that is assessed for compliance only after the reporting date).

The IASB also specifies that the right to defer settlement of a liability for at least twelve months after the reporting date is not affected if an entity only has to comply with a covenant after the reporting period. However, if the entity's right to defer settlement of a liability is subject to the entity complying with covenants within twelve months after the reporting period, an entity discloses information that enables users of the consolidated financial statements to understand the risk of the liabilities becoming repayable within twelve months after the reporting period. This would include information about the covenants (including the nature of the covenants and when the entity is required to comply with them), the carrying amount of related liabilities and facts and circumstances, if any, that indicate that the entity may have difficulties complying with the covenants.

The amendments must be applied retrospectively.

Amendments to IAS 1 – Classification of Liabilities as Current or Non-current

These amendments to paragraphs 69 to 76 of IAS 1 specify the requirements for classifying liabilities as current or non-current. The amendments clarify:

- What is meant by a right to defer settlement
- That a right to defer must exist at the end of the reporting period
- That classification is unaffected by the likelihood that an entity will exercise its deferral right
- That only if an embedded derivative in a convertible liability is itself an equity instrument would the terms of a liability not impact its classification

The amendments must be applied retrospectively.

Supplier Finance Arrangements - Amendments to IAS 7 and IFRS 7

These amendments to IAS 7 Statement of Cash Flows and IFRS 7 Financial Instruments: Disclosures clarify the characteristics of supplier finance arrangements and require additional disclosure of such arrangements. The disclosure requirements in the amendments are intended to assist users of the consolidated financial statements in understanding the effects of supplier finance arrangements on an entity's liabilities, cash flows and exposure to liquidity risk.

The adoption of the above amendments and interpretations did not have material impact on the disclosures or on the amounts reported in these consolidated financial statements.

<u>New and revised Standards issued but not yet effective</u>
At the date of authorization of these consolidated financial statements, the Group has not applied the following new and revised Standards that have been issued but are not yet effective:

<u>IFRS 18 Presentation and Disclosures in Financial Statements</u>
The new standard, IFRS 18, replaces IAS 1 Presentation of Financial Statements while carrying forward many of the requirements in IAS 1.

IFRS 18 introduces new requirements to:
- present specified categories and defined subtotals in the consolidated statement of profit or loss,
- provide disclosures on management-defined performance measures (MPMs) in the notes to the consolidated financial statements,
- improve aggregation and disaggregation.

IFRS 18 requires retrospective application with specific transition provisions. An entity is required to apply IFRS 18 for annual reporting periods beginning on or after 1 January 2027 with earlier application permitted.

<u>IFRS 19 Subsidiaries without Public Accountability: Disclosures</u>
The new standard, IFRS 19 specifies the disclosure requirements an eligible subsidiary is permitted to apply instead of the disclosure requirements in other IFRS Accounting Standards. An entity is required to apply IFRS 19 for annual reporting periods beginning on or after 1 January 2027.

<u>Amendments to IFRS 9 and IFRS 7 - Classification and Measurement of Financial Instruments</u>
An entity is required to apply these amendments for annual reporting periods beginning on or after 1 January 2026.The amendments include:
- A clarification that a financial liability is derecognized on the 'settlement date' and introduce an accounting policy choice (if specific conditions are met) to derecognize financial liabilities settled using an electronic payment system before the settlement date.
- Additional guidance on how the contractual cash flows for financial assets with environmental, social and corporate governance (ESG) and similar features should be assessed
- Clarifications on what constitute 'non-recourse features' and what are the characteristics of contractually linked instruments
- The introduction of disclosures for financial instruments with contingent features and additional disclosure requirements for equity instruments classified at fair value through other comprehensive income (OCI)

<u>Lack of Exchangeability (Amendments to IAS 21)</u>
The amendments contain guidance to specify when a currency is exchangeable and how to determine the exchange rate when it is not.

The amendments are effective for annual reporting periods beginning on or after 1 January 2025. Earlier application is permitted.

An entity is required to recognize any effect of initially applying the amendments as an adjustment to the opening balance of retained earnings when the entity reports foreign currency transactions. When an entity uses a presentation currency other than its functional currency, it recognizes the cumulative amount of translation differences in equity.

These amendments are not expected to have any material impact on the consolidated financial statements.

NATIONAL PETROLEUM SERVICES COMPANY - K.S.C.P. AND ITS SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2024
(All amounts are in Kuwaiti Dinar)

b) Basis of consolidation:

The consolidated financial statements incorporate the financial statements of the Parent Company and the following subsidiaries:

Name of the subsidiary	Principal activities	Country of incorporation	Ownership interest % 2024	2023
Directly held :				
Napesco International Petroleum Services – S.P.C. ("Napesco International")	Drilling & maintenance of oil wells and chemical waste management	State of Kuwait	**100%**	100%
United Oil Projects Company K.S.C.C. ("UOP")	Petrochemical activities	State of Kuwait	**55.59%**	52.92%
Indirectly held through Napesco International :				
Napesco India – L.L.P. ("Napesco India")	Support activities for petroleum & natural gas mining incidental to onshore and offshore oil & gas extraction	India	**99.99%**	99.99%
Indirectly held through UOP :				
United Qmax Drilling Fluids Company - W.L.L.	Petroleum activities	State of Kuwait	**100%**	51% *

Under shares purchase agreements dated January 30, 2024, and August 25, 2024, between the Group's management and Qmax Solutions Inc., the Group acquired the remaining 49% ownership interest in United Qmax Drilling Fluids Company - W.L.L. (* formerly a 51%-owned joint venture of the Group) for a total consideration of KD 688,860, of which KD 153,802 was paid in cash during the current year, while KD 535,058 represents tax liabilities of the selling company, which the Group will assume.

The Group's management accounted for the transaction in accordance with IFRS 3, Business Combinations – Step Acquisition. On December 19, 2024, the Group satisfied all contractual obligations and conditions of the purchase agreements and obtained control over the subsidiary, effective December 19, 2024 (date of obtaining control over the subsidiary). Therefore, the financial statements of the subsidiary were then consolidated in accordance with IFRS 10 – Consolidated Financial Statements.

At the date of obtaining control, the Group's management assessed the provisional fair values of the net identifiable assets and liabilities of the subsidiary at KD 6,896,931 based on the carrying amounts of the net identifiable assets and liabilities of the subsidiary at the date of obtaining control. The management is still in the process of finalizing the fair value measurement of the net assets acquired.

As a result of the acquisition, a gain amounting to KD 2,606,240 was recognized, and its breakdown is as follows:

	December 19, 2024
Acquisition consideration	**688,860**
Add: Provisional fair values of the previously held interest in the joint venture (Note 5)	**3,601,831**
Total	**4,290,691**
Less: Provisional fair values of the net identifiable assets of the subsidiary	**6,896,931**
Gain on acquisition	**2,606,240**

Summarized statement of financial position of the acquired subsidiary as at the acquisition date as follows:

	December 19, 2024
Assets	
Bank balances and cash	**2,180,229**
Accounts receivable and other debit balances	**2,641,557**
Inventories	**993,248**
Property, plant and equipment	**1,800,789**
Other assets	**1,434,591**
Total assets	**9,050,414**
Liabilities	
Accounts payable and other credit balances	**1,997,982**
Other liabilities	**155,501**
Total Liabilities	**2,153,483**
Net assets	**6,896,931**
Provisional fair values of net identifiable assets of the subsidiary	**6,896,931**

Subsidiaries are those companies controlled by the Parent Company. Control is achieved when the Parent Company:

- has power over the investee.
- is exposed, or has rights to variable returns from its involvement with the investee.
- has the ability to use its power to affect investee's returns.

The Parent Company reassess whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

When the Parent Company has less than a majority of voting rights of an investee, it has power over the investee when the voting rights are sufficient to give it the practical ability to direct the relevant activities of the investee. The Company considers all relevant facts and circumstances in assessing whether or not the Group's voting rights in an investee are sufficient to give it power, including:

- The size of the Parent Company's holding of voting rights relative to the size and dispersion of holdings of the other vote holders.
- Potential voting rights held by the Parent Company, other vote holders or other parties.
- rights arising from other contractual arrangements.
- any additional facts and circumstances that indicate that the Parent Company has the financial ability to direct the relevant activities at the time that decisions need to be made, including voting patterns at previous shareholders' meetings.

The financial statements of subsidiaries are included in the consolidated financial statements from the date of acquisition of control until the date of loss of control. Specifically, income and expenses of a subsidiary acquired or disposed of during the year are included in consolidated statement of profit or loss and other comprehensive income from the date the Parent Company acquires control until the date when the Parent Company loses control over the subsidiary. All inter-company balances and transactions, including inter-company profits and unrealized profits and losses are eliminated in consolidation. Consolidated financial statements are prepared using consistent accounting policies for transactions and other events in similar circumstances.

Non-controlling interests in the net assets of consolidated subsidiaries are identified separately from the Parent Company's equity therein. The consolidated statement of profit or loss and each component of other comprehensive income are attributed to the Parent Company's Shareholders and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance.

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A change in the ownership interest of a subsidiary, without a change of control, is accounted for as an equity transaction. The carrying amounts of the Parent Company's ownership interests and non-controlling interests are adjusted to reflect changes in their relative interests in the subsidiaries. Any difference between the amount by which non-controlling interests are adjusted and fair value of the consideration paid or received is recognized directly in equity and attributable to the Parent Company's shareholders. If the Parent Company loses control over a subsidiary, it:

- Derecognizes the assets (including goodwill) and liabilities of the subsidiary.
- Derecognizes the carrying amount of any non-controlling interests.
- Derecognizes the cumulative translation differences recorded in equity.
- Recognizes the fair value of the consideration received.
- Recognizes the fair value of any investment retained.
- Recognizes any surplus or deficit in the consolidated statement of profit or loss.
- Reclassifies the Parent Company's share of components previously recognized in the consolidated statement of profit or loss and other comprehensive income to the consolidated profit or loss or retained earnings as appropriate.

c) Current vs non-current classification:

The Group presents assets and liabilities in the consolidated statement of financial position based on current / non-current classification.

