

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

**INTERIM CONDENSED CONSOLIDATED  
FINANCIAL INFORMATION**

**30 SEPTEMBER 2018 (UNAUDITED)**

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

### *Introduction*

We have reviewed the accompanying interim condensed consolidated statement of financial position of National Petroleum Services Company K.S.C.P. (the “Parent Company”) and its subsidiaries (collectively, the “Group”) as at 30 September 2018, the related interim condensed consolidated statement of profit or loss and the interim condensed consolidated statement of 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*

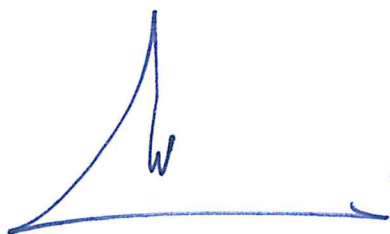
We conducted our review in accordance with International Standard on Review Engagements 2410, “*Review of Interim Financial Information Performed by the Independent Auditor of the Entity*”. A review of interim condensed consolidated financial information consists of making inquiries, primarily of persons 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 2018 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



ALI MOHAMMED KOUHARI  
LICENCE NO.156-A  
Member of PrimeGlobal

30 October 2018  
Kuwait

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

## INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION (UNAUDITED)

As at 30 September 2018

		30 September 2018 KD	(Audited) 31 December 2017 KD	30 September 2017 KD
	Notes			
<b>ASSETS</b>				
<b>Non-current assets</b>				
Property, plant and equipment		12,573,819	11,651,391	8,913,012
Intangible assets		-	173	1,604
Financial assets available for sale		-	38,203	44,211
		<u>12,573,819</u>	<u>11,689,767</u>	<u>8,958,827</u>
<b>Current assets</b>				
Inventories		2,991,600	2,711,172	2,529,224
Trade receivables		8,459,892	9,679,862	10,591,647
Prepayments and other receivables	3	2,763,175	2,014,670	5,497,793
Financial assets at fair value through profit or loss		2,220,944	2,209,657	2,349,058
Term deposits	4	7,400,000	4,000,000	4,000,000
Bank balances and cash		4,859,345	6,126,624	3,494,076
		<u>28,694,956</u>	<u>26,741,985</u>	<u>28,461,798</u>
<b>TOTAL ASSETS</b>		<u>41,268,775</u>	<u>38,431,752</u>	<u>37,420,625</u>
<b>EQUITY AND LIABILITIES</b>				
<b>Equity</b>				
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)	(585,062)	(585,062)
Treasury shares reserve	5	33,825	33,825	33,825
Statutory reserve		4,604,793	4,604,793	3,541,472
Voluntary reserve		4,604,793	4,604,793	3,541,472
Foreign currency translation reserve		8,418	8,418	5,643
Fair value reserve		-	9,952	15,693
Retained earnings		10,650,251	8,282,670	8,406,296
<b>Equity attributable to equity holders of the Parent Company</b>		<u>32,558,324</u>	<u>30,270,094</u>	<u>28,270,044</u>
Non-controlling interests		40,823	41,681	32,303
<b>Total equity</b>		<u>32,599,147</u>	<u>30,311,775</u>	<u>28,302,347</u>
<b>Liabilities</b>				
<b>Non-current liabilities</b>				
Employees' end of service benefits		2,166,130	1,884,009	1,748,901
<b>Current liabilities</b>				
Accounts payable and accruals	6	6,503,498	6,235,968	7,369,377
<b>Total liabilities</b>		<u>8,669,628</u>	<u>8,119,977</u>	<u>9,118,278</u>
<b>TOTAL EQUITY AND LIABILITIES</b>		<u>41,268,775</u>	<u>38,431,752</u>	<u>37,420,625</u>

Omran Habib Jawhar Hayat  
Chairman



The attached notes 1 to 13 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 (UNAUDITED)

