The Bahrain Ship Repairing and Engineering Company BSC

CONSOLIDATED FINANCIAL STATEMENTS

31 DECEMBER 2019

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GENERAL INFORMATION

The Bahrain Ship Repairing and Engineering Company BSC is a Public Shareholding Company registered in the Kingdom of Bahrain in 1962.

Commercial Registration	715
Head Office	Mina Salman Industrial Area, Kingdom of Bahrain P.O. Box 568 Telephone: 17725300 Telefax: 17729891 E-mail: mainoffice@basrec.com.bh
Board of Directors	
Fawzi Ahmed Kanoo	*Chairman*
Khalid Mohamed Kanoo	*Deputy Chairman*
Khalid Yousuf Abdul Rahman	*Director*
Khaled Abdulla Abdulrahman Abdulla	*Director*
Talal Fawzi Kanoo	*Director*
Yusuf Abdulla Yusuf Akbar Ali Reza	*Director*
N.E. Saadi	*Director*
Chief Executive Officer	N. E. Saadi
Bankers	National Bank of Bahrain BSC Al Salam Bank BSC Bank of Bahrain and Kuwait BSC Ahli United Bank BSC Bahrain Islamic Bank National Bank of Kuwait Kuwait Finance House
Auditors	KPMG Fakhro
Registrars	Karvy Fintech (Bahrain) W.L.L. Bahrain Clear

BOARD OF DIRECTOR'S REPORT

On behalf of the Board of Directors, I am pleased to present the 58th Annual Report of BASREC together with the Consolidated Financial Statements for the year ended 31st December 2019.

The consolidated financial statements have been prepared in accordance with the International Financial Reporting Standards. I would like to reiterate our strong commitment to good Corporate Governance whilst we are continuously striving to improve the quality of our disclosures.

The world economy continues to face difficulties and challenges and ship repairing industry is no exception. It is also facing difficult market conditions. There are no immediate, visible signs of recovery in the ship repairing market. The strict competition continues from the nearby shipyards, who enjoy huge capital investments from various sources resulting in plummeting charge prices. BASREC with its long history of more than 50 years has faced such conditions a number of times and has been successfully able to ward off such difficult challenges. We continue to maintain our financial strength and face competition with focused determination and active customer relationship to ensure continued success of our business.

We have always strived to build stronger relationships with our clients. They will be carefully nurtured resulting in a sound base of repeat clients that will stay with BASREC during the turbulent market.

Despite all, as explained above BASREC had a relatively comparable satisfactory year of operations by achieving consolidated revenue of BD 8,333,591.

We maintain strong liquidity, to meet all our obligations. We continue to focus on prudent financial management. The company has a strong system of internal control, maintaining proper accounting records and presenting professionally acceptable and reliable consolidated financial statements.

Over the past few years we have invested heavily, to improve our yard facilities, to increase our capacity to be able to dry dock ships with more than double the size of ships we have docked and repaired so far.

We have faced some delay in finalization of award of contract for building new Floating Dock. We must emphasize that building the new Floating Dock will be our biggest investment in financial terms for a single item of our shipyard equipment in the history of BASREC. The delay is due to our extreme cautious approach in this regard to ensure and safeguard the interests of the company in all aspects and circumstances.

BASREC is committed to improve its economic value for its shareholders, and its corporate social responsibility through its pledge to ensure customer satisfaction, safe operations and environmental protection.

We constantly strive to upgrade our shipyard facilities, to enable our company to provide better services, in order to attract the local and international customers.

The company recognizes the human resources as its most important asset and is constantly engaged in enriching the value and developing competencies of employees, through various development strategies. Safety is vital to our business and we place great emphasis on entrenching a safety culture and zero tolerance for incidents.

DIRECTORS

I would like to welcome Mr. Yusuf Abdulla Yusuf Akbar Ali Reza who replaces Mr. Abdulla Yusuf Akbar Ali Reza who has retired. I am confident that the Board will benefit with the wealth of knowledge and experience he brings.

All members of the Board were elected at the Annual General Meeting held on 29th March 2018 and under the memorandum and Articles of Association of the company their period of office does not expire until 29th March 2021.

On behalf of the board of directors I would like to thank our customers and shareholders for their confidence and continuous support. We value our strong reputation and relationship. We look forward to creating further value to protect the interests of all our shareholders.

CONSOLIDATED FINANCIAL STATEMENTS

The net profit for 2019 amounted to BD 3,075,110 Compared to profit of BD 3,331,896 in year 2018. The retained earnings at 31st December 2019 amounting to BD 23,840,998 (2018: BD 21,839,188).

The directors recommend the payment of a cash dividend of 50 percent of the share capital (2018: 50 percent). The directors have proposed BD 166,000 for Directors remuneration (2018: BD 166,000) and BD 76,878 for charity contribution (2018: BD 83,300). The audited Consolidated Statement of Financial position shows the state of affairs of the group as at 31st December 2019. Your approval will be sought at the forthcoming annual general meeting for the payment of cash dividend at the rate of 50 percent of the share capital.

ACKNOWLEDGEMENT

The directors, on behalf of the Shareholders, take this opportunity to express their gratitude and appreciation to his Majesty King Hamad Bin Isa Al Khalifa, The King of the Kingdom of Bahrain, His Royal Highness Prince Khalifa Bin Salman Al Khalifa, The Prime Minister, His Royal Highness Prince Salman Bin Hamad Al Khalifa, The Crown Prince, Deputy Supreme Commander and First Deputy Prime Minister and to all Government Ministries and Institutions for their encouragement and support.

On behalf of the Board of Directors, I would like to thank all our valued customers, business associates, classification societies, vendors, suppliers and contractors for their support.

Fawzi Ahmed Kanoo
Chairman of the Board

Kingdom of Bahrain
24th February 2020

MANAGEMENT REPORT

After a continuous span of about four years of full utilization of all facilities available within our company, we came across relatively a slowdown period during the beginning of the year 2019.

Nevertheless the profitability achieved for the year 2019 fared well in comparison with many years in the past.

The revenue dropped from BD 8,645,834 for the year 2018 to BD 8,333,591 with the resultant decrease in profit from BD 3,331,986 for the year 2018 to BD 3,075,110 for the year 2019.

While we are facing heavy competition from the old ship repair yards in the gulf region the emergence of new shipyards who have government support have made the situation more intense. We have to be more vigilant lean and mean and committed to face the changed ship repair market. We have to move for cost effective measures to reduce our overhead.

The Management is aware of the market situation and is taking adequate measures to face the current difficult phase and to improve its competitive edge in the ship repair market.

We strictly strive to follow our long term policy to develop the skills and capabilities of our workforce while improving the effectiveness of our facilities to meet the ever increasing needs and demands of our customers.

We have in place adequate control systems, suitable to the nature of our business and size of its operations.

Health and safety is a prime priority of BASREC and we continuously strive to improve our own occupational health and safety standards.

The shipyard continues to be compliant with the Integrated Management System (IMS). Surveillance audits for verification of compliance towards ISO: 9001:2015 (Quality Management System) will be done in April 2020. Recertification audit for ISO 14000:2015 (Environmental Management System) and OSHAS 18001:2007 (Occupational Health and Safety Management System) for the company will be done in March 2020. Also transition audit from OHSAS 18001:2007 to ISO 45001:2018 will also be done at the same time. These audits will be carried out by LQRA.

Our division TEAMS (Bahrain) is certified by Lloyds Register for ISO 9001:2015 (QMS) and MIPR is certified by Bureau Veritas (BV) for ISO 9001:2015.

We have to be prepared for a slightly weaker ship repair market in the short term due to ship owners tighter cost control.

All out efforts are in place to improve the operational results of all our divisions and subsidiaries. Our division TEAMS (Bahrain) have recorded positive financial results and we expect further growth prospects of this division.

We are committed to building a sustainable business for the long term, generating shareholder value through ongoing profitable growth.

