

APM Terminals Bahrain B.S.C.

FINANCIAL STATEMENTS

31 DECEMBER 2020

FINANCIAL STATEMENTS
For the year ended 31 December 2020

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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	-
Nadhemi 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

Nomination, Remuneration and Governance Committee Mohamed Ebrahim Alshroogi
Nadhemi 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
Ahli United Bank

Auditors KPMG Fakhro

DIRECTORS' REPORT
for the year ended 31 December 2020

On behalf of the Board of Directors, it is our pleasure in presenting the Company's financial statements (pages 6 to 36) for the year ended 31 December 2020.

Financial highlights (BD 000's)

	2020	2019
Revenue	43,187	38,164
Profit for the year	13,662	10,185
Total equity	27,162	23,661
Total assets	61,961	57,896

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 2020 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 2020, 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 13,662 thousands.



David Skov
 Chairman

25 February 2021




Fawzi Ahmed Kanoo
 Vice Chairman



KPMG Fakhro
Audit
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Kingdom of Bahrain

Telephone +973 17 224807
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CR No. 6220

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 2020, 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 2020, 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 International Code of Ethics for Professional Accountants (including International Independence Standards) (IESBA Code), together with the ethical requirements that are relevant to our audit of the financial statements in the Kingdom of Bahrain, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. 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 43,187 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;

Our audit procedures included;

- | | |
|---|---|
| <ul style="list-style-type: none"> ▪ of significance of amounts involved and because recognition of revenue involves accounting policy decisions made by management; and ▪ the volume of transactions require various IT setups for revenue recognition, which are complex and hence introduce an inherent risk to the revenue recognition process. | <ul style="list-style-type: none"> ▪ evaluating the appropriateness of the Company's revenue recognition accounting policies and assessing compliance of required disclosures with International Financial Reporting Standards (IFRS); ▪ With the assistance of our Information Technology (IT) specialists, we tested the design, implementation, and to the extent applicable the operating effectiveness of controls within the IT environment, used to ensure the accuracy and timing of revenue recognition; ▪ performing substantive procedures over invoicing in order to assess the accounting treatment and principles applied. Tested sales transactions near year end date as well as credit notes issued after the year end date to ensure completeness of revenue; and ▪ to the extent applicable, we tested the revenue reconciliation and manual journal entries which were recorded in revenue general ledger accounts at or near year end. |
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INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS (continued)
APM Terminals Bahrain B.S.C.

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.
- 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.



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

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, actions taken to eliminate threats or safeguards applied.

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 of the current period 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.

A handwritten signature of 'KPMG' in blue ink, with a thick blue horizontal line underneath it.

KPMG Fakhro
Partner registration number 83
25 February 2021

STATEMENT OF FINANCIAL POSITION
as at 31 December 2020

BD 000's

	note	2020	2019
ASSETS			
Intangible assets	4	5,158	5,550
Equipment and vehicles	5	22,996	24,156
Total non-current assets		28,154	29,706
Inventories	6	344	327
Trade receivables	7	1,568	1,437
Prepayments and other assets	8	431	508
Due from related parties	22	1,174	1,260
Balances with Group Treasury	22	29,106	21,549
Cash and cash equivalents	9	1,184	3,109
Total current assets		33,807	28,190
Total assets		61,961	57,896

EQUITY AND LIABILITIES**Equity**

Share capital	10	9,000	9,000
Statutory reserve	11	4,500	4,500
Retained earnings		13,662	10,161

Total equity

27,162	23,661
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Liabilities

Lease liability	12	25,276	26,124
Employees' indemnity payable	13	680	576

Total non-current liabilities

25,956	26,700
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Trade and other payables	14	7,245	6,043
Due to related parties	22	376	395
Lease liability	12	1,222	1,097

Total current liabilities

8,843	7,535
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Total liabilities

34,799	34,235
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Total equity and liabilities

61,961	57,896
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The financial statements were approved by the Board of Directors on 25 February 2021 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 2020

