

APM Terminals Bahrain B.S.C.

FINANCIAL STATEMENTS

31 DECEMBER 2019

FINANCIAL STATEMENTS

For the year ended 31 DECEMBER 2019

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Corporate Information

Commercial Registration 60982

Registered Office P.O. Box 50490, Hidd
Kingdom of Bahrain
Telephone: +973 17 365500
Fax: +973 17 365505

Directors

Name	Designation	Date of appointment	Date of reappointment
David Skov	<i>Chairman</i>	16 Feb 2018	13 Dec 2018
Fawzi Ahmed Kanoo	<i>Vice-chairman</i>	13 July 2018	13 Dec 2018
Soren Sjostrand Jakobsen	<i>Executive Director</i>	18 Jun 2013	13 Dec 2018
Jesper Kjaedegaard	<i>Non-Executive Director</i>	13 Dec 2018	-
Mohamed Ebrahim Alshroogi	<i>Independent Director</i>	13 Dec 2018	-
Nadhem Saleh Al-Saleh	<i>Independent Director</i>	13 Dec 2018	-

Audit, Risk and Compliance Committee Nadhem Saleh Al-Saleh
Mohamed Ebrahim Alshroogi
Soren Sjostrand Jakobsen

Nominating, Remuneration and Governance Committee Mohamed Ebrahim Alshroogi
Nadhem Saleh Al-Saleh
Jesper Kjaedegaard

Company Secretary and Corporate Governance Officer Bharat Mehta

Registrar Bahrain Clear
Harbour Gate, 4th Floor,
Bahrain Financial Harbour
Bahrain

Bankers HSBC
National Bank of Bahrain

Auditors KPMG Fakhro

DIRECTORS' REPORT
for the year ended 31 DECEMBER 2019

On behalf of the Board of Directors, it is our pleasure in presenting the Company's financial statements (pages 6 to 37) for the year ended 31 December 2019.

Financial highlights (BD 000's)

	2019	2018
Revenue	38,164	38,191
Profit for the year	10,185	10,460
Total equity	23,661	23,343
Total assets	57,896	38,969

Director's remuneration

The Board of Directors' remuneration is governed by provisions of the Commercial Companies Law. The Directors remuneration is approved by the Shareholders at the annual general meeting. In addition, the members are paid sitting fees for Board meeting and various committees of the Board. The Board's remuneration is reviewed by the Nomination, Remuneration & Corporate Governance Committee as per the remuneration policy.

The Chairman was entitled to remuneration of BD 12,000 annually and other members of the Board were entitled to remuneration of BD 10,000 annually, in addition to the sitting fee for Board meetings and committee meetings.

Representations and audit

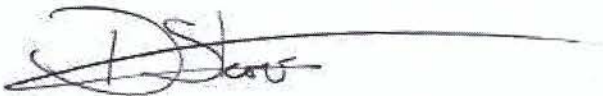
The Company's activities for the year ended 31 December 2019 have been conducted in accordance with the Commercial Companies Law and other relevant statutes of the Kingdom of Bahrain.

There have been no events subsequent to 31 December 2019, which would in any way invalidate the financial statements on pages 6 to 37.

The Company has maintained proper, complete accounting records and these, together with all other information and explanations, have been made freely available to the auditors KPMG, who have signified their willingness to continue in office for the next accounting year.

Proposed Appropriations

Based on the financial results, the Board of directors has recommended for the approval of Shareholders at the upcoming Annual General Meeting, a full year cash dividend of BD 10,161 thousands.



David Skov
Chairman



Fawzi Ahmed Kanoo
Vice Chairman

25 February 2019



KPMG Fakhro
Audit
12th Floor, Fakhro Tower
PO Box 710, Manama
Kingdom of Bahrain

Telephone +973 17 224807
Fax +973 17 227443
Website: www.kpmg.com/bh
CR No. 6220

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INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS

APM Terminals Bahrain B.S.C.
Hidd, Kingdom of Bahrain

Report on the audit of the financial statements

Opinion

We have audited the accompanying financial statements of APM Terminals Bahrain B.S.C. (the "Company"), which comprise the statement of financial position as at 31 December 2019, the statements of profit or loss and other comprehensive income, changes in equity and cash flows for the year then ended, and notes, comprising significant accounting policies and other explanatory information.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as at 31 December 2019, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRS).

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 *Auditors' responsibilities for the audit of the financial statements* section of our report. We are independent of the Company in accordance with the International Ethics Standards Board for Accountants Code of Ethics for Professional Accountants (IESBA Code), and we have fulfilled our other ethical responsibilities in accordance with 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 judgment, were of most significance in our audit of the financial statements for the year ended 31 December 2019. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Revenue recognition – BD 38,164 thousands (refer to note 3(a) for the accounting policy and note 15 for the category breakdown)

Description

How the matter was addressed in our audit

We focused on this area because;

- recognition of revenue involves accounting policy decisions made by management originating from different terms and nature of services; and
- the volume of transactions and extent of different revenue streams require various IT setups of revenue recognition throughout the Company, which are complex and hence introduce an inherent risk to the revenue recognition process.

Our audit procedures included;

- considering the appropriateness of the Company's revenue recognition accounting policies and assessing compliance with International Financial Reporting Standards (IFRS);
- evaluating and testing the operating effectiveness of internal controls, including applicable information systems and Management's monitoring of controls, used to ensure the completeness, accuracy and timing of revenue recognition; and
- performing substantive procedures over invoicing in order to assess the accounting treatment and principles applied, and testing journal entries on revenue.

INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS (continued)
APM Terminals Bahrain B.S.C.

IFRS 16 Leases (refer to note 3 for the adoption of the new standard, note 4 (q) for accounting policy, and note 6 and 13 for the disclosures)

Description	How the matter was addressed in our audit
We focused on this area because;	Our audit procedures included;
<ul style="list-style-type: none"> ▪ IFRS 16 is effective 1 January 2019 and replaced IAS 17. The application of the new standard gave rise to a significant right of use asset and a corresponding increase in lease liabilities of BD 19 million (33% of total assets). ▪ The standard provides policy options and the measurement of the right-of-use asset and lease liability involves significant judgement related to key assumptions such as discount rates and the lease terms. 	<ul style="list-style-type: none"> ▪ Evaluating the appropriateness of the accounting policy adopted based on the requirements of IFRS 16, our business understanding and industry practice. ▪ Reviewing the lease contracts and assessing the appropriateness of the key assumptions such as lease term and discount rates used by management in the calculation of right of use asset and lease liability. ▪ Testing the arithmetical accuracy of the right of use asset and lease liability calculation and evaluating the adequacy of the Company's disclosures in the financial statements.

Other information

The board of directors is responsible for the other information. The other information comprises the annual report but does not include the financial statements and our auditors' report thereon. Prior to the date of this auditors' report, we obtained the Directors' report which forms part of the annual report, and the remaining sections of the annual report are expected to be made available to us after that date.

Our opinion on the financial statements does not cover the other information and we do not and will not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work we have performed on the other information that we have obtained prior to the date of this auditors' report, 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.

Responsibilities of the board of directors for the financial statements

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

In preparing the financial statements, the board of directors is responsible for assessing the Company'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 the board of directors either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Auditors' responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' 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 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 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.

INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS (continued)
APM Terminals Bahrain B.S.C.

- 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 Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the board of directors.
- Conclude on the appropriateness of the board of directors' 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 Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the 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 auditors' report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the board of directors 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 the board of directors with a statement that we have complied with relevant ethical requirements regarding independence, and 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 the board of directors, we determine those matters that were of most significance in the audit of the financial statements for the year ended 31 December 2019 and are therefore the key audit matters. We describe these matters in our auditors' 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.

