



ANNUAL REPORT
2018

APM TERMINALS  *Lifting Global Trade.*



**His Royal Highness,
Prince Khalifa bin Salman
Al Khalifa**

The Prime Minister of
the Kingdom of Bahrain



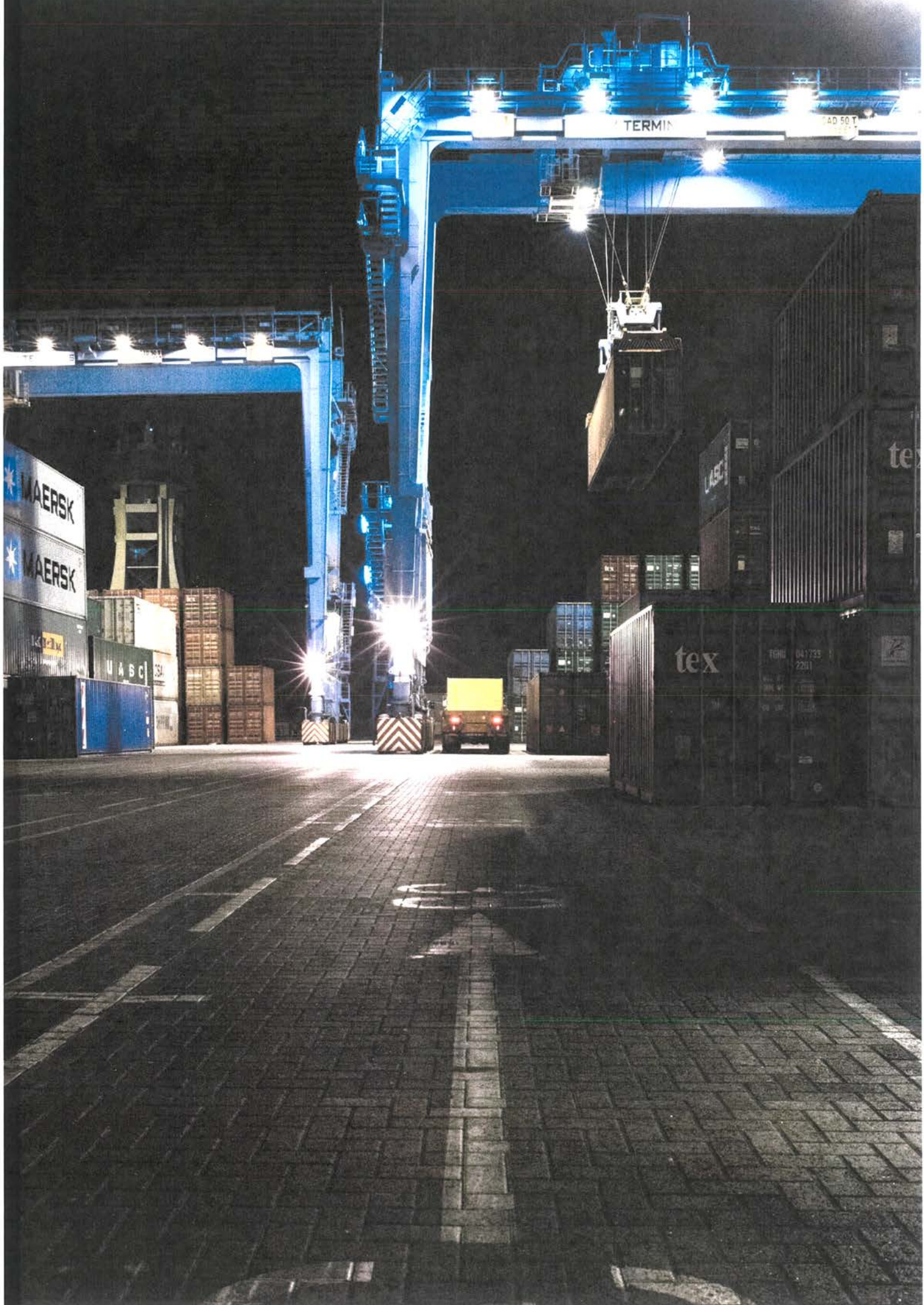
**His Majesty
King Hamad bin Isa
Al Khalifa**

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:
 - i. Local – EXIM of TEUs with origin or destination being local; and
 - ii. Transshipment – a TEU 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 Bahrainization. As of December 2018, the level of Bahrainization stands at 64%. Furthermore, the Company has in place a collective bargaining agreement with the General Union of Marine Ports Labours to address various issues including the training, development, insurance and compensation needs of its frontline employees. Progress made on the various aspects of employee satisfaction are measured in the employee engagement survey annually. Moreover, an annual employee performance appraisal is carried out for effective performance management and career growth.



DAVID SKOV
Chairman

- Mr. Skov has been with the A.P. Moller-Maersk Group for more than 20 years and is Head of Terminals for IMEA, responsible for portfolio management of APM Terminals controlled terminals in India, Middle East and Africa since January 2017
- Mr. Skov serves as a board member in a number of APM Terminals entities
- Mr. Skov 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
- He holds a Bachelor's Degree in Business Administration from South West Texas State University



SOREN SJOSTRAND JAKOBSEN
Executive Director

- Mr. Jakobsen is the Head of Terminals and Portfolio Manager for joint ventures in Middle East, Africa, South Asia and Russia portfolio of APM Terminals. He has joined the A.P. Moller-Maersk group in 1980 and has held various positions of importance within the Maersk Group
- Mr. Jakobsen serves as a board member in a number of APM Terminals entities
- Mr. Jakobsen has bachelor degree in shipping and business with various management programs including at IMD and INSEAD

BOARD OF DIRECTORS



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)



MOHAMMED AL-SHROOGI
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 is an Assistant Professor of Finance at University of Bahrain. He has 44 years of experience in the areas of business administration, financial management, accounting, quality assurance, training development, financial planning and budgeting
- 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 Degree in Petroleum Engineering from University of Baghdad, Iraq

CHAIRMAN'S REPORT

On behalf of the Board of Directors, it is our pleasure in presenting the Company's financial statements for the year ended 31 December 2018.

Financial highlights (BD 000's)

	2018	2017
Revenue	38,191	36,345
Profit for the year	10,460	10,438
Total equity	23,344	12,883
Total assets	38,970	28,640

The Company had a successful listing on Bahrain Bourse on 9 December 2018. This was a historic moment as APM Terminals Bahrain became the first transport and logistics company in the Kingdom to be listed on the Bahrain Bourse. The results of our IPO have surpassed expectations as it has been the most successful IPOs in Bahrain's recent history in terms of investor participation with subscription of 5.4x times the offer size, i.e., 97.4 million shares being applied for. This is a testament to the public's trust in APM Terminals Bahrain in its efforts to continue leading Bahrain's maritime sector towards further growth and development

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. Directors' remuneration is accounted as an expense as per international accounting standards and Commercial Companies Law.