BD 000's

	note	2020	2019
Revenue	15	43,187	38,164
Direct operating expenses	16	(14,385)	(13,409)
Gross profit		28,802	24,755
Other operating income		73	77
Gain on disposal of equipment and vehicles		1	19
General and administrative expenses	17	(3,891)	(3,934)
Other operating expenses	18	(10,792)	(9,469)
Operating profit		14,193	11,448
Finance income		515	587
Finance expense	19	(1,849)	(1,850)
Net finance costs		(1,334)	(1,263)
Other income	30	803	-
Profit for the year		13,662	10,185
Other comprehensive income		-	-
Total comprehensive income for the year		13,662	10,185
Earnings per share			
Basic and diluted earnings per share (in fils)	20	152	113



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 2020

BD 000's

2020	Share capital	Statutory reserve	Retained earnings	Total
At 1 January	9,000	4,500	10,161	23,661
Total comprehensive income for the year	-	-	13,662	13,662
Dividend for 2019	-	-	(10,161)	(10,161)
At 31 December	9,000	4,500	13,662	27,162

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	-	-	(17)	(17)
Dividend for 2018	-	-	(9,850)	(9,850)
At 31 December	9,000	4,500	10,161	23,661

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

STATEMENT OF CASH FLOWS
for the year ended 31 December 2020

BD 000's

	note	2020	2019
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit for the year		13,662	10,185
<i>Adjustments for:</i>			
Amortisation	4	392	427
Depreciation	5	2,178	2,244
Finance expense		1,849	1,850
Fair value gain on derivative		(12)	(29)
Gain on sale of equipment and vehicles		(1)	(19)
<i>Changes in:</i>			
- Inventories		(17)	8
- Trade receivables		(165)	74
- Prepayments and other receivables		209	(77)
- Trade and other payables		1,186	(681)
- Employee leaving indemnities		104	71
Net cash generated from operating activities		19,385	14,053
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of equipment and vehicles		(658)	(556)
Balances with Group Treasury, net		(7,557)	(1,881)
Proceeds from disposal of equipment and vehicles		1	19
Net cash used in investing activities		(8,214)	(2,418)
CASH FLOWS FROM FINANCING ACTIVITIES			
Payment of lease liability		(1,110)	(922)
Payment of finance expenses		(1,825)	(1,754)
Payment for purchase of treasury shares		-	(700)
Proceeds from sale of treasury shares		-	683
Dividend paid		(10,161)	(9,831)
Net cash used in financing activities		(13,096)	(12,524)
Net decrease in cash and cash equivalents during the year		(1,925)	(889)
Cash and cash equivalents at beginning of the year		3,109	3,998
Cash and cash equivalents at end of the year	9	1,184	3,109

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 2020

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, Commerce and Tourism. 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 4).

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 2020.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2020

BD 000's

2 *BASIS OF PREPARATION (continued)***e) New standards, amendments and interpretations effective from 1 January 2020**

The following standards, amendments and interpretations, which became effective as of 1 January 2020, are relevant to the Company:

(i) Amendments to References to Conceptual Framework in IFRS Standards

The IASB has issued a revised Conceptual Framework which will be used in standard-setting decisions with immediate effect. No changes will be made to any of the current accounting standards. However, entities that rely on the Framework in determining their accounting policies for transactions, events or conditions that are not otherwise dealt with under the accounting standards will need to apply the revised Framework from 1 January 2020. The adoption of these amendments had no significant impact on the financial statements of the Company.

(ii) Definition of Material (Amendments to IAS 1 and IAS 8)

The IASB has made amendments to IAS 1 Presentation of Financial Statements and IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors which use a consistent definition of materiality throughout International Financial Reporting Standards and the Conceptual Framework for Financial Reporting, clarify when information is material and incorporate some of the guidance in IAS 1 about immaterial information. In particular, the amendments clarify:

- that the reference to obscuring information addresses situations in which the effect is similar to omitting or misstating that information, and that an entity assesses materiality in the context of the financial statements as a whole, and
- the meaning of 'primary users of general-purpose financial statements' to whom those financial statements are directed, by defining them as 'existing and potential investors, lenders and other creditors' that must rely on general purpose financial statements for much of the financial information they need.

