

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

**INTERIM CONDENSED CONSOLIDATED
FINANCIAL INFORMATION**

30 SEPTEMBER 2020 (UNAUDITED)



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

Report on the Interim Condensed Consolidated Financial Information

Introduction

We have reviewed the accompanying interim condensed consolidated statement of financial position of National Petroleum Services Company K.S.C.P. (the “Parent Company”) and subsidiaries (collectively, the “Group”) as at 30 September 2020, the related interim condensed consolidated statement of profit or loss and other comprehensive income for the three-month and nine-month periods then ended, and the interim condensed consolidated statement of changes in equity and the interim condensed consolidated statement of cash flows for the nine-month period then ended. The management of the Parent Company is responsible for the preparation and presentation of this interim condensed consolidated financial information in accordance with International Accounting Standard 34, *Interim Financial Reporting* (“IAS 34”). Our responsibility is to express a conclusion on this interim condensed consolidated financial information based on our review.

Scope of Review

We conducted our review in accordance with International Standard on Review Engagements 2410, “*Review of Interim Financial Information Performed by the Independent Auditor of the Entity*”. A review of interim condensed consolidated financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing, and consequently, does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying interim condensed consolidated financial information is not prepared, in all material respects, in accordance with IAS 34.

Report on Other Legal and Regulatory Requirements

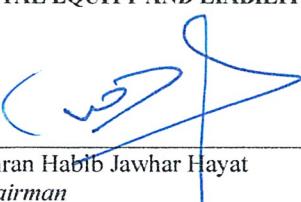
Furthermore, based on our review, the interim condensed consolidated financial information is in agreement with the books of account of the Parent Company. We further report that, to the best of our knowledge and belief, we have not become aware of any violations of the Companies Law No. 1 of 2016, as amended, and its executive regulation, as amended, or of the Parent Company’s Memorandum of Incorporation and Articles of Association, as amended, during the nine-month period ended 30 September 2020 that might have had a material effect on the business of the Parent Company or on its financial position.

We further report that, during the course of our review, to the best of our knowledge and belief, we have not become aware of any violations of the provisions of Law No. 7 of 2010, concerning the Capital Markets Authority and its related regulations during the nine-month period ended 30 September 2020 that might have had a material effect on the business of the Parent Company or on its financial position.

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

National Petroleum Services Company K.S.C.P. and Subsidiaries
 INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL
 POSITION (UNAUDITED)
 As at 30 September 2020

	Notes	30 September 2020 KD	(Audited) 31 December 2019 KD	30 September 2019 KD
ASSETS				
Non-current assets				
Property, plant and equipment		10,617,748	11,185,207	11,477,116
Right-of-use assets		516,854	355,032	420,126
		<u>11,134,602</u>	<u>11,540,239</u>	<u>11,897,242</u>
Current assets				
Inventories		5,496,315	3,943,510	4,595,309
Trade receivables and contract assets		15,643,078	11,486,215	14,980,430
Prepayments and other receivables	3	2,031,277	1,720,412	1,245,709
Financial assets at fair value through profit or loss		953,273	1,083,316	1,398,097
Term deposits	4	10,500,000	15,912,000	9,780,000
Bank balances and cash		2,128,169	2,521,780	3,351,783
		<u>36,752,112</u>	<u>36,667,233</u>	<u>35,351,328</u>
TOTAL ASSETS		<u>47,886,714</u>	<u>48,207,472</u>	<u>47,248,570</u>
EQUITY AND LIABILITIES				
Equity				
Share capital		10,000,000	10,000,000	10,000,000
Share premium		3,310,705	3,310,705	3,310,705
Treasury shares	5	(654,461)	(654,461)	(654,461)
Treasury shares reserve		33,825	33,825	33,825
Statutory reserve		5,858,895	5,858,895	5,858,895
Voluntary reserve		5,858,895	5,858,895	5,858,895
Foreign currency translation reserve		6,503	8,418	8,418
Retained earnings		14,875,071	16,336,482	13,642,310
Equity attributable to holders of the Parent Company		<u>39,289,433</u>	<u>40,752,759</u>	<u>38,058,587</u>
Non-controlling interests		13	15	15
Total equity		<u>39,289,446</u>	<u>40,752,774</u>	<u>38,058,602</u>
Liabilities				
Non-current liabilities				
Employees' end of service benefits		2,897,182	2,626,535	2,517,152
Lease liabilities		200,529	138,870	188,710
		<u>3,097,711</u>	<u>2,765,405</u>	<u>2,705,862</u>
Current liabilities				
Accounts payable and accruals	6	5,169,807	4,463,839	6,246,803
Lease liabilities		329,750	225,454	237,303
		<u>5,499,557</u>	<u>4,689,293</u>	<u>6,484,106</u>
Total liabilities		<u>8,597,268</u>	<u>7,454,698</u>	<u>9,189,968</u>
TOTAL EQUITY AND LIABILITIES		<u>47,886,714</u>	<u>48,207,472</u>	<u>47,248,570</u>