For the period ended 30 September 2018

	<i>Notes</i>	<i>Three months ended 30 September</i>		<i>Nine months ended 30 September</i>	
		<i>2018 KD</i>	<i>2017 KD</i>	<i>2018 KD</i>	<i>2017 KD</i>
Sales and services revenue		8,848,967	9,359,662	24,179,504	23,323,149
Cost of sales and services		(5,410,804)	(4,829,887)	(14,769,192)	(13,931,363)
<b>GROSS PROFIT</b>		<b>3,438,163</b>	<b>4,529,775</b>	<b>9,410,312</b>	<b>9,391,786</b>
Interest income		45,750	-	197,174	88,185
Net investments income	7	34,512	34,820	97,143	112,863
Other income (loss)		94,528	(13,299)	95,012	17,735
Write off of property, plant and equipment		-	-	(132,597)	-
Administrative expenses	8	(340,628)	(377,975)	(983,307)	(1,150,473)
<b>PROFIT FOR THE PERIOD BEFORE CONTRIBUTION TO TAX AND DIRECTORS' REMUNERATION</b>		<b>3,272,325</b>	<b>4,173,321</b>	<b>8,683,737</b>	<b>8,460,096</b>
Kuwait Foundation for the Advancement of Sciences (KFAS)		(29,278)	(37,597)	(78,157)	(76,178)
National Labour Support Tax (NLST)		(84,082)	(104,436)	(225,938)	(211,606)
Zakat		(33,633)	(41,774)	(90,375)	(84,642)
Directors' remuneration		(37,500)	(33,000)	(112,500)	(99,000)
<b>PROFIT FOR THE PERIOD</b>		<b>3,087,832</b>	<b>3,956,514</b>	<b>8,176,767</b>	<b>7,988,670</b>
Attributable to:					
Equity holders of the Parent Company		3,085,173	3,959,366	8,177,625	7,995,529
Non-controlling interests		2,659	(2,852)	(858)	(6,859)
		<b>3,087,832</b>	<b>3,956,514</b>	<b>8,176,767</b>	<b>7,988,670</b>
<b>BASIC AND DILUTED EARNINGS PER SHARE ATTRIBUTABLE TO THE EQUITY HOLDERS OF THE PARENT COMPANY</b>	9	<b>31.80 fils</b>	<b>40.78 fils</b>	<b>84.29 fils</b>	<b>82.36 fils</b>

The attached notes 1 to 13 form part of this interim condensed consolidated financial information.

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

INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE  
INCOME(UNAUDITED)

For the period ended 30 September 2018

	<i>Three months ended 30 September</i>		<i>Nine months ended 30 September</i>	
	<i>2018</i>	<i>2017</i>	<i>2018</i>	<i>2017</i>
	<i>KD</i>	<i>KD</i>	<i>KD</i>	<i>KD</i>
<b>Profit for the period</b>	<b>3,087,832</b>	<b>3,956,514</b>	<b>8,176,767</b>	<b>7,988,670</b>
<b>Other comprehensive income (loss)</b>				
<i>Other comprehensive income to be reclassified to profit or loss:</i>				
Unrealised gain (loss) on financial assets available for sale (IAS 39)	-	1,153	-	(5,519)
<b>Other comprehensive income (loss) for the period</b>	<b>-</b>	<b>1,153</b>	<b>-</b>	<b>(5,519)</b>
<b>Total comprehensive income for the period</b>	<b>3,087,832</b>	<b>3,957,667</b>	<b>8,176,767</b>	<b>7,983,151</b>
<b>Attributable to:</b>				
Equity holders of the Parent Company	3,085,173	3,960,519	8,177,625	7,990,010
Non-controlling interests	2,659	(2,852)	(858)	(6,859)
	<b>3,087,832</b>	<b>3,957,667</b>	<b>8,176,767</b>	<b>7,983,151</b>

The attached notes 1 to 13 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 2018