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

f) New standards, amendments and interpretations available for early adoption

A number of new standards and amendments to standards are effective for annual periods beginning after 1 January 2021 and earlier application is permitted; however, the Company has not early applied the following new or amended standards in preparing these financial statements.

(i) COVID-19-Related Rent Concessions (Amendment to IFRS 16)

In response to the COVID-19 coronavirus pandemic, the Board has issued amendments to IFRS 16 Leases to allow lessees not to account for rent concessions as lease modifications if they are a direct consequence of COVID-19 and meet certain conditions. The rent concessions could be in various forms and may include one-off rent reductions, rent waivers or deferrals of lease payments. If the concession is in the form of a one-off reduction in rent, it will be accounted for as a variable lease payment and be recognized in profit or loss.

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 December 2020

BD 000's

2 *BASIS OF PREPARATION (continued)*

The practical expedient will only apply if:

- (i) the revised consideration is substantially the same or less than the original consideration;
- (ii) the reduction in lease payments relates to payments due on or before 30 June 2021; and
- (iii) no other substantive changes have been made to the terms of the lease.

Lessees applying the practical expedient are required to disclose:

- (i) that fact, if they have applied the practical expedient to all eligible rent concessions and, if not, the nature of the contracts to which they have applied the practical expedient; and
- (ii) the amount recognized in profit or loss for the reporting period arising from application of the practical expedient.

No practical expedient is provided for lessors. Lessors are required to continue to assess if the rent concessions are lease modifications and account for them accordingly.

The amendments are effective for annual reporting periods beginning on or after 1 June 2020, with earlier application permitted. The Company does not expect to have a significant impact on its financial statements.

(ii) *Annual Improvements to IFRS Standards 2018-2020*

As part of its process to make non-urgent but necessary amendments to IFRS Standards, the IASB has issued the Annual Improvements to IFRS Standards 2018–2020. The following are the key amendments in brief:

a) *IFRS 9 Financial Instruments*

This amendment clarifies that – for the purpose of performing the “10 per cent test” for derecognition of financial liabilities – in determining those fees paid net of fees received, a borrower includes only fees paid or received between the borrower and the lender, including fees paid or received by either the borrower or lender on the other’s behalf.

When a present value technique is used to measure fair value, the assumptions used for the cash flows and discount rates should be internally consistent – i.e. using either after tax or pre-tax for both. The amendments provide the flexibility to use either, as appropriate, in line with IFRS 13. The assumptions about cash flows and discount rates should reflect market participants’ views, which in practice are predominantly performed on a post-tax basis.

The Company does not expect to have a significant impact on its financial statements.

(iii) *Property, Plant and Equipment: Proceeds before Intended Use (Amendments to IAS 16)*

In the process of making an item of Property, Plant and Equipment available (“PPE”) for its intended use, a company may produce and sell items. Under the amendments, proceeds from selling items before the related item of PPE is available for use should be recognized in profit or loss, together with the costs of producing those items. IAS 2 Inventories should be applied in identifying and measuring these production costs.

The amendments clarify that testing whether an item of PPE is functioning properly means assessing its technical and physical performance rather than assessing its financial performance – e.g. assessing whether the PPE has achieved a certain level of operating margin.

The Company does not expect to have a significant impact on its financial statements.

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 December 2020

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2 BASIS OF PREPARATION (continued)*(iv) Classification of liabilities as current or non-current (Amendments to IAS 1)*

Under existing IAS 1 requirements, companies classify a liability as current when they do not have an unconditional 'right to defer' settlement of the liability for at least twelve months after the end of the reporting period. As part of its amendments, the requirement for a right to be unconditional has been removed and instead, now requires that a right to defer settlement must have substance and exist at the end of the reporting period. This assessment may require management to exercise interpretive judgement.