Report on other regulatory requirements

- 1) As required by the Commercial Companies Law, we report that:
 - a) the Company has maintained proper accounting records and the financial statements are in agreement therewith;
 - b) the financial information contained in the directors' report is consistent with the financial statements;
 - c) we are not aware of any violations during the year of the Commercial Companies Law or the terms of the Company's memorandum and articles of association that would have had a material adverse effect on the business of the Company or on its financial position; and
 - d) satisfactory explanations and information have been provided to us by management in response to all our requests.
- 2) As required by the Ministry of Industry, Commerce and Tourism in their letter dated 30 January 2020 in respect of the requirements of Article 8 of Section 2 of Chapter 1 of the Corporate Governance Code, we report that the Company has:
 - a) a corporate governance officer; and
 - b) a Board approved written guidance and procedures for corporate governance.

The engagement partner on the audit resulting in this independent auditors' report is Jaafar AlQubaiti.

STATEMENT OF FINANCIAL POSITION
as at 31 DECEMBER 2019

BD 000's

ASSETS	note	2019	2018
Intangible assets	5	5,550	5,977
Equipment and vehicles	6	24,156	5,818
Total non-current assets		29,706	11,795
Inventories	7	327	335
Trade receivables	8	1,437	1,665
Prepayments and other receivables	9	508	724
Due from related parties	23	1,260	784
Deposits	23	21,549	19,668
Cash and cash equivalents	10	3,109	3,998
Total current assets		28,190	27,174
Total assets		57,896	38,969
EQUITY AND LIABILITIES			
Equity			
Share capital	11	9,000	9,000
Statutory reserve	12	4,500	4,493
Retained earnings		10,161	9,850
Total equity		23,661	23,343
Liabilities			
Lease liability	13	26,124	8,015
Employees' benefits	14	576	505
Total non-current liabilities		26,700	8,520
Trade and other payables	15	6,043	6,572
Due to related parties	23	395	359
Lease liability	13	1,097	175
Total current liabilities		7,535	7,106
Total liabilities		34,235	15,626
Total equity and liabilities		57,896	38,969

The Company has initially applied IFRS 16 at 1 January 2019, using the modified retrospective approach. Under this approach, comparative information is not restated (note 3).

The financial statements were approved by the Board of Directors on 25 February 2020 and signed on its behalf by:



David Skov
Chairman

The accompanying notes 1 to 30 are an integral part of these financial statements.



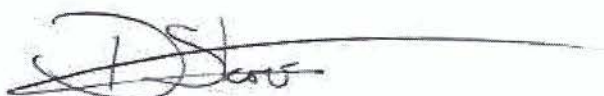
Fawzi Ahmed Kanoo
Vice Chairman

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
for the year ended 31 DECEMBER 2019

BD 000's

	note	2019	2018
Revenue	16	38,164	38,191
Direct operating expenses	17	(13,573)	(13,870)
Gross profit		24,591	24,321
Other operating income		77	58
Gain on disposal of equipment and vehicles		19	2
General and administrative expenses	18	(3,778)	(3,325)
Other operating expenses	19	(9,469)	(10,186)
Operating profit		11,440	10,870
Finance income		587	293
Finance expense	20	(1,842)	(703)
Net finance costs		(1,255)	(410)
Profit for the year		10,185	10,460
Other comprehensive income		-	-
Total comprehensive income for the year		10,185	10,460
Earnings per share			
Basic and diluted earnings per share (in fils)	21	113	116

The Company has initially applied IFRS 16 at 1 January 2019, using the modified retrospective approach. Under this approach, comparative information is not restated (note 3).



David Skov
Chairman



Fawzi Ahmed Kanoo
Vice Chairman

The accompanying notes 1 to 30 are an integral part of these financial statements.

STATEMENT OF CHANGES IN EQUITY
for the year ended 31 DECEMBER 2019

BD 000's

2019	Share capital	Statutory reserve	Retained earnings	Total
At 1 January	9,000	4,493	9,850	23,343
Total comprehensive income for the year	-	-	10,185	10,185
Transfer to statutory reserve	-	7	(7)	-
Loss on sale of treasury shares, net (note 11)	-	-	(17)	(17)
Dividend declared for 2018	-	-	(9,850)	(9,850)
At 31 December	9,000	4,500	10,161	23,661

2018	Share capital	Statutory reserve	Retained earnings	Total
At 1 January	9,000	3,447	436	12,883
Total comprehensive income for the year	-	-	10,460	10,460
Transfer to statutory reserve	-	1,046	(1,046)	-
At 31 December	9,000	4,493	9,850	23,343

The accompanying notes 1 to 30 are an integral part of these financial statements.

STATEMENT OF CASH FLOWS
for the year ended to 31 DECEMBER 2019

BD 000's

	note	2019	2018
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit for the year		10,185	10,460
<i>Adjustments for:</i>			
Amortisation	5	427	427
Depreciation	6	2,244	1,444
Finance expense		1,842	703
Fair value gain on derivative		29	-
Gain on sale of equipment and vehicles		(19)	(2)
<i>Changes in:</i>			
- Inventories		8	(16)
- Trade receivables		45	(489)
- Prepayments and other receivables		(106)	(160)
- Trade and other payables		(681)	(126)
- Employee leaving indemnities		71	135
Net cash generated from operating activities		14,045	12,376
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of equipment and vehicles		(556)	(180)
Deposits, net		(1,881)	(9,399)
Proceeds from disposal of equipment and vehicles		19	2
Net cash used in investing activities		(2,418)	(9,577)
CASH FLOWS FROM FINANCING ACTIVITIES			
Payment of lease liability		(922)	(140)
Payment of finance expenses		(1,746)	(703)
Payment for purchase of treasury shares		(700)	-
Proceeds from sale of treasury shares		683	-
Dividend paid		(9,831)	-
Net cash used in financing activities		(12,516)	(843)
Net (decrease)/increase in cash and cash equivalents during the year		(889)	1,956
Cash and cash equivalents at beginning of the year		3,998	2,042
Cash and cash equivalents at end of the year	10	3,109	3,998

The accompanying notes 1 to 30 are an integral part of these financial statements.

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 DECEMBER 2019

BD 000's

1 REPORTING ENTITY

APM Terminals Bahrain B.S.C (the "Company") is a joint stock company incorporated in the Kingdom of Bahrain on 11 May 2006 under Commercial Registration (CR) number 60982 by the Ministry of Industry and Commerce. The Company's registered office is P.O. Box 50490, Hidd, Kingdom of Bahrain. The Company is a subsidiary of APM Terminals B.V (the "Parent Company"), a Dutch Company. Maersk Holding B.V, Rotterdam is the Ultimate Parent Company of the Group.

The Company commenced operations on 8 December 2006, following the signing of the Mina Salman Concession Agreement (the "MSP agreement") with the Government of the Kingdom of Bahrain ("Government"), wherein the Government has granted the Company, an exclusive right and privilege to operate the Mina Salman Port. The Mina Salman concession agreement was in force for a period commencing from 8 December 2006 and expired on the Commercial Operation Date of the Khalifa Bin Salman Port (KBSP), 1 April 2009.

The Company also signed the Khalifa Bin Salman Port Concession Agreement ("KBSP Agreement") dated 8 November 2006, with the Government whereby the Government has granted the Company an exclusive right and privilege to operate the KBSP for a period of 25 years starting 1 April 2009. The Company paid BD 924 as concession fee for the KBSP concession period on commencement of operations at the KBSP (refer note 5).