We thank our customers for their continued trust and confidence in the company and look forward to many more productive years of work with them. Maintaining a competitive edge is vital for BASREC's continued ability to deliver sustainable value to its shareholders, customers, communities and all stakeholders.

MANAGEMENT REPORT (continued)

We thank our customers for their continued trust and confidence in the company and look forward to many more productive years of work with them. Maintaining a competitive edge is vital for BASREC's continued ability to deliver sustainable value to its shareholders, customers, communities and all stakeholders.

N.E. Saadi
Director and CEO

Kingdom of Bahrain
24th February 2020

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INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS

The Bahrain Ship Repairing and Engineering Company BSC
Manama – Kingdom of Bahrain

Report on the audit of the consolidated financial statements

Opinion
We have audited the accompanying consolidated financial statements of Bahrain Ship Repairing and Engineering Company BSC (the "Company") and its subsidiary (together the "Group"), which comprise the consolidated statement of financial position as at 31 December 2019, the consolidated statements of profit or loss and 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 consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at 31 December 2019, and its consolidated financial performance and its consolidated 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 consolidated financial statements* section of our report. We are independent of the Group in accordance with the International Ethics Standards Board for Accountants Code of Ethics for Professional Accountants (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 consolidated financial statements for the year ended 31 December 2019. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

(i) Contract accounting and revenue recognition

Refer to revenue recognition policy (note 3 J (i))

Description	***How the matter was addressed in our audit***
Determination of revenue to be recognised on contracts is a key matter for our audit because of the judgment involved in determining goods and services for which the customer has obtained control over time. This revenue is recognised over time based on progress made to satisfy performance obligations which is determined based on surveys of work performed and completion of physical proportion of the contract work. An error in the contract forecast could result in a material variance in the amount of profit or loss recognised to date and therefore also in the current period.	We have performed the following audit procedures to address the key audit matter: ▪ Obtained an understanding of the process for the revenue recognition; ▪ We read all significant contracts and discussed each with management to obtain full understanding of the specific terms and risk, which formed as basis for our consideration of whether revenue was appropriately recognised; ▪ We evaluated and tested the operating effectiveness of internal controls over the accuracy and timing of revenue recognised in the consolidated financial statements, including controls over detailed contract reviews performed by management that included estimating total cost and stage upto which control is transferred to customer; ▪ We challenged the financial assessment of the contract progress overtime through discussion with management and comparing the outcome of our discussion with the underlying records; and ▪ Assessing the adequacy of the Group's disclosures in relation to contract accounting and revenue recognition by reference to the requirements of relevant accounting standards.

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INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS (continued)
The Bahrain Ship Repairing and Engineering Company BSC

(ii) The recoverability of trade receivables and due from contract customers and adequacy of expected credit loss provision

Refer to impairment policy in note 3(d)(vi), and note 22 (b) on disclosure of credit risk in the consolidated financial statements

Description	***How the matter was addressed in our audit***
Trade receivables and due from contract customers makes up 11% of the Group's total assets (by value). Significant judgment is required by the Group in assessing the adequacy of the expected credit loss provision for trade receivables and due from contract customers.	We have performed the following audit procedures to address the key audit matter: ▪ We assessed the appropriateness of the Group's model and that it meets the requirements of IFRS 9 for expected credit loss provision; ▪ We challenged the key assumptions used in the model for calculation of expected credit losses including the ageing of receivables and testing the completeness and accuracy of ageing of receivables; ▪ Assessing the recoverability of outstanding trade receivables through inquiries, review of customer documentation and the examination of subsequent cash receipts; and ▪ Assessing the adequacy of the Group's disclosures about the degree of estimation involved in arriving at the provision by reference to the requirement of relevant accounting standards.

Other information

The board of directors is responsible for the other information. The other information comprises the annual report but does not include the consolidated financial statements and our auditors' report thereon. Prior to the date of this auditors' report, we obtained the Board of 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 consolidated 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 consolidated 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 consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work we have performed 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 consolidated financial statements

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

In preparing the consolidated financial statements, the board of directors is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the board of directors either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

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INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS (continued)
The Bahrain Ship Repairing and Engineering Company BSC

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

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

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the 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 Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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 consolidated 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.

INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS (continued)
The Bahrain Ship Repairing and Engineering Company BSC

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 consolidated financial statements are in agreement therewith;
b) the financial information contained in the Board of Directors' report is consistent with the consolidated 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 its 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:

1 a corporate governance officer; and
2 a Board approved written guidance and procedures for corporate governance.

The engagement partner on the audit resulting in this independent auditors' report is Jalil Al Aali.

KPMG Fakhro
Partner registration number 100
24 February 2020

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
as at 31 December 2019

Bahraini Dinars

	note	2019*	2018
ASSETS			
Bank deposits	5	-	65,643
Equity investment securities at FVTOCI	6	4,421,021	3,787,252
Debt investment securities at amortised cost	7	1,975,850	2,475,850
Investment properties	8	2,848,733	2,987,413
Right-of-use assets	3(a)	1,766,482	-
Property, plant and equipment	9	5,105,845	5,156,432
Total non-current assets		**16,117,931**	14,472,590
Cash and bank balances	4	6,067,666	1,324,605
Bank deposits	5	8,498,355	10,846,612
Trade receivables	10	1,879,127	2,685,596
Due from contract customers	16 b	2,058,139	1,455,905
Inventories	11	469,604	347,423
Other assets	12	476,215	255,277
Total current assets		**19,449,106**	16,915,418
Total assets		**35,567,037**	31,388,008
EQUITY AND LIABILITIES			
Equity			
Share capital	13	1,980,000	1,980,000
Reserves		4,960,866	4,243,797
Retained earnings		23,840,998	21,839,188
Total equity (page 12)		**30,781,864**	28,062,985
Liabilities			
Lease liabilities	3(a)	1,681,050	-
Employees' benefits	14	684,142	729,669
Total non-current liabilities		**2,365,192**	729,669
Trade payables		869,010	1,249,691
Other payables and accrued expenses	15	1,550,971	1,345,663
Total current liabilities		**2,419,981**	2,595,354
Total liabilities		**4,785,173**	3,325,023
Total equity and liabilities		**35,567,037**	31,388,008

*The Group has adopted IFRS 16 leases on its effective date at 1 January 2019 using modified retrospective approach under this approach, comparative information is not restated.

The consolidated financial statements were approved by the Board of Directors on 24 February 2020 and signed on its behalf by:

Fawzi Ahmed Kanoo
Chairman

Khalid Mohammed Kanoo
Director

The accompanying notes 1 to 26 are an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

for the year ended 31 December 2019

Bahraini Dinars

	Note	**2019**	2018
Revenue	16	8,333,591	8,645,834
Cost of sales		(4,657,743)	(4,936,686)
Gross profit		**3,675,848**	3,709,148
General and administrative expenses	17	(1,511,965)	(1,459,376)
Impairment losses	22 b (ii)	-	(171,778)
Interest income		465,330	411,106
Dividend income		233,015	221,522
Other income	18	212,882	621,364
Profit for the year		**3,075,110**	3,331,986
Other comprehensive income			
Items that will not be reclassified to profit or loss:			
Equity investments at FVTOCI – net change in fair value	6	633,769	645,347
Total other comprehensive income for the year		**633,769**	645,347
Total comprehensive income for the year		**3,708,879**	3,977,333
Basic and diluted earnings per share	19	**155 fils**	168 fils

Fawzi Ahmed Kanoo
Chairman

Khalid Mohammed Kanoo
Director

The accompanying notes 1 to 26 are an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
for the year ended 31 December 2019

Bahraini Dinars

2019	**Share capital**	**Statutory reserve**	**General reserve**	**Charity reserve**	**Fair value reserve**	**Retained earnings**	**Total**
At 1 January 2019	1,980,000	1,005,049	700,000	376,780	2,161,968	21,839,188	**28,062,985**
Comprehensive income for the year:							
Profit for the year	-	-	-	-	-	3,075,110	3,075,110
Net changes in fair value of equity investment at FVTOCI	-	-	-	-	633,769	-	633,769
Total comprehensive income for the year	**-**	**-**	**-**	**-**	**633,769**	**3,075,110**	**3,708,879**
Charity contribution approved for 2018	-	-	-	83,300	-	(83,300)	-
Cash dividend declared for 2018	-	-	-	-	-	(990,000)	(990,000)
At 31 December 2019	**1,980,000**	**1,005,049**	**700,000**	**460,080**	**2,795,737**	**23,840,998**	**30,781,864**

The accompanying notes 1 to 26 are an integral part of these consolidated financial statements.