Further, 'a right to defer' exists only if the company complies with conditions specified in the loan agreement at the end of the reporting period, even if the lender does not test compliance until a later date. This new requirement may change how companies classify rollover facilities, with some becoming non-current.

The amendments state that settlement of a liability includes transferring a company's own equity instruments to the counterparty. When classifying liabilities as current or non-current a company can ignore only those conversion options that are recognized as equity. Therefore, companies may need to reassess the classification of liabilities that can be settled by the transfer of the company's own equity instruments – e.g. convertible debt.

The Company does not expect to have a significant impact on its financial statements.

g) Use of estimates and judgements

In preparing these financial statements, management has made judgements and estimates that affect the application of the Company's accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates. Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to estimates are recognised prospectively.

A. Judgements:

Information about judgements made in applying accounting policies that have the most significant effects on the amounts recognised in the financial statements is included in the following notes:

- Note 3(p) – leases: whether the Company is reasonably certain to exercise extension options and use of discount rate.

B. Assumptions and estimation uncertainties:

Information about assumptions and estimation uncertainties at 31 December 2020 that have a risk of resulting in a material adjustment to the carrying amounts of assets and liabilities in the next financial year is included in the following notes:

- Note 3(b) – Useful life and residual value of equipment and vehicle
- Note 3(c) – impairment test of intangible assets
- Note 3(d) – impairment of inventory
- Note 3(n) – measurement of ECL allowance for trade receivables; and
- Note 3(n) – impairment of non-financial assets

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 December 2020

BD 000's

3 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 set out below.

Adoption of new accounting policy – Government grants

Government grants are recognised in profit or loss on a systematic basis over the periods in which the Company recognises expenses for which the grants are intended to compensate. In the case of grants related to assets, requires setting up the grant as deferred income deducting it from the carrying amount of the asset.

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 and VAT.

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:

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 December 2020

BD 000's

3 SIGNIFICANT ACCOUNTING POLICIES (continued)

Asset category	Estimated useful life in years
ROU - Marine service equipment (refer note p)	Life of the lease
ROU - Leased forklifts (refer note p)	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

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.

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 December 2020

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3 SIGNIFICANT ACCOUNTING POLICIES (continued)**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.

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.

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 December 2020

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3 SIGNIFICANT ACCOUNTING POLICIES (continued)**j) Employee benefits***Short-term employee benefits:*

Short-term employee benefits are expensed as the related service is provided.

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) 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.

l) 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.

3 SIGNIFICANT ACCOUNTING POLICIES (continued)

m) 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.

n) 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. The recoverable amount of an asset is the greater of its value in use and its fair value less costs of disposal. Value in use is based on the estimated future cash flows, discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. 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. 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.

o) 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 2020

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3 SIGNIFICANT ACCOUNTING POLICIES (continued)**p) Leases**

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.

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 Company has recognised the right-of-use assets for marine service equipments and leased forklifts which are presented under property, plant and equipment (refer note 5).

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 2020**BD 000's****3 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'.

q) Finance income and finance expense

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

r) Royalty

Royalty expense is computed in line with the concession agreement as a percentage of the revenue earned and is recognized as an operating expense in the profit or loss, in the period it is incurred.

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 December 2020

BD 000's

4 INTANGIBLE ASSETS

2020	Service concessions rights	Software and licenses	Total
Cost			
At 1 January	9,731	725	10,456
Additions	-	-	-
At 31 December	9,731	725	10,456
Accumulated amortisation			
At 1 January	4,185	721	4,906
Amortisation for the year	388	4	392
At 31 December	4,573	725	5,298
Net carrying value 31 December	5,158	-	5,158

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

2019	Service concessions rights	Software and licenses	Total
Cost			
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