In accordance with the KBSP agreement, at an Extraordinary General Meeting held on 11 June 2018, the shareholders resolved to convert the Company's status to a Bahraini Public Joint Stock Company. Subsequent to the Initial Public Offering (IPO) of 20% of the existing shares of the shareholders, the Company became a Bahraini Public Joint Stock Company effective 9 December 2018 and was listed on the Bahrain Bourse.

2 BASIS OF PREPARATION

a) Statement of compliance

The financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") and the Commercial Companies Law.

b) Functional and presentation currency

Items included in the financial statements are measured using the currency of the primary economic environment in which the entity operates (the "functional currency"). The financial statements are presented in Bahraini Dinars, which is the Company's functional and presentation currency. All financial information presented has been rounded to the nearest thousands, except when otherwise indicated.

c) Basis of measurement

The financial statements have been drawn up from the accounting records of the Company under the historical cost convention, modified to include the measurement at fair value of derivative financial instruments.

d) Early adoption of standards

The Company has not early adopted any new standards in 2019.

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 DECEMBER 2019

2 **BASIS OF PREPARATION** (continued)

BD 000's

e) New standards, amendments and interpretations effective from 1 January 2019

The following standards, amendments and interpretations, which became effective as of 1 January 2019, are relevant to the Company:

(i) IFRS 16 Leases

IFRS 16 introduces a single, on-balance lease sheet accounting model for lessees. A lessee recognises a right-of-use asset representing its right to use the underlying asset and a lease liability representing its obligation to make lease payments. There are optional exemptions for short-term leases and leases of low value items. Lessor accounting remains similar to the current standard- i.e. lessors continue to classify leases as finance or operating leases.

The impact of adoption of this standard has been explained in Note 3.

(ii) Annual Improvements to IFRSs 2015–2017 Cycle – various standards

The annual improvements to IFRSs to 2015-2017 cycles include a number of amendments to various IFRSs. Earlier application is permitted (along with the special transitional requirement in each case), in which case the related consequential amendments to other IFRSs would also apply.

The adoption of these amendments had no significant impact on the financial statements of the Company.

f) New standards, amendments and interpretations issued but not yet effective

A number of new standards and amendments to standards are effective for annual periods beginning after 1 January 2019 and earlier application is permitted; however, the Company has not early adopted the new or amended standards in preparing these financial statements.

The amended standards and interpretations are not expected to have a significant impact on the Company's financial statements.

g) Use of estimates and judgements

The preparation of financial statements in conformity with IFRS requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates. The estimates and associated assumptions are based on various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised, if the revision affects only that period, or in the period of the revision and future periods, if the revision affects both current and future periods.

Judgements made by management in the application of IFRS that have a significant effect on the financial statements and in arriving at estimates with a significant risk of material adjustment in the following year are as follows:

NOTES TO THE FINANCIAL STATEMENTS**For the year ended 31 DECEMBER 2019**

2 BASIS OF PREPARATION (continued)

BD 000's

g) Use of estimates and judgements (continued)*Useful life and residual value of equipment and vehicles*

The Company reviews the useful life and residual value of the equipment and vehicles at each reporting date to determine whether an adjustment to the useful life and residual value is required. The useful life and residual value is estimated based on the similar assets of the industry, and future economic benefit expectations of the management.

Impairment of inventory

The Company reviews the carrying amounts of inventories at each reporting date to determine whether the inventories have been impaired. The Company identifies the inventories which have been impaired based on evaluation of age of the inventory, their movement and consumption, over the period and estimate of their future demand. If inventories are assessed as impaired, they are written down to their recoverable amounts which are estimated based on past experience and future expectations of realisation by the management.

Impairment of financial assets

At each reporting date, the Company assesses whether financial assets carried at amortised cost are credit-impaired. A financial asset is 'credit-impaired' when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred. Financial assets measured at amortized cost are assessed for impairment using the expected credit loss model.

3 Changes in significant accounting policies

The Company has initially adopted IFRS 16 Leases from 1 January 2019.

IFRS 16 introduced a single, on-balance sheet accounting model for lessees. As a result, the Company, as a lessee, has recognised right-of-use assets representing its rights to use the underlying assets and lease liabilities representing its obligation to make lease payments. Lessor accounting remains similar to previous accounting policies.

The Company has applied IFRS 16 using the modified retrospective approach. Accordingly, the comparative information presented for 2018 has not been restated – i.e. it is presented, as previously reported, under IAS 17 and related interpretations. The details of the changes in accounting policies are disclosed below.

NOTES TO THE FINANCIAL STATEMENTS**For the year ended 31 DECEMBER 2019****BD 000's****3 Changes in significant accounting policies (continued)****a) Definition of a lease**

Previously, the Company determined at inception of contract whether an arrangement was or contained a lease under IFRIC 4, Determining Whether an Arrangement contains a Lease. The Company now assesses whether a contract is or contains a lease based on the new definition of a lease. Under IFRS 16, a contract is, or contains, a lease if the contract conveys a right to control the use of an identified asset for a period of time in exchange for consideration.

On transition to IFRS 16, the Company elected to apply the practical expedient to grandfather the assessment of which transactions are leases. It applied IFRS 16 only to contracts that were previously identified as leases. Contracts that were not identified as leases under IAS 17 and IFRIC 4 were not reassessed.

At inception or on reassessment of a contract that contains a lease component, the Company allocates the consideration in the contract to each lease and non-lease component on the basis of their relative stand-alone prices.

b) As a lessee

The Company leases marine service equipment under the sub-concession agreement. As a lessee, the Company previously classified leases as operating or finance leases based on its assessment of whether the lease transferred substantially all of the risks and rewards of ownership. Under IFRS 16, the Company recognises right-of-use assets and lease liabilities for these leases – i.e. these leases are on-balance sheet.

The Company has elected not to recognise right-of-use assets and lease liabilities for some leases of low-value assets. The Company recognises the lease payments associated with these leases as an expense on a straight-line basis over the lease term. The Company presents right-of-use assets that do not meet the definition of investment property in 'equipment and vehicles', the same line item as it presents underlying assets of the same nature that it owns. The carrying amounts of right-of-use assets in equipment and vehicles are as below:

Balance at 1 January 2019
Balance at 31 December 2019

Marine service equipment	
	19,639
	18,713

The Company presents lease liabilities as 'lease liability' in the statement of financial position.

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 DECEMBER 2019

3 *Changes in significant accounting policies (continued)*

BD 000's

i. Significant accounting policy

For accounting policy refer to note 4 (q).

ii. Transition

Previously the Company classified Marine service equipment as operating leases under IAS 17. These include tugs and boats. The lease is for a period of the main KBSP concession agreement.

At transition, for leases classified as operating leases under IAS 17, lease liabilities were measured at the present value of the remaining lease payments, discounted at the Company's incremental borrowing rate as at 1 January 2019. Right-of-use assets are measured at an amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments.

The Company used the following practical expedients when applying IFRS 16 to leases previously classified as operating leases under IAS 17.

- Applied the exemption not to recognise right-of-use assets and liabilities for leases for which the lease term ends within 12 months of the date of initial application;
- Did not recognise right-of-use assets and liabilities for leases of low value assets;
- Excluded initial direct costs from measuring the right-of-use asset at the date of initial application; and
- Used hindsight when determining the lease term if the contract contains options to extend or terminate the lease.

c) Impact on financial statements

i. On transition

On transition to IFRS 16, the Company recognised right-of-use assets and lease liabilities. The impact on transition is summarised below as at 1 January 2019;

Right-of-use assets - equipment and vehicles
 Lease liabilities

Total
19,639
19,639

When measuring lease liabilities for leases that were classified as operating leases, the Company discounted lease payments using its incremental borrowing rate at 1 January 2019. The weighted-average rate applied is 6%.

ii. Impact for the year

The Company has recognized the following amounts as at and during the year 31 December 2019:

Right-of-use assets – equipment and vehicles as at 31 Dec 2019
 Lease liabilities as at 31 Dec 2019
 Depreciation for the year
 Finance expenses for the year

2019
18,713
19,206
1,313
1,148

4 SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies applied in the preparation of these financial statements are set out below. The accounting policies have been consistently applied by the Company and are consistent with those used in the previous year, except as mentioned in note 3 above.

a) Revenue recognition

Revenue includes income from container services, general cargo services and marine services.

