

ANNUAL REPORT 2019

APM TERMINALS



His Royal Highness,
Prince Khalifa bin
Salman
Al Khalifa

The Prime Minister of
the Kingdom of Bahrain



His Majesty
King Hamad bin Isa
Al Khalifa

The King of the
Kingdom of Bahrain



His Royal Highness,
Prince Salman bin
Hamad Al Khalifa

The Crown Prince,
Deputy Supreme
Commander and First
Deputy Prime Minister
of the Kingdom of
Bahrain

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APM TERMINALS BAHRAIN AT A GLANCE

Khalifa Bin Salman Port (“KBSP”) is the only general commercial port facility in the Kingdom of Bahrain which is managed and operated by APM Terminals Bahrain B.S.C. (the “Company”). Located on 900,000 square metres of reclaimed land, the port has 1,800 metre quay which includes a container terminal served by four 61 metres post-panamax cranes, as well as general cargo, RO-RO and passenger facilities. Passenger facility includes a dedicated passenger terminal that is capable of handling cruise and ferry calls.

KBSP is one of the multi-purpose deep water facilities located in the Middle East. Through its diverse service offering, KBSP is capable of handling the following:

Containers – Used in the import and export of packaged cargo carried by container ships. Container dimensions range from 20, 40, 45 foot and are measured in Twenty Foot Equivalent Units (TEU). These can be broken down into two broad sub-categories:

- ❖ Local – Export Import of containers with origin or destination being local; and
- ❖ Transshipment – a container which is transferred from one ship to another at some point during the journey without leaving the port where the transfer is taking place, is said to be transhipped. General Cargo – Consists typically of commodity goods bulk or break-bulk including livestock, steel, sugar, construction materials and RO-RO, passengers etc.



CORE PURPOSE

APM Terminals Bahrain B.S.C. is a company established for managing and operating the public port of Kingdom of Bahrain in a safe, efficient, customer minded and profitable manner and to be known and recognized as such.

OUR VISION

To provide the foundation for national and regional commerce.

OUR MISSION

APM Terminals Bahrain B.S.C. is committed to delivering efficient and cost-effective world class port services in a safe, secure and environmentally friendly manner, while being a good corporate citizen that provides competitive returns to its stakeholders.

In line with APM Terminals' group philosophy of "Lifting global trade", and the Maersk Group's vision "to become the global integrator of container logistics aiming to connect and simplify our customers' supply chain", the Company strives to provide the right infrastructure and expertise to realise this vision by focusing on the following four core areas:

Services – KBSP is designed to provide multiport facilities to users in the Northern Gulf. Customers include shipping lines, import agencies, export agencies, private jetties, military beneficial cargo owners and traders. Services are provided with world class productivity, excellent infrastructure, operational scalability and flexibility in the range of services provided to customers. The Company strives to constantly improve the quality and range of services provided to customers. The Company actively collaborates with the Ports and Maritime Affairs ("PMA") and the Economic Development Board of Bahrain to facilitate new investments into Bahrain, attracted by the capabilities of the KBSP's facilities and Company's service offering;

Customers – The Company strives to continuously enhance its customers' experience by providing high levels of (1) products and services, (2) operational performance, (3) personal contact points and (4) customer responsiveness. The Company has put in place a dedicated customer services team to address customer requirements and periodically survey customer satisfaction. Towards this goal, the Company has implemented the ISO 9001:2015 quality assurance system throughout the organisation;

Sustainability – The Company aims to provide the safest possible environment for the people and goods within its facility with a minimum adverse impact to the environment; and

Employees – The Company actively invests in hiring, training and developing the best talent with a special focus on Bahrainisation. As of December 2019, the level of Bahrainisation stands at 64%.

CHAIRMAN'S MESSAGE



CELEBRATING OUR SUCCESS STORY

Khalifa Bin Salman Port, operated by APM Terminals Bahrain, is embarking on the next stage of its journey, as it completed ten years of successful operations in the Kingdom of Bahrain.

The Company has grown phenomenally over the last decade, experiencing impressive and sustained average annual growth of 7%. Over the last 10 years, APM Terminals Bahrain has contributed towards positioning KBSP as a world-class port providing operations and logistical solutions, thus serving both the country and the wider region, in line with the Kingdom of Bahrain's Economic Vision 2030.

Building on the foundation laid in the last decade, APM Terminals Bahrain endeavours to maintain the momentum by focusing on growing domestic and transshipment volumes, developing hinterland connections, strengthening customer relationships, creating an effective supply chain, adopting digital solutions, fostering a robust business environment and developing company's pool of talent.

TRANSFORMATION JOURNEY

For APM Terminals Bahrain, 2019 was a year of embarking on the journey of building the foundation for future business. The Company has focused on transforming the way we do our business and becoming the preferred choice for logistical requirements, including landside requirements of our customers.

The transformation journey includes the introduction of the Operating system and Lean for All program. These programs aim to streamline processes, remove waste, empower employees from all levels of the organisation with necessary tools that will help in improving the way in which we conduct our business and in turn create value for our customers and the society at large.

Furthermore, digitalisation is a key enabler for this transformation. The Company has invested in automation and new technologies. Innovative digital solutions delivered by the Company in 2019 have removed complexities, increased visibility and brought much-needed simplicity to supply chains.

Based on our strategy, we are leading the transformation of the businesses, by endeavouring to integrate blockchain in our services with the objective of providing end-to-end visibility and transparency of the global supply chain, thus making global trade more accessible and less costly - A significant transformation which will not only impact our business, but also the world. Additionally, the Company has invested in terminal operating systems, automated gate passes and enabling Wi-Fi across the board, to ensure that KBSP is one step ahead as a world class port.

OUR EMPLOYEES

The Company believes that its employees are one of the important pillars in the growth of any company. Therefore, the Company actively invests in hiring, training and developing the best talent with a special focus on Bahrainisation. As of December 2019, the level of Bahrainisation stands at 64%.

SAFETY AND SUSTAINABLE DEVELOPMENT

For APM Terminals Bahrain, Safety of our customers, vendors and employees is our priority and I am proud to mention that we had zero fatalities in 2019. Incidents are never intentional but occur as the result of many factors coinciding. The Board and the management team relentlessly focuses on safety and build organisational capacity and operational controls that will act as barriers to accidents that could otherwise have escalated to cause life-changing or fatal outcomes.

As a responsible logistical service provider, APM Terminals aims at continuously finding solutions to one of the world's most pressing challenges; climate change. The Board of Directors is proud to see the ambition level and the commitment from management to contribute to sustainable development – in particular to help seabed cleaning, go green initiatives, create awareness on environment issues.

PROMOTING BAHRAIN TOURISM

The port also operates a passenger terminal, thereby directly contributing to developing the tourism sector in the kingdom. Together with the tourism authorities, APM Terminals Bahrain has played a key role in facilitating, maintaining and attracting international cruise lines.

In 2019, APM Terminals Bahrain was able to attract 59% growth in cruise vessel calls and a 29% increase in passenger flows, further substantiating its role in uplifting Bahrain trade and tourism sectors.

ACKNOWLEDGEMENT OF EFFORTS

On behalf of the Board of Directors, I would like to extend our sincere gratitude to our leadership team and all our employees for their continued passion, efforts and dedication to transform our company. This loyalty and focus have built our unique position and is the foundation for our future.

APM TERMINALS BAHRAIN CELEBRATES 10-YEAR ANNIVERSARY

Khalifa Bin Salman Port (KBSP), the Kingdom's only commercial port and one of the ports with the highest productivity in the region, celebrated ten years of successful operations, as it continues to facilitate economic diversification in line with Bahrain's 2030 economic vision.

KBSP's decade of achievements were marked at company's 10-year anniversary celebration under the patronage of H.E Excellency Engineer Kamal bin Ahmed Mohamed, Minister of Transportation and Telecommunications (MTT). The event was attended by Board members and senior executives from APM Terminals Bahrain and Global, the maritime business community and various other government stakeholders, who celebrated the success of this public-private partnership

Over the past ten years, KBSP has witnessed stable growth across its various operations including container volumes which has grown by 54%, RORO traffic by 27%, and general and bulk cargo by 87%. The port has served over 10,000 vessels, including 357 cruise vessel calls that have collectively brought 721,343 visitors to Bahrain. With a 123% increase in the total import TEUs and 117% in total export TEUs, the port's annual throughput in 2019 was 432,432 TEU, which is 49% higher than the throughput recorded in its first full year of operations.