The Chairman and Vice-Chairman of the Board prior to the conversion of the Company were entitled to BHD 4,000 remuneration per annum respectively. Other members of the Board were not entitled to any remuneration. Post conversion effective 13 December 2018, the Chairman would be entitled to remuneration of BD 12,000 annually and other members of the Board would be entitled to remuneration of BD 10,000 annually, in addition to the sitting fee for Board meetings and committee meetings, which will be based on the attendance.

Representations and audit

The Company's activities for the year ended 31 December 2018 have been conducted in accordance with the Bahrain Commercial Companies Law 2001 and other relevant statutes of the Kingdom of Bahrain.

There have been no events subsequent to 31 December 2018, which would in any way invalidate the financial statements.

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.

CHAIRMAN'S REPORT

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 9,850 thousands.

Message to our Shareholders and Stakeholders

On behalf of the whole Board, Shareholders and Management, I would like to extend gratitude to His Majesty King Hamad bin Isa Al Khalifa, His Royal Highness Prince Khalifa bin Salman Al Khalifa and His Royal Highness Prince Salman bin Hamad Al Khalifa for their exemplary leadership.

I extend our appreciation to the Ministry of Transportation and Telecommunications, Ports and Maritime Affairs, Central Bank of Bahrain, Ministry of Industry, Commerce and Tourism and Bahrain Bourse for their continuous support and guidance.

I thank each shareholder for their trust, confidence and support placed in the Company, the Board and the Management. I also extend my gratitude to the Customers, Business Partners, Management, Employees and all other members of the Company



David Skov
Chairman

24 February 2019



SUSAN HUNTER

Chief Executive Officer (CEO), since 2019

- Mrs. Hunter has been part of Maersk since 2009. In 2017, she was appointed as Head of Operational Excellence Programme 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

- Prior to joining the Company, he has worked in senior leadership roles with Global Fortune 500 companies across several industries
- Mr. Zuberi is a Chartered Accountant from ICAP as well as Chartered Certified Accountant from ACCA - UK. He also holds a Bachelor of Commerce from University of Karachi



SUNIL JOSEPH

Chief Commercial Officer (CCO), since 2015

- Mr. Joseph has over 25 years of experience in shipping primarily within the GCC countries, focused on commercial and leadership roles within Maersk Group. He also served as Country Manager for Maersk Line in Oman and has been instrumental in establishing Maersk Line's office in Qatar in 2002
- He holds a bachelor degree in English Literature and a Diploma in Business Management supported by executive education from Columbia Business School
- He is currently a director at Kanoo Terminals Services



BO LANGE

Chief Operations Officer (COO), since 2018

- Mr. Lange served as the Regional COO for APMT Africa Inland from July 2015
- Mr. Lange's previous work experience includes his tenure as Global Head of Operations for Damco in The Hague, Netherlands and several other senior operational roles within Damco across the Netherlands, Denmark and the Middle East
- He holds a national Master of Science degree from the University of Copenhagen, Denmark



JORDANA SEMAAN

GM Human Resources (GM, HR), since 2017

- Mrs. Seeman was the Country Head of HR for Bahrain and Saudi Arabia for a large multinational company in logistics field
- Mrs. Semaan has held several high-profile posts and has worked in Bahrain, Saudi Arabia and France and has over 14 years of experience
- Mrs. Semaan holds a Bachelor's Degree in Business Management and is CIPD level 5 certified



ISA AL-QETAMI

GM- Security and Government Relations and Port Facility Security Officer, since 2015

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

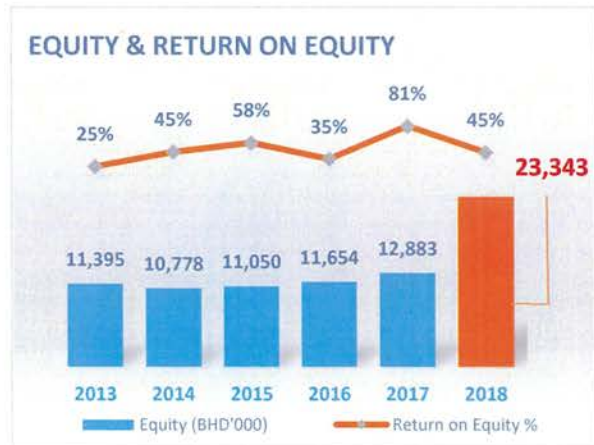
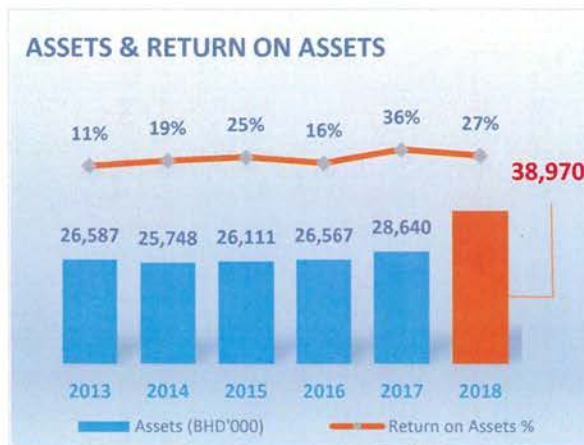
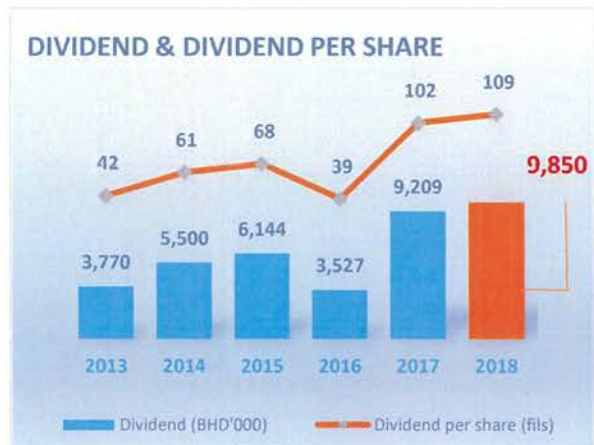
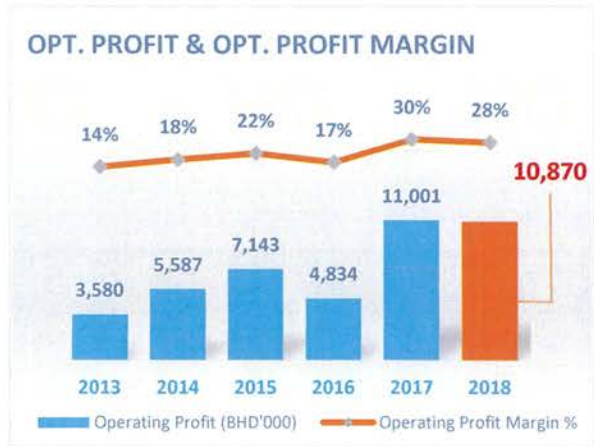
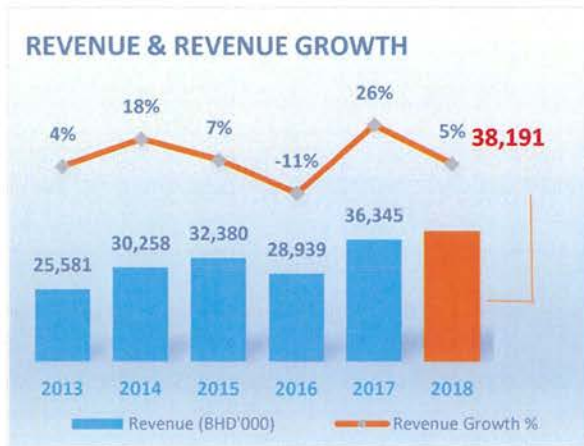