	Equity attributable to equity holders of the Parent Company								Non-controlling interests KD	Total equity KD
	Share capital KD	Share premium KD	Treasury shares KD	Treasury shares reserve KD	Statutory reserve KD	Voluntary reserve KD	Foreign currency translation reserve KD	Fair value reserve KD		
At 1 January 2018	10,000,000	3,310,705	(585,062)	33,825	4,604,793	4,604,793	8,418	9,952	41,681	30,311,775
Transition adjustment on adoption of IFRS 9 at 1 January 2018 (Note 2)	-	-	-	-	-	-	-	(9,952)	-	-
Balance as at 1 January 2018 (restated)	10,000,000	3,310,705	(585,062)	33,825	4,604,793	4,604,793	8,418	-	41,681	30,311,775
Profit (loss) and total comprehensive income (loss) for the period	-	-	-	-	-	-	-	-	(858)	8,176,767
Purchase of treasury shares	-	-	(69,399)	-	-	-	-	-	-	(69,399)
Dividends (Note 10)	-	-	-	-	-	-	-	-	-	(5,819,996)
<b>At 30 September 2018</b>	<b>10,000,000</b>	<b>3,310,705</b>	<b>(654,461)</b>	<b>33,825</b>	<b>4,604,793</b>	<b>4,604,793</b>	<b>8,418</b>	<b>-</b>	<b>40,823</b>	<b>32,599,147</b>
At 1 January 2017	5,760,951	3,310,705	(585,062)	33,825	3,541,472	3,541,472	5,643	21,212	39,162	24,793,556
Profit (loss) for the period	-	-	-	-	-	-	-	-	(6,859)	7,988,670
Other comprehensive loss for the period	-	-	-	-	-	-	-	(5,519)	-	(5,519)
Total comprehensive (loss) income for the period	-	-	-	-	-	-	-	(5,519)	-	-
Issue of bonus shares (Note 10)	4,239,049	-	-	-	-	-	-	-	-	7,983,151
Dividends (Note 10)	-	-	-	-	-	-	-	-	-	-
<b>At 30 September 2017</b>	<b>10,000,000</b>	<b>3,310,705</b>	<b>(585,062)</b>	<b>33,825</b>	<b>3,541,472</b>	<b>3,541,472</b>	<b>5,643</b>	<b>15,693</b>	<b>32,303</b>	<b>28,302,347</b>

The attached notes 1 to 13 form part of this interim condensed consolidated financial information.



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

For the period ended 30 September 2018

		<i>Nine months ended</i> <i>30 September</i>	
	<i>Notes</i>	<i>2018</i> <i>KD</i>	<i>2017</i> <i>KD</i>
<b>OPERATING ACTIVITIES</b>			
Profit for the period		8,176,767	7,988,670
<i>Adjustments to reconcile profit for the period to net cash flows:</i>			
Depreciation and amortization		1,477,315	1,109,232
Write off of property, plant and equipment		132,597	-
Gain on sale of property, plant and equipment		(13,434)	(15,933)
Dividend income	7	(109,920)	(112,702)
Realised gain on sale of financial assets at fair value through profit or loss	7	(1,911)	(4,245)
Impairment loss on financial assets available for sale	7	-	36
Unrealized (gain) loss on financial assets at fair value through profit or loss	7	(5,178)	4,048
Investment expenses		19,866	-
Interest income		(197,174)	(88,185)
Provision for employees' end of service benefits		353,417	314,970
		<u>9,832,345</u>	<u>9,195,891</u>
<i>Working capital adjustments:</i>			
Inventories		(280,428)	177,714
Trade receivables		1,219,970	(2,521,467)
Prepayments and other receivables		(642,255)	(4,604,131)
Accounts payable and accruals		250,316	1,280,899
Cash generated from operations		<u>10,379,948</u>	<u>3,528,906</u>
Employees' end of service benefits paid		(71,296)	(158,041)
<b>Net cash flows from operating activities</b>		<u>10,308,652</u>	<u>3,370,865</u>
<b>INVESTING ACTIVITIES</b>			
Purchase of property, plant and equipment		(2,533,258)	(1,664,046)
Proceeds from sale of property, plant and equipment		14,525	40,200
Purchase of financial assets at fair value through profit or loss		-	(65,220)
Proceeds from sale of financial assets at fair value through profit or loss		34,005	113,313
Dividend income received	7	109,920	112,702
Investment expenses paid		(19,866)	-
Interest income received		90,924	88,185
Investment in term deposits		(3,400,000)	-
<b>Net cash flows used in investing activities</b>		<u>(5,703,750)</u>	<u>(1,374,866)</u>
<b>FINANCING ACTIVITIES</b>			
Dividends paid		(5,802,782)	(4,393,856)
Purchase of treasury shares		(69,399)	-
<b>Net cash flows used in financing activities</b>		<u>(5,872,181)</u>	<u>(4,393,856)</u>
<b>NET DECREASE IN BANK BALANCES AND CASH</b>		<u>(1,267,279)</u>	<u>(2,397,857)</u>
Bank balances and cash at 1 January		<u>6,126,624</u>	<u>5,891,933</u>
<b>BANK BALANCES AND CASH AT 30 SEPTEMBER</b>		<u>4,859,345</u>	<u>3,494,076</u>

The attached notes 1 to 13 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 2018

### 1 CORPORATE INFORMATION

The Group comprises of National Petroleum Services Company K.S.C.P. (the "Parent Company") and its subsidiaries (collectively, the "Group"). The Parent Company was established as a Kuwaiti shareholding company on 3 January 1993 and its 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 registered office of the Parent Company is at Industrial Shuaiba - Plot 3 - P.O. Box 9801 Al-Ahmadi, Postal Code 61008, State of 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 12.