 Omran Habib Jawhar Hayat
 Chairman




 Khaled Hamdan Al Saif
 Vice Chairman & CEO

The attached notes 1 to 17 form part of this interim condensed consolidated financial information.

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

INTERIM CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

AND OTHER COMPREHENSIVE INCOME (UNAUDITED)

For the period ended 30 September 2020

	Notes	Three months ended 30 September		Nine months ended 30 September	
		2020 KD	2019 KD	2020 KD	2019 KD
Sales and services revenue	7	7,336,617	8,642,834	20,443,420	25,835,001
Cost of sales and services rendered	8	(4,595,613)	(5,186,948)	(13,484,879)	(15,655,006)
GROSS PROFIT		2,741,004	3,455,886	6,958,541	10,179,995
Interest income		72,000	54,000	296,041	193,313
Net investment income	9	4,560	11,445	26,088	74,738
Other income		4,832	18,841	48,906	23,228
General and administrative expenses	10	(391,287)	(411,229)	(1,648,347)	(1,219,604)
PROFIT BEFORE TAX AND DIRECTORS' REMUNERATION		2,431,109	3,128,943	5,681,229	9,251,670
Contribution to Kuwait Foundation for the Advancement of Sciences (KFAS)		(24,311)	(46,000)	(56,812)	(101,105)
National Labour Support Tax (NLST)		(63,444)	(81,835)	(150,593)	(240,624)
Zakat		(25,377)	(32,734)	(60,237)	(96,250)
Directors' remuneration		(36,000)	(45,000)	(85,000)	(135,000)
PROFIT FOR THE PERIOD		2,281,977	2,923,374	5,328,587	8,678,691
Other comprehensive loss		=====	=====	=====	=====
<i>Other comprehensive loss that may be reclassified to profit or loss in subsequent periods:</i>					
Exchange differences on translation of foreign operations		-	-	(1,915)	-
Other comprehensive loss for the period		-	-	(1,915)	-
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD		2,281,977	2,923,374	5,326,672	8,678,691
Profit attributable to:		=====	=====	=====	=====
Equity holders of the Parent Company		2,281,978	2,923,378	5,328,589	8,681,410
Non-controlling interests		(1)	(4)	(2)	(2,719)
		2,281,977	2,923,374	5,328,587	8,678,691
Total comprehensive income attributable to:		=====	=====	=====	=====
Equity holders of the Parent Company		2,281,978	2,923,378	5,326,674	8,681,410
Non-controlling interests		(1)	(4)	(2)	(2,719)
		2,281,977	2,923,374	5,326,672	8,678,691
BASIC AND DILUTED EARNINGS PER SHARE (EPS) ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT COMPANY	11	23.53 fils	30.14 fils	54.93 fils	89.50 fils

The attached notes 1 to 17 form part of this interim condensed consolidated financial information.