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 December 2020

BD 000's

5 EQUIPMENT AND VEHICLES

2020	Marine Service Equipment	Leased Forklifts	Computer Equipment	Cranes & Transainers	Furniture & Fixtures	Machinery & Equipment	Vehicles	Tools	Leasehold Improvement	Capital work-in progress	Total
Cost											
Balance as at 1 January	20,026	-	1,064	17,349	88	2,675	1,583	37	60	83	42,965
Remeasurement during the year *	215	-	-	-	-	-	-	-	-	-	215
Additions	-	145	52	-	53	22	-	4	-	527	803
Transfer	-	-	129	-	-	444	-	-	-	(573)	-
Disposals	-	-	(44)	(11)	-	(67)	(18)	-	(30)	-	(170)
At 31 December	20,241	145	1,201	17,338	141	3,074	1,565	41	30	37	43,813
Accumulated depreciation											
At 1 January	1,313	-	937	12,666	84	2,252	1,465	32	60	-	18,809
Depreciation	1,341	12	93	524	3	173	29	3	-	-	2,178
Disposals	-	-	(44)	(11)	-	(67)	(18)	-	(30)	-	(170)
At 31 December	2,654	12	986	13,179	87	2,358	1,476	35	30	-	20,817
Net book value 31 December	17,587	133	215	4,159	54	716	89	6	-	37	22,996

* Remeasurement relates to change in future lease payments arising from a change in index during the year for ROU assets – marine service equipment.

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 December 2020

BD 000's

5 EQUIPMENT AND VEHICLES (continued)

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	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 for ROU assets – marine service equipment.

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 December 2020

BD 000's

6 INVENTORIES

	2020	2019
Inventories	807	819
Less: Provision for obsolescence	(463)	(492)
	344	327

Movement in provision:

	2020	2019
At 1 January	492	514
Reversal for the year, net	(29)	(22)
At 31 December	463	492

7 TRADE RECEIVABLES

	2020	2019
Trade receivables	2,012	1,877
Less: Impairment provision	(444)	(440)
	1,568	1,437

Movement in provision:

	2020	2019
At 1 January	440	458
Charge / (reversal) for the year, net	4	(18)
At 31 December	444	440

Information about the Company's exposure to credit risk is included in note 24.

8 PREPAYMENTS AND OTHER ASSETS

	2020	2019
Prepayments	295	353
Fair value of derivatives (refer note 28)	41	29
Other receivables	95	126
	431	508

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2020

BD 000's

9 CASH AND CASH EQUIVALENTS

	2020	2019
Balances with banks	1,184	3,109

Information about the Company's exposure to credit risk is included in note 24.

10 SHARE CAPITAL

Authorized share capital / issued and fully paid up

	2020	2019
90,000,000 shares of 100 fils each (2019: 90,000,000 of 100 fils each)	9,000	9,000

(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%	15,493	707	17.2%
1 % up to less than 5%	2,507	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	711	100.0%

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

11 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.

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 December 2020

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12 LEASES

a) Amounts recognised in the statement of financial position

i) Right of use asset of marine service equipment and leased forklifts (included in equipment and vehicles) BD 17,720 (2019: BD 18,713) (note 5).

ii) Lease liabilities

	2020	2019
Lease of marine service equipment	18,552	19,206
Service concession rights	7,810	8,015
Lease of forklifts	136	-
	26,498	27,221

	2020	2019
Non-current portion of lease liability	25,276	26,124
Current portion of lease liability	1,222	1,097
	26,498	27,221

b) Amounts recognised in the profit or loss:

	2020	2019
Depreciation charge on right-of-use assets	1,341	1,313
Interest expense (included in finance expense note 19)	1,128	1,148
Expense relating to short-term leases	134	104
Expenses relating to leases of low-value assets, excluding short-term leases of low-value assets	29	58

c) The total cash outflow for leases in 2020 was BD 2,879 (2019: BD 2,654).

13 EMPLOYEES' INDEMNITY PAYABLE

Employee benefits related to salaries and related costs have been disclosed in notes 16 and 17. The charge for indemnity is included in the respective notes based on function i.e. direct operating expenses or administrative expenses. Provision for employees' indemnity liability is as follows:

	2020	2019
At 1 January	576	505
Charge for the year	154	208
Paid during the year	(50)	(137)
At 31 December	680	576

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 December 2020

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14 TRADE AND OTHER PAYABLES

	2020	2019
Royalty payable to the Government of Bahrain	3,256	2,900
Trade payables	554	628
Advances from customers	491	133
Accrued expenses	2,392	1,964
Provisions	550	418
	7,243	6,043

15 REVENUE

	2020	2019
Container services	19,139	17,670
General cargo services	16,629	13,068
Marine services	7,419	7,426
	43,187	38,164

Revenue is generated only in the Kingdom of Bahrain.