Manojkumar Verma **GM- Health, Safety and Environment, since 2012**

- 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

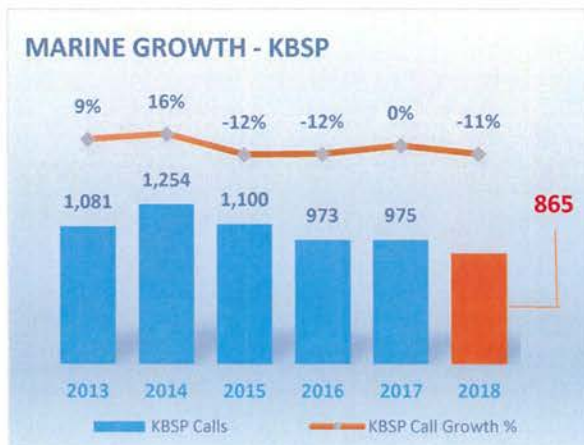
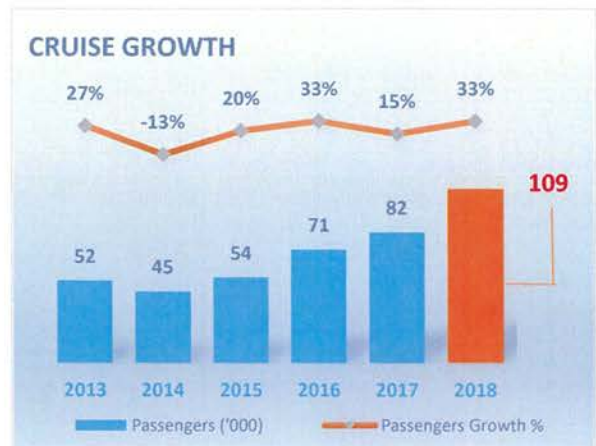
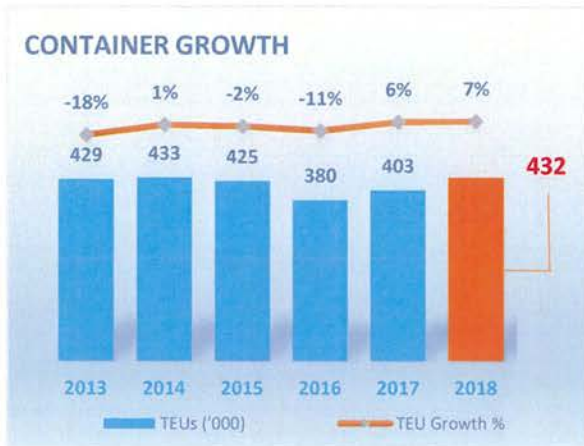
PERFORMANCE HIGHLIGHTS

FINANCIAL HIGHLIGHTS:



PERFORMANCE HIGHLIGHTS

VOLUME GROWTH:





INTRODUCTION

Adherence to corporate governance principles is a foundation attributed for a healthy organisation. We at APM Terminals Bahrain B.S.C., are committed to aspire to the highest standards of corporate governance, which as a key factor ensures fairness to all stakeholders of the Company. It sets the tone as to how the Company operates and behaves both internally and to the market generally. It defines the relationship between the Board of Directors ("**Board**"), management and the rest of the organisation.

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, fairness and social responsibility. 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 and Commercial Companies Law of the Kingdom of Bahrain issued by the Ministry of Industry, Commerce and Tourism.



1. 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.

1.1. DISTRIBUTION OF SHAREHOLDING BY NATIONALITY AS OF 31 DEC 2018

Nationality	No. of Shareholders	No. of Shares	% of outstanding Shares
Bahrain	638	28,595,467	31.77
Netherlands	1	57,600,000	64.00
Kuwait	4	378,326	0.42
Saudi Arabia	11	1,141,856	1.27
United Arab Emirates	2	527,846	0.59
Oman	4	236,056	0.26
Others	103	1,520,449	1.69
Total	763	90,000,000	100.00

1.2. DISTRIBUTION OF OWNERSHIP ACCORDING TO THE PERCENTAGE OF SHAREHOLDING AS OF 31 DEC 2018

Particulars	No. of Shares	No. of Shareholders	% of outstanding Shares
Less than 1%	15,387,617	759	17.10
1 % up to less than 5%	2,612,383	2	2.90
5 % up to less than 10%	0	0	-
10 % up to less than 20%	14,400,000	1	16.00
More than 50%	57,600,000	1	64.00
Total	90,000,000	763	100.00

1.3. MAJOR SHAREHOLDERS(S) (5% AND ABOVE) AS OF 31 DEC 2018

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

1.4. OWNERSHIP BY GOVERNMENT

The Government of Bahrain is not holding any shares in the Company, however Public Authority for Social Insurance in Oman owns 40,682 shares in the Company.

2. 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 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 sufficient financial and human resources are available.

The Board's role and responsibilities are outlined in the Board charter of the Company. 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, review of financial statements; financing and borrowing activities; and reviewing the adequacy and integrity of internal systems, regulatory and control framework.

2.1 BOARD MEMBER DETAILS FOR THE YEAR 2018

Board Member	Position	Capacity	Term
David Skov	Chairman	Executive	16 Feb 2018 to 13 Dec 2018
			13 Dec 2018 to 12 Dec 2021
Fawzi Ahmed Kanoo	Vice-Chairman	Executive	20 May 2006 to 18 Jun 2012
			31 Jul 2018 to 13 Dec 2018
			13 Dec 2018 to 12 Dec 2021
Soren Sjostrand Jakobsen	Director	Executive	18 Jun 2013 to 17 Jun 2016
			18 Jun 2016 to 13 Dec 2018
			13 Dec 2018 to 12 Dec 2021
Jesper Kjaedegaard	Director	Non-Executive / Non-Independent	13 Dec 2018 to 12 Dec 2021
Mohamed Bin Ebrahim Juma Alshoorgi	Director	Independent	13 Dec 2018 to 12 Dec 2021
Nadhem Saleh Al-Saleh	Director	Independent	13 Dec 2018 to 12 Dec 2021
Philip English	Former Vice-Chairman	-	14 Mar 2018 to 30 Jul 2018
Ahmed Hassan	Director	-	19 Jul 2016 to 13 Dec 2018
Steven Yoogalingam	Director	-	19 Dec 2017 to 13 Dec 2018
Kevin Murphy	Former Vice-Chairman	-	2 Jun 2017 to 14 Mar 2018
Peder Sondergaard	Director	-	8 Jul 2014 to 26 Jan 2018

The Company converted from a closed joint stock company to a public joint stock company in December 2018. Post conversion, the Company is listed on Bahrain Bourse since 9 December 2018. Furtherance to the listing of the Company, a Constituent General Assembly Meeting was held on 13 December 2018, wherein the then existing Board of Directors were discharged from their seats and liabilities. A new Board of Directors of six directors (for a public shareholding company) were appointed/ elected on 13 December 2018, as per the below composition:

- 2 independent directors (1/3rd of the total board size);
- 1 non-executive director (half of the total board size including independent directors); and
- 3 executive directors.