- Container services represent the activities relating to handling containers and container vessels including storage and other related activities.
- General cargo services represent the activities relating to handling general cargo vessels and stuffing, unstuffing, and storage of non-containerized and bulk cargo.
- Marine services represent activities relating to pilotage and towage in KBSP, MSP and other private jetties.

Revenue is measured based on the consideration specified in a contract with a customer based on approved tariff rates. The tariff rates for the services to customers are fixed as per the tariff schedule approved by The Ministry of Transportation and Telecommunications, Ports and Maritime Affairs. The Company recognises revenue when the Company satisfies the performance obligation by delivering the promised service to a customer at a point in time. Revenue is recorded net of returns.

b) Equipment and vehicles

Equipment and vehicles are stated at cost less depreciation and allowances for impairment, if any. Cost includes purchase price of the items and expenditure that is directly attributable to the acquisition of the items.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Company and the cost of the item or repairs can be measured reliably. All other repairs and maintenance are charged to profit or loss during the financial period in which they are incurred.

Depreciation is calculated on a straight-line basis to allocate the cost of equipment and vehicles to their residual values over their estimated useful lives, as follows:

Asset category	Estimated useful life in years
Marine service equipment	Life of the lease
Quay cranes	20
RTG cranes	10
Spreaders & straddle carriers	5
Vehicles	5
Tools	5
Machinery and equipment	5
Furniture, fixtures and equipment	5
Computer equipment	3

NOTES TO THE FINANCIAL STATEMENTS**For the year ended 31 DECEMBER 2019****4 SIGNIFICANT ACCOUNTING POLICIES (continued)****BD 000's**

All depreciation is charged to profit or loss. The total amount of depreciation is classified into operating expenses based on the use of the related asset. The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each reporting period.

Gains and losses on disposals are determined by comparing proceeds with carrying amount. These are recognised in the profit or loss.

c) Intangible assets

Intangible assets include the amount of concession fee paid to the Government of the Kingdom of Bahrain in accordance with the Khalifa Bin Salman Concession Agreement entered with the Government for the operation of the Khalifa Bin Salman Port and the present value of the minimum lease payments of Khalifa Bin Salman Port. These intangible assets have finite useful life and are measured at cost less amortisation and accumulated impairment loss, if any.

Amortisation is recognised in the profit or loss on a straight line basis over the concession agreement period of 25 years.

Intangible assets also include software and licenses acquired by the Company and are measured at cost less accumulated amortisation and any accumulated impairment losses. Subsequent expenditure is capitalised only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure is expensed as incurred. Software and licenses are amortised on a straight-line basis in the profit or loss over their estimated useful life, from the date on which it is available for use. The estimated useful life is three years.

Amortisation methods, useful lives and residual values are reviewed at each reporting date and adjusted if appropriate.

d) Inventories

Inventories mainly consist of consumables and spares. Inventories are measured at the lower of cost and net realisable value. The cost of inventories is based on the first-in-first-out principle and includes expenditure incurred in acquiring the inventories and other costs incurred in bringing them to their existing location and condition.

The net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and selling expenses.

e) Trade receivables

Receivables are recognized initially at fair value and subsequently measured at amortized cost less provision for impairment.

f) Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and at bank and bank deposits that have an original maturity of three months or less, realisable on demand.

g) Trade payable and accruals

Payables are recognised for amounts to be paid in the future for goods or services received, whether billed by the supplier or not. These are recognized initially at their fair value and subsequently measured at amortized cost.

NOTES TO THE FINANCIAL STATEMENTS**For the year ended 31 DECEMBER 2019****BD 000's****4 SIGNIFICANT ACCOUNTING POLICIES (continued)****h) Provisions**

A provision is recognised in the statement of financial position when the Company has a legal or constructive obligation as a result of a past event and it is probable that an outflow of economic benefits will be required to settle the obligation.

i) Dividends

Dividends are recognised as a liability in the period in which they are declared.

j) Employees' end of service benefits

Pension rights (and other social benefits) for Bahraini employees are covered by the Social Insurance Organisation scheme to which employees and employers contribute monthly on a fixed-percentage-of-salaries basis. The Company's share of contributions to this funded scheme, which is a defined contribution scheme under IAS 19 – *Employee Benefits*, is recognised as an expense in the profit or loss.

Expatriate employees are entitled to leaving indemnities payable under the Bahrain Labour Law for the Private Sector 2012, based on length of service and final salary and other allowances paid. Provision for this unfunded commitment, which represents a defined benefit scheme under IAS 19 – *Employee Benefits*, has been made by calculating the notional liability had all employees left at the reporting date, is recognised as an expense in the profit or loss.

k) Statutory reserve

In accordance with the Bahrain Commercial Companies Law and the Company's Articles of Association, a minimum of 10% of the net profit for the year is appropriated to a statutory reserve. The Company may elect to discontinue such appropriation when the reserves reaches 50% of the capital. This reserve is not distributable, except in the circumstances stipulated in the Commercial Companies Law.

l) Foreign currency transactions

Items included in the financial statements of the Company are measured using the currency of the primary economic environment in which the entity operates ('the functional currency'). The functional and presentation currency of the Company is Bahraini dinars ("BD").

Transactions in foreign currencies are translated to Bahraini Dinars at the foreign exchange rate prevailing at the date of the transactions. Monetary assets and liabilities denominated in foreign currencies at the reporting date are translated into Bahraini Dinars at the foreign exchange rate prevailing at that date.

Non-monetary assets and liabilities denominated in foreign currencies that are measured at fair value are translated into Bahraini Dinars at the exchange rate at the date that the fair value was determined. Foreign exchange differences resulting from the settlement of such foreign currency transactions and from the translation of monetary and non-monetary assets and liabilities denominated in foreign currencies at year end exchange rates are recognised in the profit or loss.

m) Financial instruments*Derivative financial instruments*

The Company holds derivative financial instruments for its foreign currency exposure in the form of foreign exchange forward and FX swap. Derivatives are initially measured at fair value. Subsequent to initial recognition, derivatives are measured at fair value, and changes therein are generally recognised in profit or loss.

Non-derivative financial instruments

Non-derivative financial instruments comprise financial assets and financial liabilities. Financial assets comprise trade receivables, related party receivables, other current assets (excluding prepayments) and cash and cash equivalents. Financial liabilities comprise trade and related party payables, and other liabilities.

Non-derivative financial instruments are recognised initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, non-derivative financial assets are measured at amortised cost using the effective interest method, less any impairment losses. Financial liabilities are subsequently measured at amortised cost.

n) Fair values of financial instruments

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 in the principal, or in its absence, the most advantageous market to which the Company has access at that date. The fair value of a liability reflects its non-performance risk.

o) Impairment

(i) Financial assets

The Company recognises loss allowance for expected credit loss on financial assets measured at amortized cost. Loss allowance for trade receivables is always measured at an amount equal to the life time expected credit losses.

At each reporting date, the Company assesses whether financial assets carried at amortized cost are credit impaired. A financial asset is 'credit-impaired' when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred. Evidence that a financial asset is credit-impaired includes significant financial difficulty of the debtor, a breach of contract such as a default or it is probable that the debtor will enter bankruptcy or other financial reorganization.