The port has also been a platform to invest and cultivate Bahrain's future ports, maritime and logistics workforce with 64% of the workforce being Bahraini nationals.



2019 HIGHLIGHTS

Despite revenue being flat v/s last year, our adjusted net profit (before IFRS16 adjustment) has improved by BHD 0.2M YoY. We closed FY 2019 with top line of BHD 38.2M. It was a very challenging year as container business declined by 4.1% YoY. Regardless of volume and revenue related challenges, our profit for 2019 was BHD 10.7M, which is 2.1% higher compared to last year. New/incremental marine, landside and general cargo business, efficient management of key performance indicators, effective cost management and higher interest income were the main drivers of the bottom line.

10

Years of operation

484

Employees

3

Major businesses:
Container, General Cargo,
Marine

802

Vessels visited KBSP in 2019

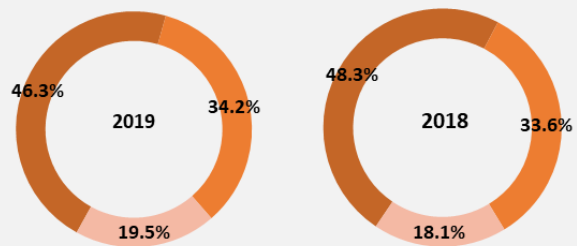
Revenue (BHD million)

0%



■ 2019 ■ 2018

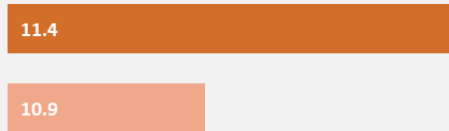
Revenue breakdown



■ Container services ■ General cargo services ■ Marine services

Operating Profit (BHD million)

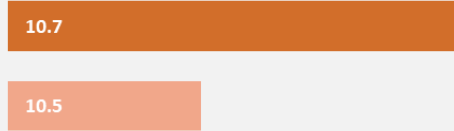
+5.2%



■ 2019 ■ 2018

Adjusted Net Profit (BHD million)*

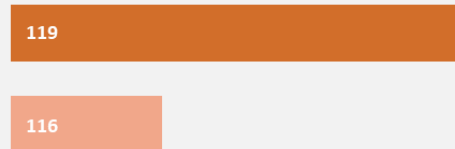
+2.1%



■ 2019 ■ 2018

Adjusted Earning Per Share*

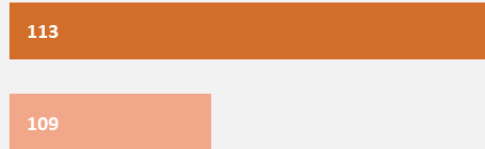
+2 fils



■ 2019 ■ 2018

Dividend Per Share

+4 fils



■ 2019 ■ 2018

*2019 net profit and earning per share are adjusted with IFRS16 effect. IFRS16 impact is BHD 0.49 mill for 2019 full year.



CORPORATE GOVERNANCE REPORT

COMMITMENT TO CORPORATE GOVERNANCE PRINCIPLES

Corporate governance framework sets the tone as to how the company operates in relation to its internal as well as external stakeholders. It defines the relationship between the Board of Directors, management and the rest of the organisation. We at APM Terminals Bahrain B.S.C., are committed to the highest standards of corporate governance.

The Company has appointed/elected Board of Directors (“Board”) including non-executive and independent directors and has appointed a Corporate Governance Officer to ensure that the corporate governance principles are duly implemented and complied with.

The Company has Board approved policies for risk management, compliance and internal controls, in accordance with the applicable laws, rules and guidelines. The Board’s adherence to best practice in corporate governance is underlined by various principles such as transparency, integrity, independence, accountability, responsibility and fairness. The Board has adopted a Board of Director’s Charter, together with the Company’s Memorandum and Articles of Association as well as the Corporate Governance Manuals and Charters of Board Committees, that provide the authority and practices for corporate governance at APM Terminals Bahrain B.S.C.

The adoption and implementation of corporate governance is the direct responsibility of the Board. The Board is committed to excellence in corporate governance and adheres to rules of the High-Level Controls Module (“HC Module”) of the Central Bank of Bahrain (“CBB”); and the principles of the Corporate Governance Code (“Corporate Governance Code”) and Commercial Companies Law of the Kingdom of Bahrain issued by the Ministry of Industry, Commerce and Tourism.

SHAREHOLDER’S INFORMATION

APM Terminals Bahrain B.S.C.’s shares are listed on the Bahrain Bourse. The Company has issued 90,000,000 ordinary equity shares, each with a nominal value of 100 fils. All shares are fully paid up.

DISTRIBUTION OF SHAREHOLDING BY NATIONALITY AS OF 31 DECEMBER 2019

Nationality	No. of Shareholders	No. of Shares	Shareholding %
Bahrain	565	28,325,553	31.473
Netherlands	1	57,600,000	64.00
Saudi Arabia	12	1,049,640	1.166
Oman	6	962,295	1.069
Kuwait	5	637,885	0.709
UAE	2	502,596	0.558
Others	77	1,424,627	1.025
Total	666	90,000,000	100.00

OWNERSHIP ACCORDING TO PERCENTAGE/ NO. OF SHARES AS OF 31 DECEMBER 2019

Shareholding (share)	No. of Shareholders	No. of Shares	Shareholding %
Less than 1%	662	15,473,234	17.19
1 % up to less than 5%	2	2,526,766	2.81
5 % up to less than 10%	-	-	-
10 % up to less than 20%	1	14,400,000	16.00
More than 50%	1	57,600,000	64.00
Total	666	90,000,000	100.00

Shareholding (share)	No. of shareholders	No. of shares	Shareholding %
< 50,000	604	4,857,241	5.397
50,000 to 500,000	56	9,544,742	10.605
500,000 to 5,000,000	4	3,598,017	3.998
>5,000,000	2	72,000,000	80
Total	666	90,000,000	100.000

MAJOR SHAREHOLDERS(S) (5% AND ABOVE) AS OF 31 DECEMBER 2019

Shareholder's Name	Ultimate Beneficiary	Shareholdings	% of shareholding
APM Terminals B.V.	Maersk Holding B.V.	57,600,000	64
Yusuf Bin Ahmed (Holdings) Co. W.L.L.	Various ultimate beneficiaries	14,400,000	16

OWNERSHIP BY GOVERNMENT

The Government of Bahrain holds 147,934 shares in the Company.

BOARD OF DIRECTORS

COMPOSITION OF THE BOARD

The Board comprises of six directors as per the below composition:

Board Member	Type	Position	Term
David Skov	Executive Director	<ul style="list-style-type: none">Chairman of the Board	16 Feb 2018 to 12 Dec 2018 13 Dec 2018 to 12 Dec 2021
Fawzi Ahmed Kanoo	Executive Director	<ul style="list-style-type: none">Vice Chairman of the Board	20 May 2006 to 18 Jun 2012 31 Jul 2018 to 12 Dec 2018 13 Dec 2018 to 12 Dec 2021
Soren Sjostrand Jakobsen	Executive Director	<ul style="list-style-type: none">Member of the BoardMember of ARCC	18 Jun 2013 to 12 Dec 2018 13 Dec 2018 to 12 Dec 2021
Jesper Kjaedegaard	Non-Executive Director	<ul style="list-style-type: none">Member of the BoardMember of NRG	13 Dec 2018 to 12 Dec 2021
Mohamed Bin Ebrahim Juma Alshroogi	Independent Director	<ul style="list-style-type: none">Member of the BoardMember of ARCCChairman of NRG	13 Dec 2018 to 12 Dec 2021
Nadhem Saleh Al-Saleh	Independent Director	<ul style="list-style-type: none">Member of the BoardChairman of ARCCMember of NRG	13 Dec 2018 to 12 Dec 2021



DAVID SKOV
Board of directors

- ❖ Mr. Skov has been with the A.P. Moller-Maersk Group for 24 years and has a very strong and extensive background in the shipping industry.
- ❖ Prior to being appointed as the Head of Terminals for Africa and Middle east in January 2017, Mr. Skov has held various positions of importance within the Maersk Group
- ❖ Mr. Skov serves as a board member in a number of APM Terminals entities
- ❖ He has completed a Master's in Business Administration at the Warwick Business School in the United Kingdom and has degrees in International Business as well as Organisation and Leadership