National Petroleum Services Company K.S.C.P. and Subsidiaries
 INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (UNAUDITED)
 For the period ended 30 September 2020

Attributable to equity holders of the Parent Company

	<i>Share capital KD</i>	<i>Share premium KD</i>	<i>Treasury shares KD</i>	<i>Treasury reserve KD</i>	<i>Statutory reserve KD</i>	<i>Voluntary reserve KD</i>	<i>Foreign currency translation reserve KD</i>	<i>Retained earnings KD</i>	<i>Sub-total KD</i>	<i>Non-controlling interests KD</i>	<i>Total equity KD</i>
As at 1 January 2020 (Audited)	10,000,000	3,310,705	(654,461)	33,825	5,858,895	5,858,895	8,418	16,336,482	40,752,759	15	40,752,774
Total comprehensive (loss) income for the period	-	-	-	-	-	-	(1,915)	5,328,589	5,326,674	(2)	5,326,672
Cash dividends (Note 12)	-	-	-	-	-	-	-	(6,790,000)	(6,790,000)	-	(6,790,000)
At 30 September 2020	10,000,000	3,310,705	(654,461)	33,825	5,858,895	5,858,895	6,503	14,875,071	39,289,433	13	39,289,446
As at 1 January 2019 (Audited)	10,000,000	3,310,705	(654,461)	33,825	5,858,895	5,858,895	8,418	11,757,883	36,174,160	40,154	36,214,314
Total comprehensive income (loss) for the period	-	-	-	-	-	-	-	8,681,410	8,681,410	(2,719)	8,678,691
Cash dividends (Note 12)	-	-	-	-	-	-	-	(6,790,000)	(6,790,000)	-	(6,790,000)
Acquisition of non-controlling interests in a subsidiary	-	-	-	-	-	-	-	(6,983)	(6,983)	(37,420)	(44,403)
At 30 September 2019	10,000,000	3,310,705	(654,461)	33,825	5,858,895	5,858,895	8,418	13,642,310	38,058,587	15	38,058,602

National Petroleum Services Company K.S.C.P. and Subsidiaries
INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS
(UNAUDITED)
For the period ended 30 September 2020

	<i>Nine months ended 30 September</i>	
	2020 <i>Notes</i>	2019 <i>KD</i>
OPERATING ACTIVITIES		
Profit before tax and after directors' remuneration	5,596,229	9,116,670
<i>Adjustments to reconcile profit before tax and after directors' remuneration to net cash flows:</i>		
Depreciation of property, plant and equipment	1,597,589	1,510,601
Depreciation of right-of-use assets	269,297	195,281
Grant income	8 (220,352)	-
Allowance for expected credit losses	10 106,006	-
Gain on sale of property, plant and equipment	(9,595)	(18,272)
Dividend income	9 (25,211)	(86,281)
Realised gain on sale of financial assets at fair value through profit or loss	9 (877)	-
Unrealised loss on financial assets at fair value through profit or loss	9 -	11,543
Interest income	(296,041)	(193,313)
Net foreign exchange (gain) loss	(27,857)	3,955
Interest expense on lease liabilities	10 34,801	27,693
Provision for employees' end of service benefits	342,476	373,310
	7,366,465	10,941,187
<i>Working capital adjustments:</i>		
Inventories	(1,552,805)	(1,211,073)
Trade receivables and contract assets	(4,262,869)	(9,086,416)
Prepayments and other receivables	(245,790)	2,363,378
Accounts payable and accruals	878,384	365,581
	2,183,385	3,372,657
Employees' end of service benefits paid	(71,829)	(95,952)
Taxes paid	(565,129)	(575,629)
Receipt of government grants	8 220,352	-
	1,766,779	2,701,076
Net cash flows from operating activities		
INVESTING ACTIVITIES		
Purchase of property, plant and equipment	(1,030,130)	(828,333)
Proceeds from sale of property, plant and equipment	9,595	23,499
Proceeds from redemption of financial assets at FVPL	130,920	816,395
Dividend income received	25,211	86,281
Interest income received	230,966	193,313
Net movement in term deposits	5,412,000	1,620,000
	4,778,562	1,911,155
Net cash flows from investing activities		
FINANCING ACTIVITIES		
Dividends paid	(6,637,072)	(6,780,126)
Payment of lease liabilities	(299,965)	(217,087)
Acquisition of non-controlling interests in a subsidiary	- -	(44,403)
	(6,937,037)	(7,041,616)
NET DECREASE IN BANK BALANCES AND CASH		
Foreign currency translation adjustment	(391,696)	(2,429,385)
Bank balances and cash at 1 January	(1,915)	-
	2,521,780	5,781,168
BANK BALANCES AND CASH AT 30 SEPTEMBER		
	2,128,169	3,351,783

The attached notes 1 to 17 form part of this interim condensed consolidated financial information.