The Company has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

Loss allowances for financial assets measured at amortised cost are deducted from the gross carrying amount of the assets.

(ii) Non-financial assets

The carrying amounts of the Company's non-financial assets are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated. An impairment loss is recognised whenever the carrying amount of an asset exceeds its estimated recoverable amount. All impairment losses are recognised in the profit or loss.

p) Offsetting

Financial assets and financial liabilities are offset and the net amount presented in the statement of financial position when, and only when, the Company currently has a legally enforceable right to set off the amounts and it intends either to settle them on a net basis or to realise the asset and settle the liability simultaneously.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 DECEMBER 2019

4 SIGNIFICANT ACCOUNTING POLICIES (continued)

BD 000's

q) Leases

Policy applicable from 1 January 2019

At inception of a contract, the Company assesses whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. To assess whether a contract conveys the right to control the use of an identified asset, the Company uses the definition of a lease in IFRS 16.

This policy is applied to contracts entered into, on or after 1 January 2019.

I. As a lessee

The Company recognises a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date.

The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the end of the lease term, unless the lease transfers ownership of the underlying asset to the Company by the end of the lease term or the cost of the right-of-use asset reflects that the Company will exercise a purchase option. In that case the right-of-use asset will be depreciated over the useful life of the underlying asset, which is determined on the same basis as those of equipment. In addition, the right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Company's incremental borrowing rate. Generally, the Company uses its incremental borrowing rate as the discount rate.

The Company determines its incremental borrowing rate by obtaining interest rates from various external financing sources and makes certain adjustments to reflect the terms of the lease and type of the asset leased.

Lease payments included in the measurement of the lease liability comprise the following:

- fixed payments, including in-substance fixed payments;
- variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date;
- amounts expected to be payable under a residual value guarantee; and
- the exercise price under a purchase option that the Company is reasonably certain to exercise, lease payments in an optional renewal period if the Company is reasonably certain to exercise an extension option, and penalties for early termination of a lease unless the Company is reasonably certain not to terminate early.

The lease liability is measured at amortised cost using the effective interest method. It is remeasured when there is a change in future lease payments arising from a change in an index or rate, if there is a change in the Company's estimate of the amount expected to be payable under a residual value guarantee, if the Company changes its assessment of whether it will exercise a purchase, extension or termination option or if there is a revised in-substance fixed lease payment.

When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

Short-term leases and leases of low-value assets

The Company has elected not to recognise right-of-use assets and lease liabilities for leases of low-value assets and short-term leases. The Company recognises the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

NOTES TO THE FINANCIAL STATEMENTS**For the year ended 31 DECEMBER 2019****BD 000's****4 SIGNIFICANT ACCOUNTING POLICIES (continued)****II. As a lessor**

At inception or on modification of a contract that contains a lease component, the Company allocates the consideration in the contract to each lease component on the basis of their relative stand-alone prices.

When the Company acts as a lessor, it determines at lease inception whether each lease is a finance lease or an operating lease.

To classify each lease, the Company makes an overall assessment of whether the lease transfers substantially all of the risks and rewards incidental to ownership of the underlying asset. If this is the case, then the lease is a finance lease; if not, then it is an operating lease. As part of this assessment, the Company considers certain indicators such as whether the lease is for the major part of the economic life of the asset.

When the Company is an intermediate lessor, it accounts for its interests in the head lease and the sub-lease separately. It assesses the lease classification of a sub-lease with reference to the right-of-use asset arising from the head lease, not with reference to the underlying asset. If a head lease is a short-term lease to which the Company applies the exemption described above, then it classifies the sub-lease as an operating lease.

If an arrangement contains lease and non-lease components, then the Company applies IFRS 15 to allocate the consideration in the contract.

The Company applies the derecognition and impairment requirements in IFRS 9 to the net investment in the lease. The Company further regularly reviews estimated unguaranteed residual values used in calculating the gross investment in the lease.

The Company recognises lease payments received under operating leases as income on a straight-line basis over the lease term as part of 'other revenue'.

Generally, the accounting policies applicable to the Company as a lessor in the comparative period were not different from IFRS 16.

Policy applicable before 1 January 2019

For contracts entered into before 1 January 2019, the Company determined whether the arrangement was or contained a lease based on the assessment of whether:

- fulfilment of the arrangement was dependent on the use of a specific asset or assets; and
- the arrangement had conveyed a right to use the asset. An arrangement conveyed the right to use the asset if one of the following was met:
 - the purchaser had the ability or right to operate the asset while obtaining or controlling more than an insignificant amount of the output;
 - the purchaser had the ability or right to control physical access to the asset while obtaining or controlling more than an insignificant amount of the output; or
 - facts and circumstances indicated that it was remote that other parties would take more than an insignificant amount of the output, and the price per unit was neither fixed per unit of output nor equal to the current market price per unit of output.

NOTES TO THE FINANCIAL STATEMENTS**For the year ended 31 DECEMBER 2019****4 SIGNIFICANT ACCOUNTING POLICIES (continued)****BD 000's****I. As a lessee**

In the comparative period, as a lessee the Company classified leases that transferred substantially all of the risks and rewards of ownership as finance leases. When this was the case, the leased assets were measured initially at an amount equal to the lower of their fair value and the present value of the minimum lease payments. Minimum lease payments were the payments over the lease term that the lessee was required to make, excluding any contingent rent. Subsequent to initial recognition, the assets were accounted for in accordance with the accounting policy applicable to that asset.

Assets held under other leases were classified as operating leases and were not recognised in the Company's statement of financial position. Payments made under operating leases were recognised in profit or loss on a straight-line basis over the term of the lease. Lease incentives received were recognised as an integral part of the total lease expense, over the term of the lease.

II. As a lessor

When the Company acted as a lessor, it determined at lease inception whether each lease was a finance lease or an operating lease.

To classify each lease, the Company made an overall assessment of whether the lease transferred substantially all of the risks and rewards incidental to ownership of the underlying asset. If this was the case, then the lease was a finance lease; if not, then it was an operating lease. As part of this assessment, the Company considered certain indicators such as whether the lease was for the major part of the economic life of the asset.

r) Finance income and finance expense

The Company's finance income includes interest income on deposits and bank balances, and finance costs includes interest expense on leases. Interest income or expense is recognised using the effective interest method.

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 DECEMBER 2019

BD 000's

5 INTANGIBLE ASSETS**2019****Cost**

At 1 January

Additions

At 31 December**Accumulated amortisation**

At 1 January

Amortisation for the year

At 31 December**Net carrying value
31 December**

	Service concessions rights	Software and licenses	Total
At 1 January	9,731	725	10,456
Additions	-	-	-
At 31 December	9,731	725	10,456
Accumulated amortisation			
At 1 January	3,795	684	4,479
Amortisation for the year	390	37	427
At 31 December	4,185	721	4,906
Net carrying value 31 December	5,546	4	5,550

Service concession rights include BD 924 paid as concession fee for the KBSP concession period on commencement of operations at the KBSP (note 1).

As at 31 December 2019, software and licenses includes assets having cost of BD 613 (2018: BD 613) which are fully amortized and are still in use.