FAWZI AHMED KANOO
Vice Chairman

- ❖ Mr. Kanoo is currently the Deputy Group Chairman and Acting Group CEO of Yusuf Bin Ahmed Kanoo (Holdings) Co. W.L.L., a multi-national organisation, having offices throughout the Arabian Gulf and Saudi Arabia
- ❖ Mr. Kanoo holds directorship in various companies internationally. Specifically, Mr. Kanoo holds directorships in public listed companies in Bahrain namely Gulf Hotels Group BSC, Bahrain Ship Repairing & Engineering Co. BSC and National Bank of Bahrain B.S.C.
- ❖ He holds a bachelor's degree in Business Administration from South West Texas State University



SOREN SJOSTRAND JAKOBSEN
Executive Director

- ❖ Mr. Jakobsen has been with the group for more than 39 years and has held various positions of importance within the Maersk Group
- ❖ He is responsible for the Global Ports Portfolio and Global JV improvement project for all brands of the group
- ❖ He serves as a board member in a number of JV entities of APM Terminals in Asia, Middle East and Africa
- ❖ Mr. Jakobsen has bachelor's degree in shipping and business with various management programs including at IMD and INSEAD



JESPER KJAEDEGAARD
Non-Executive /Non-Independent Director

- ❖ Mr. Kjaedegaard has spent almost 40 years in the maritime industry and is currently serving as an Advisor/Board member for several maritime related companies
- ❖ Mr. Kjaedegaard is also a Board Member at BIMCO and past President of the British Chamber of Shipping and Chairman of Maritime, UK
- ❖ Mr. Kjaedegaard is a graduate from Copenhagen's Commercial College and has subsequently attended several Management Programs including AMP (Harvard)



MOHAMED BIN EBRAHIM JUMA ALSHROOGI
Independent Director

- ❖ Mr. AlShroogi was Investcorp's Co-Chief Executive Officer. He joined Investcorp in 2009 as President of the Firm's Gulf Business. He oversaw the development of private equity investment business in the MENA and Turkey region
- ❖ Mr. AlShroogi has been a member of the Bahrain Shura Council, Member of the Board of Trustees at Bahrain University and a member of the Bahrain Economic Development Board
- ❖ Mr. AlShroogi studied at Kuwait University, the Harvard Management Executive Program



NADHEM SALEH AL SALEH
Independent Director

- ❖ Mr. AlSaleh served at the University of Bahrainis for 25 years where he assumed different academic & administrative positions. He has long years of experience in the areas of business administration, financial management and strategic planning
- ❖ He is also a Board Member of Solidarity Bahrain B.S.C.; Member of Board of Trustee of Kanoo Award for Creativity & Excellence
- ❖ Mr. AlSaleh holds a Ph.D. in Finance from Brunel University, England; MBA from University of Pennsylvania, USA and bachelor's degree in petroleum engineering from University of Baghdad, Iraq

RESPONSIBILITIES AND DUTIES OF BOARD MEMBERS

The Board provides governance, guidance, insight and overall leadership to the Company and owes fiduciary duty of care and loyalty to the Company and its Shareholders. The Board is responsible for establishing controls and overseeing the actions of the executive management, development of and decision on building a robust business strategy and long-term profitability, while safeguarding the interests of the Shareholders. The Board is a sparring partner for the executive management and must be prepared to question and scrutinize the way the Company is managed, present alternative views and have the ability to act in the face of obvious wrong doings. The Board must continuously ensure that its composition and way of working adequately addresses and complements the day to day working and operations of the Company.

The Board must review the quality and integrity of Company's accounting and financial reporting practices. The Board must ensure that the company's financial statements are prepared and reported in accordance with international financial reporting standards. The Board is accountable to the Shareholders for creation and delivery of strong sustainable financial performance and long-term Shareholder value. The Board works together as a team to provide strategic leadership to staff, ensure the organisation's fitness for purpose, set the values and standards for the organisation, and ensure that enough financial and human resources are available.

Transactions are carried out in accordance with the Company's Authority Matrix which lays down various levels of authority for the Board as well as the executive management. This includes strategic issues and planning; review of management structure and responsibilities; disposal of assets; investment policies; capital expenditure; authority levels; policies; appointment of certain officers, preparation of financial statements in accordance with international financial reporting standards, of the review of financial statements; financing and borrowing activities; and reviewing the adequacy and integrity of internal systems, regulatory and control framework.

ELECTION AND TERMINATION OF DIRECTORS

There are formal and transparent procedures for the appointment/election of new directors to the Board, in accordance with applicable laws. Candidates are appointed/elected based on merit, in line with the objectives of the Company and with due regards to the benefit of diversity on the Board in accordance with the applicable laws.

The term of the current Board is for 3 years, commencing from 13 December 2018, unless terminated in accordance with the applicable laws in the Kingdom of Bahrain.

DIRECTOR APPOINTMENT

As a member of the Board, each Director has signed a formal written appointment letter which covers among other things, the Director's duties and responsibilities in serving on the Board, the terms and conditions of their directorship, the annual remuneration and entitlement to reimbursement of expenses and access to independent professional advice when needed.

INDUCTION AND TRAINING OF DIRECTORS

The Director's Board Charter recommends formal and tailored Director's induction program. The Chairman in coordination with the Secretary ensures that each new Director, upon appointment, receives a formal induction, to ensure his/her contribution to the Board from the beginning of their tenure.

The induction process includes meetings with the Executive Management, visits to the Company's facilities, presentations regarding significant strategic, financial, compliance and risk management related matters, its internal, external auditors and legal counsel.

DIRECTORS REMUNERATION POLICY

The Board's remuneration is governed by provisions of the Commercial Companies Law 2001 and the CBB rules. The Board's remuneration and remuneration policy requires approval by the Shareholders at the ordinary general meeting. The Board's remuneration is reviewed by the Nomination, Remuneration & Governance Committee as per the remuneration policy. Directors' remuneration is accounted as an expense as per international accounting standards.

As per the remuneration policy, the Chairman is entitled to remuneration of BHD 12,000 annually and other members of the Board are entitled to remuneration of BHD 10,000 annually.

In addition to the fixed fee, the members of the Board are entitled to sitting fees as stated below:

- ❖ For Directors residing in Bahrain, a sitting fee of BHD 500 for each face to face Board meeting
- ❖ For Directors residing outside Bahrain, a sitting fee of BHD 1,000 for each face to face Board meeting
- ❖ BHD 250 for each Board meeting attended through video or audio conferencing or through remote participation
- ❖ Sitting fee of BHD 250 per committee meeting
- ❖ For Directors residing outside Bahrain, the Company shall provide return air tickets for traveling to Bahrain, accommodation and any other related expenses/costs (taxi, visa etc) to attend the Board meetings of the Company. For Board meetings outside Bahrain, the Company shall provide air tickets, accommodation and any other related expenses/costs (taxi, visa etc) for all travelling Board members. Class of air travel and accommodation will be in accordance with the Company's travel policy (economy class for less than 6 hours travel)

BOARD REMUNERATION

In accordance with the Board remuneration policy, total of BHD 81,500 for the year 2019 was paid to the Board of Directors as remuneration for their services as follows:

- ❖ BHD 62,000 as fixed fee
- ❖ BHD 19,500 as sitting fee

BOARD COMMITTEES

In compliance with applicable laws, the Board has established Audit, Risk and Compliance Committee ("ARCC") and Nominating, Remuneration and Governance Committee ("NRGC").