An asset is current when it is:

- Expected to be realized or intended by the Group to be sold or consumed in the normal operating cycle.
- Held primarily for the purpose of trading.
- Expected to be realized within twelve months after the date of consolidated financial statements.
- Cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least twelve months after the date of consolidated financial statements.

The Group classifies all other assets as non-current.

A liability is current when:

- It is expected to be settled in the normal operating cycle.
- It is held primarily for the purpose of trading.
- Expected to be settled within twelve months after the date of the consolidated financial statements.
- There is no unconditional right to defer the settlement of the liability for at least twelve months after the date of consolidated financial statements.

The Group classifies all other liabilities as non-current.

d) Financial instruments:

The Group classifies its financial instruments as "financial assets" and "financial liabilities". Financial assets and financial liabilities are recognized when the Group becomes a party of the contractual provisions of such instruments. Financial instruments are classified as liabilities or equity in accordance with the substance of the contractual arrangement.

Financial assets and financial liabilities carried on the consolidated statement of financial position include bank balances and cash, term deposits, due from / to related parties, receivables, financial assets at FVOCI, contract assets and liabilities, financial assets at FVTPL, lease liabilities and payables.

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1) Financial assets

Classification of financial assets
To determine their classification and measurement category, IFRS (9) requires all financial assets, except equity instruments and derivatives, to be assessed based on a combination of the Group's business model for managing the Group's assets and the instruments' contractual cash flow characteristics.

Business model assessment
The Group determines its business model at the level that best reflects how it manages group of financial assets to achieve its business objectives and in order to generate contractual cash flows. That is, whether the Group's objective is solely to collect the contractual cash flows from the assets or is to collect both the contractual cash flows and cash flows arising from the sale of assets. If neither of these is applicable (e.g. financial assets are held for trading purposes), then the financial assets are classified as part of 'Sell' business model and measured at FVTPL. The Group's business model is not assessed on an instrument-by-instrument basis, but at a higher level of aggregated portfolios.

Assessment of whether contractual cash flows are solely payments of principal and interest (SPPI test)
Where the business model is to hold assets to collect contractual cash flows or to collect contractual cash flows and sell, the Group assesses whether the financial instruments' cash flows represent Solely Payments of Principal and Interest (the 'SPPI test'). 'Principal' for the purpose of this test is defined as the fair value of the financial asset at initial recognition that may change over the life of the financial asset (for example, if there are repayments of principal or amortization of the premium/discount). The most significant elements of interest within a lending arrangement are typically the consideration for the time value of money and credit risk.

The Group reclassifies when and only when its business model for managing those assets changes. The reclassification takes place from the start of the first reporting period following the change. Such changes are expected to be very infrequent, and none occurred during the year.

Initial recognition
Purchases and sales of the financial assets are recognized on settlement date – the date on which an asset is delivered to or by the Group. Financial assets are initially recognized at fair value plus transaction costs for all financial assets not carried at FVTPL.

Derecognition
A financial asset (in whole or in part) is derecognized either when: the contractual rights to receive the cash flows from the financial asset have expired; or the Group has transferred its rights to receive cash flows from the financial asset and either: a) has transferred substantially all the risks and rewards of ownership of the financial asset by the Group, or (b) has neither transferred nor retained substantially all the risks and rewards of the financial asset, but has transferred control of the financial asset. Where the Group has retained control, it shall continue to recognize the financial asset to the extent of its continuing involvement in the financial asset.

Measurement categories of financial assets
The Group classifies its financial assets upon initial recognition into the following categories:

- Debt instruments at amortized cost.
- Equity instruments at FVOCI, with no recycling of gains or losses to the consolidated statement of profit or loss on derecognition.
- Financial assets at FVTPL.

Debt instruments at amortized costs

A financial asset is measured at amortized cost if it meets both of the following conditions:

- The asset is held within a business model whose objective is to hold assets to collect contractual cash flows.
- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest (SPPI) on the principal amount outstanding.

Debt instruments measured at amortized cost are subsequently measured at amortized cost using the effective yield method adjusted for impairment losses if any. Gain and losses are recognized in the consolidated statement of profit or loss when the asset is derecognized, modified or impaired.

Amortized cost and effective interest method

The effective interest method is a method of calculating the amortized cost of a debt instrument and of allocating interest income over the relevant period.

The amortized cost of a financial asset is the amount at which the financial asset is measured at initial recognition minus the principal repayments, plus the cumulative amortization using the effective interest method of any difference between that initial amount and the maturity amount, adjusted for any loss allowance. The gross carrying amount of a financial asset is the amortized cost of a financial asset before adjusting for any loss allowance.

Bank balances and cash, term deposits, trade receivables, due from a related party and contract assets are classified as debt instruments at amortized cost.

- Term deposits

  Term deposits are placed with banks and have a contractual maturity of more than three months.

- Trade receivables

  Receivables are amounts due from customers for merchandise sold, units rental or services performed in the ordinary course of business and are recognized initially at fair value and subsequently measured at amortized cost using the effective interest rate method, less provision for impairment.

Equity instruments at FVOCI

Upon initial recognition, the Group may elect to classify irrevocably some of its equity instruments at FVOCI when they are neither held for trading nor a contingent consideration arising from a business combination. Such classification is determined on an instrument-by- instrument basis.

Equity investments at FVOCI are subsequently measured at fair value. Changes in fair values including foreign exchange component are recognized in other comprehensive income and presented in the cumulative changes in fair values as part of equity. Cumulative gains and losses previously recognized in other comprehensive income are transferred to retained earnings on derecognition. Gains and losses on these equity instruments are never recycled to consolidated statement of profit or loss. Dividends are recognized in the consolidated statement of profit or loss when the right of the payment has been established, except when the Group benefits from such proceeds as a recovery of part of the cost of the instrument, in which case, such gains are recorded in other comprehensive income.

The Group classifies investments in quoted and unquoted equity investments under financial assets at FVOCI in the consolidated statement of financial position.

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Financial assets at FVTPL

Financial assets that do not meet the criteria for being measured at amortized cost or FVOCI (see above) are measured at FVTPL. Specifically:

- Investments in equity instruments are classified as at FVTPL, unless the Group designates an equity investment as at FVOCI on initial recognition (see above).
- Debt instruments that do not meet the amortized cost criteria or the FVOCI criteria (see above) are classified as at FVTPL. In addition, debt instruments that meet either the amortized cost criteria or the FVOCI criteria may be designated as at FVTPL upon initial recognition if such designation eliminates or significantly reduces a measurement or recognition inconsistency (“accounting mismatch”) that would arise from measuring assets or liabilities or recognizing the gains and losses on them on different bases.

Changes in fair value, gain on disposal, interest income and dividends are recorded in consolidated statement of profit or loss according to the terms of the contract, or when the right to payment has been established.

The Group classifies investments in equity instruments and quoted debt instruments as financial assets at FVTPL in the consolidated statement of financial position.

Impairment of financial assets

The Group recognizes an allowance for expected credit losses (ECL) for all debt instruments not held at fair value through profit or loss.

ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Group expects to receive. The shortfall is then discounted at an approximation to the asset’s original effective interest rate. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

For contract assets and trade and other receivables, the Group applies the standard’s simplified approach and calculates ECLs based on lifetime expected credit losses. Accordingly, the Group does not track changes in credit risk, but instead recognizes a loss allowance based on lifetime ECLs at each reporting date.

The Group establishes a provision matrix that is based on the Group’s historical credit loss experience, adjusted for forward-looking factors specific to the customers and the economic environment. Exposures are segmented based on common credit characteristics such as credit risk grade, geographic region and industry, delinquency status and age of relationship, where applicable.

For related parties balances and inter-company loans, the Group has applied a forward-looking approach wherein recognition of credit losses is no longer dependent on the Group first identifying a credit loss event. Instead, the Group considers a broader range of information when assessing credit risk and measuring expected credit losses, including past events, current conditions, reasonable and supportable forecasts that affect the expected collectability of the future cash flows of the debt instrument.

In applying this forward-looking approach, the Group applies a three stage assessment to measuring ECL as follows:

- Stage 1 – financial instruments that have not deteriorated significantly in credit quality since initial recognition or that have low credit risk.
- Stage 2 (not credit impaired) – financial instruments that have deteriorated significantly in credit quality since initial recognition and whose credit risk is not low.
- Stage 3 (credit impaired) – financial assets that have objective evidence of impairment at the reporting date and assessed as credit impaired when one or more events have a detrimental impact on the estimated future cash flows have occurred.

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In assessing whether the credit quality on a financial instrument has deteriorated significantly since initial recognition, the Group compares the risk of a default occurring on the financial instrument at the reporting date with the risk of a default occurring on the financial instrument at the date of initial recognition. In making this assessment, the Group considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort. Forward-looking information considered includes the future prospects of the industries in which the Group's debtors operate, obtained from economic expert reports, financial analysts, governmental bodies, relevant think-tanks and other similar organizations, as well as consideration of various external sources of actual and forecast economic information that relate to the Group's core operations.

12-month expected credit losses are recognized for Stage 1 while "lifetime expected credit losses" are recognized for Stage 2. Lifetime ECL represents the expected credit losses that will result from all possible default events over the expected life of a financial instrument. 12-month ECL for financial assets represents the portion of lifetime ECL that is expected to result from default events on a financial instrument that are possible within 12 months after the date of consolidated financial statements.

Measurement of the expected credit losses is determined by a probability-weighted estimate of credit losses over the expected life of the financial instrument. ECLs measured at amortized cost are deducted from the gross carrying amount of the assets and charged to consolidated statement of profit or loss. For debt instruments at FVOCI, the provision is recognized in the consolidated statement of profit or loss.

The Group considers a financial asset ~~as~~ credit impaired-when contractual payments are 60 days past due. However, in certain cases, the Group may also consider a financial asset to be in default when internal or external information indicates that the Group is unlikely to receive the outstanding contractual amounts in full. A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

2) Financial liabilities

All financial liabilities are recognized initially at fair value and, in the case of loans, borrowings, advances and payables, net of directly attributable transaction costs. All financial liabilities are subsequently measured at FVTPL or at amortized cost using effective interest rate method.