The interim condensed consolidated financial information for the period ended 30 September 2018 were authorized for issue in accordance with a resolution of the Board of Directors of the Parent Company on 30 October 2018.

### 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 2018 has been prepared in accordance with IAS 34 "Interim Financial Reporting".

The interim condensed consolidated financial information does not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the Group's annual consolidated financial statements as at 31 December 2017.

#### 2.2 New standards and interpretations and amendments adopted by the Group

The accounting policies used 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 2017, except for the adoption of new standards effective as of 1 January 2018. The Group has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective.

The Group applies, for the first time, IFRS 15 "*Revenue from Contracts with Customers*" and IFRS 9 "*Financial Instruments*". The nature and effect of these changes are disclosed below.

Several other amendments and interpretations apply for the first time in 2018, but do not have an impact on the interim condensed consolidated financial information of the Group.

#### 2.3 Impact of changes in accounting policies due to adoption of new standards

##### Adoption of IFRS 9 – Financial Instruments

The Group has adopted *IFRS 9 Financial Instruments* effective from 1 January 2018 which brings together the requirements for classification and measurement of financial assets and financial liabilities, impairment of financial assets and hedge accounting. This standard replaces IAS 39 *Financial Instruments: Recognition and Measurement*.

The Group has not restated comparative information for 2017 as permitted by the transitional provisions of the standard. Therefore, the information presented for 2017 does not reflect the requirements of IFRS 9 and is not comparable to the information presented for the period ended 30 September 2018. Differences in the carrying amount of financial assets resulting from the adoption of IFRS 9 are recognised in retained earnings and reserves as at 1 January 2018.



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

### 2.3 Impact of changes in accounting policies due to adoption of new standards (continued)

#### Adoption of IFRS 9 – Financial Instruments (continued)

The key changes to the Group's accounting policies resulting from the adoption of IFRS 9 are summarised below:

##### Classification of financial assets and financial liabilities

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 entity's business model for managing the 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 groups of financial assets to achieve its business objective. The Group's business model is not assessed on an instrument-by-instrument basis but at a higher level of aggregated portfolios and is based on a number of observable factors. The information considered includes:

- The stated policies and objectives for the portfolio and the operation of those policies in practice;
- The risks that affect the performance of the business model (and the financial assets held within that business model) and how those risks are managed; and
- The frequency, volume and timing of sales in prior periods, the reasons for such sales and its expectations about future sales activity.

The business model assessment is based on reasonably expected scenarios without taking 'worst case' or 'stress case' scenarios into account. If cash flows after initial recognition are realised in a way that is different from the Group's original expectations, the Group does not change the classification of the remaining financial assets held in that business model, but incorporates such information when assessing newly originated or newly purchased financial assets going forward.

##### *Assessment of whether contractual cashflows are solely payments of principal and interest (SPPI test)*

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 amortisation of the premium/discount).

The most significant elements of profit within a lending arrangement are typically the consideration for the time value of money and credit risk. To make the SPPI assessment, the Group applies judgement and considers relevant factors such as the currency in which the financial asset is denominated, and the period for which the profit rate is set.

In contrast, contractual terms that introduce a more than de minimis exposure to risks or volatility in the contractual cash flows that are unrelated to a basic lending arrangement do not give rise to contractual cash flows that are solely payments of principal and profit on the amount outstanding. In such cases, the financial asset is required to be measured at FVTPL.

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.