2018	Share capital	Statutory reserve	General reserve	Charity reserve	Fair value reserve	Retained earnings	Total
At 1 January 2018 (as previously reported)	1,800,000	911,840	700,000	302,792	1,516,621	19,957,399	25,188,652
Impact of adoption of IFRS 9 as at 1 January 2018	-	-	-	-	-	(203,000)	(203,000)
Restated balance as at 1 January 2018	1,800,000	911,840	700,000	302,792	1,516,621	19,754,399	24,985,652
Comprehensive income for the year:							
Profit for the year	-	-	-	-	-	3,331,986	3,331,986
Other comprehensive income for the year	-	-	-	-	645,347	-	645,347
Total comprehensive income for the year	-	-	-	-	645,347	3,331,986	3,977,333
Transfer from retained earnings to general reserve	-	-	90,000	-	-	(90,000)	-
Transfer from general reserve to statutory reserve	-	90,000	(90,000)	-	-	-	-
Transfer to statutory reserve for 2018	-	3,209	-	-	-	(3,209)	-
Charity contribution approved for 2017	-	-	-	73,988	-	(73,988)	-
Cash dividends declared for 2017	-	-	-	-	-	(900,000)	(900,000)
Stock dividends declared for 2017	180,000	-	-	-	-	(180,000)	-
At 31 December 2018	1,980,000	1,005,049	700,000	376,780	2,161,968	21,839,188	28,062,985

The accompanying notes 1 to 26 are an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS
for the year ended 31 December 2019 Bahraini Dinars

	note	2019	2018
OPERATING ACTIVITIES			
Cash receipts from customers		8,537,826	7,347,117
Cash paid to suppliers and for operating expenses		(6,221,554)	(5,399,756)
Directors' remuneration and sitting fee paid		(166,000)	(152,000)
Net cash generated from operating activities		**2,150,272**	1,795,361
INVESTING ACTIVITIES			
Acquisition of property, plant and equipment	9	(315,899)	(353,552)
Acquisition of debt investment at amortised cost		-	(1,000,000)
Maturing of debt investment at amortised cost		500,000	-
Bank deposits, net		(1,176,748)	(548,852)
Refund of capital advance and performance bond	9	3,414	1,497,556
Interest and dividends received		945,974	912,535
Net cash (used in) / generated from investing activities		**(43,259)**	507,687
FINANCING ACTIVITIES			
Dividends paid		(945,700)	(864,389)
Charities paid		(8,900)	(86,250)
Net cash used in financing activities		**(954,600)**	(950,639)
Net increase in cash and cash equivalents during the year		**1,152,413**	1,352,409
Cash and cash equivalents at 1 January		7,854,226	6,501,817
Cash and cash equivalents at 31 December		**9,006,639**	7,854,226

Cash and cash equivalents comprise:			
Cash and bank balances	4	6,067,666	1,326,105
Bank deposits maturing less than 3 months	5	2,938,973	6,528,121
		9,006,639	7,854,226

The accompanying notes 1 to 26 are an integral part of these consolidated financial statements.

1 Reporting entity

Bahrain Ship Repairing and Engineering Company BSC (the "Company") is a Public Shareholding Company registered in Bahrain on 16 September 1962 under commercial registration number 715. The Company's principal activities are to provide repair and maintenance services to vessels operating in the Arabian Gulf and emergency repairs to the larger ocean-going ships that pass through the area. The Company also has an engineering contracting and trading division (TEAMS).

The consolidated financial statements comprise the results of the Company, and its subsidiary (collectively "the Group").

The subsidiary of the Group included in these consolidated financial statements is as follows:

Company	Place of business/country of incorporation	Proportion of ownership and voting power held by the Group	Principal activities
Marine and Industrial Pump Repair (Gulf) SPC	Kingdom of Bahrain	100%	Pump repair

2 Basis of preparation

a) Statement of compliance

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (IFRSs) and in conformity requirements of the Commercial Companies Law.

b) Basis of measurement

The consolidated financial statements are prepared on the historical cost basis except for measurement at fair value of equity investments securities at fair value through other comprehensive income (FVTOCI).

c) Functional and presentation currency

Items included in the consolidated financial statements of the Group are measured using the currency of the primary economic environment in which the Group operates ("the functional currency"). The consolidated financial statements are presented in Bahraini Dinars ("BHD"), which is also the Group's functional.

d) Use of estimates and judgments

The preparation of consolidation financial statements in conformity with IFRS requires management to make judgments, estimates and assumptions that affect the application of the Group's accounting policies and the reported amount of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates, assumptions and judgments are reviewed on an ongoing basis based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Revisions to accounting estimates are recognised in the period in which the estimate is revised and in any future periods affected. Significant areas where management has used estimates, assumptions or exercised judgments are as follows:

(i) Useful life and residual value of property, plant and equipment

The Group reviews the useful life and residual value of the property, plant and equipment 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.

2 Basis of preparation (continued)

d) Use of estimates and judgements (continued)

(ii) Contract accounting and revenue recognition
The revenue on a project is recognised overtime. Judgement is involved in determining the quantum of revenue to be recognised based on transfer control of goods and services to customers. Detailed of contract accounting and revenue recognition policies are included in note 3 (J).

(iii) Classification of financial assets
In the process of applying the Group's accounting policies, management decides on acquisition of an investment whether it should be classified as investments carried at fair value through profit or loss or investments carried at fair value through other comprehensive income or investments carried at amortised cost. The classification of each investment reflects management's intention in relation to each investment and is subject to different accounting treatments based on such classification in note 3d(ii).

(iv) Impairment of financial assets
At each reporting date, the Group 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. Debt securities and other financial assets measured at amortised cost are assessed for impairment using the expected credit loss model. Detailed of impairment on financial assets are included in note 3d (vi).

(v) Impairment of inventory
The Group reviews the carrying amounts of inventories at each reporting date to determine whether the inventories have been impaired. The Group 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.

(vi) Impairment of investment property
The Group conducts valuation of its investment property periodically using external independent valuers to assess for impairment. All of the Group's investment property is situated in Bahrain. Given the dislocation in the local property market and infrequent property transactions, it is reasonably possible, based on existing knowledge, that the current assessment of impairment could require a material adjustment to the carrying amount of these assets within the next financial year due to significant changes in assumptions underlying such assessments.

e) Standards, amendments and interpretations effective from 1 January 2019

(i) IFRS 16 leases
The Company adopted IFRS 16 *Leases* on 1 January 2019 (refer 3 (a)).

f) New standards, amendments and interpretations issued but not yet effective
A number of new standards, amendments to standards and interpretations are effective for annual periods beginning after 1 January 2019 and earlier application is permitted; however, the Group has not adopted the new or amended standards in preparing these financial statements. Those which are relevant to the Group are set out below.

g) Early adoption of standards
The Group did not early adopt new or amended standards in 2019.

3 Significant accounting policies

The significant accounting polices applied in the preparation of these consolidation financial statements are set out below. These accounting policies have been consistently applied by the Group and are consistent with those used in the previous year, except for changes arising from adoption of IFRS 16.

3 Significant accounting policies (continued)

a) Changes in significant accounting policies

Adoption of IFRS 16

The Group adopted IFRS 16 Leases from 1 January 2019.

IFRS 16 introduces a single, on-balance sheet lease 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 recognition 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.