Mr. David Skov and Mr. Fawzi Ahmed Kanoo were elected as the Chairman and Vice-Chairman respectively in the 51st Board Meeting held on 24 February 2019.

2.2 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.

2.3 DIRECTOR APPOINTMENT LETTER

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.

2.4 ATTENDANCE OF DIRECTORS AT EACH MEETING IN 2018

Board Member	29 Mar 2018	11 Jun 2018	30 Jul 2018	17 Sep 2018
David Skov	✓	✓	✓	✓
Philip English	✓	✓	Resigned	Resigned
Fawzi Ahmed Kanoo	Appointed on 31 Jul 2018	Appointed on 31 Jul 2018	✓	✓
Soren Sjostrand Jakobsen	✓	✓	✓	✓
Ahmed Hassan	X	X	X	X
Steven Yoogalingam	X	X	X	X
Philip English	✓	✓	Resigned	Resigned
Kevin Murphy	X	Resigned	Resigned	Resigned
Peder Sondergaard	Resigned	Resigned	Resigned	Resigned

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

2.6 SHAREHOLDING BY MEMBERS OF THE BOARD

No members of the Board own any shares directly in the Company.

2.7 DIRECTOR'S TRADING OF COMPANY SHARES DURING THE YEAR

There has been no trading of Company's share by the Board during 2018.

2.8 REMUNERATION POLICY OF THE BOARD OF DIRECTORS

The Board's remuneration is governed by provisions of the Commercial Companies Law 2001 and the CBB rules. The Board's remuneration 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.

The Chairman and Vice-Chairman of the Board prior to the conversion of the Company were entitled to BHD 4,000 remuneration per annum respectively. Other members of the Board were not entitled to any remuneration. No sitting fee and bonus was paid for 2018 to the Board.

Post conversion effective 13 December 2018, the Chairman would be entitled to remuneration of BHD 12,000 annually and other members of the Board would be entitled to remuneration of BHD 10,000 annually. In addition to the fixed fee, the Board is entitled to sitting fees as stated below:

- i. For Directors residing in Bahrain, a sitting fee of BHD 500 (Bahraini Dinars Five Hundred Only) for each face to face board meeting;
- ii. For Directors residing outside Bahrain, a sitting fee of BHD 1,000 (Bahraini Dinars One Thousand Only) for each face to face board meeting;
- iii. BHD 250 (Bahraini Dinars Two Hundred and Fifty only) for each board meeting attended through video or audio conferencing or through remote participation;
- iv. Sitting fee of BHD 250 (Bahraini Dinars Two Hundred and Fifty only) per committee meeting;
- v. For Directors residing outside Bahrain, the Company will provide return air tickets for traveling to Bahrain and accommodation to attend the Board Meetings of the Company. For Board meetings outside Bahrain the Company will provide air tickets and accommodation 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).

2.9 EXECUTIVE MANAGEMENT DETAILS

Executive Management	Position	No. of Shares
Susan Hunter	Chief Executive Officer	-
Farooq Zuberi	Chief Finance Officer	4,546
Sunil Joseph	Chief Commercial Officer	-
Bo Lange	Chief Operations Officer	-
Jordana Seeman	GM, Human Resources	-

2.10 TOTAL REMUNERATION PAID TO KEY EXECUTIVE OFFICERS

Total remunerations paid to the key executive officers (the top five employees) for the year 2018, including salaries, benefits, allowances, increases, etc. is BHD 581,761 (Bahraini Dinars Five Hundred Eighty-One Thousand Seven Hundred Sixty One Only).

2.11 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.

2.12 CODE OF CONDUCT

Company conducts itself in accordance with the highest standards of ethical behaviour, in accordance with the criteria and determinants of professional conduct and ethical values of the Corporate Governance Code. Global APM Terminals Code of Conduct has been developed to govern the personal and professional conduct of all employees, which the Company has adopted and is part of a mandatory document while on-boarding employees.

The Code of Conduct outlines core values of the Company including but not limited to areas of global labor relations, conflict of interest, data protection, social media communication, anti-corruption, interaction with Government officials, gifts and entertainment, competition law, foreign trade controls, anti-money laundering, fraud, insider information, safety and security, corporate social responsibility, human rights, charitable and political donations, environment, intellectual property, confidentiality,



information security, whistleblowing, equitable treatment; ethics and acting responsibly, honestly, fairly and ethically, managing customer complaints etc.

3. BOARD COMMITTEES

The Board has established Audit, Risk and Compliance Committee and a Nominating, Remuneration and Governance Committee.

3.1 AUDIT, RISK AND COMPLIANCE COMMITTEE (“ARCC”)

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.

3.2 FUNCTIONS OF ARCC

The functions of ARCC in accordance with the charter are as follows:

- Review the quality and integrity of the Company’s accounting and financial reporting practices;
- Review the integrity of the Company’s financial controls, internal controls and financial statements;
- Review the Company’s compliance with the relevant legal and regulatory requirements as well as the Code of Conduct of the Company;
- Recommend the appointment, compensation and oversight of the External Auditor;
- Recommend the appointment of the Internal Auditor; including the approval of internal audit policies and any reports and plans 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.

3.3 SCOPE, MEMBERS, COMPOSITION AND REMUNERATION

The External Auditor and Internal Auditor of the Company shall report directly to the Committee. The scope of the Committee shall include matters relating to the financial reporting, risk management and compliance controls in the Company, and at minimum, would comprise of the matters such as reviewing the annual financial statements, reviewing the reports submitted by the Internal Auditor, oversee the compliance of the Company, ensure the Company has a whistle blower program in place, selection, remuneration and oversight of the External Auditor etc. As per the ARCC Charter, the Committee shall meet at least four times a year. No committee meetings conducted in 2018 as the Company got listed in December 2018 and the ARCC was formed in 51st Board meeting held on 24 February 2019.