1. AUDIT, RISK AND COMPLIANCE COMMITTEE

The Audit, Risk and Compliance Committee has a written Charter approved by the Board ("ARCC Charter"). The ARCC Charter is an overall governing document laying out the roles and responsibilities of the Committee while ensuring compliance with the Corporate Governance Code and CBB Rulebook. As per the ARCC Charter, the committee shall meet at least four times a year. The External Auditor and Internal Auditor of the Company shall report directly to the Committee.

i. Functions of ARCC

In accordance with the ARCC charter, the committee conducts the following functions:

- ❖ Review the quality and integrity of Company's accounting and financial reporting practices
- ❖ Review the integrity of Company's financial controls, internal controls and financial statements
- ❖ Review and monitor Company's compliance with the relevant legal and regulatory requirements as well as the Code of Conduct of the Company
- ❖ Recommend appointment, compensation and oversight of External Auditor
- ❖ Recommend appointment of internal auditor; including the approval of internal audit policies, plans and reports made thereof, in compliance with such policies and procedures
- ❖ Review and approve various policies and procedures of the Company including the ones pertaining to risk management function, key persons dealing, market abuse, reports and plans submitted thereof in compliance with such policies and procedures
- ❖ Review and approve annual and interim financial statements of the Company, recommend for additional or specific audit requirements in relation to financial statements or other relevant aspects of the Company's business; and
- ❖ Recommend and table discussion on management letter to be provided to the External Auditor

ii. Members of ARCC are as follows:

ARCC Members	Type	Position
Nadhem Saleh Al-Saleh	Independent	Chairman
Mohamed Bin Ebrahim Juma Alshoorgi	Independent	Member
Soren Sjostrand Jakobsen	Non-Independent	Member

2. Nominating, Remuneration and Governance Committee

The Nominating, Remuneration and Governance Committee (NRGC) has a written Charter approved by the Board (“**NRGC Charter**”). The NRGC Charter is an overall governing document laying out the roles and responsibilities of the Committee while ensuring compliance with the Corporate Governance Code and CBB Rulebook. As per the NRGC Charter, the Committee shall meet at least twice a year.

i. Functions of NRGC

In accordance with the NRGC charter, the committee conducts the following functions:

- ❖ Ensure adherence to the principles of corporate governance
- ❖ Oversee the development and implementation of the Company’s Corporate Governance Manual and other relevant governance policies of the Company
- ❖ Establish board structure, composition and impart training and induction to the directors etc.
- ❖ Identify persons qualified to become members of the Board or Executive Management and any other officers of the Company which the Board considers appropriate, except for the appointment of the internal auditor, which is the responsibility of ARCC
- ❖ Make recommendations to the whole Board, including recommendations of candidates for Board membership (including renewals or reappointment) to be included by the Board on the agenda for the Shareholders’ Annual General Meeting
- ❖ Lead the Board in its annual review of the performance of the Board and its committees
- ❖ Review and make recommendations on Board candidates proposed by those substantial Shareholders eligible to propose a Director to represent such Shareholder on the Board
- ❖ Review the Company’s remuneration policies for the Board and senior management, which must be approved by the Shareholders and be consistent with the Company’s corporate values and strategy
- ❖ Make recommendations regarding remuneration policies and amounts for specific persons to the whole Board, taking account of total remuneration including salaries, fees, expenses and employee benefits
- ❖ Recommend Board Member remuneration based on their attendance and performance

ii. Members of the NRGC are as follows:

NRGC Members	Type	Position
Mohamed Bin Ebrahim Juma Alshoorgi	Independent	Chairman
Nadhem Saleh Al-Saleh	Independent	Member
Jesper Kjaedegaard	Non-Independent	Member

Directors Attendance at Board and Committee Meetings

Board Meeting	24 Feb	7 May	8 Aug	5 Nov
David Skov	✓	✓	✓	✓
Fawzi Ahmed Kanoo	✓	✓	✓	✓
Soren Sjostrand Jakobsen	✓	✓	✓	✓
Jesper Kjaedegaard	✓	✓	✓	✓
Mohamed Bin Ebrahim Juma Alshroogi	✓	✓	✓	✓
Nadhem Saleh Al Saleh	✓	✓	✓	✓

ARCC Meeting	24 Feb	7 May	8 Aug	5 Nov
David Skov	✓	✓	✓	✓
Fawzi Ahmed Kanoo	✓	✓	✓	✓
Soren Sjostrand Jakobsen	✓	✓	✓	✓
Jesper Kjaedegaard	✓	✓	✓	✓
Mohamed Bin Ebrahim Juma Alshroogi	✓	✓	✓	✓
Nadhem Saleh Al Saleh	✓	✓	✓	✓

NRGC Meeting	24 Feb			5 Nov
David Skov	✓			✓
Fawzi Ahmed Kanoo	✓			✓
Soren Sjostrand Jakobsen	✓			✓
Jesper Kjaedegaard	✓			✓
Mohamed Bin Ebrahim Juma Alshroogi	✓			✓
Nadhem Saleh Al Saleh	✓			✓

*8 August 2019 Board and ARCC meeting was held via conference call.

Director's Shareholding

No members of the Board, their spouses and sons own any shares in the Company except as follows:

Director's Name	Position	Shareholdings	% of shareholding
Nadhem Saleh Al Saleh	Independent Director	2,000	0.002

Director's Trading of Company Shares During the Year

There has been no trading of Company's share by any of the Board of Directors during 2019.

Evaluation of Board's Performance

In accordance with the Board Charter, the Board conducts annual review and evaluation of performance of Board and its committees and the evaluation process in accordance with CBB guidelines.

Independence of Directors

In line with the requirements of the HC Module, the Company has put in place Board-approved criteria to determine 'Independence' using formal requirements as specified in the CBB rule book. The independent directors disclose personal interests on a regular basis. This enables to determine whether the Director is independent of management, and any business or other relationships, which could materially interfere with the Director's ability to exercise objective, unfettered or independent judgement; or the Director's ability to act in the best interests of the Company.





SUSAN HUNTER
Chief Executive Officer (CEO), since 2019

- ❖ Mrs. Hunter has been part of Maersk since 2009.
- ❖ She was appointed as Head of Operational Excellence Programme in 2017 to deliver on APM Terminals strategy
- ❖ Mrs. Hunter holds an MBA from TRIUM, a jointly appointed degree from London school of economics, New York University and HSE Paris



FAROOQ ZUBERI
Chief Financial Officer (CFO), since 2018

- ❖ Mr. Zuberi joined the Company as CFO in June 2018
- ❖ Prior to joining the Company, Mr. Zuberi has worked in senior leadership roles with Global Fortune 500 companies across several industries
- ❖ He has worked with PwC, Unilever, GSK & Emirates Group in roles covering finance business partnering, project delivery & strategic initiatives
- ❖ Mr. Zuberi is a Chartered Accountant from ICAP as well as Chartered Certified Accountant from ACCA - UK.



ISA AL-QETAMI
GM- Security and Government Relations, since 2015

- ❖ Mr. Qetami holds vast experience in several positions and retired in the rank of Colonel in January 2014 at Bahrain Defence Force (Bahrain Royal Air Force)
- ❖ Mr. Qetami has 34 years of experience in government sector in the field of leadership, management and projects.
- ❖ Mr. Qetami holds 'Master of Science in Systems Management' (Naval Post-Graduate School Monterey, California USA) and is a Civil Aviation Authority Licensed Engineer—in Aerospace/Avionics (Brunel Technical College Bristol – UK)



Manojkumar Verma
GM- Health, Safety and Environment, since 2012

- ❖ Mr. Verma has an overall international experience of 27 years in the maritime shipping, ports and logistics industry
- ❖ Mr. Verma completed his maritime professional study from St. Xavier Technical Institute, Mumbai, India
- ❖ Mr. Verma is a graduate member of the IOSH (Institution of Occupational Safety and Health), UK, and holds NEBOSH International Diploma in Occupational Health & Safety. He is also an IRCA certified lead auditor for ISO 9001 (Quality), ISO 14001 (Environmental) and OHSAS 18001 (Occupational Health & Safety) management systems



Yosra Abdulla
GM- Human Resources, since 2019

- ❖ Mrs. Abdulla previously worked as the Relations & Personal Manager for Nass Contracting Bahrain for over 12 years and has extensive experience within the human resources field
- ❖ Mrs. Abdulla worked primarily within the Construction industry. She served many of Bahrain's largest organizations and contributed in the development of workers welfare standards and represented the industry with ILO and BCCI
- ❖ Mrs. Abdulla recently became a full-time member to the Toastmasters Club in the kingdom of Bahrain and is working on her Coaching Certification



Kevin Blakey
Head of Asset Maintenance, since 2019

- ❖ Mr. Blakey joined APMT in 2017 as Global Head of Asset Maintenance having spent five years with Maersk Oil in Qatar, he brings 20 years of experience from the Oil & Gas industry
- ❖ Mr. Blakey's main focus in Bahrain will be on the local maintenance management of the Bahrain terminal assets with his experience also being utilized in the AME region
- ❖ He has a master's degree in Asset Integrity Management



Abdelrahman Elshamy
Head of Transformation, since 2013

- ❖ Abdelrahman has an overall international experience of 15 years in ports and logistics industry
- ❖ Abdelrahman completed His bachelor’s degree in law from University Alexandria, Egypt
- ❖ Abdelrahman is a Certified Lean and Six Sigma Black Belt from Accenture, Netherlands, Certified TPM Facilitator from TPM Club India, Certified Lean Trainer from APM HQ in the Hague, Netherlands, Certified Leader of Leaders, Maersk Leadership Center, Rolighed, Denmark

EXECUTIVE MANAGEMENT SHAREHOLDING

Executive Management	Position	No. of Shares
Susan Hunter	Chief Executive Officer	-
Farooq Zuberi	Chief Finance Officer	4,546
Yosra Abdulla	GM, Human Resources	-
Kevin Blakey	Head of asset maintenance	
Isa Al Qetami	GM- Security and Government Relations	
Manojkumar Verma	GM- Health, Safety and Environment	
Abdelrahman Elshamy	Head of Transformation	

TOTAL REMUNERATION PAID TO KEY EXECUTIVE OFFICERS

Total remunerations paid to the key executive officers (the top five employees) for the year 2019, including salaries, benefits, allowances, increases, etc. is ~BHD 688,000.