Financial liabilities at amortized cost

Financial liabilities that are not carried at fair value as above are measured at amortized cost using the effective interest method.

- Accounts payable

  Accounts payable include trade and other payables. Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business. Trade payables are recognized initially at fair value and subsequently measured at amortized cost using the effective interest method. Accounts payable are classified as current liabilities if payment is due within one year or less (or in the normal operating cycle of the business if longer) If not, they are presented as non – current liabilities.

A financial liability is derecognized when the obligation under the–liability is discharged or cancelled or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognized in consolidated statement of profit or loss and other comprehensive income. If the modification is not substantial, the difference between: (1) the carrying amount of the liability before the modification; and (2) the present value of the cash flows after modification should be recognized in profit or loss as the modification gain or loss within other gains and losses.

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

e) Contract assets:
A contract asset is the Group's right to consideration in exchange for goods or services transferred to the customer. If the Group performs by transferring goods or services to a customer before the customer pays consideration or before payment is due, a contract asset is recognized for the earned consideration that is conditional.

Contract assets is assessed for impairment under the simplified approach in accordance with IFRS 9: Financial Instruments.

f) Inventories:
Inventories are valued at the lower of average cost or net realizable value after providing allowances for any obsolete or slow-moving items. Inventories costs comprise direct materials indirect overheads that have been incurred in bringing the inventories to their present location and condition. Cost is determined on a weighted average basis

Net realizable value is the estimated selling price in the ordinary course of business less the costs of completion and selling expenses. Write-off is made for obsolete and slow-moving items based on their expected future use and net realizable value.

g) Investment in associates:
Associates are those entities in which the Group has significant influence which is the power to participate in the financial and operating policy decisions of the associate but is not control or joint control over those policies. The Group's Investments in associates are accounted for using the equity method. Under the equity method, investment in associates are carried in the consolidated statement of financial position at cost as adjusted for changes in the Group's share of the net assets of the associate from the date that significant influence effectively commences until the date that significant influence effectively ceases, except when the investment is classified as held for sale, in which case it is accounted as per IFRS 5 "Non-current Assets Held for Sale and Discontinued Operations".

The Group recognizes in its consolidated statement of profit or loss for its share of results of operations of the associate and in its other comprehensive income for its share of changes in other comprehensive income of associate.

Losses of an associate in excess of the Group's interest in that associate (which includes any long-term interests that, in substance, form part of the Group's net investment in the associate) are not recognized except to the extent that the Group has an obligation or has made payments on behalf of the associate.

Unrealized gains or losses arising from transactions with associates are eliminated against the investment in the associate to the extent of the Group's interest in the associate.

Any excess of the cost of acquisition over the Group's share of the net fair value of the identifiable assets, liabilities and contingent liabilities of the associate is recognized as goodwill. The goodwill is included within the carrying amount of the investment in associates and is assessed for impairment as part of the investment. If the cost of acquisition is lower than the Group's share of the net fair value of the identifiable assets, liabilities and contingent liabilities, the difference is recognized immediately in consolidated statement of profit or loss.

The Group determines at each reporting date whether there is any objective evidence that the investment in associate is impaired. If there is such evidence, the entire carrying amount of the investment (including goodwill) is tested for impairment and the Group calculates the amount of impairment as the difference between the recoverable amount of the associate and its carrying value and recognizes the amount in consolidated statement of profit or loss. Any reversal of that impairment loss is recognized to the extent that the recoverable amount of the investment subsequently increases.

Upon loss of significant influence over the associate, the Group measures and recognizes any retaining investment at its fair value. Any difference between the carrying amount of the associate upon loss of significant influence and the fair value of the retaining investment and proceeds from disposal are recognized in consolidated statement of profit or loss.

h) Joint arrangements:
The Group classifies its interests in joint arrangements as joint ventures depending on the Group's right to the assets and obligations for the liabilities of the arrangements.

a) Joint ventures:
A joint venture is an arrangement, whereby the parties that have joint control of the arrangement have rights to the net assets of the joint arrangement. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require unanimous consent of the parties sharing control.

Investment in joint ventures is accounted based on equity method similar to associates (2 – g).

i) Business combinations:
A business combination is the bringing together of separate entities or businesses into one reporting entity as a result of one entity, the acquirer, obtaining control of one or more other businesses. Business combinations are accounted for using the acquisition method. The cost of an acquisition is measured as the aggregate of the consideration transferred, measured at acquisition date fair value and the amount of any non-controlling interests in the acquiree. For each business combination, the acquirer measures the non-controlling interests in the acquiree that are present ownership interests and entitle their holders to a proportionate share of the assets in the event of liquidation either at fair value or at the proportionate share of the acquiree's identifiable net assets. Acquisition-related costs are expensed as incurred.

When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date. This includes the separation of embedded derivatives in host contracts by the acquiree.

If the business combination is achieved in stages, the fair value of the acquirer's previously held equity interest in the acquiree is remeasured to fair value as at the acquisition date and the resulting gain / loss is included in consolidated statement of profit or loss or other comprehensive income as appropriate.

The Group separately recognizes contingent liabilities assumed in a business combination if it is a present obligation that arises from past events and its fair value can be measured reliably.

Any contingent consideration to be transferred by the acquirer will be recognized at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration which is deemed to be an asset or liability will be recognized in accordance with IFRS 9: "Financial Instruments". If the contingent consideration is classified as equity, it shall not be remeasured until it is finally settled within equity.

If the initial accounting for business combination is incomplete by the end of the reporting period in which the combination occurs, the Group reports provisional amounts for the items for which the accounting in incomplete. Those provisional amounts are adjusted during the measurement period, or additional assets or liabilities are recognized, to reflect new information obtained about facts and circumstances that existed at the acquisition date that, if known, would have affected the amounts recognized at that date.

The Group's management accounts for the consolidation of the results of the subsidiaries under the joint control of the Ultimate Parent Company and its subsidiaries using the book values of the net assets of the acquired subsidiary, and includes the difference between the acquired net assets and the sale consideration as gains or losses on retained earnings in the consolidated statement of changes in equity.

j) Property, plant and equipment:

The initial cost of property, plant and equipment comprises its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use. Expenditures incurred after the property, plant and equipment have been put into operation, such as repairs and maintenance and overhaul costs, are normally charged to the consolidated statement of profit or loss in the period in which the costs are incurred. In situations where it can be clearly demonstrated that the expenditures have resulted in an increase in the future economic benefits expected to be obtained from the use of an item of property, plant and equipment beyond its originally assessed standard of performance, the expenditures are capitalized as an additional cost of property, plant and equipment. Expenditure incurred to replace a component of an item of property, plant and equipment that is accounted for separately is capitalized and the carrying amount of the component that is replaced is written off.

Property, plant and equipment are stated at cost less accumulated depreciation and impairment losses. When assets are sold or retired, their cost and accumulated depreciation are eliminated from the accounts and any gain or loss resulting from their disposal is included in the consolidated statement of profit or loss. The carrying values of property, plant and equipment are reviewed for impairment when events or changes in circumstances indicate the carrying value may not be recoverable. If any such indication exists and where the carrying values exceed the estimated recoverable amount, the assets are written down to their recoverable amount, being the higher of their fair value less costs to sell and their value in use.

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

	Years
Buildings	20
Locations improvements	10
Plant and machinery	10
Furniture and fixtures	3
Motor vehicles	3

The useful life and depreciation method are reviewed periodically to ensure that the method and period of depreciation are consistent with the expected pattern of economic benefits from items of property, plant and equipment.

An item of property, plant and equipment is derecognized upon disposal or when no future economic benefits are expected to arise from the continued use of the asset.

k) Impairment of non-financial assets:

At the end of reporting period, the Group reviews the carrying amounts of its assets to determine whether there is any indication that those assets have suffered an impairment. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs.

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

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (cash-generating unit) is reduced to its recoverable amount. The impairment loss is recognized immediately in the consolidated statement of profit or loss, unless the carrying amount of relevant asset is revalued, in which case the impairment loss is treated as a revaluation decrease.

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When reversing an impairment loss subsequently, the carrying amount of the asset (cash-generating unit) is increased to the revised estimate of its recoverable amount. However, the increased carrying amount due to reversal of impairment loss should not exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset (cash-generating unit) in prior years. A reversal of an impairment loss is recognized immediately in the consolidated statement of profit or loss, unless the relevant asset is carried at a revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase.

l) Contract liabilities:

A contract liability arises if a customer pays consideration, or if the Group has a right to consideration that is unconditional, before the good or service is transferred to the customer. Contract liabilities are recognized as revenue when the Group performs under the contract.

m) Provision for end of service indemnity:

Provision is made for amounts payable to employees under the Kuwaiti Labour Law in the private sector and employee contracts. This liability, which is unfunded, represents the amount payable to each employee as a result of involuntary termination at the end of the reporting period, and approximates the present value of the final obligation.

n) Dividend distribution to shareholders:

The Group recognizes a liability to make cash and non-cash distributions to shareholders of the Parent Company when the distribution is authorized, and the distribution is no longer at the discretion of the Group. A distribution is authorized when it is approved by the shareholders of the Parent Company at the Annual General Meeting. A corresponding amount is recognized directly in equity.

Non-cash distributions are measured at the fair value of the assets to be distributed with fair value re-measurement recognized directly in equity. Upon distribution of non-cash assets, any difference between the carrying amount of the liability and the carrying amount of the assets distributed is recognized in the consolidated statement of profit or loss.

Distributions for the year that are approved after the reporting date are disclosed as an event after the date of consolidated statement of financial position.

o) Share capital:

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares are shown in equity as a deduction from the proceeds.

p) Share premium:

This represents cash received in excess of the par value of the shares issued. The share premium is not available for distribution except in cases stipulated by law.

q) Treasury shares:

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

Where any of the Group's company purchases the Parent Company's equity share capital (treasury shares), the consideration paid, including any directly attributable incremental costs is deducted from equity attributable to the Parent Company's equity holders until the shares are cancelled or reissued. Where such shares are subsequently reissued, any consideration received, net of any directly attributable incremental transaction costs is included in equity attributable to the Parent Company's shareholders.

r) Revenue from contracts with customers:

The Group is primarily in the business of providing various oilfields (i.e. cementing, simulations services) and non-oilfields services (i.e. health and safety services). Revenue from contracts with customers is recognized when control of the goods or services are transferred to the customer at an amount that reflects the consideration to which the Group expects to be entitled in exchange for those goods or services. The Group has generally concluded that it is the principal in its revenue arrangements, because it typically controls the goods or services before transferring them to the customer.