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

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

(UNAUDITED) (CONTINUED)

For the period ended 30 September 2020

	Notes	<i>Nine months ended 30 September</i>	
		2020 <i>KD</i>	2019 <i>KD</i>
Non-cash items excluded from the interim condensed consolidated statement of cash flows:			
Transitional adjustment to right-of-use assets on adoption of IFRS 16		-	(615,407)
Transitional adjustment to lease liabilities on adoption of IFRS 16		-	615,407
Additions to right-of-use assets		(431,119)	-
Additions to lease liabilities		431,119	-

The attached notes 1 to 17 form part of this interim condensed consolidated financial information.

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

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (UNAUDITED)

As at and for the period ended 30 September 2020

1 CORPORATE INFORMATION

The interim condensed consolidated financial information of National Petroleum Services Company K.S.C.P. (the “Parent Company”) and its subsidiaries (collectively, the “Group”) for the nine months ended 30 September 2020 was authorised for issue in accordance with a resolution of the Parent Company’s Board of Directors on 12 November 2020.

The consolidated financial statements of the Group for the year ended 31 December 2019 were approved by the Parent Company’s shareholders at the annual general assembly meeting (“AGM”) held on 18 June 2020. Dividends declared and paid by the Parent Company for the year then ended are provided in Note 12.

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

The Parent Company is engaged in the provision of upstream and downstream oil field services. The principal activities of the Group are described in Note 14.

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

2.1 Basis of preparation

The interim condensed consolidated financial information for the nine months ended 30 September 2020 have been prepared in accordance with International Accounting Standard (“IAS”) 34 *Interim Financial Reporting*.

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

The interim condensed consolidated financial information provides comparative information in respect of the previous period. Certain comparative information has been reclassified and represented to conform to classification in the current period. Such reclassification has been made to improve the quality of information presented (Note 16).

2.2 Summary of accounting policies for new transactions and events

Government grants

Government grants are recognised where there is reasonable assurance that the grant will be received, and all attached conditions will be complied with. When the grant relates to an expense item, it is recognised as income on a systematic basis over the periods that the related costs, for which it is intended to compensate, are expensed. When the grant relates to an asset, it is recognised as income in equal amounts over the expected useful life of the related asset.

When the Group receives grants of non-monetary assets, the asset and the grant are recorded at nominal amounts and released to profit or loss over the expected useful life of the asset, based on the pattern of consumption of the benefits of the underlying asset by equal annual instalments.

2.3 New standards, interpretations and amendments adopted by the Group

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

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

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

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (UNAUDITED)

As at and for the period ended 30 September 2020

2 BASIS OF PREPARATION AND CHANGES TO THE GROUP'S ACCOUNTING POLICIES (continued)

2.3 New standards, interpretations and amendments adopted by the Group (continued)

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

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

2.3.2 Amendments to IFRS 7, IFRS 9 and IAS 39: *Interest Rate Benchmark Reform*

The amendments to IFRS 9 *Financial Instruments* and IAS 39 *Financial Instruments: Recognition and Measurement* provide a number of reliefs, which apply to all hedging relationships that are directly affected by interest rate benchmark reform. A hedging relationship is affected if the reform gives rise to uncertainties about the timing and/or amount of benchmark-based cash flows of the hedged item or the hedging instrument. These amendments have no impact on the interim condensed consolidated financial information of the Group as it does not have any interest rate hedge relationships.

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

The amendments provide a new definition of material that states "information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements, which provide financial information about a specific reporting entity." The amendments clarify that materiality will depend on the nature or magnitude of information, either individually or in combination with other information, in the context of the financial statements. A misstatement of information is material if it could reasonably be expected to influence decisions made by the primary users. These amendments had no impact on the interim condensed consolidated financial information of, nor is there expected to be any future impact to the Group.