REMUNERATION AND PERFORMANCE-LINKED INCENTIVES

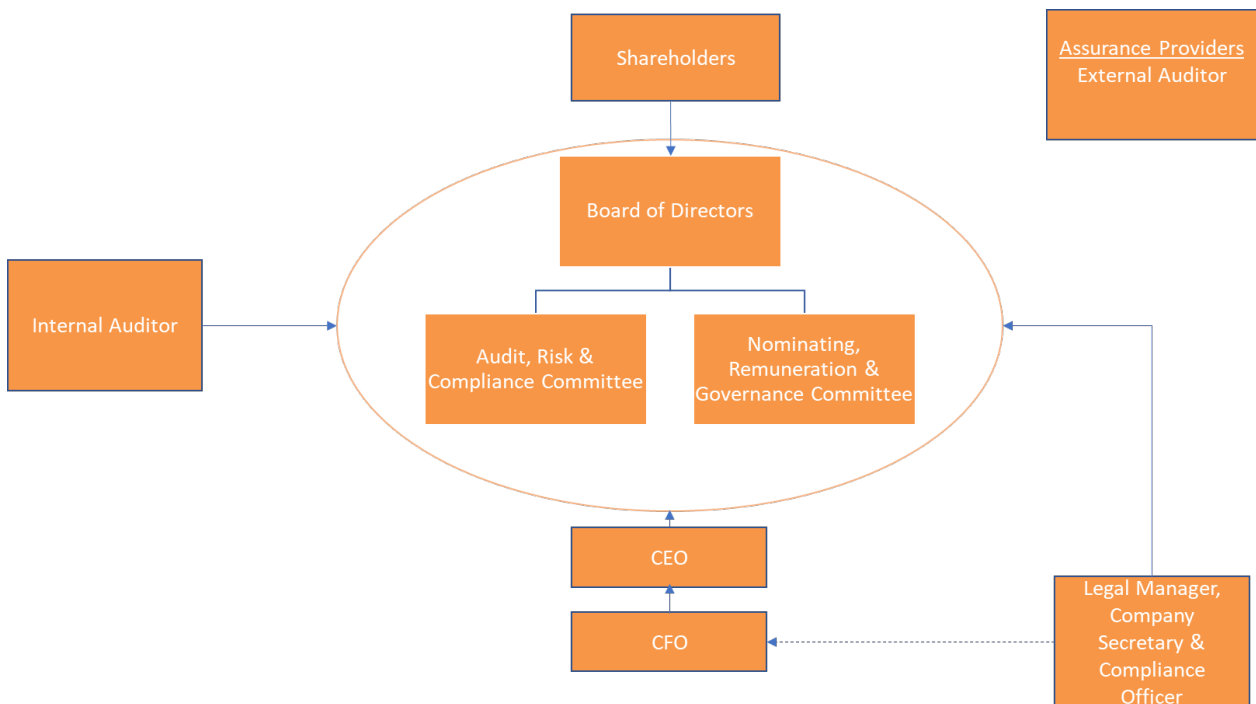
The Company’s remuneration policy for its executive management and its employees is designed to attract, retain and motivate qualified and talented professionals. The Company adopts a global savings plan, which applies to certain of the Company’s executive management whereby both the employer and the employee make contributions to an international savings plan provided by Zurich International. The Company does not currently have any share ownership or options schemes for its employees.

CORPORATE GOVERNANCE FRAMEWORK

Company's Corporate Governance framework comprises of Board and Committees Charters; Whistle Blowing Policy, Code of Conduct; Corporate Social Responsibility Policy, Standard operating policies and procedures (SOPs); internal controls and risk management process/systems; compliance procedures; internal and external audit; effective communications and transparent disclosure; and measurement and accountability.

To monitor the compliance with the applicable laws and Corporate Governance Report is submitted by the Corporate Governance Officer (Compliance Officer) annually to the NREG. NREG reviews

COMPANY'S CORPORATE GOVERNANCE STRUCTURE



LEGAL MANAGER, CORPORATE GOVERNANCE OFFICER, COMPANY SECRETARY AND INVESTOR RELATIONS OFFICER

Name	Qualification	Contact Details
Bharat Kumar Mehta	B.B.A.LL.B. (Corp. Law Hons.) with 11 years PQE acquired in the UK, GCC & India	17365512

EXTERNAL AUDITORS

KPMG is a network of independent member firms affiliated with KPMG International Cooperative (“KPMG International”), a Swiss entity. The global structure of KPMG is designed to support consistency of service quality and adherence to agreed values, wherever in the world our member firms operate. KPMG offers a full range of Advisory, Audit and Tax services to suit our clients’ needs. KPMG Fakhro, a member firm of KPMG international, was established in 1968 as the first national accounting and auditing firm and has grown to be one of the largest professional services firms in the country.

KPMG’s services have been satisfactory throughout their engagement with us. KPMG Fakhro is the External Auditor since inception of the Company. Given their services have been satisfactory, the shareholders of the Company decided to re-appoint KPMG Fakhro as the External Auditors for FY 2019. The ARCC reviews the appointment of the external auditors, as well as their relationship with the Company, including monitoring the Company’s use of the auditors for non-audit services. Please see the details in the table below:

Name of the audit firm	KPMG Fakhro
Years of service as the Company’s external auditor	14 years
Name of the partner in charge of the Company’s audit	Jaafar AlQubaiti
The partner’s years of service as the partner in charge of the Company’s audit	4 years
Audit and related services fee for the FY year 2019 (BHD)	29,000
Non-audit service fee	Nil

INTERNAL AUDITOR

The Board has appointed BDO Consulting WLL as Company’s Internal Auditor. BDO Bahrain was established in 1980. BDO is one of the leading accounting and advisory firms in Bahrain. A through internal audit plan year was prepared by BDO for financial year 2019, which was approved by ARCC. Internal Auditor conducted audits in accordance with the approved audit plan throughout the year and submitted quarterly reports to ARCC for review, approval and relevant actions.

CORPORATE COMMUNICATIONS

Company conducts all communications with its stakeholders in a professional, honest, transparent, understandable, accurate and timely manner. Main communications channels include an annual report, Company website, and regular regulatory announcements in the appropriate local media.

RELATED PARTY TRANSACTIONS AND CONFLICT OF INTEREST

The Company is party to a number of agreements and arrangements with its shareholders and other related parties. The Company has in place and acts in accordance with a robust Corporate Governance Manual which governs related party transactions. Standard operations procedures and approvals are followed for all contracts that are entered into, to seek and ensure that there are no conflicts or preferences given to any specific entity.

The Directors make every practicable effort to arrange their personal and business affairs to avoid a conflict of interest situation with the Company. The Directors are required to disclose their interests in other entities or activities to the NRGC committee on an annual basis and inform the Company of any conflict of interest whenever it arises and abstain from voting on any related subject matter.

The related party transaction details are disclosed in Note 23 to the Consolidated Financial Statements.

The Company has entered into the following related party transactions in the financial year 2019.