The Group applies a five-step model as follows to account for revenue arising from contracts:

- Step 1: Identify the contract with the customer – A contract is defined as an agreement between two or more parties that creates enforceable rights and obligations and sets out the criteria for every contract that must be met.
- Step 2: Identify the performance obligations in the contract – A performance obligation is a promise in a contract with the customer to transfer goods or services to the customer.
- Step 3: Determine the transaction price: The transaction price is the amount of consideration to which the Group expects to be entitled in exchange for transferring promised goods and services to a customer, excluding amounts collected on behalf of third parties.
- Step 4: Allocate the transaction price to the performance obligations in the contracts – For a contract that has more than one performance obligation, the Group will allocate the transaction price to each performance obligation in an amount that depicts the amount of consideration to which the Group expects to be entitled in exchange for satisfying each performance obligation.
- Step 5: Recognize revenue when (or as) the Group satisfies a performance obligation.

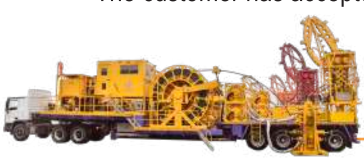
The Group exercises judgement, taking into consideration all of the relevant facts and circumstances when applying each step of the model to contracts with their customers.

The Group recognizes revenue either at a point in time or over time, when (or as) the Group satisfies contractual obligations by transferring the promised goods or services to its customers. The Group transfers control of a good or service over time (rather than at a point in time) when any of the following criteria are met:

- The customer simultaneously receives and consumes the benefits provided by the Group's performance as the Group performs.
- The Group's performance creates or enhances an asset (e.g., work in process) that the customer controls as the asset is created or enhanced, or
- The Group's performance does not create an asset with an alternative use to the Group and the Group has an enforceable right to payment for performance completed to date.

Control is transferred at a point in time if none of the criteria for a good or service to be transferred over time are met. The Group considers the following factors in determining whether control of an asset has been transferred:

- The Group has a present right to payment for the asset.
- The customer has legal title to the asset.
- The Group has transferred physical possession of the asset.
- The customer has the significant risks and rewards of ownership of the asset.
- The customer has accepted the asset.



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The Group recognizes contract liabilities for consideration received in respect of unsatisfied performance obligations and reports these amounts as other liabilities in the consolidated statement of financial position. Similarly, if the Group satisfies a performance obligation before it receives the consideration, the Group recognizes either a contract asset or a receivable in its consolidated statement of financial position, depending on whether something other than the passage of time is required before the consideration is due.

Incremental costs of obtaining a contract with a customer are capitalized when incurred as the Group expects to recover these costs and such costs would not have incurred if the contract had not been obtained. Sales commission incurred by the Group is expensed as the amortization period of such costs is less than a year.
Revenue for the Group arises from the following activities:

- **<u>Sales</u>**
  Sales represent the total invoiced value of goods sold during the year. Revenue from sale of goods is recognized at the point in time when or as the Group transfers control of the goods to the customer. For standalone sales, that are neither customized by the Group nor subject to significant integration services, control transfers at the point in time the customer takes undisputed delivery of the goods. Delivery occurs when the goods have been shipped to the specific location, have been purchased at store by the customer, the risks of obsolescence and loss have been transferred to the customer, and either the customer has accepted the goods in accordance with the sales contract, the acceptance provisions have lapsed, or the Group has objective evidence that all criteria for acceptance have been satisfied.

  When such items are either customized or sold together with significant integration services, the goods and services represent a single combined performance obligation over which control is considered to transfer over time. This is because the combined product is unique to each customer (has no alternative use) and the Group has an enforceable right to payment for the work completed to date. Revenue for these performance obligations is recognized over time as the recognized on or integration work is performed.

- **<u>Rendering of services</u>**
  Revenue from service contracts is recognized when the service is rendered. The Group enters into fixed price contracts with its customers. Customers are required to pay in advance and the relevant payment due dates are specified in each contract. Revenue is recognized over time based on the ratio between the number of hours of services provided in the current period and the total number of such hours expected to be provided under each contract.

- **<u>Other income</u>**
  Other income is recognized on accrual basis.

s) Provisions:

A provision is recognized when the Group has a present legal or constructive obligation as a result of a past event and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation. Provisions are reviewed at the end of each reporting period and adjusted to reflect the current best estimate. Where the effect of the time value of money is material, the amount of a provision is the future value of the expenditures expected to be required to settle the obligation.

<u>Contingent liabilities recognized in a business combination</u>
Contingent liabilities acquired in a business combination are initially measured at fair value at the acquisition date. At the end of subsequent reporting periods, such contingent liabilities are measured at the higher of the amount that would be recognized in accordance with IAS 37 and the amount recognized initially less cumulative amount of income recognized in accordance with the principles of IFRS 15.

Onerous contracts

An onerous contract is a contract under which the unavoidable costs (i.e., the costs that the Group cannot avoid because it has the contract) of meeting the obligations under the contract exceed the economic benefits expected to be received under it. The unavoidable costs under a contract reflect the least net cost of exiting from the contract, which is the lower of the cost of fulfilling it and any compensation or penalties arising from failure to fulfil it.

If the Group has a contract that is onerous, the present obligation under the contract is recognized and measured as a provision. However, before a separate provision for an onerous contract is established, the Group recognizes any impairment loss that has occurred on assets dedicated to that contract.

Provisions are not recognized for future operating losses.

t) Leases:

Group as a lessee

The Group assesses whether a contract is or contains a lease, at inception of the contract. The Group recognizes a right-of-use asset and a corresponding lease liability with respect to all lease arrangements in which it is the lessee.

Right-of-use assets

The Group recognizes right-of-use assets at the commencement date of the lease (i.e., the date the underlying asset is available for use). Right of use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any re-measurement of lease liabilities. The cost of right of use assets includes the amount of lease liabilities recognized, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Unless the Group is reasonably certain to obtain ownership of the leased asset at the end of the lease term, the recognized right of use assets are depreciated on a straight-line basis over the shorter of its estimated useful life and the lease term. Right of use assets are subject to impairment.

Lease liabilities

At the commencement date of the lease, the Group recognizes lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in-substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Group and payments of penalties for terminating a lease, if the lease term reflects the Group exercising the option to terminate. The variable lease payments that do not depend on an index or a rate are recognized as expense in the period on which the event or condition that triggers the payment occurs.

In calculating the present value of lease payments, the Group uses its current borrowing rate at the lease commencement date because the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of profit and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the in-substance fixed lease payments or a change in the assessment to purchase the underlying asset.

Short-term leases and leases of low-value assets

The Group applies the short-term lease recognition exemption to its short-term leases of property and equipment (i.e., those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). It also applies the lease of low-value assets recognition exemption to leases of office equipment that are considered of low value. Lease payments on short-term leases and leases of low-value assets are recognized as expense on a straight-line basis over the lease term.

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u) National Labor Support (NLST):

National Labor Support Tax (NLST) is calculated at 2.5% of the profit attributable to the shareholders of the Parent Company before contribution to KFAS, NLST, Zakat, and Board of Directors' remuneration, and after deducting the Parent Company's share of profit from associates and subsidiaries listed in Boursa Kuwait, share of NLST paid by subsidiaries listed in Boursa Kuwait, and cash dividends received from companies listed in Boursa Kuwait in accordance with Law No. 19 of 2000 and Ministerial resolution No. 24 of 2006 and their Executive Regulations.

v) Zakat:

Zakat is calculated at 1% of the profit attributable to the shareholders of the Parent before contribution to KFAS, NLST, Zakat, and Board of Directors' remuneration, and after deducting the Parent Company's share of profit from Kuwaiti shareholding associates and subsidiaries, share of Zakat paid by Kuwaiti shareholding subsidiaries and cash dividends received from Kuwaiti shareholding companies in accordance with Law No. 46 of 2006 and Ministerial resolution No. 58 of 2007 and their Executive Regulations.

w) Foreign currencies:

Foreign currency transactions are translated into Kuwaiti Dinars at rates of exchange prevailing on the date of the transactions. Monetary assets and liabilities denominated in foreign currency as at the end of reporting period are retranslated into Kuwaiti Dinars at rates of exchange prevailing on that date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing on the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences arising on the settlement of monetary items, and on the retranslation of monetary items, are included in the consolidated statement of profit or loss for the period. Translation differences on non-monetary items such as equity instruments which are classified as financial assets at FVTPL are reported as part of the fair value gain or loss. Translation differences on non-monetary items such as equity instruments classified as FVOCI are included in "cumulative changes in fair value" in the consolidated other comprehensive income.

x) Contingencies:

Contingent liabilities are not recognized in the consolidated financial statements unless it is probable as a result of past events that an outflow of economic resources will be required to settle a present, legal or constructive obligation; and the amount can be reliably estimated. Else, they are disclosed unless the possibility of an outflow of resources embodying economic losses is remote.

Contingent assets are not recognized in the consolidated financial statements but disclosed when an inflow of economic benefits as a result of past events is probable.

y) Segment reporting:

Segment is a distinguishable component of the Group that engages in business activities from which it earns revenue and incurs costs. Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker is identified as the person being responsible for allocating resources, assessing performance and making strategic decisions regarding the operating segments.

z) Critical accounting estimates, assumptions and judgments:

The Group makes judgments, estimates and assumptions concerning the future. The preparation of consolidated financial statements in conformity with International Financial Reporting Standards requires management to make judgments, estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenue and expenses during the year. The actual results may differ from such estimates.

1- Judgments:

In the process of applying the Group's accounting policies which are described in Note 2, management has made the following judgments that have significant effect on the amounts recognized in the consolidated financial statements.