The members of ARCC are as follows:

ARCC Members	Independent/Non-Independent
Soren Sjostrand Jakobsen	Non-Independent
Mohamed Bin Ebrahim Juma Alshoorgi	Independent
Nadhem Saleh Al-Saleh	Independent

3.4 NOMINATING, REMUNERATION AND GOVERNANCE COMMITTEE (NRGC)

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.

3.5 FUNCTIONS OF NRGC

The functions of NRGC in accordance with the charter are as follows:

3.5.1 The Committee shall, in board terms and in respect of its nominating function:

- i. 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;
- ii. 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;
- iii. Review and make recommendations on Board candidates proposed by those substantial Shareholders eligible to propose a Director to represent such Shareholder on the Board.

3.5.2 The Committee shall, in board terms and in respect of its remuneration function:

- i. 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;
- ii. 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;
- iii. Recommend Board Member remuneration based on their attendance and performance.

3.6 SCOPE, MEMBERS, COMPOSITION AND REMUNERATION

The scope of the committee includes nomination, remuneration and governance matters relating to the Company and at minimum, would comprise of the matters such as overseeing the development and implementation of the Company's Corporate Governance Manual and other relevant governance policies of the Company as approved by the Board; ensure adherence to the principles of corporate governance; identification and selection of board candidates; review of compensation and remuneration; lead the Board in its annual review of the performance of the Board and its committees; establish board structure, composition and impart training and induction to the directors etc. As per the NRGC Charter, the Committee shall meet at least twice a year. No committee meetings conducted in 2018 as the Company got listed in December 2018 and the NRGC was formed in 51st Board meeting held on 24 February 2019.

The members of the NRGC are as follows:

NRGC Members	Independent/Non-Independent
Jesper Kjaedegaard	Non-Independent
Mohamed Bin Ebrahim Juma Alshoorgi	Independent
Nadhem Saleh Al-Saleh	Independent

4 CORPORATE GOVERNANCE FRAMEWORK

Company's Corporate Governance framework comprises of Board and Committee Charters; Code of Conduct; Standard operating policies and procedures (SOPs); internal controls and risk management systems; compliance procedures; internal and external audit; effective communications and transparent disclosure; and measurement and accountability.

As part of the IPO, the below mentioned manuals were adopted by the Company in the 50th Board Meeting held on 17 September 2018 and approved in the Constituent General Assembly Meeting on 13 December 2018:

- a) Corporate Governance Manual;
- b) Charter of Board of Directors;
- c) Audit, Risk and Compliance Committee Charter;
- d) Nominating, Remuneration and Governance Committee Charter;
- e) Whistle Blowing Policy;
- f) Code of Conduct;
- g) Corporate Social Responsibility Policy; and
- h) Risk Management Process

4.1 COMPLIANCE WITH CORPORATE GOVERNANCE REQUIREMENTS

The Company confirms it's compliance with the Corporate Governance Code of the Kingdom of Bahrain and the High-Level Controls Module of Vol. 6 of the **CBB** Rule Book (**HC Module**) (jointly the "**Code**") except in the following instances mentioned below:

- HC- 1.4.6 to HC 1.4.8, which stipulates that the chairman of the Board of Directors should be an independent director. Company's chairman is an executive director. 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;
- Establishment of the Internal Audit function is in process. Given the Company got listed and the Board was formed in December 2018, the Company is working on establishing an internal audit function;
- Pursuant to the treasury advisory function provided by APM Terminals Management B.V. and as a matter of past practice, the Company deposits its excess cash with the parent company (A.P. Moller Maersk of its major shareholder (APM Terminals B.V.). The Company as of 31 December 2018, has deposited ~BHD19,668,306 with A.P. Moller Maersk A/S. The deposits are excess cash which are deposited with A.P. Moller Maersk A/S 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 are generally priced at LIBOR less 0.05% as administrative charge. Prior Board approval was not obtained as the transaction was conducted as a matter of past practice. However, the Board has approved the deposits made with A.P. Moller Maersk in 51st Board Meeting held on

24 February 2019. David Skov, Soren Sjostrand Jakobsen and Jesper Kjaedegaard being appointed by APM Terminals B.V., did not participate in the voting process. Given there has been no ordinary general meeting post the CGM, Shareholders' approval is yet to be obtained on the same. Therefore, Shareholders' approval would be requested in the upcoming Annual General Meeting.

- The related party transaction details of FY 2018 are disclosed in Note 21 to the Consolidated Financial Statements. Due to the nature of the transactions (i.e. transactions being business as usual) and transactions being conducted at arm's length basis, prior Board approval was not obtained for certain transactions as detailed below. However, the Board has approved the related party transactions made after the listing of the Company until 31 December 2018 in 51st Board Meeting held on 24 February 2019.

Entity Name	Contract Term Dates	Expenses	Revenue	Justification
Al Manhal Water Factory	01/12/2018 to 30/11/2020	6	-	They were the lowest bidders among all qualified suppliers
Bahrain International Cargo Services (BICS)	Services provided as and when required Credit Agreement term is for 01/1/2019 to 31/12/2023	-	118	1. Services provided as part of the routine business governed by standard terms of Business 2. Space for storage for which board approval has already been obtained 3. There is a credit agreement as per our standard terms for a credit limit of BHD 15,000 and credit duration of 30 days
APL (Bahrain) W.L.L. (APL)	Services provided as and when required Credit Agreement term is for 1/1/2018 to 31/12/2019	-	1,535	1. Services provided as part of the routine business governed by standard terms of Business 2. There is a credit agreement with APL for a credit limit of BHD 175,000 and credit duration of 30 days
Bahrain Ship Repairing & Engineering Company B.S.C. (BASREC)	Services procured as and when required	1	-	BASREC is the only company in Bahrain who is approved to do container repair. Services obtained on adhoc basis
M/S UASAC BAHRAIN/Hapagloyd Bahrain WLL	Services provided as and when required Credit Agreement term is for 01/1/2019 to 31/12/2023	-	3,341	1. Services provided as part of the routine business governed by standard terms of Business 2. There is a credit agreement as per our standard terms for a credit limit of BHD 350,000 and credit duration of 30 days
Bahrain Airport Services B.S.C.(c) (BAS)	01/03/2017 to 28/02/2019	53	-	Catering services provided pursuant to the agreement which is already approved by the Board

Entity Name	Contract Term Dates	Expenses	Revenue	Justification
Maersk Line A/S		9	2,052	1. Services provided as part of the routine business governed by standard terms of Business 2. Furthermore, outsourcing agreement with GSC for an FTE to assist in Reporting, Management dashboards & miscellaneous reports of the Company
YOUSUF BIN AHMED. KANOO W.L.L. (YBA Kanoo)	Credit Agreement term is for 01/05/2017 to 30/04/2018	22	950	1. Services provided as part of the routine business governed by standard terms of Business 2. Inventory procured and other expenses incurred for business needs at arm's length basis 3. There is a credit agreement as per our standard terms for a credit limit of BHD 350,000 and credit duration of 30 days
Aqaba Container Terminal		1		Recharge for General Expenses
APM Terminals AMI		1		Recharge for General Expenses
Maersk Training DWC-LLC		2		Training & related costs
Maersk Training Svendborg A/S	24/10/2018 to 23/10/2023	4		Training & related costs
APM Terminals Management B.V.	Concession Term	251	-	Services provided pursuant to Technical Services Agreement which is already approved by the Board
Svitzer Bahrain (S.P.C)	Concession Term	3,261	-	Services provided pursuant to Sub Concession Agreement which is already approved by the Board
APM Terminals B.V.		350	-	Services provided pursuant to Technical Services Agreement which is already approved by the Board

*All amounts are in BHD'000 and have been rounded up to nearest thousand.