IFRS 16 replaces existing leases guidance, including IAS 17 Leases, IFRIC 4 Determining whether an Arrangement contains a Lease, SIC-15 Operating Leases – Incentives and SIC-27 Evaluating the Substance of Transactions Involving the Legal Form of a Lease.

(i) Leases in which the Group is a lessee

The Group recognises new assets and liabilities for its operating leases of various types of contracts including warehouse and lands. The nature of expenses related to those leases will now change because the Group will recognise an amortisation charge for right-of-use assets and interest expense on lease liabilities.

Previously, the Group recognised operating lease expense on a straight-line basis over the term of the lease, and recognised assets and liabilities only to the extent that there was a timing difference between actual lease payments and the expense recognised.

(ii) Leases in which the Group is a lessor

No significant impact is expected for leases in which the Group is a lessor.

(iii) Impact of adopting IFRS 16

On transition to IFRS 16 on 1 January 2019, the Group recognised BD 1,840,255 of right-of-use assets in Right-of-use assets and BD 1,840,255 of lease liabilities in lease liabilities (non-current) and other payables and accrued expenses (current). The comparatives have not been restated.

b) Basis of consolidation

(i) Subsidiaries

A subsidiary company is an entity controlled by the Group. The Group controls an entity if it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. The financial statements of the subsidiary are included in the consolidated financial statements from the date on which control commences until the date when control ceases.

(ii) Transactions eliminated on consolidation

Intra-group balances and transactions, and any unrealised income and expense arising from intra-group transactions, are eliminated in preparing the consolidated financial statements. Unrealised gains arising from transactions with the subsidiary are eliminated to the extent of the Group interest in the entity. Unrealised losses are eliminated in the same way as unrealised gains but only to the extent that there is no evidence of impairment.

(iii) Loss of control

When the Group loses control over a subsidiary, it derecognises the assets, liabilities of the subsidiary, and any related non-controlling interest, if any, and any other components of the equity. Any resulting gain or loss is recognised in profit or loss. Any interest retained in the former subsidiary is measured at fair value when control is lost.

3 Significant accounting policies (continued)

c) Foreign currency transactions and balances

Monetary assets and liabilities are translated into Bahraini Dinars at exchange rates at the reporting date. Transactions in foreign currencies during the year are converted at the rate ruling at that time. Foreign exchange gains and losses on monetary assets and liabilities are recognised in the profit or loss. However, foreign currency differences arising from the translation of non-monetary items that are measured at fair values, such as an investment in equity securities designated at FVTOCI (except on impairment, in which case foreign currency differences that have been recognised in other comprehensive income are reclassified to profit or loss) is recognised in other comprehensive income.

d) Financial instruments

(i) Initial recognition and measurement

Trade receivables and debt securities are initially recognised when they are originated. All other financial assets and financial liabilities are initially recognised when the Group becomes a party to the contractual provisions of the instrument.

A financial asset or financial liability is initially measured at fair value plus, for an item not at FVTPL, transaction costs that are directly attributable to its acquisition or issue.

(ii) Classification and subsequent measurement

On initial recognition, the Group classifies its financial assets as measured at: amortised cost, FVTOCI, or FVTPL.

Financial assets are not reclassified subsequent to their initial recognition unless the Group changes its business model for managing financial assets, in which case all affected financial assets are reclassified on the first day of the first reporting period following the change in the business model.

A financial asset is measured at amortised cost if it meets both of the following conditions and is not designated as at FVTPL:

- it is held within a business model whose objective is to hold assets to collect contractual cash flows; and
- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

On initial recognition of an equity investment that is not held for trading, the Group may irrevocably elect to present subsequent changes in the investment's fair value in OCI. This election is made on an investment-by-investment basis.

Financial assets – Assessment whether contractual cash flows are solely payments of principal and interest:

For the purposes of this assessment, 'principal' is defined as the fair value of the financial asset on initial recognition. 'Interest' is defined as consideration for the time value of money and for the credit risk associated with the principal amount outstanding during a particular period of time and for other basic lending risks and costs (e.g. liquidity risk and administrative costs), as well as a profit margin.

In assessing whether the contractual cash flows are solely payments of principal and interest, the Group considers the contractual terms of the instrument. This includes assessing whether the financial asset contains a contractual term that could change the timing or amount of contractual cash flows such that it would not meet this condition. In making this assessment, the Group considers:

- contingent events that would change the amount or timing of cash flows;
- terms that may adjust the contractual coupon rate, including variable-rate features;
- prepayment and extension features; and
- terms that limit the Group's claim to cash flows from specified assets (e.g. non-recourse features).

3 Significant accounting policies (continued)

(ii) Classification and subsequent measurement (continued)

The following accounting policies apply to the subsequent measurement of financial assets;

Financial assets at amortised cost	These assets are subsequently measured at amortised cost using the effective interest method. The amortised cost is reduced by impairment losses. Interest income, foreign exchange gains and losses and impairment are recognised in profit or loss. Any gain or loss on derecognition is recognized in profit or loss.
Equity investments at FVTOCI	These assets are subsequently measured at fair value. Dividends are recognised as income in profit or loss unless the dividend clearly represents a recovery of part of the cost of the investment. Other net gains and losses are recognised in other comprehensive income and are never reclassified to profit or loss.

(iii) Recognition
Regular way purchases and sales of financial assets are recognised on trade date, i.e., the date on which the Group commits to purchase or sell the asset.

(iv) Derecognition
Financial assets
The Group derecognises a financial asset when the contractual rights to the cash flows from the financial asset expire, or it transfers the rights to receive the contractual cash flows in a transaction in which substantially all of the risks and rewards of ownership of the financial asset are transferred or in which the Group neither transfers nor retains substantially all of the risks and rewards of ownership and it does not retain control of the financial asset.

On derecognition of a financial asset, the difference between the carrying amount of the asset (or the carrying amount allocated to the portion of the asset derecognised) and the sum of (i) the consideration received (including any new asset obtained less any new liability assumed) and (ii) any cumulative gain or loss that had been recognised in other comprehensive income is recognised in profit or loss.

Any interest in transferred financial assets that qualify for derecognition that is created or retained by the Group is recognised as a separate asset or liability.

In transactions in which the Group neither retains nor transfers substantially all of the risks and rewards of ownership of a financial asset and it retains control over the asset, the Group continues to recognise the asset to the extent of its continuing involvement, determined by the extent to which it is exposed to changes in the value of the transferred asset.

Financial liabilities
The Group derecognises a financial liability when its contractual obligations are discharged or cancelled, or expire.

(v) Offsetting
Financial assets and financial liabilities are only offset and the net amount reported in the statement of financial position when there is a legally enforceable right to set off the recognised amounts and the Group intends to either settle on a net basis, or to realise the asset and settle the liability simultaneously. Income and expense are presented on a net basis only when permitted by accounting standards, or for gains and losses arising from a group of similar transactions.

This is not generally the case with master netting agreements, therefore, the related assets and liabilities are presented gross in the statement of financial position.

3 Significant accounting policies (continued)

(vi) Impairment
The Group recognises loss allowances for expected credit losses (ECLs) on:
- financial assets measured at amortised cost; and
- due from contract customers.

The Group measures loss allowances for trade and other receivables and due from contract customers at an amount equal to lifetime ECLs. Loss allowance for bank balances for which credit risk (i.e. the risk of default occurring over the expected life of the financial instrument) has not increased significantly since initial recognition are measured at 12-month ECLs.

When determining whether the credit risk of a financial asset has increased significantly since initial recognition when estimating ECLs, the Group considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Group's historical experience and informed credit assessment including forward-looking information.

The Group assumes that the credit risk on a financial asset has increased significantly if it is more than 90 days past due. The Group considers a financial asset to be in default when:

- the customer or issuer is unlikely to pay its credit obligations to the Group in full, without recourse by the Group to actions such as realising security (if any is held); or
- the financial asset is more than 180 days past due.