2.3.4 Conceptual Framework for Financial Reporting issued on 29 March 2018

The Conceptual Framework is not a standard, and none of the concepts contained therein override the concepts or requirements in any standard. The purpose of the Conceptual Framework is to assist the IASB in developing standards, to help preparers develop consistent accounting policies where there is no applicable standard in place and to assist all parties to understand and interpret the standards. This will affect those entities which developed their accounting policies based on the Conceptual Framework. The revised Conceptual Framework includes some new concepts, updated definitions and recognition criteria for assets and liabilities and clarifies some important concepts. These amendments had no impact on the interim condensed consolidated financial information of the Group.

2.3.5 Amendments to IFRS 16 *COVID-19 Related Rent Concessions*

On 28 May 2020, the IASB issued *COVID-19-Related Rent Concessions - amendment to IFRS 16 Leases*. The amendments provide relief to lessees from applying IFRS 16 guidance on lease modification accounting for rent concessions arising as a direct consequence of the COVID-19 pandemic. As a practical expedient, a lessee may elect not to assess whether a COVID-19 related rent concession from a lessor is a lease modification. A lessee that makes this election accounts for any change in lease payments resulting from the COVID-19 related rent concession the same way it would account for the change under IFRS 16, if the change were not a lease modification.

The amendment applies to annual reporting periods beginning on or after 1 June 2020. Earlier application is permitted. This amendment had no material impact on the interim condensed consolidated financial information of the Group.

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

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (UNAUDITED)

As at and for the period ended 30 September 2020

3 PREPAYMENTS AND OTHER RECEIVABLES

	<i>(Audited)</i>		
	<i>30 September 2020</i>	<i>31 December 2019</i>	<i>30 September 2019</i>
	<i>KD</i>	<i>KD</i>	<i>KD</i>
Advance payments to suppliers	1,056,729	1,092,467	625,995
Staff receivables	377,883	407,512	399,087
Deposits and other receivables	596,665	220,433	220,627
	2,031,277	1,720,412	1,245,709

4 TERM DEPOSITS

Term deposits amounting to KD 10,500,000 (31 December 2019: KD 15,912,000 and 30 September 2019: KD 9,780,000) are denominated in Kuwaiti Dinars and are placed with local banks.

Term deposits have a maturity of more than 3 months and less than 12 months from the placement date and yield interest at an average rate of 2.8% (31 December 2019: 2.8% and 30 September 2019: 3%).

5 TREASURY SHARES

	<i>(Audited)</i>		
	<i>30 September 2020</i>	<i>31 December 2019</i>	<i>30 September 2019</i>
	<i>KD</i>	<i>KD</i>	<i>KD</i>
Number of treasury shares	3,000,000	3,000,000	3,000,000
Percentage of issued shares	3.00%	3.00%	3.00%
Market value (KD)	3,300,000	3,510,000	3,090,000
Cost (KD)	654,461	654,461	654,461

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

6 ACCOUNTS PAYABLE AND ACCRUALS

	<i>(Audited)</i>		
	<i>30 September 2020</i>	<i>31 December 2019</i>	<i>30 September 2019</i>
	<i>KD</i>	<i>KD</i>	<i>KD</i>
Trade payables	1,446,328	449,403	1,833,242
Dividends payable	220,220	67,292	70,127
Accrued staff costs	1,020,112	1,585,368	1,585,962
Advances received from customers	356,655	356,655	356,655
Taxes payable	264,604	562,091	429,053
Accrued directors' remuneration	85,000	180,000	135,000
Other accruals and provisions	1,776,888	1,263,030	1,836,764
	5,169,807	4,463,839	6,246,803

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

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (UNAUDITED)

As at and for the period ended 30 September 2020

7 SALES AND SERVICES REVENUE

Disaggregated revenue information

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

Type of goods or services	Three months ended 30 September		Nine months ended 30 September	
	2020 KD	2019 KD	2020 KD	2019 KD
<i>Oil field contracts</i>				
Pumping services	5,666,411	6,625,486	15,008,666	19,651,685
<i>Non-oil field contracts</i>				
Health, safety, environment and man-power supply services	1,397,536	1,698,737	4,495,484	5,111,372
Other services	272,670	318,611	939,270	1,071,944
Total sales and services revenue	7,336,617	8,642,834	20,443,420	25,835,001
Timing of revenue recognition				
Goods and services transferred at a point in time	473,202	436,886	1,030,828	865,565
Goods and services transferred over time	6,863,415	8,205,948	19,412,592	24,969,436
Total sales and services revenue	7,336,617	8,642,834	20,443,420	25,835,001

8 GOVERNMENT GRANT

In an attempt to mitigate the impact of the COVID-19 pandemic, the Government of Kuwait has introduced measures to aid private entities. These measures include government assistance made towards national workforce in the private sector for a period of up to six months effective from April 2020.