5 AUDITORS

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 2018. 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. The Committee also approves the appointment of the internal auditors and determines the remuneration. Fees paid in 2018 were as follows:

Fees based on Services	Amount (in BHD)
Audit Fees	15,000
Non-Audit Fees (including IPO related engagements, Arabic translation of FS, Revenue & Transshipment assurance reports, Tax advisory service and other professional services)	57,305

7.3 Trade – enabling trade contributes to economic development and improved living standards, and the Company actively works with various stakeholders including customs authorities, the PMA, customers and the relevant Government agencies to enhance trade and minimise barriers.

The total amount spent on Corporate Social Responsibility for the year 2018 is ~BHD 2,000. 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.

8 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 2018 was a good year, it has also faced certain principal risks and uncertainties which includes the following:

8.1 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 2017 (which have been set by reference to the earlier scheduled targets).

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 for the first time in 2017.

Furthermore, Failure to meet KPIs for a period of 5 consecutive years would 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.

Under clause 13.3 and 13.4 of the Concession there is a process outlined for annually revising the KPIs under which the Company is to provide its proposed minimum KPIs applicable to the following five years incorporating the existing unamended KPIs applicable for the first four years of that period. The PMA shall then have the right to reject or require amendment of the minimum KPIs proposed by the Company if, in its reasonable opinion, such KPIs do not demonstrate that the Company will meet its obligations to run KBSP as world class port facility in accordance with Good International Practices (as defined in the Concession) or to operate KBSP in accordance with the requirements of the Agreement. The process of revising the KPIs for 2018 and subsequently has, thus far, been inconclusive and has led to the Company's suggested throughput per berth meter KPI not being settled

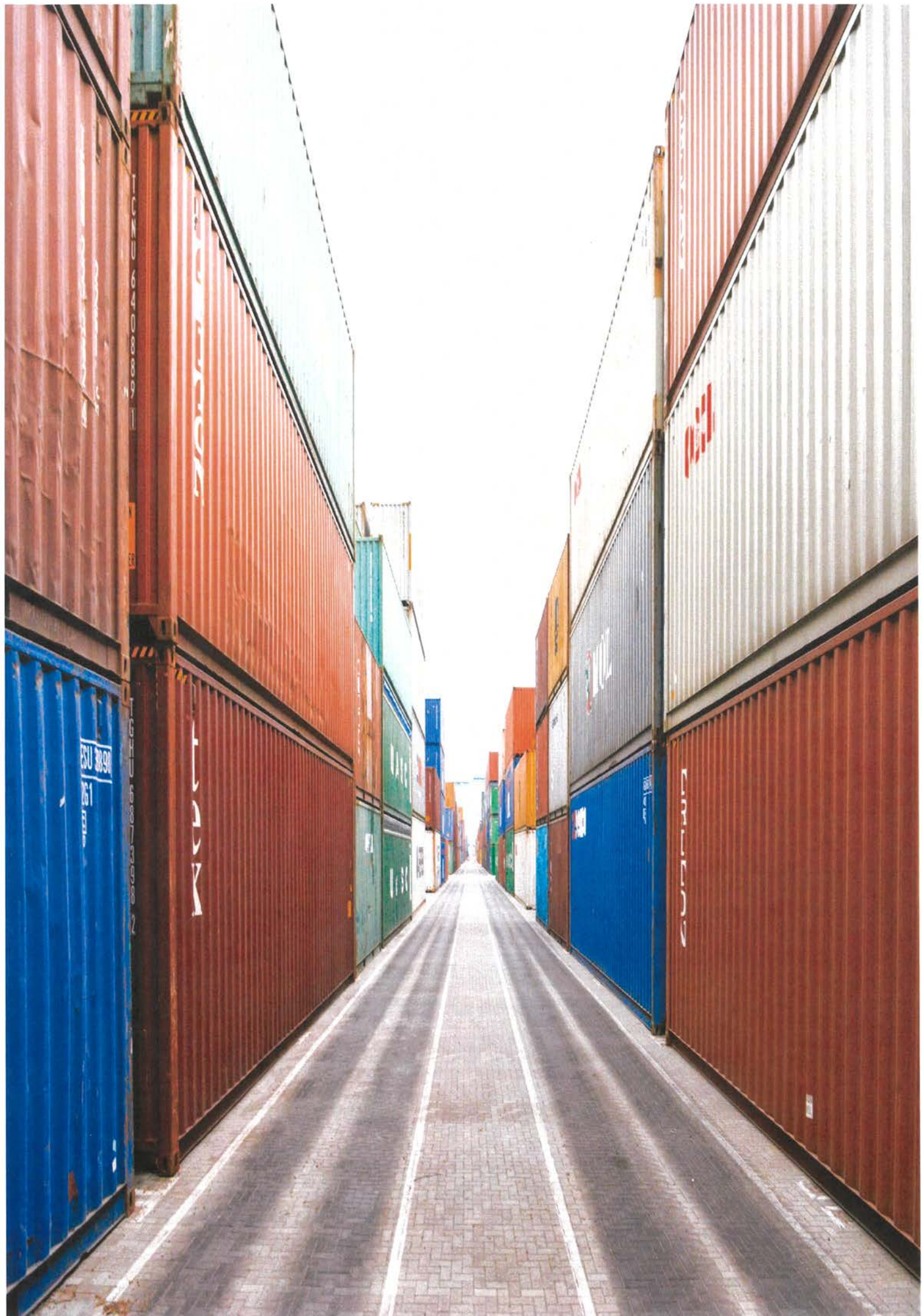
upon, leading to financial penalties in relation to increasing the percentage based Revenue Charge payable by the Company under the Concession. Discussions on this are ongoing.

8.2 Transshipment 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:

- a. that it has taken all reasonable steps (including the expenditure of time and money) to market KBSP so as to secure transshipment business for KBSP during the four consecutive years in question; and
- b. 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.



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 2018, 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 2018, 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 2018. 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 38,191 thousands (refer to note 3(a) for the accounting policy and note 15 for the category breakdown)

Description

How the matter was addressed in our audit

We focused on this area because;

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

Our audit procedures included;

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

Other information

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

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

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

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

Responsibilities of the board of directors for the financial statements

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

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

Auditors' responsibilities for the audit of the financial statements

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

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the board of directors.
- Conclude on the appropriateness of the board of directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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.