Lifetime ECLs are the ECLs that result from all possible default events over the expected life of a financial instrument. 12-month ECLs are the portion of ECLs that result from default events that are possible within the 12 months after the reporting date (or a shorter period if the expected life of the instrument is less than 12 months).

The maximum period considered when estimating ECLs is the maximum contractual period over which the Group is exposed to credit risk.

Measurement of ECLs

ECLs are a probability-weighted estimate of credit losses. Credit losses are measured as the present value of all cash shortfalls (i.e. the difference between the cash flows due to the entity in accordance with the contract and the cash flows that the Group expects to receive). ECLs are discounted at the effective interest rate of the financial asset.

Credit-impaired financial assets
At each reporting date, the Group 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.

Evidence that a financial asset is credit-impaired includes the following observable data:

- significant financial difficulty of the borrower or issuer;
- a breach of contract such as a default or being more than 180 days past due;
- it is probable that the issuer will enter bankruptcy or other financial reorganisation; or
- the disappearance of an active market for a security because of financial difficulties.

Presentation of allowance for ECL in the statement of financial position
Loss allowances for financial assets measured at amortised cost are deducted from the gross carrying amount of the assets.

3 Significant accounting policies (continued)

e) Impairment of non-financial assets

The carrying amounts of the Group's non-financial assets, other than inventories, are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated.

The recoverable amount of an asset or cash-generating unit is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

For the purpose of impairment testing, assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or groups of assets (the "cash-generating unit").

An impairment loss is recognised if the carrying amount of an asset or its cash-generating unit exceeds its estimated recoverable amount. Impairment losses are recognised in profit or loss. Impairment losses of other assets are recognised in prior periods and assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

f) Investment property

Investment property are properties which are held either to earn rental income or for capital appreciation or for both. Investment property is stated at cost less accumulated depreciation and any impairment losses. Freehold land is not depreciated.

Cost includes expenditure that is directly attributable to the acquisition of the investment property. The cost of self-constructed investment property includes the cost of materials and direct labour, any other costs directly attributable to bringing the investment property to a working condition for their intended use and capitalised borrowing cost.

Any gain or loss on disposal of an investment property (calculated as the difference between the net proceeds from disposal and the carrying amount of the item) is recognised in profit or loss. No depreciation is charged on land. Buildings are depreciated over their estimated useful lives of 30 years.

g) Cash and cash equivalent

Cash and cash equivalent comprises of balances held in current accounts with banks and bank deposits maturing within 3 months when acquired and are subject to insignificant risk of changes in the fair value.

h) Inventories

Inventories are measured at the lower of cost and estimated net realisable value. Cost is determined on a first-in-first-out principle. Net realisable value is the estimated selling price in the ordinary course of business, less estimated costs necessary to make the sale. Provision is made for obsolete and slow-moving items, the charge for which is included in cost of sales.

i) Trade receivables

Trade receivables are amounts due from customers for goods sold or services performed in the ordinary course of business. Trade receivables are recognised initially at fair value and subsequently measured at amortised cost, less provision for impairment.

3 Significant accounting policies (continued)

j) Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable for goods supplied and services rendered in the ordinary course of the Group's activities. The Group recognises revenue when it transfers control over a good or service to a customer, and when specific criteria have been met for each of the Group's activities, as described below:

(i) Revenue from ship repairing and maintenance contracts, and pump repairing and maintenance contracts is recognised based on the contract price specified in a contract with a customer. The Group recognises revenue over time since the customer controls all the work in progress as the work is being performed.

This is because these are made to a customer's specification and if a contract is terminated by the customer, then the Group is entitled to reimbursement of the costs incurred to date, including a reasonable margin. Invoices are issued according to contractual terms. Un-invoiced amounts are presented as "due from contract customers". Revenue against variations are recognised only if the variations have been approved by the customers. If variations are for distinct services from original contract, the variations are accounted for as a separate contract else these are accounted for as a modification of the original contract. Contracts which are negotiated with a same commercial objective and relate to a single performance obligation with the same customer are combined and accounted for as a single contract.

Revenue is recognised over time based on progress made to satisfy performance obligations which is determined based on surveys of work performed and completion of physical proportion of the contract work. The related costs are recognised in profit or loss when they are incurred. Advances received are included in "due to contract customers".

(ii) Revenue from sale of engineering products is recognised at a point in time when customer obtains control over goods. Customer obtains control when the goods are delivered and have been accepted by customers at their premises.

(iii) Rental income from investment property is recognised in the profit or loss on accrual basis over the term of the lease. Lease incentives granted are recognised as an integral part of the total rental income, over the term of the lease.

k) Property, plant and equipment

(i) Recognition and measurement

Items of property, plant and equipment held for use in the provision of service, or for administrative purposes on a continuing basis and not intended for sale in the ordinary course of business, are carried at cost less accumulated depreciation and any impairment losses. The cost of additions and major improvements are capitalised.

(ii) Subsequent costs

Subsequent costs are included in the assets carrying amount or are recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. All other repairs and maintenance are charged to the profit or loss during the financial period in which they are incurred. The assets residual values and useful lives are reviewed, and adjusted if appropriate, at each reporting date.

Gains and losses on disposal of an item of property, plant and equipment are determined by comparing the proceeds from disposal with the carrying amount of property, plant and equipment and are recognised net within "other income" in the profit or loss.

(iii) Depreciation

Depreciation is calculated on cost by the straight-line method at annual rates which are intended to write off the cost of the assets over the following estimated useful lives:

3 Significant accounting policies (continued)

(iii) Depreciation (continued)

Description	**Useful lives in years**
Jetties and buildings	10 – 30
Floating dock	12
Cranes	5 - 15
Motor vehicles	3
Launches	5 -15
Furniture and equipment	2 - 5

All depreciation is charged to the profit or loss. When an asset is sold or otherwise retired, the cost and related accumulated depreciation are removed and any resulting gain or loss is taken to the profit or loss. The estimated useful working lives of the assets are periodically reviewed by the management.

l) Trade and other payables
These amounts represent liabilities for goods and services provided to the Group prior to the end of the financial year which are unpaid. They are recognised initially at fair value and subsequently measured at amortised cost using the effective interest rate method.

m) Provisions
A provision is recognised in the consolidated statement of financial position when the Group has a legal or constructive obligation as a result of a past event, that can be estimated reliably and it is probable that an outflow of economic benefits will be required to settle the obligation.

n) Segment reporting
An operating segment is a component of the Group that engages in business activities from which it may earn revenues and incur expenses, including revenues and expenses that relate to transactions with any of the Group’s other components. All operating segments’ operating results are reviewed by the Group’s Board of Directors to make decisions about resources to be allocated to the segment and assess its performance, and for which discrete financial information is available.

o) Employees’ 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 Group’s share of contributions to this scheme, which is a defined contribution scheme under IAS 19, is recognised as an expense in the profit or loss.

Expatriate employees are entitled to leaving indemnities payable under the Bahraini Labour Law for the Private Sector 2012, based on length of service and final remuneration. Provision for this, which is unfunded, and which represents a defined benefit plan under IAS 19, has been made by calculating the notional liability had all employees left at the reporting date.

Short-term employee benefits are expensed as the related service is provided. A liability is recognised for the amount expected to be paid if the Group has a present legal obligation to pay this amount as a result of a past service provide by the employee and the obligation can be estimated reliably.

p) Operating leases
Leases where a significant portion of the risks and rewards of ownership are not retained by the lessee are classified as operating leases. Payments made under operating leases are recognised in the profit or loss on a straight-line basis over the term of the lease.