During the period, the Parent Company has received financial support amounting to KD 220,352, which is accounted for in accordance with IAS 20 'Accounting for Government Grants and Disclosures of Government Assistance' and is recognised in profit or loss as a deduction to 'staff costs' on a systematic basis over the periods in which the Group recognises expenses for the related staff costs.

The allocation of Government grant to staff costs under 'Cost of sales and services rendered' and 'General and administrative expenses' is as follows:

	<i>KD</i>
Cost of sales and services rendered	199,456
General and administrative expenses (Note 10)	20,896
	220,352

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

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (UNAUDITED)

As at and for the period ended 30 September 2020

9 NET INVESTMENT INCOME

	Three months ended 30 September		Nine months ended 30 September	
	2020 <i>KD</i>	2019 <i>KD</i>	2020 <i>KD</i>	2019 <i>KD</i>
Dividend income	4,560	23,374	25,211	86,281
Realised gain on sale of financial assets at fair value through profit or loss	-	-	877	-
Unrealised loss on financial assets at fair value through profit or loss	-	(11,929)	-	(11,543)
	4,560	11,445	26,088	74,738
	=====	=====	=====	=====

10 GENERAL AND ADMINISTRATIVE EXPENSES

	Three months ended 30 September		Nine months ended 30 September	
	2020 <i>KD</i>	2019 <i>KD</i>	2020 <i>KD</i>	2019 <i>KD</i>
Staff costs* (Note 8)	187,167	202,511	599,860	554,303
Depreciation of property, plant and equipment	7,606	6,478	22,780	18,571
Depreciation of right-of-use assets*	14,469	13,644	43,375	36,169
Interest expense on lease liabilities*	12,931	9,231	34,801	27,693
Professional fees	10,500	7,209	74,272	39,671
Marketing and business development expenses*	21,863	44,662	88,157	151,132
Charity expenses*	24,357	30,000	56,900	90,000
Donations	-	-	285,000	-
(Reversal of) allowance for expected credit losses*	(3,914)	-	106,006	-
Other expenses*	116,308	97,494	337,196	302,065
	391,287	411,229	1,648,347	1,219,604
	=====	=====	=====	=====

* Certain amounts shown here do not correspond to the interim condensed consolidated financial information as at 30 September 2019 and have been reclassified to conform to current period's presentation. Such reclassifications have no effect on previously reported profit or total equity of the Group.

11 EARNINGS PER SHARE (EPS)

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

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11 EARNINGS PER SHARE (EPS) (continued)

	Three months ended 30 September		Nine months ended 30 September	
	2020	2019	2020	2019
Profit for the period attributable to equity holders of the Parent Company (KD)	<u>2,281,978</u>	<u>2,923,378</u>	<u>5,328,589</u>	<u>8,681,410</u>
Weighted average number of ordinary shares outstanding during the period	<u>100,000,000</u>	<u>100,000,000</u>	<u>100,000,000</u>	<u>100,000,000</u>
Less: weighted average number of treasury shares outstanding during the period	<u>(3,000,000)</u>	<u>(3,000,000)</u>	<u>(3,000,000)</u>	<u>(3,000,000)</u>
Weighted average number of ordinary shares (excluding treasury shares) outstanding during the period	<u>97,000,000</u>	<u>97,000,000</u>	<u>97,000,000</u>	<u>97,000,000</u>
Basic and diluted EPS (fils)	<u>23.53</u>	<u>30.14</u>	<u>54.93</u>	<u>89.50</u>

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

12 DISTRIBUTIONS MADE AND PROPOSED

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

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

13 CONTINGENCIES AND COMMITMENTS

13.1 Guarantees

As at 30 September 2020, the Group provided guarantees for the performance of certain contracts amounting to KD 26,986,386 (31 December 2019: KD 17,029,032 and 30 September 2019: KD 16,764,459). Management does not anticipate any liabilities to arise, which might have a material effect on the Group's interim condensed consolidated financial information.