- Revenue recognition
  Revenue is recognized to the extent it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured. The determination of whether the revenue recognition criteria as specified under IFRS 15 and revenue policy for revenue from contracts with customers explained in Note (2 – r) are met requires significant judgment.

- Determination of contract costs
  Determination of costs which are directly related to the specific contract or attributable to the contract activity in general requires significant judgment. The determination of contract cost has a significant impact upon revenue recognition in respect of long-term contracts. The Group follows guidance of IFRS 15 for determination of contract cost and revenue recognition.

- Provision for expected credit losses and inventories
  The determination of the recoverability of the amount due from customers and the marketability of the inventories and the factors determining the impairment of the receivables and inventories involve significant judgment.

- Classification of financial assets
  On acquisition of a financial asset, the Group decides whether it should be classified as "at fair value through profit or loss", "at fair value through other comprehensive income" or "at amortized cost". IFRS 9 requires all financial assets, except equity instruments and derivatives, to be assessed based on a combination of the Group's business model for managing the assets of the instrument's contractual cash flow characteristics. The Group follows the guidance of IFRS 9 on classifying its financial assets and is explained in Note (2 – d).

- Business combinations
  At the time of acquisition to subsidiaries, the Parent Company considers whether the acquisition represents the acquisition of a business or of an asset (or a group of assets and liabilities). The Parent Company accounts for an acquisition as a business combination where an integrated set of activities is acquired in addition to the assets. More specifically, consideration is made to the extent of which significant processes are acquired. The significance of processes requires significant judgment.

  Where the acquisition of subsidiaries does not represent a business, it is accounted for as an acquisition of an asset (or a group of assets and liabilities). The cost of acquisition is allocated to the assets and liabilities acquired based on their relative fair values, and no goodwill or deferred tax is recognized.

- Taxes
  The Group is subject to income taxes in numerous jurisdictions. Significant judgment is required in determining the provision for income taxes. There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business.

- Control assessment
  When determining control over an investee, management considers whether the Group has a 'de facto' power to control an investee if it holds less than 50% of the investee's voting rights. The assessment of the investee's relevant activities and the ability to use the Parent Company's power to affect the investee's variable returns requires significant judgment.

- Significant influence assessment
  When determining significant influence over an investee, management considers whether the Group has the power to participate in the financial and operating policy decisions of the investee if it holds less than 20% of the investee's voting rights. The assessment, which requires significant judgment, involves consideration of the Group's representation on the investee's Board of Directors, participation in policy making decisions and material transactions between the investor and investee.

- Leases
  Critical judgements required in the application of IFRS 16 include, among others, the following:
  - Identifying whether a contract (or part of a contract) includes a lease;
  - Determining whether it is reasonably certain that an extension or termination option will be exercised;
  - Classification of lease agreements (when the entity is a lessor);
  - Determination of whether variable payments are in-substance fixed;
  - Establishing whether there are multiple leases in an arrangement,
  - Determining the selling prices of lease and non-lease components.

2- Estimates and assumptions:

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

- Fair value of unquoted financial assets
  If the market for a financial asset is not active or not available (or unquoted securities), the Group establishes fair value by using valuation techniques. They include the use of recent arm's length transactions, reference to other instruments that are substantially the same, discounted cash flow analysis, and option pricing models refined to reflect the issuer's specific circumstances. This valuation requires the Group to make estimates about expected future cash flows and discount rates that are subject to uncertainty.

- Useful lives of depreciable assets
  The Group reviews its estimate of useful lives of depreciable assets at each reporting date based on the expected utility of assets. Uncertainties in these estimates mainly relate to obsolescence and changes in operations.

- Provision for expected credit losses and inventories
  The extent of provision for expected credit losses and inventories involves estimation process. The provision for expected credit loss is based on a forward looking ECL approach. Bad debts are written off when identified. The carrying cost of inventories is written down to their net realizable value when the inventories are damaged or become wholly or partly obsolete or their selling prices have declined. The benchmarks for determining the amount of provision or written-off include ageing analysis, technical assessment and subsequent events. The provisions and write-down of accounts receivable and inventories are subject to management approval.

- Impairment of non-financial assets
  Impairment happens when the carrying value of asset (or cash generating unit) exceeds the recoverable amount. It is the higher of the fair value less costs to sell and value in use. The fair value less costs to sell calculation is based on available data from binding sales transactions in an arm's length transaction of similar assets or observable market prices less incremental costs for disposing of the asset. The value in use calculation is based on a discounted cash flow model. The cash flows are derived from the budget for the next five years and do not include restructuring activities that the Group is not yet committed to or significant future investments that will enhance the asset's performance (or cash generating unit) being tested. The recoverable amount is most sensitive to the discount rate used for the discounted cash flow model as well as the expected future cash inflows and the growth rate used for extrapolation purposes.

- Taxes
  The Group recognizes a liability for the anticipated taxes levied in the jurisdictions of its activity based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made. Any changes in the estimates and assumptions may have an impact on the carrying values of the deferred taxes.

- Leases
  Key sources of estimation uncertainty in the application of IFRS 16 include, among others, the following:
  - Estimation of the lease term.
  - Determination of the appropriate rate to discount the lease payments.
  - Assessment of whether a right-of-use asset is impaired.

3- Property, plant and equipment

	Buildings	Locations improvements	Plant and machinery	Furniture and fixtures	Motor vehicles	Total
Cost:						
At January 1, 2024	4,875,032	-	35,479,293	860,525	642,189	41,857,039
Additions	48,989	-	2,723,922	36,720	205,006	3,014,637
Disposals	-	-	(607,234)	(463,620)	(46,780)	(1,117,634)
Written off	-	-	(2,474)	(36,424)	-	(38,898)
Related to acquisition of a subsidiary	1,649,799	1,075,581	-	46,106	-	2,771,486
At December 31, 2024	**6,573,820**	**1,075,581**	**37,593,507**	**443,307**	**800,415**	**46,486,630**
Accumulated depreciation:						
At January 1, 2024	3,767,288	-	22,895,982	788,711	446,343	27,898,324
Depreciation charge for the year	133,462	-	2,483,654	37,821	189,893	2,844,830
Related to disposals	-	-	(607,234)	(463,365)	(46,780)	(1,117,379)
Related to written off	-	-	(2,472)	(36,379)	-	(38,851)
Related to acquisition of a subsidiary	461,474	467,113	-	42,110	-	970,697
At December 31, 2024	**4,362,224**	**467,113**	**24,769,930**	**368,898**	**589,456**	**30,557,621**
Net carrying value:						
At December 31, 2024	**2,211,596**	**608,468**	**12,823,577**	**74,409**	**210,959**	**15,929,009**
At December 31, 2023	1,107,744	-	12,583,311	71,814	195,846	13,958,715

- Buildings are constructed on a leasehold lands leased from the Public Authority of Industry.
- Depreciation charged for the year is allocated as follows:

	2024	2023
Cost of sales and services rendered	**2,785,805**	2,504,842
General and administrative expenses (Note 21)	**59,025**	30,783
	2,844,830	2,535,625

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	Buildings	Plant and machinery	Furniture and fixtures	Motor vehicles	Total
Cost:					
At January 1, 2023	3,240,650	30,891,389	698,714	576,067	35,406,820
Additions	83,704	3,538,909	55,777	96,600	3,774,990
Disposals	-	(441,407)	-	(123,795)	(565,202)
Written off	(135,229)	(27,831)	(53,297)	-	(216,357)
Related to acquisition of a subsidiary	1,685,907	1,518,233	159,331	93,317	3,456,788
At December 31, 2023	4,875,032	35,479,293	860,525	642,189	41,857,039
Accumulated depreciation:					
At January 1, 2023	2,250,098	19,795,519	670,929	368,033	23,084,579
Depreciation charge for the year	138,305	2,264,556	23,964	108,800	2,535,625
Related to disposals	-	(441,407)	-	(123,795)	(565,202)
Related to written off	(76,022)	(27,490)	(53,297)	-	(156,809)
Related to acquisition of a subsidiary	1,454,907	1,304,804	147,115	93,305	3,000,131
At December 31, 2023	3,767,288	22,895,982	788,711	446,343	27,898,324
Net carrying value:					
At December 31, 2023	1,107,744	12,583,311	71,814	195,846	13,958,715
At December 31, 2022	990,552	11,095,870	27,785	208,034	12,322,241

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4- Investment in associates

Investment in associates consists of the following:

Name of associate	Country of incorporation	Principal activities	Percentage of ownership		Carrying value	
			2024	2023	**2024**	2023
United Precision Drilling Company – W.L.L. ("UPDC")	State of Kuwait	Sale of oil equipment	**47.5%**	47.5%	**3,261,323**	2,987,237
JTC Logistics Transportation & Stevedoring Co. – K.S.C.P. ("JTC")	State of Kuwait	Transport and Stevedoring operation	**21.22%**	20%	**15,127,216**	13,627,891
					18,388,539	16,615,128

Movement during the year is as follows:

	2024	2023
Balance at the beginning of the year	**16,615,128**	-
Related to acquisition of a subsidiary	**-**	16,615,128
Additions	**675,371**	-
Group's share of results from associates	**2,436,388**	-
Group's share of associates' other comprehensive income	**64,157**	-
Cash dividends received	**(1,402,505)**	-
Balance at the end of the year	**18,388,539**	16,615,128

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Summarized financial information for associates is as follows:

	2024		
Summarized statement of financial position:	**UPDC**	**JTC**	**Total**
Assets:			
Non-current assets	10,331,229	57,423,613	67,754,842
Current assets	30,771,866	17,908,723	48,680,589
Total assets	41,103,095	75,332,336	116,435,431
Liabilities:			
Non-current liabilities	7,947,381	10,599,683	18,547,064
Current liabilities	26,939,960	9,087,335	36,027,295
Total Liabilities	34,887,341	19,687,018	54,574,359
Net assets	6,215,754	55,645,318	61,861,072
Ownership interest	47.5%	21.22%	-
Group's share in associates' net assets	2,952,483	11,807,937	14,760,420
Goodwill	308,840	3,319,279	3,628,119
Carrying value of investment in associates	3,261,323	15,127,216	18,388,539
Fair value of the Group's interest in the quoted associates	-	12,128,488	12,128,488
Summarized statement of profit or loss and other comprehensive income:			
Operating revenue	48,766,481	28,508,613	77,275,094
Operating costs	(46,626,280)	(21,817,788)	(68,444,068)
Profit for the year	2,140,201	6,690,825	8,831,026
Other comprehensive income for the year	-	302,342	302,342
Total comprehensive income for the year	2,140,201	6,993,167	9,133,368
Group's share of results from associates	1,016,595	1,419,793	2,436,388
Group's share of associates' other comprehensive income	-	64,157	64,157
	1,016,595	1,483,950	2,500,545
Cash dividends received	742,505	660,000	1,402,505
Contingent liabilities of the associates	49,824,358	4,656,064	54,480,422

	2023		
Summarized statement of financial position:	UPDC	JTC	Total
Assets:			
Non-current assets	10,811,449	49,989,118	60,800,567
Current assets	23,496,352	25,707,094	49,203,446
Total assets	34,307,801	75,696,212	110,004,013
Liabilities:			
Non-current liabilities	9,780,050	16,494,567	26,274,617
Current liabilities	18,889,021	7,640,171	26,529,192
Total Liabilities	28,669,071	24,134,738	52,803,809
Net assets	5,638,730	51,561,474	57,200,204
Ownership interest	47.5%	20%	-
Group's share in associates' net assets	2,678,397	10,312,295	12,990,692
Goodwill	308,840	3,315,596	3,624,436
Carrying value of investment in associates	2,987,237	13,627,891	16,615,128
Fair value of the Group's interest in the quoted associates	-	9,720,000	9,720,000
Contingent liabilities of associates	39,217,637	7,209,309	46,426,946

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5- Investment joint venture

Investment in joint venture consists of the following:

Name of joint venture	Country of incorporation	Principal activities	Percentage of ownership		Carrying value	
			2024	2023	**2024**	2023
United Qmax Drilling Fluids Company – W.L.L.	State of Kuwait	Petroleum activities	**100% ***	51%	**-**	1,601,491
					-	1,601,491

* During the year ended December 31, 2024, the Group acquired control over the joint venture, and its ownership interest in the joint venture increased to 100%, as detailed in Note 2 – b.

Movement during the year is as follows:

	2024	2023
Balance at the beginning of the year	**1,601,491**	-
Related to acquisition of a subsidiary	**-**	1,601,491
Group's share of results from joint venture until date of obtaining control	**2,159,378**	-
Cash dividends received	**(159,038)**	-
Effect of obtaining control over the joint venture (Note 2 - b)	**(3,601,831)**	-
Balance at the end of the year	**-**	1,601,491

Summarized financial information for the joint venture is as follows:

Summarized statement of financial position:	**2024**	2023
Total assets	**-**	6,406,738
Total Liabilities	**-**	3,266,559
Net assets	**-**	3,140,179
Ownership interest	**-**	51%
Group's share in joint venture's net assets	**-**	1,601,491
Carrying value of investment in a joint venture	**-**	1,601,491

Summarized statement of profit or loss and other comprehensive income:	**From January 1, 2024, till date of control**
Operating revenue	**13,061,470**
Operating costs	**(8,827,396)**
Profit for the year	**4,234,074**
Group's share of results from joint venture	**2,159,378**
Cash dividends received	**159,038**

6- Financial assets at fair value through other comprehensive income ("FVOCI")

	2024	2023
Quoted securities	**-**	19,401
Unquoted securities	**605,467**	1,153,319
	605,467	1,172,720

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Movement during the year is as follows:

	2024	2023
Balance at the beginning of the year	**1,172,720**	-
Related to acquisition of a subsidiary	**-**	1,172,720
Disposals	**(20,110)**	-
Change in fair value	**(547,143)**	-
Balance at the end of the year	**605,467**	1,172,720

Financial assets at FVOCI are measured at fair value as presented in Note (28).

7- Inventories

	2024	2023
Cement, acidizing chemicals and processed mud	**5,760,640**	3,821,343
Spare parts and tools	**1,532,049**	1,499,732
Finished goods	**195,374**	212,326
	7,488,063	5,533,401
Less: provision for slow moving inventories (a)	**(1,049,797)**	(1,001,956)
	6,438,266	4,531,445

(a) Provision for slow moving inventories:
Movement in the provision for slow moving inventories is as follows:

	2024	2023
Balance at the beginning of the year	**1,001,956**	936,027
Charge for the year (included under cost of sales and services rendered)	**25,260**	28,454
Provision no longer required (included under cost of sales and services rendered)	**-**	(72,615)
Related to acquisition of a subsidiary	**22,581**	110,090
	1,049,797	1,001,956

8- Trade receivables and contract assets

	2024	2023
Trade receivables (a)	**7,703,813**	9,115,824
Less: provision for expected credit losses (b)	**(426,588)**	(182,453)
Net trade receivables	**7,277,225**	8,933,371
Contract assets	**3,998,713**	3,721,742
	11,275,938	12,655,113

(a) Trade receivables:
Trade receivables are non-interest bearing and are generally due within 60 days.

The Group applies the IFRS 9 simplified model of recognizing lifetime expected credit losses as these items do not have a significant financing component. In measuring the expected credit losses, trade receivables have been assessed on a collective basis respectively and grouped based on shared credit risk characteristics and the days past due.

The expected loss rates are based on aging profile of customers over the past 3 to 5 years before December 31, 2024 and January 1, 2024 respectively as well as the corresponding historical credit losses during that period. The historical rates are adjusted to reflect current and forwarding looking macroeconomic factors affecting the customer's ability to settle the amount outstanding. However, given the short period exposed to credit risk, the impact of these macroeconomic factors has not been considered significant within the reporting period.

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Trade receivables are written off when there is no reasonable expectation of recovery. Failure to make payments within 365 days from the invoice date and failure to engage with the Group on alternative payment arrangement amongst other is considered indicators of no reasonable expectation of recovery and therefore is considered as credit impaired.

The following table details the risk profile of trade receivables and contract assets, based on the Group's provision matrix. As the Group's historical credit loss experience does not show significantly different loss patterns for different customer segments, the provision for loss allowance based on past due status is not further distinguished between the Group's different customer base.

		Trade receivables				
December 31, 2024:	**Contract assets ***	**Current**	**Less than 90 days**	**91 – 180 days**	**More than 180 days**	**Total**
Average expected credit loss rates	**-**	**0.28%**	**1.22%**	**4.45%**	**47.74%**	
Gross carrying amounts	**3,998,713**	**4,479,919**	**2,006,246**	**443,069**	**774,579**	**11,702,526**
Lifetime expected credit losses	**-**	**(12,576)**	**(24,534)**	**(19,714)**	**(369,764)**	**(426,588)**
Net trade receivables and contract assets	**3,998,713**	**4,467,343**	**1,981,712**	**423,355**	**404,815**	**11,275,938**

		Trade receivables				
December 31, 2023:	Contract assets *	Current	Less than 90 days	91 – 180 days	More than 180 days	Total
Average expected credit loss rates	-	0.10%	0.61%	2.09%	23.45%	
Gross carrying amounts	3,721,742	3,496,966	3,313,993	1,787,344	517,521	12,837,566
Lifetime expected credit losses	-	(3,484)	(20,197)	(37,438)	(121,334)	(182,453)
Net trade receivables and contract assets	3,721,742	3,493,482	3,293,796	1,749,906	396,187	12,655,113

* The Group's management has assessed that the expected credit losses do not materially impact contract assets, as these balances are due from Kuwait Oil Company (KOC), a government-owned entity with high credit quality, and are billed regularly, with no history of default.

(b) Provision for expected credit losses:

Movement in provision for expected credit losses during the year is as follows:

	2024	2023
Balance at the beginning of the year	**182,453**	420,129
Charged during the year	**243,200**	-
Provision no longer required	**-**	(75,656)
Related to acquisition of a subsidiary	**935**	63,463
Utilized during the year	**-**	(225,483)
Balance at the end of the year	**426,588**	182,453

9- Prepayments and other debit balances

	2024	2023
Advance payments to suppliers	**1,260,347**	1,068,310
Staff receivables	**519,088**	411,718
Deposits and other debit balances	**785,674**	768,909
	2,565,109	2,248,937

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10- Related party disclosures

The Group has entered into various transactions with related parties, i.e., shareholders and entities under common control and other related parties. The prices and terms of payment related to these transactions are approved by the Group's management. The significant related party transactions and balances are as follows:

Balances included in the consolidated statement of financial position:	Entities under common control	Shareholders	Other related parties	Total 2024	Total 2023
Financial assets at FVTPL	792	-	-	**792**	319
Financial assets at FVOCI	-	-	-	**-**	19,401
Term deposits	8,505,037	-	-	**8,505,037**	3,002,346
Bank balances	3,778,212	-	-	**3,778,212**	1,370,494
Due from a related party (a)	-	-	-	**-**	278,151
Account payables and accrued expenses	-	-	-	**-**	(3,673,387)
Dividends payable (Note 18)	-	(453,301)	-	**(453,301)**	(383,249)
Due to a related party	(14,093)	-	-	**(14,093)**	-
Transactions included in the consolidated statement of profit or loss and other comprehensive income:					
Interest income	352,054	-	-	**352,054**	-
General and administrative expenses	9,886	-	-	**9,886**	101,693
Cost of sales and services rendered	-	-	-	**-**	28,051
Other income	-	-	30,000	**30,000**	-
Contingent liabilities					
Letters of guarantee	7,837,577	-	-	**7,837,577**	6,457,426

(a) Due from a related party is classified in the consolidated statement of financial position as follows:

	2024	2023
Non-current portion	**-**	17,579
Current portion	**-**	260,572
	-	278,151

Compensation to key management personnel:

	Transactions values for the year ended December 31		Balances outstanding as at December 31	
	2024	2023	**2024**	2023
Salaries and other short-term benefits	**524,632**	685,353	**168,000**	56,800
Employees' end of service benefits	**16,809**	33,157	**32,221**	15,412
Board of directors' remuneration	**169,381**	136,851	**169,381**	136,851
	710,822	855,361	**369,602**	209,063

11- Term deposits

The interest rates on term deposits ranges from 3.875% to 4.55% per annum (2023: 4.46% to 4.55% per annum). These deposits have average contractual maturities ranging from three months to twelve months (2023: ranging from three months to twelve months) and are denominated in Kuwaiti Dinars and placed with local banks.