16 DIRECT OPERATING EXPENSES

	2020	2019
Salaries and related costs	5,423	4,716
Subcontracting charges	3,287	3,111
Depreciation	2,178	2,244
Fuel and electricity	1,448	1,341
Maintenance and repairs	1,446	1,385
Security costs	239	221
Equipment hiring charges	186	199
Customs duty and freight charges	50	52
Reversal of provision on inventories	(29)	(22)
Other expenses	157	162
	14,385	13,409

17 GENERAL AND ADMINISTRATIVE EXPENSES

	2020	2019
Salaries and related costs	2,483	2,586
Management and administration fee	361	346
Computer expenses	304	414
Office expenses	198	101
Subcontracting charges	122	94
Legal and professional charges	74	100
Communication expenses	27	30
Training expenses	9	25
Travel expenses	7	38
Charge/ (reversal) of provision on trade receivables	4	(18)
Other expenses	302	218
	3,891	3,934

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 December 2020

BD 000's

18 OTHER OPERATING EXPENSES

	2020	2018
Royalty to Government of Bahrain	10,400	9,042
Amortisation of intangible assets	392	427
	10,792	9,469

As per the concession agreement with the Government of Bahrain, the Company is required to pay royalty calculated as a percentage of the revenue to the Port and Maritime Affairs.

19 FINANCE EXPENSE

	2020	2019
Lease expense	1,793	1,828
Bank charges	37	14
Foreign exchange loss, net	19	8
	1,849	1,850

20 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:

	2020	2019
Profit for the year (BD 000's)	13,662	10,185
Weighted average number of shares (000's)	90,000	90,000
Basic and diluted earnings per share (fils)	152	113

21 APPROPRIATIONS

The Board of Directors have proposed the following appropriations for the year 2020:

	2020	2019
Cash dividend proposed	13,662	10,161
Statutory reserve	-	7

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2020

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22 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 2020			
<u>Current Assets</u>			
Trade receivable	478	475	953
Interest receivable	220	-	220
Other receivables	1	-	1
	699	475	1,174
Balances with Group Treasury	29,106	-	29,106
<u>Non-Current Liabilities</u>			
Non-current portion of lease liabilities	17,595	109	17,704
<u>Current Liabilities</u>			
Other payable	15	1	16
Accrued expenses	323	12	335
Management fee payable	25	-	25
	363	13	376
Current portion of lease liabilities	956	27	983

The Company has maintained balances with Group treasury pursuant to the technical services agreement whereby treasury advice and execution services are provided and earns an average interest of 2.46% p.a. (2019: 2.63% p.a.)

Description	Parent/ Group company	Shareholders / entities in which directors are interested	Total
For the year ended 31 December 2020			
<u>Income</u>			
Revenue	3,391	7,246	10,637
Finance income	484	-	484
	3,875	7,246	11,121
<u>Expenses</u>			
Subcontracting charges	1,381	-	1,381
Management and administration fee	361	-	361
Computer expenses	232	-	232
Maintenance and repairs	2	57	59
Other expenses	58	106	164

Lease rental of BD 2,000 to Group company and BD 11 to other shareholders is accounted in the financial statements in line with IFRS 16, as right of use assets.