#### 2.3.1 Measurement categories of financial assets and liabilities

The IAS 39 measurement categories of financial assets (fair value through profit or loss (FVTPL), available for sale (AFS), held-to-maturity and amortised cost) have been replaced by:

- Debt instruments at amortised cost
- Debt instruments at fair value through other comprehensive income (FVOCI), with gains or losses recycled to profit or loss on derecognition
- Equity instruments at FVOCI, with no recycling of gains or losses to profit or loss on derecognition
- Financial assets at FVTPL

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

**2.3 Impact of changes in accounting policies due to adoption of new standards (continued)**

**2.3.1 Measurement categories of financial assets and liabilities (continued)**

The accounting for financial liabilities remains largely the same as it was under IAS 39, except for the treatment of gains or losses arising from an entity's own credit risk relating to liabilities designated at FVTPL. Such movements are presented in OCI with no subsequent reclassification to the profit or loss.

Under IFRS 9, embedded derivatives are no longer separated from a host financial asset. Instead, financial assets are classified based on the business model and their contractual terms. The accounting for derivatives embedded in financial liabilities and in non-financial host contracts has not changed.

*Financial assets at fair value through profit or loss:*

Financial assets in this category are those assets which have been either designated by management upon initial recognition or are mandatorily required to be measured at fair value under IFRS 9. Management designates an instrument at FVTPL that otherwise meet the requirements to be measured at amortised cost or at FVOCI only if it eliminates, or significantly reduces, an accounting mismatch that would otherwise arise. Financial assets with contractual cashflows not representing solely payment of principal and interest are mandatorily required to be measured at FVTPL

Financial assets at FVTPL are subsequently measured at fair value. Changes in fair value are recognised in the profit or loss. Dividend income from equity investments measured at FVTPL is recognised in the profit or loss when the right to the payment has been established.

**2.3.2 Impairment of financial assets**

The Group previously recognized impairment losses on financial assets based on incurred loss model, under IAS 39.

IFRS 9 replaces the 'incurred loss' model in IAS 39 with an 'expected credit loss' model. The adoption of IFRS 9 has fundamentally changed the Group's accounting for impairment losses for financial assets by replacing IAS 39's incurred loss approach with a forward-looking expected credit loss (ECL) approach.

For the Group's financial assets, the management has applied the standard's simplified approach and has determined lifetime expected credit losses on these instruments. The management has established a provision matrix that is based on the Group's historical credit loss experience, adjusted for forward-looking factors specific to the counter parties and the economic environment.

The management considers a financial asset in default when the contractual payments are 90 days past due or on a case to case basis to assess whether the past due days are indicators of probable default. However, in certain cases, the management 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.



# 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 2018

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

#### 2.3 Impact of changes in accounting policies due to adoption of new standards (continued)

##### 2.3.3 Transition

##### *Classification of financial assets and financial liabilities on the date of initial application of IFRS 9*

The following table shows reconciliation of original classification categories and carrying value in accordance with IAS 39 and the new classification categories under IFRS 9 for the Group's financial assets as at 1 January 2018.

	<i>Original classification under IAS 39</i>	<i>New classification under IFRS 9</i>	<i>Original carrying amount under IAS 39 KD</i>	<i>Transition Adjustments (reclassification) KD</i>	<i>New carrying amount under IFRS 9 KD</i>
Financial assets available for sale	Financial assets available for sale	Financial assets at FVTPL	38,203	(38,203)	-
Trade receivables	Loans and receivables	Amortised cost	9,679,862	-	9,679,862
Other receivables	Loans and receivables	Amortised cost	429,445	-	429,445
Financial assets at fair value through profit or loss	Financial assets at fair value through profit or loss	Financial assets at FVTPL	2,209,657	38,203	2,247,860
Term deposits	Loans and receivables	Amortised cost	4,000,000	-	4,000,000
Bank balances	Loans and receivables	Amortised cost	6,126,624	-	6,126,624
Total financial assets			<u>22,483,791</u>	<u>-</u>	<u>22,483,791</u>

Adoption of IFRS 9 did not result in any change in classification or measurement of financial liabilities.

##### *Impact of Adopting IFRS 9*

The following table analyses the impact of transition to IFRS 9 on reserves and retained earnings.

	<b>Fair value reserve KD</b>	<b>Retained earnings KD</b>
Closing balance under IAS 39 (31 December 2017)	9,952	8,282,670
<i>Impact on reclassification and re-measurements:</i>		
Financial assets (equity) from available-for-sale to FVTPL	(9,952)	9,952
Opening balance under IFRS 9 on date of initial application of 1 January 2018	<u>-</u>	<u>8,292,622</u>

##### *Hedge accounting*

The Group did not have any impact resulting from the new guidance relating to hedge accounting included in IFRS 9, as the Group has no existing hedging relationships.