13.2 Commitments

At 30 September 2020, the Group had commitments not recognised as liabilities relating to the purchase of property, plant and equipment amounting to KD 377,050 (31 December 2019: KD 1,108,292 and 30 September 2019: KD 1,180,421).

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14 SEGMENT INFORMATION

For management purposes, the Group is organised into business units based on the products and services and has two reportable operating segments i.e. oil field services and non-oil field services. Management treats the operations of these segments separately for the purposes of decision making, resource allocation and performance assessment. The segment performance is evaluated based on gross profit or loss.

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

The following table presents revenue and profit information for the Group's operating segments for the nine-month periods ended 30 September 2020 and 2019 respectively:

	Nine months ended 30 September 2020			Nine months ended 30 September 2019		
	<i>Oil field services</i> <i>KD</i>	<i>Non-oil field services</i> <i>KD</i>	<i>Unallocated items</i> <i>KD</i>	<i>Oil field services</i> <i>KD</i>	<i>Non-oil field services</i> <i>KD</i>	<i>Unallocated items</i> <i>KD</i>
			<i>Total KD</i>			<i>Total KD</i>
Segment revenue	15,008,666	5,434,754	-	20,443,420	19,651,685	6,183,316
Income/(expenses)						
Cost of sales ²	(7,713,509)	(3,970,639)	-	(11,684,148)	(9,558,070)	(4,445,796)
Depreciation of property, plant and equipment	(1,190,454)	(384,355)	(22,780)	(1,597,589)	(383,861)	(18,573)
Depreciation of right-of-use assets	(142,312)	(83,610)	(43,375)	(269,297)	(77,827)	(36,169)
General and administrative expenses ²	-	-	(1,582,192)	(1,582,192)	-	(1,164,862)
Tax expenses	-	-	(267,642)	(267,642)	-	(437,979)
Directors' remuneration	-	-	(85,000)	(85,000)	-	(135,000)
Unallocated income ³	-	-	371,035	371,035	-	291,279
Profit (loss) for the period	5,962,391	996,150	(1,629,954)	5,328,587	8,907,621	(1,501,304)

¹ Certain comparative figures have been reclassified to conform to the current period presentation. Such reclassifications have been made to improve the quality of information presented.

² These amounts exclude depreciation of property, plant and equipment and right-of-use assets.

³ Unallocated income includes interest income, net investments income and other income.

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14 SEGMENT INFORMATION (continued)

The following table presents assets and liabilities information for the Group's operating segments as at 30 September 2020, 31 December 2019 and 30 September 2019, respectively:

	30 September 2020 (Audited)			31 December 2019 (Audited)			30 September 2019 (Audited)		
	<i>Oil field services</i> KD	<i>Non-oil field services</i> KD	<i>Total</i> <i>KD</i>	<i>Oil field services</i> KD	<i>Non-oil field services</i> KD	<i>Total</i> <i>KD</i>	<i>Oil field services</i> KD	<i>Non-oil field services</i> KD	<i>Total</i> <i>KD</i>
Segment assets	46,067,357	866,084	46,933,441	45,934,941	1,189,215	47,124,156	44,529,177	1,321,296	45,850,473
Unallocated assets			953,273			1,083,316			1,398,097
			47,886,714			48,207,472			47,248,570
Segment liabilities	8,562,855	34,413	8,597,268	7,262,729	191,969	7,454,698	9,162,556	27,412	9,189,968

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15 FAIR VALUE MEASUREMENT

Fair value hierarchy

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

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

For financial instruments that are recognised at fair value on a recurring basis, the Group determines whether transfers have occurred between levels in the hierarchy by re-assessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

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

The methods and valuation techniques used for the purpose of measuring fair value are unchanged compared to the previous reporting period.