3 Significant accounting policies (continued)

q) Earnings per share

The Group presents basic earnings per share (EPS) data for its ordinary shares. Basic EPS is calculated by dividing the profit or loss attributable to ordinary shareholders of the Group by the weighted average number of ordinary shares outstanding during the period.

r) Statutory reserve

In accordance with the Company's Articles of Association, 10% of net profit is appropriated to a statutory reserve. The Commercial Companies Law stipulates that appropriations to the statutory reserve may cease when it reaches 50% of the share capital. The statutory reserve is distributable only in accordance with the provisions of Commercial Companies Law.

s) General reserve

Transfers made to the general reserve are in accordance with Article 64 of the Articles of Association. The Board of Directors resolved to cease transfers to the general reserve in 1977. The general reserve and retained earnings represent accumulated profits set aside for future utilisation at the discretion of the directors and shareholders, and are distributable.

t) Charity reserve

Charity reserve represents transfers from retained earnings that are set aside for charitable purposes.

u) Dividends declared

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

4 Cash and bank balances

	2019	2018
Cash in hand	7,374	8,725
Bank balances	6,061,792	1,317,380
Less: Expected credit losses	(1,500)	(1,500)
	6,067,666	1,324,605

5 Bank deposits

	2019	2018
Deposits maturing less than 3 months when acquired	2,938,973	6,528,121
Deposits maturing 3 months and above	5,617,882	4,442,634
Less: Expected credit losses	(58,500)	(58,500)
	8,498,355	10,912,255

As at reporting date, average interest rate on bank deposits is 2.83% (2018: 3.21%).

6 Equity investment securities at FVTOCI

	2018	2017
Quoted equity securities	4,421,021	3,787,252
	4,421,021	3,787,252

Movement on equity investment securities during the year as follows:

	2019	2018
At 1 January	3,787,252	3,141,905
Fair value changes	633,769	645,347
At 31 December	**4,421,021**	3,787,252

7 Debt investment securities at amortised cost

	2019	2018
Government of Bahrain Development Bonds	2,005,850	2,505,850
Less: Expected credit losses	(30,000)	(30,000)
	1,975,850	2,475,850

8 Investment properties

	Freehold land	**Buildings**	**Total 2019**	Total 2018
Cost				
At 1 January	355,674	4,289,439	4,645,113	4,645,113
At 31 December	**355,674**	**4,289,439**	**4,645,113**	4,645,113
Depreciation				
At 1 January	-	1,657,700	1,657,700	1,515,234
Charge for the year	-	138,680	138,680	142,466
At 31 December	**-**	**1,796,380**	**1,796,380**	1,657,700
Net book value at 31 December	**355,674**	**2,493,059**	**2,848,733**	2,987,413

Amount recognised in statement of profit or loss and other comprehensive income for investment property as follows:

	2019	2018
Gross rental income	359,502	383,715
Depreciation	(138,680)	(142,466)
Other expenditure	(72,075)	(112,901)
Net rental income (note 18)	**148,747**	128,348

8 Investment properties (continued)

Investment properties comprises principally freehold land and buildings owned by the Group leased to third parties. The fair value of the investment properties of BD 15.3 million has been determined by the management. The fair value was determined based on comparable approach that reflects recent transaction prices for similar properties which is considered a level 2 in the fair value hierarchy.

9 Property, plant and equipment

	Jetties and buildings	**Plant and equipment**	**Motor vehicles and launches**	**Furniture and equipment**	**Capital work-in-progress**	**Total 2019**	Total 2018
Cost							
At 1 January	7,382,014	4,397,424	390,607	695,265	6,621	12,871,931	13,663,938
Additions	-	9,200	38,487	40,910	227,302	315,899	353,552
Subsidy/Advance refunded	(3,414)	-	-	-	-	(3,414)	(1,145,559)
At 31 December	**7,378,600**	**4,406,624**	**429,094**	**736,175**	**233,923**	**13,184,416**	12,871,931
Depreciation							
At 1 January	3,793,249	3,223,342	265,994	432,914	-	7,715,499	7,443,626
Charge for the year:							
Cost of sales	151,617	131,600	8,814	2,798	-	294,829	256,993
Operating expenses	1,246	-	9,832	57,166	-	68,244	14,880
At 31 December	**3,946,112**	**3,354,942**	**284,640**	**492,878**	**-**	**8,078,572**	7,715,499
Net book value	**3,432,488**	**1,051,682**	**144,455**	**243,297**	**233,923**	**5,105,845**	5,156,432

The service facilities and head office buildings of the Group are built on leasehold land. The lease was renewed in January 1997 for a further period of 25 years.

10 Trade receivables

	2019	2018
Gross receivables	2,324,513	3,130,982
Less: Impairment allowances	(445,386)	(445,386)
	1,879,127	2,685,596

10 Trade receivables (continued)

Movement on impairment allowance is as follows:

	2019	2018
At 1 January	445,386	195,222
IFRS 9 transition adjustments	-	143,000
At 1 January (restated)	-	338,222
Charge for the year	-	107,164
At 31 December	**445,386**	445,386

Information about the Group's exposure to credit risks, and impairment losses for trade and other receivable is included in note 22.

11 Inventories

	2019	2018
Raw materials and consumables	558,037	491,098
Goods for resale	623,092	527,850
	1,181,129	1,018,948
Less: Provision for slow-moving and obsolete items	(711,525)	(671,525)
	469,604	347,423

Movement on impairment allowance is as follows:

	2019	2018
At 1 January	671,525	601,525
Charge for the year	40,000	70,000
At 31 December	**711,525**	671,525

During the year, inventories of BD 1,327,114 (2018: BD 1,632,347) were recognised as an expense in cost of sales.

12 Other assets

	2019	2018
Interest receivable	120,463	126,838
Advances to suppliers	136,076	39,731
Staff loans	52,234	32,038
VAT receivable	76,284	-
Others	91,158	56,670
	476,215	255,277

13 Share capital

	Number 2019	Amount 2019	Number 2018	Amount 2018
a) Authorised shares 100 fils each	19,800,000	1,980,000	19,800,000	1,980,000
b) Issued and fully paid	19,800,000	1,980,000	19,800,000	1,980,000

	2019	2018
Stock exchange price at 31 December	1,010 fils	1,400 fils
Market capitalisation of the Company as at 31 December	19,998,000	27,720,000
Basic and diluted earnings per share	155 fils	168 fils

Additional information on shareholding pattern

(i) Names and nationalities of the major shareholders and the number of equity shares held in which they have an interest of 5% or more of issued and fully paid shares.

	Nationality	No. of shares	% holding
Yusuf Bin Ahmed Kanoo WLL	Bahraini	9,993,638	50.47
Social Insurance Organisation	Bahraini	1,485,041	7.5

(ii) The Group has only one class of equity shares and the holders of these shares have equal voting rights.

(iii) Distribution schedule of equity shares, setting out the number of holders and percentage in the following categories:

Categories*	Number of Shares	Number of shareholders	% of total issued shares
Less than 1%	4,739,110	679	23.93
1% to less than 5%	3,582,211	11	18.10
5% to less than 10%	1,485,041	1	7.50
10% to less than 50%	-	-	-
50% and above	9,993,638	1	50.47
	19,800,000	**692**	**100.00**

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

98.26% of the shares are held by Bahraini individuals and legal entities incorporated in the Kingdom of Bahrain and 1.74% by other nationalities. Total shares held by the directors at 31 December 2019 were 3.82% (2018: 3.82%).

14 Employees' benefits

	2019	2018
Balance at 1 January	729,669	691,561
Charge for the year	63,618	82,666
Paid during the year	(109,145)	(44,558)
At 31 December	**684,142**	729,669
Average number of employees	**265**	258

The Group's contributions to Social Insurance Organisation pension scheme in respect of Bahraini employees for 2019 were BD 65,935 (2018: BD 69,935).

15 Other payables and accrued expenses

	2019	2018
Accrued expenses	390,299	385,464
Unclaimed dividends	209,320	190,450
Provision for leave salary	89,852	99,914
Lease liability – current	124,655	-
Provision for charity	27,600	36,500
Other payables	709,245	633,335
	1,550,971	1,345,663

16 Revenue

a. Revenue streams and disaggregation of revenue from contracts with customers

The Group generates revenue primarily from ship repair and maintenance services to its customers. Other sources of revenue including sale of engineering products, rental income from investment property and pump repair and maintenance services.