##### **Adoption of IFRS 15 'Revenue from Contracts with Customers'**

The Group has adopted IFRS 15 *Revenue from Contracts with Customers* effective from 1 January 2018. This standard supersedes IAS 11 *Construction Contracts* and IAS 18 *Revenue* along with related IFRIC 13, IFRIC 15, IFRIC 18 and SIC 31. This standard removes inconsistencies and weaknesses in previous revenue recognition requirements, provides a more robust framework for addressing revenue issues and improves comparability of revenue recognition practices across entities, industries, jurisdictions and capital markets. The adoption of this Standard does not result in any change in accounting policies of the Group and does not have any material effect on the Group's 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 2018

### 3 PREPAYMENTS AND OTHER RECEIVABLES

	<i>30 September</i> <i>2018</i> <i>KD</i>	<i>(Audited)</i> <i>31 December</i> <i>2017</i> <i>KD</i>	<i>30 September</i> <i>2017</i> <i>KD</i>
Advance payments to suppliers	160,521	706,132	3,934,734
Staff receivables	446,186	352,624	364,946
Unbilled revenue	1,876,168	879,093	-
Deposits and other receivables	280,300	76,821	1,198,113
	<u>2,763,175</u>	<u>2,014,670</u>	<u>5,497,793</u>

### 4 TERM DEPOSITS

Term deposits amounting to KD 7,400,000 (31 December 2017: KD 4,000,000 and 30 September 2017: KD 4,000,000) are denominated in Kuwaiti Dinars and are placed with local banks.

Term deposits have a maturity of more than 3 months and less than 12 months from the placement date and yield interest at commercial rates.

### 5 TREASURY SHARES AND TREASURY SHARES RESERVE

	<i>30 September</i> <i>2018</i>	<i>(Audited)</i> <i>31 December</i> <i>2017</i>	<i>30 September</i> <i>2017</i>
Number of treasury shares	3,000,000	2,916,185	2,916,185
Percentage of issued shares	3.00%	2.92%	2.92%
Market value (KD)	2,460,000	2,309,619	2,411,685
Cost (KD)	654,461	585,062	585,062

The balance in the treasury shares reserve of KD 33,825 (31 December 2017: KD 33,825 and 30 September 2017: KD 33,825) is not available for distribution. Reserves and retained earnings equivalent to the cost of the treasury shares held are not available for distribution throughout the holding period of treasury shares.

### 6 ACCOUNTS PAYABLE AND ACCRUALS

	<i>30 September</i> <i>2018</i> <i>KD</i>	<i>(Audited)</i> <i>31 December</i> <i>2017</i> <i>KD</i>	<i>30 September</i> <i>2017</i> <i>KD</i>
Trade payables	818,732	279,916	469,407
Dividends payable	83,570	66,356	-
Staff accruals and other accrued expenses	4,583,544	4,761,436	5,917,488
Advances received from subcontractors	511,056	511,056	511,056
KFAS, NLST and Zakat payable	394,096	467,204	372,426
Directors' remuneration	112,500	150,000	99,000
	<u>6,503,498</u>	<u>6,235,968</u>	<u>7,369,377</u>

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

## NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (UNAUDITED)

As at and for the period ended 30 September 2018

### 7 NET INVESTMENTS INCOME

	<i>Three months ended 30 September</i>		<i>Nine months ended 30 September</i>	
	<i>2018</i>	<i>2017</i>	<i>2018</i>	<i>2017</i>
	<i>KD</i>	<i>KD</i>	<i>KD</i>	<i>KD</i>
Dividend income	36,688	36,667	109,920	112,702
Realised gain on sale of financial assets at fair value through profit or loss	-	4,245	1,911	4,245
Impairment loss on financial assets available for sale	-	-	-	(36)
Unrealized (loss) gain on financial assets at fair value through profit or loss	(2,176)	(6,092)	5,178	(4,048)
Investment expenses	-	-	(19,866)	-
	<u>34,512</u>	<u>34,820</u>	<u>97,143</u>	<u>112,863</u>