The following table shows an analysis of financial instruments measured at fair value by level of the fair value hierarchy:

	Fair value measurement using		
	<i>Quoted prices in active markets (Level 1) KD</i>	<i>Significant unobservable inputs (Level 3) KD</i>	<i>Total KD</i>
<i>30 September 2020</i>			
Financial assets at fair value through profit or loss	-	953,273	953,273
<i>31 December 2019 (Audited)</i>			
Financial assets at fair value through profit or loss	27,658	1,055,658	1,083,316
<i>30 September 2019</i>			
Financial assets at fair value through profit or loss	26,243	1,371,854	1,398,097

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

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

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15 FAIR VALUE MEASUREMENT (continued)

Reconciliation of Level 3 fair values

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

	30 September 2020 <i>KD</i>	31 December 2019 <i>KD</i>	30 September 2019 <i>KD</i>
As at 1 January	1,055,658	2,195,921	2,195,921
Remeasurement recognised in profit or loss	3,471	(266,458)	(7,672)
Purchases / sales (net)	(105,856)	(873,805)	(816,395)
	953,273	1,055,658	1,371,854

16 COMPARATIVE INFORMATION

Certain prior period amounts have been reclassified to conform to the current year presentation. There is no effect of these reclassifications on the previously reported equity as at 30 September 2019 and profit for the period then ended. Such reclassifications have been made to improve the quality of information presented.

	<i>As previously reported KD</i>	<i>Effect of reclassification KD</i>	<i>After reclassification KD</i>
<i>30 September 2019</i>			
<i>Interim condensed consolidated statement of financial position:</i>			
Trade receivables and contract assets	12,187,829	2,792,601	14,980,430
Prepayments and other receivables	4,458,436	(3,212,727)	1,245,709
Right-of-use assets	-	420,126	420,126
Accounts payable and accruals	6,672,816	(426,013)	6,246,803
Lease liabilities	-	426,013	426,013
<i>Interim condensed consolidated statement of cash flows:</i>			
Trade receivables and contract assets	(6,293,815)	(2,792,601)	(9,086,416)
Prepayments and other receivables	(429,223)	2,792,601	2,363,378
Accounts payable and accruals	38,537	327,044	365,581

17 IMPACT OF COVID-19 OUTBREAK

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

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

This note describes the impact of the outbreak on the Group's operations and the significant estimates and judgements applied by management in assessing the values of assets and liabilities as at 30 September 2020.

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17 IMPACT OF COVID-19 OUTBREAK (continued)

17.1 Risk management

The management is monitoring and reassessing the risk management objectives and policies in the light of current uncertainty resulting from the Covid-19 pandemic. For the period ended 30 September 2020, there were no significant changes to the risk management objectives and policies as compared to the audited consolidated financial statements as at 31 December 2019.

17.1.1 Credit risk

The Group is primarily exposed to credit risk on its cash and cash equivalents, trade receivables and contract assets.

Bank balances and cash and term deposits

Bank balances and cash and term deposits are subject to the impairment requirements of IFRS 9, management determined that the identified impairment loss was immaterial as these balances are mostly held with counterparties with appropriate credit-ratings assigned by international credit-rating agencies.

Trade receivables and contract assets

As for trade receivables and contract assets, the Group reassessed the inputs to the provision matrix used to calculate ECLs to reflect the current change in circumstances resulting from the COVID-19 pandemic. The calculation reflects the probability-weighted outcome, the time value of money and reasonable and supportable information that is available at the reporting date about past events, current conditions and forecasts of future economic conditions. The impact of the update of the provision matrix amounted to KD 116,499 for the period then ended.

17.1.2 Liquidity risk

Management has taken several steps in protecting cash flows through compensating cost saving measures and prioritising only critical capital expenditure. Further, the Group continues to maintain solid financial strength and liquidity. Cash and term deposits totalled KD 2,128,169 and KD 10,500,000 as at 30 September 2020. At both 31 December 2019 and 30 September 2020, the Group had no borrowings outstanding. The Group aims to maintain the level of its cash and cash equivalents and other highly marketable investments at an amount in excess of expected cash outflows on financial liabilities.

17.2 Use of estimates and assumptions

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

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

(i) Inventories, property, plant and equipment and right-of-use assets ("non-financial assets")

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

(ii) Trade receivables and contract assets

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

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

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17 IMPACT OF COVID-19 OUTBREAK (continued)

17.2 Use of estimates and assumptions (continued)

(iii) Fair value measurement of financial instruments

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