	2019	2018
Revenue from contracts with customer		
Ship repair and maintenance	7,507,453	7,383,503
Sale of engineering products	715,016	1,077,811
Pump repair and maintenance	111,122	184,520
	8,333,591	8,645,834

b. Contract balances

The following tables provides information about receivables, due from contract customers.

	2019	2018
Receivables, which are included in trade receivables	1,879,127	2,685,596
Due from contract customers*	2,058,139	1,455,905
	3,937,266	4,141,501

*This is net of expected credit loss of BD 34,614 (2018: 34,614).

16 Revenue (continued)

Due from contract customers primarily relate to the Group's rights to consideration for work completed but not billed at the reporting date on ship repair and maintenance services. Due from contract customers is transferred to receivables when the rights become unconditional. This usually occurs when the Group issues an invoice to the customer.

17 General and administrative expenses

	2019	2018
Staff cost	837,446	947,918
Other general and administrative expenses	282,642	285,451
Directors' remuneration and sitting fees	180,000	152,000
Professional fees	145,428	59,127
Depreciation (note 9)	66,449	14,880
	1,511,965	1,459,376

18 Other income

	2019	2018
Net rented income	148,747	128,348
Scrap sale	-	28,954
Performance bond call, net	-	357,085
Other miscellaneous income	64,135	106,977
	212,882	621,364

19 Earnings per share

	2019	2018
Profit for the year	3,075,743	3,331,986
Weighted average number of shares during the year	19,800,000	19,800,000
Basic and diluted earnings per share	**155 fils**	168 fils

20 Proposed appropriations

The Board of Directors propose a cash dividend of 50% (2018: 50%) of the paid-up capital and other appropriations as follows:

	2019	2018
Cash dividend	990,000	990,000
Transfer to charity contributions	76,878	83,300
	1,066,878	1,073,300

21 Segmental information

The Group has three reportable segments, as described below, which are the Group's strategic business units. The strategic business units offer different products and services, and are managed separately based on the Group's management and internal reporting structure. For each of the strategic business units, the Board of Directors review internal management reports on at least a quarterly basis. The following summary describes the operations in each of the Group's reportable segments:

- Ship repairing and investments segment includes the Group's main operating segment and its core operation of ship repairing and investment activities.
- Trading segment includes the Company's trading division 'TEAMS' that specialises in the sale of mechanical, electrical and pumps.
- Pump repairing segment represents the Company's subsidiary that is specialised in pump repairing.

Performance is measured based on segment profit as included in the internal management reports that are reviewed by the Group Board of Directors. Segment profit is used to measure performance as management believes that such information is the most relevant in evaluating the results of certain segments relative to other entities that operate within these industries. The Group operates in Bahrain and hence does not have separate geographical segments.

The Group has the following business segments:

2019	**Ship repairing & investment**	**Trading**	**Pump repairing**	**Elimination of inter-segment transactions**	**Total**
Revenue	7,507,452	790,069	111,122	(75,052)	**8,333,591**
Gross Profit	3,507,915	173,833	(6,959)	1,059	**3,675,848**
Depreciation	340,730	578	10,527	-	**351,835**
Interest, dividend and other income	896,595	4,491	11,200	(1,059)	**911,227**
Profit for the year	3,035,244	51,982	(12,116)	-	**3,075,110**
Total assets	35,263,254	939,595	262,287	(898,099)	**35,567,037**
Total liabilities	(4,529,856)	(887,615)	(215,801)	848,099	**(4,785,173)**

2018	Ship repairing & investment	Trading	Pump repairing	Elimination of inter-segment transactions	Total
Revenue	7,383,503	1,100,786	184,520	(22,975)	8,645,834
Gross Profit	3,496,534	182,579	20,015	10,020	3,709,148
Depreciation	245,794	826	25,253	-	271,873
Interest, dividend and other income	1,235,998	1,662	26,352	(10,020)	1,253,992
Profit for the year	3,227,506	72,395	32,085	-	3,331,986
Total assets	30,896,889	947,328	254,832	(711,041)	31,388,008
Total liabilities	(2,943,775)	(874,933)	(167,356)	661,041	(3,325,023)

22 Financial instruments and risk management

Financial assets of the Group include cash and bank balances, bank deposits, equity investments at FVTOCI, debt investments at amortised cost, trade receivables, due from contract customers and other assets. Financial liabilities of the Group include trade payables and accrued expenses.

a) Risk management framework

The Group's exposure to risks and its approach to managing these risks are discussed below. The Group has exposure to the following risks from use of its financial instruments:

- credit risk
- liquidity risk
- market risk

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

The Board of Directors of the Group has overall responsibility for the establishment and oversight of the Group's risk management framework. The Group's risk management policies are established to identify and analyse the risks faced by the Group, 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 Group's activities. The Group limits the credit risk on bank balances by ensuring that these are maintained with banks having high credit ratings.

b) Credit risk

Credit risk is the risk that counter-party to a financial instrument will fail to discharge an obligation and cause the Group to incur a financial loss. The Group is exposed to credit risk primarily on investments, cash and cash equivalents, bank deposits and trade receivables.

The credit risk on receivables is sought to be minimised by evaluation of the creditworthiness of customers prior to advancing credit limits. Appropriate procedures for follow-up and recovery are in place to monitor credit risk. The Group establishes an allowance for impairment that represents its estimate of incurred losses in respect of trade receivables. This allowance relates to individually significant exposures. Management believes there is no further credit risk provision required in excess of the normal impairment on receivables (refer to note 10). The maximum credit risk exposure on receivables is the carrying amount, which is net of specific impairment allowances.

(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:

	2019	2018
Debt investments securities*	1,975,850	2,475,850
Bank balances*	6,060,292	1,315,880
Bank deposits*	8,498,355	10,912,255
Trade receivables**	1,879,127	2,685,596
Due from contract customers**	2,058,139	1,455,905
Other assets	340,139	215,546
	20,811,902	19,061,032

*Subject to 12 month Expected Credit Losses
** Subject to lifetime Expected Credit Losses

22 Financial instruments and risk management (continued)

(ii) Impairment losses on financial assets and due from contract customers recognised in profit or loss were as follows:

	2019	2018
Impairment loss on trade receivables	-	107,164
Impairment loss on due from contract customers	-	34,614
Impairment loss on bank balances and deposits	-	25,000
Impairment loss on debt investments securities	-	5,000
	-	171,778

(iii) The following table provides information about the exposure to credit risk and ECLs for trade receivables and due from contract customers from individual customers as at 31 December 2019.

2019	**Weighted-average loss rate**	**Gross carrying value**	**Impairment loss allowance**	**Credit-impaired**
Current (not past due)	2.00%	3,289,716	(65,761)	No
Past due up to 180 days	7.02%	303,220	(21,292)	No
More than 180 days	47.67%	824,331	(392,947)	Yes
	10.87%	**4,417,266**	**(480,000)**	

2018	Weighted-average loss rate	Gross carrying value	Impairment loss allowance	Credit-impaired
Current (not past due)	2.32%	3,901,292	(90,283)	No
Past due up to 180 days	7.53%	195,145	(14,691)	No
More than 180 days	71.42%	525,064	(375,026)	Yes
	10.39%	4,621,501	(480,000)	

All services are largely provided to Bahrain based customers.

(iv) Movements on the allowance for impairment in respect of financial assets and contract customers.

The movement in the allowance for impairment in respect of trade receivables, due from contract customers, bank deposits and debt investment as amortised cost during the year was as follows.

	2019	2018
Balance at 1 January	570,000	195,222
Adjustment on initial application of IFRS 9	-	203,000
	570,000	398,222
Net re-measurment of loss allowance	-	171,778
	570,000	570,000

22 Financial instruments and risk management (continued)

c) Liquidity risk

Liquidity risk is the risk that the Group will encounter difficulty in raising funds to meet commitments associated with financial instruments. The Group manages its liquidity risk, by ensuring that banks and other facilities are adequate to meet its working capital requirements.