### 8 ADMINISTRATIVE EXPENSES

	<i>Three months ended 30 September</i>		<i>Nine months ended 30 September</i>	
	<i>2018</i>	<i>2017</i>	<i>2018</i>	<i>2017</i>
	<i>KD</i>	<i>KD</i>	<i>KD</i>	<i>KD</i>
Staff costs	193,609	199,272	546,708	720,734
Professional fees	13,845	28,154	49,569	47,939
Depreciation and amortization	468	19,337	25,364	48,091
Other expenses	132,706	131,212	361,666	333,709
	<u>340,628</u>	<u>377,975</u>	<u>983,307</u>	<u>1,150,473</u>

### 9 BASIC AND DILUTED EARNINGS PER SHARE (EPS)

Basic and diluted EPS is calculated by dividing the profit for the period attributable to the equity holders of the Parent Company by the weighted average number of ordinary shares outstanding during the period, (excluding treasury shares) as follows:

	<i>Three months ended 30 September</i>		<i>Nine months ended 30 September</i>	
	<i>2018</i>	<i>2017</i>	<i>2018</i>	<i>2017</i>
Profit for the period attributable to the equity holders of the Parent Company (KD)	<u>3,085,173</u>	<u>3,959,366</u>	<u>8,177,625</u>	<u>7,995,529</u>
Weighted number of outstanding shares during the period:	100,000,000	100,000,000	100,000,000	100,000,000
Weighted number of shares issued				
Less: weighted average number of treasury shares	<u>(2,977,038)</u>	<u>(2,916,185)</u>	<u>(2,977,038)</u>	<u>(2,916,185)</u>
Weighted average number of shares outstanding during the period	<u>97,022,962</u>	<u>97,083,815</u>	<u>97,022,962</u>	<u>97,083,815</u>
Basic and diluted earnings per share	<u>31.80 fils</u>	<u>40.78 fils</u>	<u>84.29 fils</u>	<u>82.36 fils</u>

As there are no dilutive instruments outstanding, basic and diluted earnings per share are identical.

# 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 2018

### 10 DISTRIBUTIONS MADE AND PROPOSED

The Parent Company's Board of Directors in their meeting held on 29 January 2018 proposed cash dividends of 60 fils per share (aggregating to KD 5,819,996) for the year ended 31 December 2017. The 2017 proposed dividend was approved in the AGM on 14 March 2018.

The Parent Company's Board of Directors in their meeting held on 21 February 2017 proposed cash dividends of 80 fils per share (aggregating to KD 4,474,360) and distribution of bonus shares of 42,390,490 shares (73.58% approximately on outstanding shares as at 31 December 2016). The 2016 proposed dividend was approved in the AGM held on 17 May 2017.

At the Extraordinary General Meeting (EGM) dated 14 June 2017, the shareholders of the Parent Company approved the increase in authorised share capital from 57,609,510 shares to 100,000,000 shares of 100 fils each on account of bonus issue.

### 11 CONTINGENCIES AND COMMITMENTS

As at 30 September 2018, the Group had contingent liabilities in respect of letter of guarantees arising in the ordinary course of the business, amounting to KD 8,209,226 (31 December 2017: KD 6,131,259 and 30 September 2017: KD 5,974,660). Management does not anticipate any liabilities to arise, which might have a material effect on the Group's interim condensed consolidated financial information.

At 30 September 2018, the Group had capital commitments relating to the purchase of property, plant and equipment amounting to KD 131,637 (31 December 2017: KD 936,902 and 30 September 2017: KD 954,904). Commitments have maturity of less than 12 months from the reporting date. Delivery is expected within twelve months from the reporting date.



## 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 2018

#### 12 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 months period ended 30 September 2018 and 2017 respectively:

	Nine months ended 30 September 2018			Nine months ended 30 September 2017		
	Oil field services KD	Non-oil field services KD	Total KD	Oil field services KD	Non-oil field services KD	Total KD
Segment revenue	17,833,178	6,346,326	24,179,504	18,801,028	4,522,121	23,323,149
Segment cost	(9,585,713)	(5,183,479)	(14,769,192)	(9,618,972)	(4,312,391)	(13,931,363)
Segment results	8,247,465	1,162,847	9,410,312	9,182,056	209,730	9,391,786
Unallocated income			256,732			218,783
Unallocated costs			(1,490,277)			(1,621,899)
Profit for the period			8,176,767			7,988,670

The Group has no inter-segment revenues and costs requiring adjustments and eliminations.