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 December 2020

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22 RELATED PARTY TRANSACTIONS (continued)

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	340	-	340
Other receivables	1	-	1
	650	610	1,260
Balances with Group Treasury	21,549	-	21,549
<u>Non-Current Liabilities</u>			
Non-current portion of lease liabilities	18,314	-	18,314
<u>Current Liabilities</u>			
Trade payables	-	5	5
Other payables	16	-	16
Accrued expenses	308	39	347
Management fee payable	27	-	27
	351	44	395
Current portion of lease liabilities	892	-	892
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	1,405	-	1,405
Management and administration fee	346	-	346
Computer expenses	232	-	232
Maintenance and repairs	-	14	14
Other expenses	60	159	219

Lease rental of BD 1,968 to Group company accounted in the financial statements in line with IFRS 16, as right of use assets.

Other related party transactions for the year ended 31 December

Description	Parent/ Group company		Shareholders / entities in which directors are interested		Total	
	2020	2019	2020	2019	2020	2019
Purchase of inventories	-	-	56	12	56	12

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 December 2020

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22 *RELATED PARTY TRANSACTIONS (continued)***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:

	2020	2019
Salaries and other short-term benefits	735	812
Post-employment benefits for the year	43	39
Board remuneration and sitting fees for the year	75	81
Post-employment benefits payable	63	132

23 **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.

24 **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, balances with Group Treasury, due to related parties and other financial assets. Financial liabilities of the Company comprise of trade and other payables, due to related parties and 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 2020****BD 000's****24 FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (continued)**

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 balances with Group Treasury. 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. 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 an international bank, Ahli United 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:

	2020	2019
Balances with bank	1,184	3,109
Trade receivables	1,568	1,437
Other receivables	95	126
Due from related parties	1,174	1,260
Balances with Group Treasury	29,106	21,549
	33,127	27,481

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2020

BD 000's

24 FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (continued)

(ii) Impairment Losses

The aging of trade receivables at the reporting date was:

	2020			2019		
	Gross	Weighted Average Loss Rate	Loss Allowance	Gross	Weighted Average Loss Rate	Loss Allowance
Current (not past due)	1,176	1%	7	1,073	1%	7
Past due:						
0-90 days	341	1%	3	304	1%	3
91-180 days	29	10%	3	25	8%	2
181-270 days	29	24%	7	35	23%	8
271-365 days	19	32%	6	30	33%	10
Over 365 days	418	100%	418	410	100%	410
	2,012	22%	444	1,877	23%	440

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
2020						
Trade and other payables	6,202	6,202	6,202	-	-	-
Due to related parties	376	376	376	-	-	-
Lease liabilities	26,498	39,847	1,897	1,031	4,966	31,953
	33,076	46,425	8,475	1,031	4,966	31,953
2019						
Trade and other payables	5,492	5,492	5,492	-	-	-
Due to related parties	395	395	395	-	-	-
Lease liabilities	27,221	42,220	1,859	1,002	2,870	36,489
	33,108	48,107	7,746	1,002	2,870	36,489

NOTES TO THE FINANCIAL STATEMENTS**For the year ended 31 December 2020****BD 000's**24 *FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (continued)***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 balances with Group Treasury. Change in market interest rate will not have a significant effect on the carrying value of these balances due to the short-term characteristics of these balances and fixed interest rates.

(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 2020

BD 000's

24 FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (continued)**e) Capital management**

The Board's policy is to maintain a strong capital base so as to maintain investor 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.

25 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, balances with Group Treasury 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.

26 COMMITMENTS

Capital commitments

2020	2019
97	18

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 December 2020

BD 000's

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

	Liabilities	Equity			Total
	Lease liability	Share capital	Statutory reserve	Retained earnings	
Balance at 1 January 2020	27,221	9,000	4,500	10,161	50,882
Remeasurement of IFRS 16	215	-	-	-	215
<i>Changes from financing cash flows</i>					
Lease liability	(1,110)	-	-	-	(1,110)
Finance expense	(1,769)	-	-	-	(1,769)
Dividends paid	-	-	-	(10,161)	(10,161)
Total changes from financing cash flows	(2,879)	-	-	(10,161)	(13,040)
Liability-related changes	1,941	-	-	-	1,941
Equity-related changes	-	-	-	13,662	13,662
Balance at 31 December 2020	26,498	9,000	4,500	13,662	53,660