The following are the contractual maturities of financial liabilities:

2019	**Less than 6 months**	**Total contractual cash flows**	**Carrying amount**
Trade payables	869,010	869,010	869,010
Other payables	1,550,971	1,550,971	1,550,971
Lease liabilities	63,579	3,048,915	1,801,367
	2,483,560	**5,468,896**	**4,221,348**

2018	Less than 6 months	Total contractual cash flows	Carrying amount
Trade payables	1,249,691	1,249,691	1,249,691
Other payables	1,345,663	1,345,663	1,345,663
	2,595,354	2,595,354	2,595,354

d) Market risk

Market risk is the risk that changes in market factors, such as currency rates, interest rates and equity prices will affect the Group'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 Group's earnings will be affected as a result of fluctuations in the value of financial instruments due to changes in market interest rates. The Group's interest rate risk is limited to its interest bearing bank deposits and debt securities.

At the reporting date the interest rate profile of the Group's interest-bearing financial instruments was:

	2019	2018
Fixed rate instruments		
Government debt securities	**1,975,850**	2,475,850
Variable rate instruments		
Bank deposits	**8,498,355**	10,912,255

As at reporting date, government debt securities had average interest rate of 5.69% (2018: 5.11%), whereas average interest rate on bank deposits was 2.83% (2018: 3.21%).

Cash flow sensitivity analysis for variable rate instruments

A change of 100 basis points in interest rates at the reporting date would have increased/ (decreased) equity and profit or loss by BD 84,984 in both ways (2018: BD 109,123). This analysis assumes that

22 Financial instruments and risk management (continued)

all other variables, in particular foreign currency rates, remain constant. The analysis is performed on the same basis for 2018.

(ii) Other market price risk
Market price risk arises from equity investments held by the Group. All of the Group's quoted investments are listed on the Bahrain Bourse. A 2% increase / decrease in Bahrain Bourse prices at the reporting date would have increased / decreased equity by BD 88,420 (2018: an increase / decrease of BD 75,745).

(iii) Currency risk
Currency risk is the risk that the Group's earnings will be affected as a result of fluctuations in currency exchange rates. The Group is exposed to currency risk on liabilities for purchases denominated in foreign currencies. The majority of the foreign currency payments are in US dollars. As the US dollar is pegged against the Bahraini Dinar, the Group perceives the currency risk to be low.

e) Capital management

The Group's objectives for managing capital are:

- to safeguard the entity's ability to continue as a going concern, so that it can continue to provide returns for shareholders and benefits for other stakeholders; and
- to provide an adequate return to shareholders by pricing products and services commensurately with the level of risk.

The Group manages the capital structure and makes adjustments to it in the light of changes in economic conditions and the risk characteristics of the underlying assets. In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders, and issue new shares.

There were no significant changes in the Group's approach to capital management during the year. Neither the Group nor its subsidiary is subject to externally imposed capital requirements.

The Board's policy is to maintain a strong capital base so as to maintain investor, lender and Government confidence. The Board of Directors monitors that there is sufficient capital to ensure smooth working of the current operations. The Group defines capital as total shareholder's equity.

23 Fair value and classification 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 Group has access at that date. The fair value of a liability reflects its non-performance risk.

When available, the Group measures the fair value of an instrument using the quoted price in an active market for that instrument. A market is regarded as active if transactions for the asset or liability take place with sufficient frequency and volume to provide pricing information on an ongoing basis.

The best evidence of the fair value of a financial instrument at initial recognition is normally the transaction price – i.e. the fair value of the consideration given or received. If the Group determines that the fair value at initial recognition differs from the transaction price and the fair value is evidenced neither by a quoted price in an active market for an identical asset or liability nor based on a valuation technique that uses only data from observable markets, then the financial instrument is initially measured at fair value, adjusted to defer the difference between the fair value at initial recognition and the transaction price. Subsequently, that difference is recognised in profit or loss on an appropriate basis over the life of the instrument but no later than when the valuation is wholly supported by observable market data or the transaction is closed out.

23 Fair value and classification of financial instruments (continued)

The Group recognises transfers between levels of the fair value hierarchy as of the end of the reporting period during which the change has occurred.

(i) The classification of financial instruments is as follows:

31 December 2019	**At amortised cost**	**FVTOCI**	**Total carrying Amount**
Trade receivables	1,879,127		1,879,127
Due from contract customers	2,058,139		2,058,139
Cash and bank balances	6,060,292		6,060,292
Bank deposits	8,498,355		8,498,355
Debt investments securities	1,975,850		1,975,850
Equity investment securities	-	4,421,021	4,421,021
Other assets	340,139		340,139
	20,811,902	**4,421,021**	**25,232,923**
Trade payables	869,010	-	869,010
Other payables	1,550,971	-	1,550,971
	2,419,981		**2,419,981**

31 December 2018	At amortised cost	FVTOCI	Total carrying Amount
Trade receivables	2,685,596	-	2,685,596
Due from contract customers	1,455,905	-	1,455,905
Cash and bank balances	1,324,605	-	1,324,605
Bank deposits	10,912,255	-	10,912,255
Debt investments securities	2,475,850	-	2,475,850
Equity investment securities		3,787,252	-
Other assets	215,546	-	215,546
	19,069,757	3,787,252	23,490,778
Trade payables	1,249,691	-	1,249,691
Other payables	1,345,663	-	1,345,663
	2,595,354	-	2,595,354

23 Fair value and classification of financial instruments (continued)

(ii) Fair value hierarchy

The Group 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

Valuation techniques based on observable inputs, 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; quoted prices for identical or similar instruments in markets that are considered less than active; or other valuation techniques where all significant inputs are directly or indirectly observable from market data.

- Level 3

Valuation techniques using significant unobservable inputs. This category includes all instruments where 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 where significant unobservable adjustments or assumptions are required to reflect differences between the instruments.

a) Financial instruments measured at fair value

The table below analyses financial instruments measured at fair value at the reporting date, by the level in the fair value hierarchy into which the fair value measurement is categorised.

2019	**Level 1**	**Level 2**	**Level 3**	**Total**
Quoted equity investments securities	4,421,021	-	-	4,421,021

2018	Level 1	Level 2	Level 3	Total
Quoted equity investments securities	3,787,252	-	-	3,787,252

b) Other financial assets and liabilities

The fair value of the debt investment securities as at 31 December 2019 is BD 2,000,000 (31 December 2018: BD 2,504,400). The carrying amount of other financial assets and liabilities approximate their fair values due to their short term nature.

24 Related party transactions

Parties are considered to be related if one party, directly or indirectly through one or more intermediaries, 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 major shareholders, directors and key management personnel of the Group and entities that are related to these parties.

The related party balances included in these consolidated financial statements are as follows:

a) Related party balances	**2019**	2018
Amount due from Kanoo Shipping - *entity under common control*	1,201	523,725
Amount due to Yusuf Bin Ahmed Kanoo WLL - *shareholder*	11,395	16,190

24 Related party transactions (continued)

b) Transactions with related parties

	2019	2018
Revenues		
Ship repairing services - *entity under common control*	**510,968**	547,367
Expenses		
Purchase of air tickets and services - *entity under common control*	**105,231**	103,894

c) Balances and transactions with key management personnel

Key management personnel of the Group comprise of the Board of Directors and key members of management having authority and responsibility for planning, directing and controlling the activities of the Group. Directors' shareholding pattern has been disclosed under Note 13. Compensation for key management personnel is as follows:

	2019	2018
Advance given against salary	**32,275**	10,000

	2019	2018
Directors' remuneration and sitting fee	184,000	157,200
Salaries and other short term benefits	125,581	124,021
Post employment benefits	8,470	8,470
	318,051	289,691

25 Commitment and contingent liabilities

	2019	2018
Letter of guarantees	**40,000**	30,000
Capital commitment	**95,820**	-

26 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 for the year or total equity.