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

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 2018 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

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.

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



KPMG Fakhro
Partner registration number 83
24 February 2019

STATEMENT OF FINANCIAL POSITION
as at 31 December 2018

BD 000's

	note	2018	2017
ASSETS			
Intangible assets	4	5,977	6,404
Equipment and vehicles	5	5,818	7,082
Total non-current assets		11,795	13,486
Inventories	6	335	319
Trade receivables	7	1,665	1,781
Prepayments and other receivables	8	724	543
Due from related parties	21	20,452	10,469
Cash and cash equivalents	9	3,998	2,042
Total current assets		27,174	15,154
Total assets		38,969	28,640
EQUITY AND LIABILITIES			
Equity			
Share capital	10	9,000	9,000
Statutory reserve	11	4,493	3,447
Retained earnings		9,850	436
Total equity		23,343	12,883
Liabilities			
Finance lease liability	12	8,015	8,190
Employee's benefits	13	505	370
Advance from customer		-	18
Total non-current liabilities		8,520	8,578
Trade and other payables	14	6,572	6,645
Due to related parties	21	359	394
Finance lease liability	12	175	140
Total current liabilities		7,106	7,179
Total liabilities		15,626	15,757
Total equity and liabilities		38,969	28,640

The financial statements were approved by the Board of Directors on 24 February 2019 and signed on its behalf by:


David Skov
Chairman


Fawzi Ahmed Kanoo
Vice Chairman

The accompanying notes 1 to 27 are an integral part of these financial statements.

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
for the year ended 31 December 2018

BD 000's

	note	2018	2017
Revenue	15	38,191	36,345
Direct operating expenses	16	(13,541)	(12,872)
Gross Profit		24,650	23,473
Other operating income		60	79
Other operating expenses	16	(10,186)	(9,467)
General and administrative expenses	17	(3,654)	(3,084)
Operating profit		10,870	11,001
Finance income		293	145
Finance expense	18	(703)	(708)
Net finance costs		(410)	(563)
Profit for the year		10,460	10,438
Other comprehensive income		-	-
Total comprehensive income for the year		10,460	10,438
Earnings per share			
Basic and diluted earnings per share (in fils)	19	116	116



David Skov
Chairman



Fawzi Ahmed Kanoo
Vice Chairman

The accompanying notes 1 to 27 are an integral part of these financial statements.

STATEMENT OF CHANGES IN EQUITY
for the year ended 31 December 2018

BD 000's

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

2017	Share capital	Statutory reserve	Retained earnings	Total
At 1 January	9,000	2,403	251	11,654
Total comprehensive income for the year	-	-	10,438	10,438
Transfer to statutory reserve	-	1,044	(1,044)	-
<i>Transactions with owners of the Company</i>				
Dividends paid during the year	-	-	(9,209)	(9,209)
At 31 December	9,000	3,447	436	12,883

The accompanying notes 1 to 27 are an integral part of these financial statements.

STATEMENT OF CASH FLOWS
for the year ended to 31 December 2018

BD 000's

	note	2018	2017
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit for the year		10,460	10,438
<i>Adjustments for:</i>			
Amortisation	4	427	429
Depreciation	5	1,444	1,407
Finance expense		703	708
Gain on sale of equipment and vehicles		(2)	(5)
<i>Changes in:</i>			
- Inventories		(16)	93
- Trade receivables		(489)	78
- Prepayments and other receivables		(160)	(87)
- Trade and other payables		(126)	895
- Employee leaving indemnities		135	63
Net cash generated from operating activities		12,376	14,019
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of equipment and vehicles		(180)	(390)
Placements with related party, net		(9,399)	(4,247)
Proceeds from disposal of equipment and vehicles		2	6
Net cash used in investing activities		(9,577)	(4,631)
CASH FLOWS FROM FINANCING ACTIVITIES			
Payments of finance expenses		(703)	(708)
Payments of finance lease liability		(140)	(114)
Dividends paid		-	(9,209)
Net cash used in financing activities		(843)	(10,031)
Net increase/ (decrease) in cash and cash equivalents during the year		1,956	(643)
Cash and cash equivalents at beginning of the year		2,042	2,685
Cash and cash equivalents at end of the year	9	3,998	2,042

The accompanying notes 1 to 27 are an integral part of these financial statements.

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 923,650 as concession fee for the KBSP concession period on commencement of operations at the KBSP (refer note 4).

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

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.

d) Early adoption of standards

The Company has not early adopted any new standards in 2018. During 2017, the Company early adopted IFRS 9 Financial Instruments.

2 BASIS OF PREPARATION (continued)

e) New standards, amendments and interpretations effective from 1 January 2018

The following standards, amendments and interpretations, which became effective as of 1 January 2018, are relevant to the Company:

(i) IFRS 15 Revenue from Contracts with Customers

IFRS 15 establishes a comprehensive framework for determining whether, how much and when revenue is recognised. It replaced IAS 18 Revenue, IAS 11 Construction Contracts and related interpretations. Under IFRS 15, revenue is recognised when a customer obtains control of the goods or services. Determining the timing of the transfer of control – at a point in time or over time requires judgement.

The adoption of this standard had no significant impact on the financial statements.

(ii) Annual Improvements to IFRSs 2012–2014 Cycle – various standards

The annual improvements to IFRSs to 2012-2014 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 following are the key amendments in brief:

- IFRS 1 First-time Adoption of IFRS – Outdated exemptions for first-time adopters of IFRS are removed. Effective for annual periods beginning on or after 1 January 2018.
- IFRS 12 Disclosure of Interests in Other Entities – The disclosure requirements for interests in other entities also apply to interests that are classified as held for sale or distribution. Effective retrospectively for annual periods beginning on or after 1 January 2017.

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

(iii) IFRIC 22 Foreign Currency Transactions and Advance Consideration

When foreign currency consideration is paid or received in advance of the item it relates to – which may be an asset, an expense or income – IAS 21 The Effects of Changes in Foreign Exchange Rates is not clear on how to determine the transaction date for translating the related item.

This has resulted in diversity in practice regarding the exchange rate used to translate the related item. IFRIC 22 clarifies that the transaction date is the date on which the company initially recognises the prepayment or deferred income arising from the advance consideration. For transactions involving multiple payments or receipts, each payment or receipt gives rise to a separate transaction date.

The amendments are effective for annual periods commencing on or after 1 January 2018. The adoption of this amendment 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 2018 and earlier application is permitted.

(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.

2 BASIS OF PREPARATION (continued)

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

The standard is effective for annual periods beginning on or after 1 January 2019. Early adoption is permitted for entities that apply IFRS 15 Revenue from Contracts with Customers at or before the date of initial application of IFRS 16.

The Company is in the process of estimating the impact on its leases, as result of adopting IFRS 16.

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:

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 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, unless otherwise stated.