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12- Bank balances and cash

	2024	2023
Cash on hand	**5,563**	5,404
Cash in portfolio	**407,162**	-
Cash at banks	**4,828,842**	2,655,557
	5,241,567	2,660,961

13- Share capital

Authorized, issued and paid up capital consists of 100,000,000 shares of 100 fils each (2023: Authorized, issued and paid up capital consists of 100,000,000 shares of 100 fils each) and all shares are in cash.

14- Treasury shares

	2024	2023
Number of treasury shares	**9,659,912**	9,659,912
Percentage of issued shares	**9.66%**	9.66%
Market value (KD)	**8,693,921**	7,756,909
Cost (KD)	**(6,002,371)**	(6,002,371)

Reserves equivalent to the cost of the treasury shares are held and not available for distribution during the holding period of such shares by the Group as per Capital Market Authority guidelines.

15- Statutory reserve

As required by the Companies Law and the Parent Company's Articles of Association, 10% of the profit for the year attributable to shareholders of the Parent Company before contribution to KFAS, NLST, Zakat and Board of Directors' remuneration is transferred to statutory reserve. The Parent Company may resolve to discontinue such annual transfers when the reserve exceeds 50% of the capital. This reserve is not available for distribution except in cases stipulated by Law and the Parent Company's Articles of Association. The Parent Company's shareholders at the Annual General Assembly Meeting held on March 28, 2019, approved to discontinue the transfer to the statutory reserve, as the statutory reserve balance exceeded 50% of the Parent Company's capital.

16- Voluntary reserve

As required by the Parent Company's Articles of Association,10% of the profit for the year attributable to shareholders of the Parent Company before contribution to KFAS, NLST, Zakat and Board of Directors' remuneration is transferred to the voluntary reserve. Such annual transfers may be discontinued by a resolution of the shareholders' General Assembly upon recommendation by the Board of Directors. The Parent Company's shareholders at the Annual General Assembly Meeting held on March 28, 2019, approved to discontinue the transfer to the voluntary reserve.

17- Provision for employees' end of service benefits

	2024	2023
Balance at the beginning of the year	**2,779,532**	3,452,533
Charged during the year	**801,611**	610,253
Paid during the year	**(365,161)**	(1,698,784)
Related to acquisition of a subsidiary	**55,840**	415,530
Balance at the end of the year	**3,271,822**	2,779,532

18- Account payables and accrued expenses

	2024	2023
Trade payables (a)	**3,877,777**	2,024,869
Dividends payable (Note 10)	**453,301**	383,249
Other dividends payable	**303,339**	260,181
Accrued staff costs	**1,786,694**	1,681,370
Advances received	**378,009**	357,868
Taxes payable	**722,737**	444,330
Accrued Board of Directors' remuneration (Note 10)	**169,381**	136,851
Contract liabilities	**440,447**	485,288
Due to a related party for acquisition of a subsidiary (c)	**-**	3,544,017
Other accrued expenses and provisions	**2,681,809**	2,332,326
	10,813,494	11,650,349

a) Trade payables are non-interest bearing and are normally settled on average period of 90 days.

b) The carrying amounts of accounts payable and other credit balances largely correspond to their fair values.

c) The outstanding amount of KD 3,544,017 as of December 31, 2023, includes KD 3,529,920 payable to a related party for the acquisition of the subsidiary, United Oil Projects Company – K.S.C.C., which was acquired in the prior year, and this amount was settled during the current year.

19- Sales and services revenue

Below is the disaggregation of the Group's sales and services revenue:

Type of goods or services	**2024**	2023
Oil field contracts		
Pumping services	**33,085,604**	32,007,512
Non-oil field contracts		
Health, safety, environment and man-power supply services	**4,421,850**	6,499,158
Other services	**892,855**	1,016,129
Sale of chemicals and other material	**2,628,589**	-
Total sales and services revenue	**41,028,898**	39,522,799
Timing of revenue recognition		
Goods and services transferred at a point in time	**2,916,419**	57,627
Goods and services transferred over time	**38,112,479**	39,465,172
Total sales and services revenue	**41,028,898**	39,522,799
Geographical markets		
State of Kuwait	**40,129,914**	39,430,887
Others	**898,984**	91,912
	41,028,898	39,522,799

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20- Investment income

	2024	2023
Dividends income	**41,989**	60,099
Realized gain on sale of financial assets at FVTPL	**2,500**	-
Change in fair value of financial assets at FVTPL	**469**	782
	44,958	60,881

21- General and administrative expenses

	2024	2023
Staff costs	**2,077,892**	1,957,220
Depreciation expense (Note 3)	**59,025**	30,783
Amortization of right-of-use assets	**30,072**	50,660
Interest expense on lease liabilities	**9,726**	21,140
Professional fees	**201,060**	101,072
Marketing and business development expenses	**69,495**	188,288
Charity expense	**172,555**	85,985
Other expenses	**882,673**	557,382
	3,502,498	2,992,530

22- Contribution to Kuwait Foundation for the Advancement of Sciences (KFAS) and Other Taxation

KFAS

Contribution to KFAS is calculated at 1% of the net profit attributable to shareholders of the Parent Company before contribution to KFAS, NLST, Zakat, and Board of Directors' remuneration.

Movement in accrued contribution to KFAS is as follows:

	2024	2023
Due amount at the beginning of the year	**91,234**	72,871
Deducted from the net profit for the year for the KFAS	**107,270**	91,234
Paid during the year	**(91,234)**	(72,871)
Due amount at the end of the year	**107,270**	91,234

Other Taxation

Pillar 2 Income Taxes

In 2021, OECD's Inclusive Framework (IF) on Base Erosion and Profit Shifting (BEPS) had agreed to a two-pillar solution in order to address tax challenges arising from digitalization of the economy. Under Pillar 2, multinational entities (MNE Group) whose revenue exceeds EUR 750 million are liable to pay corporate income tax at a minimum effective tax rate of 15% in each jurisdiction they operate. The jurisdiction in which the Group operates has joined the IF.

Currently the Group's revenue does not exceed EUR 750 million but may be exposed to the global minimum tax by virtue of the Ultimate Parent Company which is domiciled and operating in the State of Kuwait. On 31 December 2024, the State of Kuwait enacted Law No. 157 of 2024 (the "Law"), introducing a Domestic Minimum Top-Up Tax (DMTT) effective from 2025 on entities which are part of MNE Group with annual revenues of EUR 750 million or more. The Law provides that a top-up tax shall be payable on the taxable income at a rate equal to the difference between 15% and the effective tax rate of all constituent entities of the MNE Group operating within Kuwait. The taxable income and effective tax rate shall be computed in accordance with the Executive regulations which will be issued within six months from the date of issue of the Law.

In the absence of Executive Regulations in Kuwait, the expected impact in 2025 cannot be reasonably estimated at this time.

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23- Basic and diluted earnings per share attributable to the Parent Company's Shareholders

There are no potential dilutive ordinary shares. The information necessary to calculate basic and diluted earnings per share based on the weighted average number of shares outstanding during the year is as follows:

	2024	2023
Profit for the year attributable to the Parent Company's Shareholders	**13,424,081**	8,595,516
Number of shares outstanding:		
Weighted average number of ordinary shares	**100,000,000**	100,000,000
Less: Weighted average number of treasury shares	**(9,659,912)**	(3,054,739)
Weighted average number of shares outstanding during the year	**90,340,088**	96,945,261
Basic and diluted earnings per share attributable to the Parent Company's Shareholders (fils)	**148.59**	88.66

24- Shareholders Annual General Assembly and Board of Directors of the Parent Company's

The Board of Directors' meeting held on March 25, 2025, recommended cash dividends of 70 fils per share (totaling KD 6,323,806), and Board of Directors' remuneration of KD 169,381 for the year ended December 31, 2024. These recommendations are subject to the approval of the Parent Company's Shareholders' Annual General Assembly.

The Ordinary General Assembly of the Parent Company's Shareholders held on May 20, 2024 approved the consolidated financial statements for the year ended December 31, 2023 and approved the recommendations of the Board of Directors to distribute cash dividends of 60 fils per share (totaling KD 5,420,405), and remuneration for the Parent Company's Board of Directors amounting to KD 136,851 for the year ended on December 31, 2023.

The Ordinary General Assembly of the Parent Company's Shareholders held on May 1, 2023 approved the consolidated financial statements for the year ended December 31, 2022 and approved the recommendations of the Board of Directors to distribute cash dividends of 50 fils per share (totaling KD 4,850,000), and remuneration for the Parent Company's Board of Directors amounting to KD 109,307 for the year ended on December 31, 2022.

25- Contingent liabilities and capital commitments

Contingent liabilities

The Group provided guarantees for the performance of certain contracts as follows:

	2024	2023
Letters of guarantee	**34,800,575**	32,464,543
Letters of guarantee – related to the Group's subsidiaries	**4,620,726**	4,429,590
	39,421,301	36,894,133

Capital commitments

As at December 31, 2024, the Group has capital commitments relating to the purchase of property, plant and equipment amounting to KD 1,896,268 (2023: KD 1,724,483).

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26- 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 the operating 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 drilling services.

Non-oil field services : Non-oil field services comprise of a number of diversified activities including health, safety and environmental services, engineering and consultancy services.