Entity Name	Expenses (BHD'000)	Revenue (BHD'000)	Justification
Al Manhal Water Factory	6		❖ Lowest bidder among all qualified suppliers. Also, reliable delivery and quality
Bahrain International Cargo Services		127	❖ Services provided as business as usual and governed by standard terms ❖ We also provide space for storage for certain special general cargo at agreed price
APL (Bahrain) W.L.L.		1706	❖ Services provided as business as usual and governed by standard terms
Bahrain Ship Repairing & Engineering Company B.S.C.	1		❖ Only vendor in Bahrain approved to do container repairs
M/S UASAC BAHRAIN		3378	❖ Services provided as business as usual and governed by standard terms
Bahrain Airport Services B.S.C.(c)	15		❖ Extension for a month during transition to new vendor
Maersk Line A/S	9	2767	❖ Services provided as business as usual and governed by standard terms ❖ FTE outsourcing to assist in reporting
Yousuf Bin Ahmed. Kanoo W.L.L.	14	919	❖ Services provided as business as usual and governed by standard terms ❖ For spare parts of forklift, it's the only dealer of hyster forklift
Kanoo Travel	35		❖ Worldwide AMEX is our travel. Kanoo Travels is local partner of AMEX
AXA Insurance	103		❖ Competitive pricing and good service for various insurances for APMT
Svitzer Bahrain (S.P.C)	3320		❖ Marine services obtained pursuant to sub concession agreement
Svitzer Middle east limited	54		❖ Marine services
Maersk Training Svendborg A/S	1		❖ Training & related costs
Poti Sea Port Corporation	5		❖ Employee exchange/ training program
A.P. Moller Maersk		532	❖ Interest on deposits placed at competitive interest rate
APMT Management B.V.	277		❖ Services provided pursuant to Technical Service Agreement
APM Terminals B.V.	346		❖ Services provided pursuant to Technical Service Agreement

In addition to the foregoing, pursuant to the treasury advisory function provided by APM Terminals Management B.V. and Board approval, the Company deposits its excess cash with the parent company A.P. Moller Maersk of its major shareholder (APM Terminals B.V.). David Skov, Soren Sjostrand Jakobsen and Jesper Kjaedegaard being appointed by APM Terminals B.V., did not participate in the voting of the resolution. The Company, as of 31 December 2019, has deposited ~BHD 21.55M with A.P. Moller Maersk A/S. The deposits are excess cash which are deposited as part of the treasury advice and instructions received from APM Terminals Management B.V., as part of the treasury advisory and execution services provided by it under the technical services agreement and direct agreement with the Company. These deposits offer interest rate benchmarked to the USD Libor and an additional premium such that the Company earns an annualized Net All-in-Yield of ~0.25% over the deposit rate offered by one of the international banks.

COMPLIANCE WITH HC MODULE AND CORPORATE GOVERNANCE CODE

The Company is in compliance with the Corporate Governance Code and HC Module except for the following:

- ❖ HC- 1.4.6 and HC 1.4.8 of HC Module and Principle 1 First (a) (3) of Corporate Governance Code stipulates that the chairman of the Board of Directors should be an independent director. David Skov, an executive director is the elected chairman of the Board. However, this does not compromise the high standards of corporate governance as the Company follows strict policies to manage conflict of interest in Board decisions. This is to ensure that APM Terminals will be able to deliver its obligations under the direct agreement, it has entered with the Government in relation to the management and operations of KBSP and the support that APM Terminals is required to provide.
- ❖ HC – 6.3.5 and HC 10.6.7 of HC Module and Principle 6 Third (a) of Corporate Governance Code requires that, at least once a year, the Board reviews and approves the succession plan. The Company is currently working on putting a detailed succession plan in place, post which the Board will review and approve the same.

MANAGEMENT ANALYSIS AND PRINCIPAL RISKS

On 8 November 2006, the Company signed a 25-year Concession with the Government of Bahrain (“Concession”) with numerous rights as listed in the Concession. While the FY 2019 was a good year, it has also faced certain principal risks and uncertainties which includes the following:

KEY PERFORMANCE INDICATORS (KPIs)

The Company is required by clause 13 of the Concession to adhere to certain minimum KPI’s. There are four KPI targets set in relation to (i) vessel working rate (ii) crane rate (iii) labour rate and (iv) throughput per berth meter (each as defined and described in the Concession). The Company has exceeded the KPI targets consistently in respect of vessel working rates, crane rates and labour rates. However, the Company has not met its ‘throughput per berth meter’ KPI target in the years 2014 to 2018.

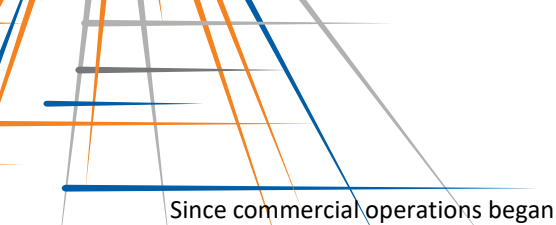
If Company fails to meet one or more of the KPIs for a period of 4 years or any further years thereafter, except as a result of force majeure, then the Nominated Percentage element of the Revenue Charge (i.e. an element in the calculation of the Revenue Charge payable by the Company to the Government in consideration for the rights granted by the Government to the Company under the Concession) set out in the Concession will be increased by an additional 1% above the level set out in the Concession for such fourth year failure and by a further 1% for each further year’s failure thereafter. Such additional charges will continue until Company produces a KPI report demonstrating compliance with the relevant KPIs in respect of the applicable year. This additional charge was applied in 2017 and 2018. However, the Company has successfully achieved all KPIs for the financial year 2019 and accordingly no additional charge was applied in 2019 in relation to the KPI targets.

Failure to meet KPIs for a period of 5 consecutive years would also constitute the Company’s event of default under clause 33.1 of the Concession which may lead to a right of termination of the Concession on the part of the Government should it chose to do so.

TRANSHIPMENT TARGET

One of the requirements of the Concession is that the Company must meet certain annual transshipment volumes. According to the Concession, in the event that the transshipment target for the year 2015 or any later year shows that the average level of transshipment at KBSP, over the previous four consecutive years, has failed to meet 60% of the transshipment targets set in the Concession relevant to those four years (taken on an average basis over the relevant four year period) then the Government shall have the right, but not the obligation, to terminate the Concession as an event of default by the Company on 30 days’ notice. The right of the Government to terminate does not apply in the event that Company can demonstrate to the Government’s satisfaction both:

- ❖ that it has taken all reasonable steps (including expenditure of time and money) to market KBSP so as to secure transshipment business for KBSP during the four consecutive years in question; and
- ❖ that, notwithstanding the efforts of Company, external economic or other factors beyond Company’s and APM Terminals control have prevented Company from achieving the required level of transshipment volume at KBSP.



Since commercial operations began at KBSP, Company has failed to meet the transshipment volumes required under the Concession and is therefore at risk that the Government may terminate the Concession. However, the Ministry of Transportation and Telecommunication issued a letter to the Company, dated 28 June 2015, in which the Ministry stated that it shall not apply the termination right in the Concession so long as the Company continues its efforts to reach the required transshipment level and the Ministry is comfortable with the Company's efforts.

COMPLIANCE RISK

Noncompliance with laws, regulations, rules, prescribed practices or contractual agreements can result in reputational loss, limited business opportunities and cessation of operations. The Company ensures adherence to all applicable regulations, including regulations prescribed by CBB and Bahrain Bourse. Besides, Company internal policies and code of conduct are in line with international business standards ensuring that best practices are adopted and implemented by the Company.





CORPORATE SOCIAL RESPONSIBILITY

APM Terminals aims to be the leader in its sector. At the same time, it recognizes that leadership and success go beyond the bottom line to incorporate the principles of sustainable business practice.

The group also measures its progress according to its safety record, its environmental performance and its contribution towards uplifting its people and their communities

APM Terminals believes that its contribution to society extends beyond the port gate, to the ongoing development of the local community.

We have a regular program of social engagement, including outreach programs for disadvantaged children, placement schemes for young students, and contribution of our time and other resources to help the local community's development.

The total amount spent on Corporate Social Responsibility for the year 2019 is ~BHD 3,200 in addition to time devoted by members of the Company. The Corporate Social Responsibility Policy of the Company sets out the Company's commitment to continuing its efforts to incorporate sustainability into its business process. The Company's approach to corporate social responsibility is led by the executive management, headed by the CEO.

APM Terminals Bahrain is committed to integrating its own community-based activities as well as supporting those of its employees.

Corporate Social Responsibility initiatives

We focus on efforts and initiatives within three key areas which are as following:

- ❖ Socio-Economic Development
- ❖ Education
- ❖ Environment

SOCIO-ECONOMIC DEVELOPMENT

Social responsibility is one of our main sustainability pillars. We recognize the importance of being a good corporate citizen, contributing to local communities and making a difference to their wellbeing. Equally, we believe in improving people's quality of life and thus investing in the future of our country.

APM Terminals Bahrain is committed to ensuring that its socio-economic investments have a sustainable impact on the local community. APM Terminals has sponsored and participated in various charity events that were all for a very good cause. Employees are also encouraged to take part in such events and give it their best with the goal of making it to the top of the winners list.