2018**Cost**

At 1 January

Additions

At 31 December**Accumulated amortisation**

At 1 January

Amortisation for the year

At 31 December**Net carrying value
31 December**

	Service concessions rights	Software and licenses	Total
At 1 January	9,731	725	10,456
Additions	-	-	-
At 31 December	9,731	725	10,456
Accumulated amortisation			
At 1 January	3,405	647	4,052
Amortisation for the year	390	37	427
At 31 December	3,795	684	4,479
Net carrying value 31 December	5,936	41	5,977

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 December 2019

BD 000's

6 EQUIPMENT AND VEHICLES

2019

	Marine Service Equipment	Computer Equipment	Cranes & Transainers	Furniture & Fixtures	Machinery & Equipment	Vehicles	Tools	Leasehold Improvement	Capital work- in progress	Total
Cost										
Balance as at 1 January	-	936	17,349	88	2,515	1,560	32	60	-	22,540
Recognition of right-of-use assets on initial application of IFRS16 (note 3b)	19,639	-	-	-	-	-	-	-	-	19,639
Adjusted balance as at 1 January 2019	19,639	936	17,349	88	2,515	1,560	32	60	-	42,179
Remeasurement during the year *	387	-	-	-	-	-	-	-	-	387
Additions	-	128	-	-	202	138	5	-	83	556
Disposals	-	-	-	-	(42)	(115)	-	-	-	(157)
At 31 December	20,026	1,064	17,349	88	2,675	1,583	37	60	83	42,965
Accumulated depreciation										
At 1 January	-	890	11,955	82	2,151	1,553	31	60	-	16,722
Depreciation	1,313	47	711	2	143	27	1	-	-	2,244
Disposals	-	-	-	-	(42)	(115)	-	-	-	(157)
At 31 December	1,313	937	12,666	84	2,252	1,465	32	60	-	18,809
Net book value										
31 December	18,713	127	4,683	4	423	118	5	-	83	24,156

* Remeasurement relates to change in future lease payments arising from a change in index during the year.

As at 31 December 2019, equipment and vehicles of the Company include assets having cost of BD 11,510 (2018: BD 5,766) which are fully depreciated and are still in use.

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 December 2019

BD 000's

6 EQUIPMENT AND VEHICLES (continued)

2018

Cost	Computer Equipment	Cranes & Transainers	Furniture & Fixtures	Machinery & Equipment	Vehicles	Tools	Leasehold Improvement	Capital work-in progress	Total
At 1 January	881	17,457	83	2,405	1,560	32	49	17	22,484
Additions	55	-	5	109	-	-	11	-	180
Transfer	-	-	-	17	-	-	-	(17)	-
Disposals	-	(108)	-	(16)	-	-	-	-	(124)
At 31 December	936	17,349	88	2,515	1,560	32	60	-	22,540
Accumulated depreciation									
At 1 January	862	10,822	81	2,031	1,528	29	49	-	15,402
Depreciation	28	1,241	1	136	25	2	11	-	1,444
Disposals	-	(108)	-	(16)	-	-	-	-	(124)
At 31 December	890	11,955	82	2,151	1,553	31	60	-	16,722
Net book value									
31 December	46	5,394	6	364	7	1	-	-	5,818

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 December 2019

BD 000's

7 INVENTORIES

Inventories
 Less: Provision for obsolescence

2019	2018
819	849
(492)	(514)
327	335

Movement in provision:

At 1 January
 Reversal for the year, net
 At 31 December

2019	2018
514	622
(22)	(108)
492	514

8 TRADE RECEIVABLES

Trade receivables
 Less: Impairment provision

2019	2018
1,877	2,123
(440)	(458)
1,437	1,665

Movement in provision:

At 1 January
 Reversal for the year, net
 At 31 December

2019	2018
458	481
(18)	(23)
440	458

Information about the Company's exposure to credit and market risk is included in note 25.

9 PREPAYMENTS AND OTHER RECEIVABLES

Prepayments
 Receivable against forward and swap contracts
 Other receivables

2019	2018
353	223
29	-
126	501
508	724

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 December 2019

BD 000's

10 CASH AND CASH EQUIVALENTS

Cash on hand
Balances with banks

2019	2018
-	2
3,109	3,996
3,109	3,998

Information about the Company's exposure to credit and market risk is included in note 25.

11 SHARE CAPITAL

Authorized share capital / issued and fully paid up

90,000,000 shares of 100 fils each (2018: 90,000,000 of 100 fils each)

2019	2018
9,000	9,000

Loss of BD 17 was incurred on sale of treasury shares and recognized in retained earnings.

(i) Names and nationalities of the major shareholders and the number of equity shares held:

Name of the shareholder	Nationality	Number of shares (000s)	% of holding
APM Terminals B.V	Netherland	57,600	64%
Yusuf Bin Ahmed Kanoo (Holdings) W.L.L	Bahrain	14,400	16%

(ii) The Company has one class of equity shares and the holders of these shares have equal voting rights. Holders of ordinary shares are entitled to dividends from time to time and are entitled to one vote per share at general meetings of the Company. All rights attached to the Company's shares held by the Company are suspended until those shares are re-issued.

(iii) The following is a distribution schedule of equity shares setting out the number of holding and percentage:

Categories*	Number of shares (000s)	Number of shareholders	% of total shares
Less than 1%	15,473	662	17.2%
1 % up to less than 5%	2,527	2	2.8%
5 % up to less than 10%	-	-	-
10 % up to less than 20%	14,400	1	16.0%
20 % up to less than 50%	-	-	-
50% and above	57,600	1	64.0%
Total	90,000	666	100.0%

* Expressed as percentage of total issued and fully paid shares of the Company.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2019

BD 000's

12 STATUTORY RESERVE

In accordance with the Commercial Companies Law and the Company's Articles of Association, a minimum of 10% of the net profit for the year is appropriated to a statutory reserve. The Company may elect to discontinue such appropriation when the reserves reaches 50% of the capital. This reserve is not distributable, except in the circumstances stipulated in the Commercial Companies Law.

13 LEASES

a) Amounts recognised in the statement of financial position

i) Right of use asset of marine service equipment (included in equipment and vehicles) BD 18,713 (note 6).

ii) Lease liabilities

Service concession rights
Lease of Marine service equipment

2019	2018
8,015	8,190
19,206	-
27,221	8,190

Non-current portion of lease liability
Current portion of lease liability

2019	2018
26,124	8,015
1,097	175
27,221	8,190

b) Amounts recognised in the of profit or loss:

Depreciation charge on right-of-use assets
Interest expense (included in finance cost)
Expense relating to short-term leases
Expenses relating to leases of low-value assets, excluding short-term leases of low-value assets

2019
1,313
1,148
104
58

c) The total cash outflow for leases in 2019 was BD 2,654.

14 EMPLOYEES' BENEFITS

At 1 January
Charge for the year
Paid during the year

At 31 December

2019	2018
505	386
208	152
(137)	(33)
576	505

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 December 2019

BD 000's

15 TRADE AND OTHER PAYABLES

	2019	2018
Royalty payable to the Government of Bahrain	2,900	3,589
Trade payables	628	430
Advances from customers	133	145
Accrued expenses	1,964	1,959
Provisions	418	449
	6,043	6,572

Information about the company's exposure to credit and market risk is included in note 25.