The table below presents revenue and profit information for the Group's operating segments December 31, 2024, and December 31, 2023 as follows:

	For the year ended December 31, 2024				For the year ended December 31, 2023			
	Oil field services	**Non-oil field services**	**Unallocated items**	**Total**	Oil field services	Non-oil field services	Unallocated items	Total
Sales and services revenue	**33,085,604**	**7,943,294**	**-**	**41,028,898**	32,007,512	7,515,287	-	39,522,799
Cost of sales and services (1)	**(18,011,053)**	**(6,873,798)**	**-**	**(24,884,851)**	(18,870,753)	(7,013,931)	-	(25,884,684)
Depreciation expense	**(2,455,334)**	**(330,471)**	**(59,025)**	**(2,844,830)**	(2,277,478)	(227,364)	(30,783)	(2,535,625)
Amortization of right-of-use assets	**(111,748)**	**(64,180)**	**(30,072)**	**(206,000)**	(200,482)	(60,610)	(50,660)	(311,752)
General and administrative expenses (1)	**-**	**-**	**(3,413,401)**	**(3,413,401)**	-	-	(2,911,087)	(2,911,087)
Tax expenses	**-**	**-**	**(616,636)**	**(616,636)**	-	-	(391,016)	(391,016)
Board of Directors' remuneration	**-**	**-**	**(169,381)**	**(169,381)**	-	-	(136,851)	(136,851)
Unallocated income (2)	**-**	**-**	**7,832,457**	**7,832,457**	-	-	1,243,727	1,243,727
Profit (loss) for the year	**12,507,469**	**674,845**	**3,543,942**	**16,726,256**	10,658,799	213,382	(2,276,670)	8,595,511

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

(2) Net unallocated income includes interest income, investment income, other income, gain on acquisition of a subsidiary, Group's share of results from associates and joint venture and provision for expected credit loss (charged) no longer required.

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The table below presents assets and liabilities information for the Group's operating segments as of December 31, 2024 and December 31, 2023, respectively as follows:

	2024			2023		
	Oil field services	**Non-oil field services**	**Total**	Oil field services	Non-oil field services	Total
Segment assets	**45,059,029**	**15,571,063**	**60,630,092**	49,760,990	919,096	50,680,086
Unallocated assets			**18,994,798**			20,003,162
Total assets			**79,624,890**			70,683,248
Segment liabilities	**10,543,246**	**3,620,304**	**14,163,550**	10,612,076	575,113	11,187,189
Unallocated liabilities			**-**			3,529,920
Total liabilities			**14,163,550**			14,717,109

27- Financial risk management

In the normal course of business, the Group uses primary financial instruments such as bank balances and cash, term deposits, due from / to related parties, receivables, financial assets at FVOCI, contract assets and liabilities, financial assets at FVTPL, lease liabilities and payables. As a result, it is exposed to the risks indicated below. The Group currently does not use derivative financial instruments to manage its exposure to these risks.

Interest rate risk:

The financial instruments are exposed to the risk of changes in value due to changes in interest rates for financial assets and liabilities with floating rate. The effective interest rates and the periods in which interest-bearing financial liabilities are reprised or mature are indicated in the respective notes.

The following table demonstrates the sensitivity to a reasonably possible change in interest rates, with all other variables held constant, of the Group's profit through the impact on floating borrowing rate:

	2024		
	Increase (decrease) in the interest rate	**Balance As at December 31**	**Effect on consolidated statement of profit or loss**
Term deposits	**± 0.5%**	**19,116,683**	**± 95,583**

	2023		
	Increase (decrease) in the interest rate	Balance As at December 31	Effect on consolidated statement of profit or loss
Term deposits	± 0.5%	14,069,746	± 70,349

Credit risk:

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation causing the other party to incur a financial loss. Financial assets which potentially subject the Group to credit risk consist principally of bank balances, term deposits, due from a related party, contract assets and receivables. Receivables balance is recognized net of provision for expected credit losses.

Bank balances and term deposits

Bank balances and term deposits are measured at amortized cost is considered to have a low credit risk and the loss allowance is based on the 12 months expected loss. The Group's cash and term deposits are placed with high credit rating financial institutions with no previous history of default. Based on management's assessment, the expected credit loss impact arising from such financial assets is insignificant to the Group as the risk of default has not increased significantly since initial recognition.

Trade receivables and contract assets

The Group's exposure to credit risk is influenced mainly by the individual characteristics of each customer. The demographics of the Group's customer base, including the default risk of the industry and country, in which customers operate, has less of an influence on credit risk.

Customer credit risk is managed by each business unit subject to the Group's established policy, procedures and control relating to customer credit risk management. Outstanding customer receivables are regularly monitored and any shipments to major customers are generally covered by letters of credit or other forms of credit insurance obtained from reputable banks and other financial institutions.

The maximum limit of the Group's exposure to credit risk arising from default of the counterparty is the nominal value of the bank balances, term deposits, due from a related party, contract assets and receivables.

Foreign currency risk:
Foreign currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign currency exchange rates. The Group is exposed to foreign currency risk on transactions that are denominated in a currency other than the Kuwaiti Dinar. The Group may reduce its exposure to fluctuations in foreign exchange rates through the use of derivative financial instruments. The Group ensures that the net exposure to foreign currency risk is kept to an acceptable level, by dealing in currencies that do not fluctuate significantly against the Kuwaiti Dinar.

The following table demonstrates the sensitivity to a reasonably possible change in exchange rates used by management against Kuwaiti Dinar:

	Increase / (Decrease) against Kuwaiti Dinar	Effect on the consolidated statement of profit or loss and other comprehensive income	
		2024	2023
US Dollars and other currencies	± 5%	**± 60,015**	± 67,237

Liquidity risk:
Liquidity risk is the risk that the Group will encounter difficulty in raising funds to meet commitments associated with financial instruments. To manage this risk, the Group periodically assesses the financial viability of customers along with planning and managing the Group's forecasted cash flows and matching the maturity profiles of financial assets and liabilities.

Maturity table for financial liabilities

	2024			
	1 – 3 months	**3 - 12 months**	**1 - 5 years**	**Total**
Accounts payable and accrued expenses	**3,840,620**	**6,972,874**	**-**	**10,813,494**
Due to a related party	**14,093**	**-**	**-**	**14,093**
Lease liabilities	**23,947**	**40,194**	**-**	**64,141**
Total	**3,878,660**	**7,013,068**	**-**	**10,891,728**

	2023			
	1 – 3 months	3 - 12 months	1 - 5 years	Total
Accounts payable and accrued expenses	7,839,062	3,811,287	-	11,650,349
Lease liabilities	67,136	166,225	53,867	287,228
Total	7,906,198	3,977,512	53,867	11,937,577

Equity price risk:
Equity price risk is the risk that fair values of equity instruments decrease as the result of changes in level of equity indices and the value of individual stocks. The equity price risk exposure arises from the Group's investment in unquoted securities classified as financial assets at FVOCI. The Group is not currently exposed significantly to such risk.

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28- Fair value measurement

The Group measures the financial assets at FVTPL and financial assets at FVOCI at fair value at each reporting date.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

- In the principal market for the asset or liability.
- In the absence of a principal market, in the most advantageous market for the asset or liability.

All assets and liabilities, measured or disclosed at fair value, are classified in the consolidated financial statements through a fair value hierarchy based on the lowest significant inputs level in proportion 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.

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

	2024		
	Level 1	**Level 3**	**Total**
Financial assets at FVTPL	**792**	**-**	**792**
Financial assets at FVOCI	**-**	**605,467**	**605,467**
	792	**605,467**	**606,259**

	2023		
	Level 1	Level 3	Total
Financial assets at FVTPL	319	613,504	613,823
Financial assets at FVOCI	19,401	1,153,319	1,172,720
	19,720	1,766,823	1,786,543

There were no transfers between any levels of the fair value hierarchy during the year ended December 31, 2024.

For assets and liabilities that are recognized in the consolidated financial statements on a recurring basis, the Group determines whether transfers have occurred between levels in the hierarchy by re-assessing categorization based on the lowest level input that is significant to the fair value measurement as a whole at the end of each reporting period.

The fair value of financial liabilities is estimated by discounting the remaining contractual maturities at the current market interest rate that is available for similar financial liabilities.

The management assessed that the fair values of cash, term deposits, trade receivables, trade payables and other current liabilities approximate their carrying amounts largely due to the short-term maturities of these instruments.

The fair value of unquoted instruments and other non-current financial liabilities is estimated by discounting future cash flows using rates currently available for debt on similar terms, credit risk and remaining maturities.

NATIONAL PETROLEUM SERVICES COMPANY - K.S.C.P. AND ITS SUBSIDIARIES
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DECEMBER 31, 2024
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The disaggregated movement in items categorized within level 3 is as follows:

	Financial assets at FVTPL	Financial assets at FVOCI	Total	
			2024	2023
Balance at the beginning of the year	613,504	1,153,319	**1,766,823**	612,604
Recoveries	(613,500)	-	**(613,500)**	-
Related to acquisition of a subsidiary	-	-	**-**	1,153,319
Change in fair value	(4)	(547,852)	**(547,856)**	900
Balance at the end of the year	-	605,467	**605,467**	1,766,823

The level 3 assets unobservable inputs and sensitivity are as follows:

Description	Unobservable inputs	Average rates	Sensitivity analysis
Equity securities at FVOCI	Investee's net assets are adjusted using discount rates to determine their fair value	Discount rate of 30%	Any increase or decrease in unobservable inputs will thereby result to increase or decrease at fair value with constant of all other factors.

29- <u>Capital risk management</u>

The Group's objectives when managing capital resources are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders, and to maintain an optimal capital resource structure to reduce the cost of capital.

In order to maintain or adjust the capital resource structure, the Group may adjust the amount of dividends paid to shareholders, return paid up capital to shareholders, issue new shares, sell assets to reduce debt, repay loans or obtain additional loans.

Name of the Company:	**National Petroleum Services Company (K.S.C.P)**
Commercial Registration No.:	49911 dated 28 March 1993
Date Established:	3rd of January 1993
Date Listed on the K S E:	18th of October 2003
Address:	Shuaibah Industrial Area, Blk 3, St. 6, Plot 76
P.O. Box:	9801 Ahmadi 61008 Kuwait
Tel.:	+965 2225 1000
Fax:	+965 2225 1010
Website:	www.napesco.com
Authorized Capital:	10,000,000 KD
Paid Up:	10,000,000 KD
Nominal Value of the Share:	100 Fils