MAKING A DIFFERENCE

We conduct a yearly blood donation campaign, which is actively supported by staff. In partnership with Central Blood Bank – Salmaniya Hospital, the APM Terminals Bahrain Clinic held its 13th Blood Donation Drive.



CELEBRATING WORLD DIABETES DAY

Let's Beat Diabetes!! APM Terminals Bahrain in coordination with Bahrain Specialist Hospital conducted health awareness activities. This included a Health Awareness Talk, free consultations, and Health Screenings.

RAMADAN IFTAR

Ramadan is the month of giving, and in staying true to the spirit of this holy month, APM Terminals Bahrain distributed Iftar food packages to nearly 200 truck drivers parked on the road leading up to the Khalifa Bin Salman Port (KBSP).





BAHRAIN MARATHON RELAY

APM Terminals Bahrain joined over 200 teams from all over the Kingdom at the starting line of the Annual Bahrain Marathon Relay 2019 that raises money to benefit local charities, while also promoting healthy lifestyles, fitness and overall quality of life.

EDUCATION

Education is core to our corporate social responsibility (CSR) strategy and we offer community members and staff a range of learning opportunities.

Over the past few years APM Terminals has been actively involved in imparting industry knowledge and experience to the next generation of students undertaking the Ports and Maritime course the Bahrain Polytechnic. Every term commences with students being exposed to an introductory session conducted by senior management of the company followed by a guided tour of the port.



APM Terminals senior management representing various disciplines within the port are also involved in giving lectures on topics related to the port and maritime industry.

These interactive sessions help the students gain a better perspective of the port and maritime industry, by connecting their academic learning to real time business operations within the port.



SEABED INITIATIVE

The Ministry of Transportation and Telecommunications together with APM Terminals Bahrain and Supreme Council of Environment, embarked on a mission to clean up the sea bed nearby Khalifa Bin Salman Port.

This initiative is being carried out in multiple phases, with the first phase being concluded ahead of the World Environment day in 2019. This initiative carried out with the assistance of 10 voluntary divers, resulted in the successful removal of 70 kilograms of waste which included plastic and debris.

RAFT RACE

The annual Raft Race was organized and held on Friday April 19th, 2019 and at Al-Bandar Resort by the Rotary Club of Salmaniya. APM Terminals Bahrain actively participates in activities and events which emphasis on increasing awareness of environment issues. As part of the drive, APM Terminals Bahrain employees participated in a Raft Race organised by Rotary Club of Salmaniya to raise awareness of plastic pollution and the protection of marine environment.



GO GREEN

For the fifth consecutive year, APM Terminals, the operator of Khalifa bin Salman Port (KBSP), joined forces with the world’s largest ports to participate in the global initiative ‘Go Green’.



The annual campaign organized to promote environmental awareness amongst the APM Terminals Bahrain employees and its various stakeholders, featured a series of activities and workshops. Eliminating single-use plastic waste is one of the focus areas for APM Terminals Bahrain going forward. To support this objective, a campaign involving a mass clean-up in the port’s vicinity was undertaken, with active support and participation from the company’s management. The volunteers collected approx. 350 kilograms of plastic waste around the port area. The company also engaged in a tree planting activity, which also involved the use of recycled water from air conditioners.





FINANCIAL STATEMENTS

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Corporate Information

Commercial Registration 60982

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

Directors

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

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

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

Company Secretary and Corporate Governance Officer Bharat Mehta

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

Bankers HSBC
National Bank of Bahrain

Auditors KPMG Fakhro

DIRECTORS' REPORT
for the year ended 31 DECEMBER 2019

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

Financial highlights (BD 000's)

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

Director's remuneration

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

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

Representations and audit

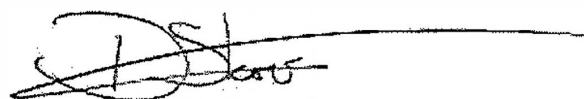
The Company's activities for the year ended 31 December 2019 have been conducted in accordance with the Commercial Companies Law and other relevant statutes of the Kingdom of Bahrain.

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

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

Proposed Appropriations

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



David Skov
Chairman



Fawzi Ahmed Kanoo
Vice Chairman

25 February 2020



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

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

INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS

APM Terminals Bahrain B.S.C.

Hidd, Kingdom of Bahrain

Report on the audit of the financial statements

Opinion

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

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

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditors' responsibilities for the audit of the financial statements* section of our report. We are independent of the Company in accordance with the International Ethics Standards Board for Accountants Code of Ethics for Professional Accountants (IESBA Code), and we have fulfilled our other ethical responsibilities in accordance with the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements for the year ended 31 December 2019. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

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

Description	<i>How the matter was addressed in our audit</i>
<p>We focused on this area because;</p> <ul style="list-style-type: none"> ▪ recognition of revenue involves accounting policy decisions made by management originating from different terms and nature of services; and ▪ the volume of transactions and extent of different revenue streams require various IT setups of revenue recognition throughout the Company, which are complex and hence introduce an inherent risk to the revenue recognition process. 	<p>Our audit procedures included;</p> <ul style="list-style-type: none"> ▪ considering the appropriateness of the Company's revenue recognition accounting policies and assessing compliance with International Financial Reporting Standards (IFRS); ▪ evaluating and testing the operating effectiveness of internal controls, including applicable information systems and Management's monitoring of controls, used to ensure the completeness, accuracy and timing of revenue recognition; and ▪ performing substantive procedures over invoicing in order to assess the accounting treatment and principles applied, and testing journal entries on revenue.



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

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

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

Other information

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

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

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

If, based on the work we have performed on the other information that we have obtained prior to the date of this auditors' report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the board of directors for the financial statements

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

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

Auditors' responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

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

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



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

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the board of directors.
- Conclude on the appropriateness of the board of directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the board of directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the board of directors with a statement that we have complied with relevant ethical requirements regarding independence, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the board of directors, we determine those matters that were of most significance in the audit of the financial statements for the year ended 31 December 2019 and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on other regulatory requirements

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

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

KPMG Fakhro
 Partner registration number 83
 25 February 2020

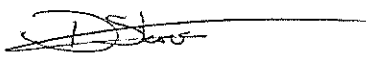
STATEMENT OF FINANCIAL POSITION
as at 31 DECEMBER 2019


BD 000's

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

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

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


 David Skov
 Chairman


 Fawzi Ahmed Kanoo
 Vice Chairman

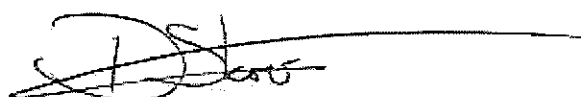
The accompanying notes 1 to 30 are an integral part of these financial statements.

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

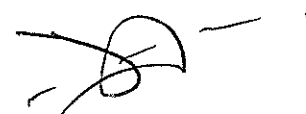
BD 000's

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

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



David Skov
Chairman



Fawzi Ahmed Kanoo
Vice Chairman

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

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

BD 000's

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

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

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

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

BD 000's

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

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

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 DECEMBER 2019

BD 000's

1 REPORTING ENTITY

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

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

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

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

2 BASIS OF PREPARATION**a) Statement of compliance**

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

b) Functional and presentation currency

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

c) Basis of measurement

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

d) Early adoption of standards

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

NOTES TO THE FINANCIAL STATEMENTS**For the year ended 31 DECEMBER 2019****BD 000's****2 BASIS OF PREPARATION (continued)****e) New standards, amendments and interpretations effective from 1 January 2019**

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

(i) IFRS 16 Leases

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

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

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

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

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

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

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

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

g) Use of estimates and judgements

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

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

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 DECEMBER 2019

BD 000's

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

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

Impairment of inventory

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

Impairment of financial assets

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

3 Changes in significant accounting policies

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

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

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

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 DECEMBER 2019

BD 000's

3 *Changes in significant accounting policies (continued)***a) Definition of a lease**

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

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

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

b) As a lessee

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

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

Balance at 1 January 2019
Balance at 31 December 2019

Marine service equipment
19,639
18,713

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

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 DECEMBER 2019

BD 000's

3 Changes in significant accounting policies (continued)

i. Significant accounting policy

For accounting policy refer to note 4 (q).

ii. Transition

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

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

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

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

c) Impact on financial statements

i. On transition

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

	Total
Right-of-use assets - equipment and vehicles	19,639
Lease liabilities	19,639