16 REVENUE

	2019	2018
Container services	17,670	18,434
General cargo services	13,068	12,830
Marine services	7,426	6,927
	38,164	38,191

17 DIRECT EXPENSES

	2019	2018
Salaries and related costs	4,784	4,553
Subcontracting charges	3,128	4,821
Depreciation	2,244	1,444
Maintenance and repairs	1,404	1,244
Fuel and electricity	1,378	1,291
Equipment hiring charges	226	161
Security costs	208	222
Customs duty and freight charges	52	57
Reversal of provision on inventories	(22)	(108)
Other expenses	171	185
	13,573	13,870

18 GENERAL AND ADMINISTRATIVE EXPENSES

	2019	2018
Salaries and related costs	2,552	2,296
Computer expenses	418	344
Management and administration fee	346	350
Legal and professional charges	100	44
Office expenses	84	61
Travel expenses	38	28
Communication expenses	30	34
Training expenses	25	20
Reversal of provision on trade receivables	(18)	(23)
Other expenses	203	171
	3,778	3,325

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 December 2019

BD 000's

19 OTHER EXPENSES

Royalty to Government of Bahrain
 Amortisation of intangible asset

2019	2018
9,042	9,759
427	427
9,469	10,186

20 FINANCE EXPENSE

Lease expense
 Bank charges

2019	2018
1,828	693
14	10
1,842	703

21 EARNINGS PER SHARE

Earnings per share is calculated by dividing the profit attributable to the ordinary shareholders of the Company by the weighted average number of ordinary shares outstanding during the year excluding the average number of ordinary shares purchased by the Company and held as treasury shares, are as follows:

Profit for the year (BD 000's)
 Weighted average number of shares (000's)
 Basic and diluted earnings per share (fils)

2019	2018
10,185	10,460
90,000	90,000
113	116

22 APPROPRIATIONS

The Board of Directors have proposed the following appropriations for the year 2019:

Dividend proposed
 Statutory reserve

2019	2018
10,161	9,850
7	1,046

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 December 2019

BD 000's

23 RELATED PARTY TRANSACTIONS

Parties are considered to be related if one party has the ability to control the other party or exercise significant influence over the other party in making financial and operating decisions. Related parties include entities over which the Company exercises significant influence, major shareholders, directors and key management personnel of the Company. Transactions with related parties are at agreed terms. The significant related party balances and transactions (excluding compensation to key management personnel) included in these financial statements are as follows:

Description	Parent/ Group company	Shareholders / entities in which directors are interested	Total
As at 31 December 2019			
<u>Assets</u>			
Trade receivables	309	610	919
Interest receivable on deposits	340	-	340
Other receivables	1	-	1
	650	610	1,260
Deposits	21,549	-	21,549
<u>Liabilities</u>			
Trade payables	-	5	5
Other payables	16	-	16
Accrued expenses	308	39	347
Management fee payable	27	-	27
	351	44	395

The Company has maintained short term deposits with a Group Company of the Parent and earns an average interest of 2.63% p.a. (2018: 2.36% p.a.)

Description	Parent/ Group company	Shareholders / entities in which directors are interested	Total
For the year ended 31 December 2019			
<u>Income</u>			
Revenue	2,767	6,129	8,896
Finance income	532	-	532
	3,299	6,129	9,428
<u>Expenses</u>			
Subcontracting charges	3,373	-	3,373
Management and administration fee	346	-	346
Computer expenses	232	-	232
Maintenance and repairs	-	14	14
Board remuneration	29	52	81
Other expenses	60	159	219
	4,040	225	4,265

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2019

23 RELATED PARTY TRANSACTIONS (continued)

BD 000's

Description	Parent/ Group company	Shareholders / entities in which directors are interested	Total
As at 31 December 2018			
<u>Assets</u>			
Trade receivables	225	540	765
Interest receivable on deposits	18	-	18
Other receivables	1	-	1
	244	540	784
Deposits	19,668	-	19,668
<u>Liabilities</u>			
Trade payables	4	-	4
Other payables	15	-	15
Accrued expenses	305	5	310
Management fee payable	27	-	27
Board remuneration payable	-	3	3
	351	8	359
For the year ended 31 December 2018			
<u>Income</u>			
Revenue	2,051	5,942	7,993
Finance income	289	-	289
	2,340	5,942	8,282
<u>Expenses</u>			
Subcontracting charges	3,261	-	3,261
Management and administration fee	350	-	350
Computer expenses	214	-	214
Maintenance and repairs	-	2	2
Board remuneration	8	3	11
Other expenses	52	58	110
	3,885	63	3,948

Other related party transactions for the year ended 31 December

Description	Parent/ Group company		Shareholders / entities in which directors are interested		Total	
	2019	2018	2019	2018	2019	2018
Purchase of inventories	-	-	12	19	12	19

NOTES TO THE FINANCIAL STATEMENTS**For the year ended 31 December 2019**23 **RELATED PARTY TRANSACTIONS** (continued)**BD 000's****Key management personnel**

Key management personnel of the Company comprise of the Board of Directors and key members of management including employees promoted as executives during the year, having authority and responsibility for planning, directing and controlling the activities of the Company. The key management personnel compensation is as follows:

	2019	2018
Salaries and other short-term benefits	812	629
Post-employment benefits for the year	39	52
Board remuneration and sitting fees for the year	81	11
Post-employment benefits payable	132	36

24 SEGMENT REPORTING

Operating segments are reported in a manner consistent with the internal reporting provided to the Chief Operating Decision Maker of the Company. Chief Executive Officer and Chief Financial Officer of the Company are the chief operating decision makers. The Company operates only in one Business Segment i.e. 'Port Services' which primarily includes services such as Container services, General Cargo services and Marine services and the activities incidental thereto within Bahrain. The revenue, expenses and results are reviewed only at Company level and therefore no separate operating segment results and disclosures are provided in these financial statements.

25 FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

Financial instruments include financial assets and financial liabilities. Financial assets of the Company include trade receivables, cash and cash equivalents, due to related parties and other financial assets. Financial liabilities of the Company comprise of trade and other payables, due to related parties and finance lease liability.

The Company has exposure to the following risks from its use of financial instruments:

- credit risk
- liquidity risk
- market risk
- operational risk

This note presents information about the Company's exposure to each of the above risks, the Company's objectives, policies and processes for measuring and managing risk, and the Company's management of capital. The note also presents certain quantitative disclosures in addition to the disclosures throughout the financial statements.

NOTES TO THE FINANCIAL STATEMENTS**For the year ended 31 December 2019****25 FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (continued)****BD 000's**

The Board of Directors has overall responsibility for the establishment and oversight of the Company's risk management framework.

The Company's risk management policies are established to identify and analyse the risks faced by the Company, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Company's activities. The Company, through its training and management standards and procedures, aims to develop a disciplined and constructive control environment in which all employees understand their roles and obligations.

a) Credit risk

Credit risk is the risk that a counter party to a financial instrument will fail to discharge an obligation and cause the Company to incur a financial loss. The Company is exposed to credit risk primarily on its cash and cash equivalents and receivables.

The significant receivables are from customers and deposits with Group Company. The receivables from customers represent revenue billed to the customers.

The Company has a practice, which ensures that each new customer is analyzed individually for creditworthiness before the Company's standard payment conditions are offered. In addition, the Company has a practice of collecting Bank Guarantee for the entire Credit limit approved for all the customers. The finance department ensures the credibility of new customers and requires bank guarantee. Since the Company is providing services locally, there is no significant geographical concentration of credit risk involved in trade receivable balances.

The Company perceives that the trade receivable balances are of good credit quality as these are primarily:

- government-owned companies;
- well established private companies, and
- related parties with good financial position.

An impairment analysis is performed at each reporting date using provision matrix to measure expected credit loss.

Company's credit risk on cash and cash equivalents is limited as these are placed with international bank and the National Bank of Bahrain.