# 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 2018

### 12 SEGMENT INFORMATION (continued)

The following table presents assets and liabilities information for the Group's operating segments as at 30 September 2018, 31 December 2017 and 30 September 2017, respectively:

	30 September 2018			(Audited) 31 December 2017			30 September 2017		
	Oil field Services KD	Non-oil field services KD	Total KD	Oil field Services KD	Non-oil field services KD	Total KD	Oil field Services KD	Non-oil field services KD	Total KD
Segment assets	37,479,991	1,567,840	39,047,831	34,333,544	1,850,348	36,183,892	33,371,545	1,700,022	35,071,567
Unallocated assets			2,220,944			2,247,860			2,349,058
			41,268,775			38,431,752			37,420,625
Segment liabilities	8,604,117	65,511	8,669,628	8,065,653	54,324	8,119,977	9,081,498	36,780	9,118,278

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

## NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (UNAUDITED)

As at and for the period ended 30 June 2018

### 13 FAIR VALUE OF FINANCIAL INSTRUMENTS

Fair value of financial instruments are not materially different from their carrying values. For financial assets and financial liabilities that are liquid or having a short-term maturity (less than three months), the carrying amounts approximate their fair values.

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

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

<i>At 30 September 2018</i>	<i>Level 1 KD</i>	<i>Level 3 KD</i>	<i>Total KD</i>
Financial assets at fair value through profit or loss	<u>31,321</u>	<u>2,189,623</u>	<u>2,220,944</u>
	<i>Level 1 KD</i>	<i>Level 3 KD</i>	<i>Total KD</i>
<i>At 31 December 2017</i>			
Financial assets available for sale	34,980	3,223	38,203
Financial assets at fair value through profit or loss	-	2,209,657	2,209,657
	<u>34,980</u>	<u>2,212,880</u>	<u>2,247,860</u>
	<i>Level 1 KD</i>	<i>Level 3 KD</i>	<i>Total KD</i>
<i>30 September 2017</i>			
Financial assets available for sale	40,988	3,223	44,211
Financial assets at fair value through profit or loss	-	2,349,058	2,349,058
	<u>40,988</u>	<u>2,352,281</u>	<u>2,393,269</u>

There were no transfers between different levels of the fair value hierarchy during the period/year.

The impact on the interim condensed consolidated statement of financial position, the interim condensed consolidated statement of changes in equity or the interim condensed consolidated statement of profit or loss would be immaterial if the relevant risk variables used to fair value the unquoted securities were altered by 5%.

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

<i>30 September 2018</i>	<i>At 1 January 2018 KD</i>	<i>Net (sales), reclassification and purchases KD</i>	<i>Gain recorded in profit or loss KD</i>	<i>At 30 September 2018 KD</i>
<b>Assets measured at fair value</b>				
Financial assets at fair value through profit or loss	<u>2,212,880</u>	<u>(32,094)</u>	<u>8,837</u>	<u>2,189,623</u>



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

## NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (UNAUDITED)

As at and for the period ended 30 September 2018

### 13 FAIR VALUE OF FINANCIAL INSTRUMENTS (continued)

31 December 2017

	<i>At 1 January 2017 KD</i>	<i>Net purchases and (sales) KD</i>	<i>Loss recorded in profit or loss KD</i>	<i>At 31 December 2017 KD</i>
Assets measured at fair value				
Financial assets available for sale	3,223	-	-	3,223
Financial assets at fair value through profit or loss	2,365,571	(155,075)	(839)	2,209,657
	<u>2,368,794</u>	<u>(155,075)</u>	<u>(839)</u>	<u>2,212,880</u>

30 September 2017

	<i>At 1 January 2017 KD</i>	<i>Net purchases and sales KD</i>	<i>Loss recorded in profit or loss KD</i>	<i>At 30 September 2017 KD</i>
Assets measured at fair value				
Financial assets available for sale	3,223	-	-	3,223
Financial assets at fair value through profit or loss	2,365,571	(20,850)	4,337	2,349,058
	<u>2,368,794</u>	<u>(20,850)</u>	<u>4,337</u>	<u>2,352,281</u>