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

ii. Impact for the year

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

	2019
Right-of-use assets – equipment and vehicles as at 31 Dec 2019	18,713
Lease liabilities as at 31 Dec 2019	19,206
Depreciation for the year	1,313
Finance expenses for the year	1,148

4 SIGNIFICANT ACCOUNTING POLICIES

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

a) Revenue recognition

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

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

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

b) Equipment and vehicles

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

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

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

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

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

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

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

c) Intangible assets

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

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

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

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

d) Inventories

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

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

e) Trade receivables

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

f) Cash and cash equivalents

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

g) Trade payable and accruals

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

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

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

i) Dividends

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

j) Employees' end of service benefits

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

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

k) Statutory reserve

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

l) Foreign currency transactions

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

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

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

m) Financial instruments*Derivative financial instruments*

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

4 SIGNIFICANT ACCOUNTING POLICIES (continued)

Non-derivative financial instruments

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

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

n) Fair values of financial instruments

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date in the principal, or in its absence, the most advantageous market to which the Company has access at that date. The fair value of a liability reflects its non-performance risk.

o) Impairment

(i) Financial assets

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

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

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

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

(ii) Non-financial assets

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

p) Offsetting

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

NOTES TO THE FINANCIAL STATEMENTS**For the year ended 31 DECEMBER 2019****BD 000's****4 SIGNIFICANT ACCOUNTING POLICIES (continued)****q) Leases****Policy applicable from 1 January 2019**

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

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

I. As a lessee

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

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

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

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

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

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

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

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

Short-term leases and leases of low-value assets

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

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

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

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

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

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

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

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

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

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

Policy applicable before 1 January 2019

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

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

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

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

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

ii. As a lessor

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

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

r) Finance income and finance expense

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

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

BD 000's

5 INTANGIBLE ASSETS

2019	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

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

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

2018	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	3,405	647	4,052
Amortisation for the year	390	37	427
At 31 December	3,795	684	4,479
Net carrying value 31 December	5,936	41	5,977

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

BD 000's

6 EQUIPMENT AND VEHICLES

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

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

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

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

BD 000's

6 EQUIPMENT AND VEHICLES (continued)

2018	Computer Equipment	Cranes & Transainers	Furniture & Fixtures	Machinery & Equipment	Vehicles	Tools	Leasehold Improvement	Capital work-in progress	Total
Cost									
At 1 January	881	17,457	83	2,405	1,560	32	49	17	22,484
Additions	55	-	5	109	-	-	11	-	180
Transfer	-	-	-	17	-	-	-	(17)	-
Disposals	-	(108)	-	(16)	-	-	-	-	(124)
At 31 December	936	17,349	88	2,515	1,560	32	60	-	22,540
Accumulated depreciation									
At 1 January	862	10,822	81	2,031	1,528	29	49	-	15,402
Depreciation	28	1,241	1	136	25	2	11	-	1,444
Disposals	-	(108)	-	(16)	-	-	-	-	(124)
At 31 December	890	11,955	82	2,151	1,553	31	60	-	16,722
Net book value 31 December	46	5,394	6	364	7	1	-	-	5,818

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2019

BD 000's

7 INVENTORIES

	2019	2018
Inventories	819	849
Less: Provision for obsolescence	(492)	(514)
	327	335

Movement in provision:

	2019	2018
At 1 January	514	622
Reversal for the year, net	(22)	(108)
At 31 December	492	514

8 TRADE RECEIVABLES

	2019	2018
Trade receivables	1,877	2,123
Less: Impairment provision	(440)	(458)
	1,437	1,665

Movement in provision:

	2019	2018
At 1 January	458	481
Reversal for the year, net	(18)	(23)
At 31 December	440	458

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

9 PREPAYMENTS AND OTHER RECEIVABLES

	2019	2018
Prepayments	353	223
Receivable against forward and swap contracts	29	-
Other receivables	126	501
	508	724

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2019

BD 000's

10 CASH AND CASH EQUIVALENTS

	2019	2018
Cash on hand	-	2
Balances with banks	3,109	3,996
	3,109	3,998

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

11 SHARE CAPITAL

Authorized share capital / issued and fully paid up

	2019	2018
90,000,000 shares of 100 fils each (2018: 90,000,000 of 100 fils each)	9,000	9,000

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

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

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

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

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

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

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

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2019

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12 STATUTORY RESERVE

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

13 LEASES

a) Amounts recognised in the statement of financial position

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

ii) Lease liabilities

	2019	2018
Service concession rights	8,015	8,190
Lease of Marine service equipment	19,206	-
	27,221	8,190

	2019	2018
Non-current portion of lease liability	26,124	8,015
Current portion of lease liability	1,097	175
	27,221	8,190

b) Amounts recognised in the of profit or loss:

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

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

14 EMPLOYEES' BENEFITS

	2019	2018
At 1 January	505	386
Charge for the year	208	152
Paid during the year	(137)	(33)
At 31 December	576	505

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2019

BD 000's

15 TRADE AND OTHER PAYABLES

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

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

16 REVENUE

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

17 DIRECT EXPENSES

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

18 GENERAL AND ADMINISTRATIVE EXPENSES

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

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2019

BD 000's**19 OTHER EXPENSES**

	2019	2018
Royalty to Government of Bahrain	9,042	9,759
Amortisation of intangible asset	427	427
	9,469	10,186

20 FINANCE EXPENSE

	2019	2018
Lease expense	1,828	693
Bank charges	14	10
	1,842	703

21 EARNINGS PER SHARE

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

	2019	2018
Profit for the year (BD 000's)	10,185	10,460
Weighted average number of shares (000's)	90,000	90,000
Basic and diluted earnings per share (fils)	113	116

22 APPROPRIATIONS

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

	2019	2018
Dividend proposed	10,161	9,850
Statutory reserve	7	1,046

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2019

BD 000's

23 RELATED PARTY TRANSACTIONS

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

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

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

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

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2019

BD 000's

23 RELATED PARTY TRANSACTIONS (continued)

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

Other related party transactions for the year ended 31 December

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

NOTES TO THE FINANCIAL STATEMENTS**For the year ended 31 December 2019****BD 000's**23 *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:

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

24 SEGMENT REPORTING

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

25 FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

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

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

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

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

NOTES TO THE FINANCIAL STATEMENTS**For the year ended 31 December 2019****BD 000's**25 *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 deposits with Group Company. The receivables from customers represent revenue billed to the customers.

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

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

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

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

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

(i) Exposure to credit risk

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

	2019	2018
Balances with bank	3,109	3,996
Trade receivables	1,437	1,665
Other receivables	126	501
Due from related parties	1,260	784
Deposits	21,549	19,668
	27,481	26,614

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2019

BD 000's

25 FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (continued)

(ii) Impairment Losses

The aging of trade receivables at the reporting date was:

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

b) Liquidity risk

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

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

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

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

NOTES TO THE FINANCIAL STATEMENTS**For the year ended 31 December 2019****BD 000's**25 *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 short-term deposits with Group Company. Change in market interest rate will not have a significant effect on the carrying value of these deposits due to the short-term characteristics of these deposits.

(ii) Foreign exchange risk

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

d) Operational risk

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

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

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

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

NOTES TO THE FINANCIAL STATEMENTS**For the year ended 31 December 2019****BD 000's**25 *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, lender and Government's confidence and to be able to meet the requirements of the Khalifa Bin Salman Concession Agreement. The Board of Directors monitors that there is sufficient capital to ensure smooth working of the current operations and investments. The Company defines capital as total equity, which are for a significant term to ensure that the Company will be adequately capitalized till the internal accruals are sufficient for a sustainable growth.

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

26 FAIR VALUES OF FINANCIAL INSTRUMENTS

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date in the principal, or in its absence, the most advantageous market to which the Company has access at that date. The fair value of a liability reflects its non-performance risk.

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

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

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

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

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

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

27 COMMITMENTS

	2019	2018
Capital commitments	18	129

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2019

BD 000's

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

	Liabilities	Equity			Total
	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	(1,746)	-	-	-	(1,746)
Dividends paid	-	-	-	(9,831)	(9,831)
Total changes from financing cash flows	(2,668)	-	-	(9,831)	(12,499)
Liability-related changes	1,673	-	-	-	1,673
Equity-related changes	-	-	7	10,142	10,149
Balance at 31 December 2019	27,221	9,000	4,500	10,161	50,882

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

29 DERIVATIVES

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

30 COMPARATIVES

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



APM TERMINALS