(i) Exposure to credit risk

The carrying amount of financial assets represents the maximum credit exposure. The maximum exposure to credit risk at the reporting date was:

Balances with bank
Trade receivables
Other receivables
Due from related parties
Deposits

2019	2018
3,109	3,996
1,437	1,665
126	501
1,260	784
21,549	19,668
27,481	26,614

NOTES TO THE FINANCIAL STATEMENTS**For the year ended 31 December 2019**25 **FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (continued)****BD 000's****(ii) Impairment Losses**

The aging of trade receivables at the reporting date was:

	2019			2018		
	Gross	Weighted Average Loss Rate	Loss Allowance	Gross	Weighted Average Loss Rate	Loss Allowance
Current (not past due)	656	1%	7	969	0.8%	8
Past due:						
0-90 days	301	1%	3	230	1%	2
91-180 days	23	10%	2	11	10%	1
181-270 days	27	30%	8	10	30%	3
271-365 days	20	50%	10	3	50%	2
Over 365 days	410	100%	410	442	100%	442
	1,437		440	1,665		458

b) Liquidity risk

Liquidity risk is the risk that the Company will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset. The Company's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Company's reputation. Liquidity risk may result from an inability to collect a financial asset within reasonable period at close to its fair value.

The liquidity position of the Company is monitored by the Chief Executive Officer and the Chief Financial Officer. The Company ensures that it has sufficient cash on demand to meet expected operational expenses, including the servicing of financial obligations; this excludes the potential impact of extreme circumstances that cannot reasonably be predicted, such as natural disasters.

The following are the contractual maturities of financial liabilities including interest payments:

		Carrying amount	Contractual Cash flows	6 months or less	7 - 12 months	1 - 2 years	More than 2 years
2019							
Trade and other payables		5,492	5,492	5,492	-	-	-
Lease liabilities		27,221	42,220	1,859	1,002	2,870	36,489
		32,713	47,712	7,351	1,002	2,870	36,489
2018							
Trade and other payables		5,978	5,978	5,978	-	-	-
Lease liabilities		8,190	14,729	854	-	868	13,007
		14,168	20,707	6,832	-	868	13,007

NOTES TO THE FINANCIAL STATEMENTS**For the year ended 31 December 2019**25 *FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (continued)***BD 000's****c) Market risk**

Market risk is the risk that changes in market prices, such as foreign exchange rates and interest rates will affect the Company's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return on risk.

(i) Interest rate risk

Interest rate risk is the risk that the Company's earnings will be affected as a result of movements in interest rates.

The Company's interest rate risk is limited to its interest bearing short-term deposits with Group Company. Change in market interest rate will not have a significant effect on the carrying value of these deposits due to the short-term characteristics of these deposits.

(ii) Foreign exchange risk

Foreign exchange risk is the risk that the Company's earnings will be affected as a result of fluctuations in foreign currency exchange rates. The Company is exposed to currency risk on purchases of US Dollars. Majority of Company's transactions are in Bahraini Dinars and in US Dollars (USD), to which the Bahraini Dinars is currently pegged.

d) Operational risk

Operational risk is the risk of direct or indirect loss arising from a wide variety of causes associated with the Company's processes, personnel, technology and infrastructure, and from external factors other than credit, market and liquidity risks such as those arising from legal and regulatory requirements and generally accepted standards of corporate behavior. Operational risks arise from all of the Company's operations.

The Company's objective is to manage risks so as to balance the avoidance of financial losses and damage to the Company's reputation with overall cost effectiveness and to avoid control procedures that restrict initiative and creativity.

The primary responsibility for the development and implementation of controls to address operational risk is assigned to senior management within each business unit. This responsibility is supported by the development of overall Company standards for the management of operational risk in the following areas:

- Requirements for appropriate segregation of duties, including the independent authorization of transactions.
- Requirements for the reconciliation and monitoring of transactions.
- Compliance with regulatory and other legal requirements.
- Documentation of controls and procedures.
- Requirements for the periodic assessment of operational risks faced, and the adequacy of controls and procedures to address the risks identified.
- Requirements for the reporting of operational losses and proposed remedial action.
- Development of contingency plans.
- Training and professional development.
- Ethical and business standards.
- Risk mitigation, including insurance where this is effective.

NOTES TO THE FINANCIAL STATEMENTS**For the year ended 31 December 2019****25 FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (continued)****BD 000's****e) Capital management**

The Board's policy is to maintain a strong capital base so as to maintain investor, lender and Government's confidence and to be able to meet the requirements of the Khalifa Bin Salman Concession Agreement. The Board of Directors monitors that there is sufficient capital to ensure smooth working of the current operations and investments. The Company defines capital as total equity, which are for a significant term to ensure that the Company will be adequately capitalized till the internal accruals are sufficient for a sustainable growth.

There were no changes in the Company's approach to capital management during the year.

26 FAIR VALUES OF FINANCIAL INSTRUMENTS

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 in the principal, or in its absence, the most advantageous market to which the Company has access at that date. The fair value of a liability reflects its non-performance risk.

The Company measures fair values using the following fair value hierarchy that reflects the significance of the inputs used in making the measures:

Level 1: Quoted market price (unadjusted) in an active market for an identical instrument.

Level 2: Inputs other than quoted prices included within Level 1 that are observable either directly (i.e. as prices) or indirectly (i.e. derived from prices). This category includes instruments valued using: quoted market prices in active markets for similar instruments; quoted prices for identical or similar instruments in markets that are considered less than active; or other valuation techniques in which all significant inputs are directly or indirectly observable from market data.

Level 3: Inputs that are unobservable. This category includes all instruments for which the valuation technique includes inputs not based on observable data and the unobservable inputs have a significant effect on the instrument's valuation. This category includes instruments that are valued based on quoted prices for similar instruments for which significant unobservable adjustments or assumptions are required to reflect differences between the instruments.

The Company has not disclosed the fair value for financial instruments such as trade and other receivables, trade and other payables, deposits and cash and bank balances, because their carrying amounts are a reasonable approximation of fair values, due to their short-term nature.

The Company's financial assets and financial liabilities are all classified under the amortized cost category. Derivative financial instruments measured at fair value were Level 2 as per the hierarchy.

27 COMMITMENTS

Capital commitments

2019	2018
18	129

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 December 2019

BD 000's

28 RECONCILIATION OF MOVEMENTS OF LIABILITIES TO CASH FLOWS ARISING FROM FINANCING ACTIVITIES

	Liabilities	Equity			Total
		Share capital	Statutory reserve	Retained earnings	
Balance at 1 January 2019	8,190	9,000	4,493	9,850	31,533
Recognition on initial application of IFRS 16	19,639	-	-	-	19,639
Adjusted balance at 1 January	27,829	9,000	4,493	9,850	51,172
Remeasurement of IFRS 16	387	-	-	-	387
Changes from financing cash flows					
Lease liability	(922)	-	-	-	(922)
Finance expense	(1,746)	-	-	-	(1,746)
Dividends paid	-	-	-	(9,831)	(9,831)
Total changes from financing cash flows	(2,668)	-	-	(9,831)	(12,499)
Liability-related changes	1,673	-	-	-	1,673
Equity-related changes	-	-	7	10,142	10,149
Balance at 31 December 2019	27,221	9,000	4,500	10,161	50,882

	Liabilities	Equity			Total
		Share capital	Statutory reserve	Retained earnings	
Balance at 1 January 2018	8,330	9,000	3,447	436	21,213
Changes from financing cash flows					
Lease liability	(140)	-	-	-	(140)
Finance expense	(703)	-	-	-	(703)
Total changes from financing cash flows	(843)	-	-	-	(843)
Liability-related changes	703	-	-	-	703
Equity-related changes	-	-	1,046	9,414	10,460
Balance at 31 December 2018	8,190	9,000	4,493	9,850	31,533

29 DERIVATIVES

The Company has entered into foreign currency forward and swap contracts with a bank with nominal value of BD 21,657 (2018: Nil) maturing within one year. Fair value gain on derivatives for the year amounted to BD 29 and is included under finance income in the profit or loss.

30 COMPARATIVES

The comparative figures have been regrouped, where necessary, in order to conform to the current year's presentation. Such regrouping did not affect the previously reported profit and total comprehensive income for the year or total equity.