	Liabilities	Equity			Total
	Lease liability	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
<i>Changes from financing cash flows</i>					
Lease liability	(922)	-	-	-	(922)
Finance expense	(1,732)	-	-	-	(1,732)
Dividends paid	-	-	-	(9,831)	(9,831)
Total changes from financing cash flows	(2,654)	-	-	(9,831)	(12,485)
Liability-related changes	1,659	-	-	-	1,659
Equity-related changes	-	-	7	10,142	10,149
Balance at 31 December 2019	27,221	9,000	4,500	10,161	50,882

28 DERIVATIVES

The Company has entered into foreign currency forward and swap contracts with a bank with nominal value of BD 29,271 (2019: BD 21,657) maturing within one year. The fair value as at the year end amounted to BD 41 (2019: BD 29) and is included under other assets.

29 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.

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 December 2020**BD 000's**

30 IMPACT OF COVID 19

On 11 March 2020, the Coronavirus (COVID 19) outbreak was declared a pandemic by the World Health Organization (WHO) and has rapidly evolved globally. COVID-19 has also brought about significant uncertainties in the global economic environment. Authorities have taken various measures to contain the spread including implementation of travel restrictions and quarantine measures.

The management has been closely monitoring the impact of the COVID-19 developments on the Company's operations and financial position; including possible loss of revenue, impairment, outsourcing arrangements etc. The Company has also put in place contingency measures, which include but are not limited to enhancing and testing of business continuity plans. Based on their assessment, the management has concluded that the Company will continue as a going concern entity for the next 12 months.

COVID-19 related government grants of BD 803 were received from the Government of Kingdom of Bahrain, for the reimbursement of salaries of national employees and waiver of Electricity and Water utility bills from April 2020 to June 2020. This amount is recognized as other income in the profit or loss.

In preparing the financial statements, judgements made by management in applying the Company's accounting policies and sources of estimation are subject to uncertainty regarding the potential impacts of the current economic volatility and these are considered to represent management's best assessment based on available or observable information.

Unaudited Supplementary Information – Reporting on Financial Impact of COVID-19 BD 000's

Financial impact of COVID-19

On 11 March 2020, the Coronavirus (COVID 19) outbreak was declared a pandemic by the World Health Organization (WHO) and has rapidly evolved globally. COVID-19 has also brought about significant uncertainties in the global economic environment. Authorities have taken various measures to contain the spread including implementation of travel restrictions and quarantine measures.

The management has been closely monitoring the impact of the COVID-19 developments on the Company's operations and financial position; including possible loss of revenue, impairment, outsourcing arrangements etc. The Company has also put in place contingency measures, which include but are not limited to enhancing and testing of business continuity plans. Based on their assessment, the management has concluded that the Company will continue as a going concern entity for the next 12 months.

A summary of the financial impact of the above effects is as follows:

Revenue has witnessed a growth of 13% as compared to 2019. The said growth can be attributed to road to sea conversions as a result of closure of King Fahd Causeway and increase in project cargo volumes.

Other income - The Government of Kingdom of Bahrain announced various economic stimulus programmes to support businesses in these challenging times. The Company received some benefits from these programmes mainly in the form of waiver of Electricity and Water bills amounting to BD 129, Government support provided on salaries and LMRA fees amounting to BD 674. These Government Grants have been recorded as other income in the statement of profit or loss.

Expenses - The Company has incurred additional expenses worth of BD 114 related to COVID-19 measures. Further, as part of the Company's corporate social responsibility, the Company has contributed BD 50 to MOFNE The National Effort to Combat the Coronavirus COVID-19 through the Feena Khair campaign.

The above supplementary information is provided to comply with the CBB circular number OG/259/2020 dated 14 July 2020. This information should not be relied upon for any other purposes. Since the situation of COVID-19 is uncertain and still evolving, the above impact is as of the date of preparation of this information. Circumstances may change which may result in this information to be out-of-date. In addition, this information does not represent a full comprehensive assessment of COVID-19 impact on the Company. This information has not been subject to a formal review by the external auditors.