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 transferring 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
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

3 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.

3 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 Bahrain 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

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 the following observable data:

- significant financial difficulty of the borrower or issuer;
- a breach of contract such as a default or being more than 90 days past due;
- it is probable that the borrower will enter bankruptcy or other financial reorganisation; or
- the disappearance of an active market for a security because of financial difficulties.

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.

q) Leases

Lease contracts are classified as operating or finance leases at the inception of the lease. Once determined, the classification is not subsequently reassessed unless there are changes to the contract conditions. Contracts which transfer all significant risks and benefits associated with the underlying asset to the lease are classified as leases. Assets held under finance leases are classified as non-current assets.

4 INTANGIBLE ASSETS

2018	Service concessions rights	Software and licenses	Development costs	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

Service concession rights include BD 923,650 paid as concession fee for the KBSP concession period on commencement of operations at the KBSP (note 1).

As at 31 December 2018, software and licenses includes assets having cost of BD 613 (2017: BD 613) which are fully amortized and are still in use.

2017	Service concessions rights	Software and licenses	Development costs	Total
Cost				
At 1 January	9,731	613	112	10,456
Additions	-	112	(112)	-
At 31 December	9,731	725	-	10,456
Accumulated amortisation				
At 1 January	3,016	607	-	3,623
Amortisation for the year	389	40	-	429
At 31 December	3,405	647	-	4,052
Net carrying value 31 December	6,326	78	-	6,404

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 December 2018

BD 000's

5 EQUIPMENT AND VEHICLES

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

As at 31 December 2018, equipment and vehicles of the Company include assets having cost of BD 5,766 (2017: BD 5,265) which are fully depreciated and are still in use.

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 December 2018

BD 000's

5 EQUIPMENT AND VEHICLES (continued)

2017	Computer Equipment	Cranes & Transainers	Furniture & Fixtures	Machinery & Equipment:	Vehicles	Tools	Leasehold Improvement	Capital work-in progress	Total
Cost									
At 1 January	870	17,253	81	2,277	1,575	33	49	53	22,191
Additions	11	-	2	63	9	-	-	305	390
Transfer	-	254	-	87	-	-	-	(341)	-
Disposals	-	(50)	-	(22)	(24)	(1)	-	-	(97)
At 31 December	881	17,457	83	2,405	1,560	32	49	17	22,484
Accumulated depreciation									
At 1 January	841	9,636	81	1,940	1,517	27	49	-	14,091
Depreciation	21	1,236	-	112	35	3	-	-	1,407
Disposals	-	(50)	-	(21)	(24)	(1)	-	-	(96)
At 31 December	862	10,822	81	2,031	1,528	29	49	-	15,402
Net book value									
31 December	19	6,635	2	374	32	3	-	17	7,082

6 INVENTORIES

	2018	2017
Inventories	849	941
Less: Provision for obsolescence	(514)	(622)
	335	319
<i>Movement on provision:</i>		
	2018	2017
At 1 January	622	619
(Reversal)/ charge for the year, net	(108)	3
At 31 December	514	622

7 TRADE RECEIVABLES

	2018	2017
Trade receivables	2,123	2,262
Less: Impairment provision	(458)	(481)
	1,665	1,781
<i>Movement on provision:</i>		
	2018	2017
At 1 January	481	539
Reversal for the year, net	(23)	(58)
At 31 December	458	481

Information about the Company's exposure to credit and market risk is included in note 23.

8 PREPAYMENTS AND OTHER RECEIVABLES

	2018	2017
Prepayments	223	505
Other receivables	501	38
	724	543

Other receivables include BD 400 (2017: Nil) placed with a third-party market maker. Subsequent to the listing of the Company's shares on the Bahrain Bourse, and as part of regulatory requirements, the Company has entered into a Discretionary Portfolio Management Agreement with a third-party market maker for a period of six months, subject to renewal. By virtue of the agreement, the market maker executes, against a management fee, buy and sell orders at its sole discretion to achieve share price stabilization and to facilitate the trading of shares.

9 CASH AND CASH EQUIVALENTS

	2018	2017
Cash on hand	2	2
Balances with banks	3,996	2,040
	3,998	2,042

Information about the Company's exposure to credit and market risk is included in note 23.

10 SHARE CAPITAL

Authorized share capital / issued and fully paid up

	2018	2017
90,000,000 shares of 100 fils each (2017: 900,000 of BD 10 each)	9,000	9,000

As part of the IPO process, the Company's shareholders at an Extraordinary General Meeting held on 11 June 2018 resolved to reduce the nominal value of shares from BD 10 to 100 fils and increase the number of shares issued from 900,000 to 90,000,000.

The IPO procedure resulted in 129 unallocated shares, which have been retained by the Company and recognised as treasury shares.

(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 share 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%	15,388	759	17.1%
1 % up to less than 5%	2,612	2	2.9%
10 % up to less than 20%	14,400	1	16.0%
50% and above	57,600	1	64.0%
Total	90,000	763	100.0%

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

11 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 Bahrain Commercial Companies Law.

12 FINANCE LEASE LIABILITY

	2018	2017
Future minimum lease payments		
- Not later than one year	854	833
- Later than one year and not later than five years	3,584	3,514
- Later than five years	10,291	11,216
	14,729	15,563
Future finance charges	(6,539)	(7,233)
Present value of lease liability	8,190	8,330
	2018	2017
Current portion of lease liability	175	140
Non-current portion of lease liability	8,015	8,190
	8,190	8,330

The Company has a lease agreement for service concession rights (note 4) with a carrying value of BD 5,936 (2017: BD 6,326). The lease liability corresponds to these rights.

The fair value of the finance lease liability (carried at amortised cost) with carrying value of BD 8,190 is BD 9,755. Fair value is classified under level 2 of the fair value hierarchy.

13 EMPLOYEE'S BENEFITS

	2018	2017
At 1 January	386	307
Charge for the year	152	113
Paid during the year	(33)	(50)
At 31 December	505	370

14 TRADE AND OTHER PAYABLES

	2018	2017
Royalty payable to the Government of Bahrain	3,589	3,400
Trade payables	430	405
Advances from customers	145	222
Accrued expenses	1,959	2,209
Provisions	449	409
	6,572	6,645

Information about the company's exposure to credit and market risk is included in note 23.

15 REVENUE

	2018	2017
Container services	18,434	16,691
General cargo services	12,830	13,329
Marine services	6,927	6,325
	38,191	36,345

16 OPERATING EXPENSES

	2018	2017
<i>Direct operating expenses</i>		
Subcontracting charges	4,821	4,867
Salaries and related costs	4,303	4,189
Depreciation	1,444	1,407
Maintenance and repairs	1,247	807
Fuel and electricity	1,291	1,161
Security costs	222	148
Operating lease charges	161	166
Provision for inventories	(108)	3
Customs duty and freight charges	57	51
Other expenses	103	73
	13,541	12,872
<i>Other operating expenses</i>		
Royalty to Government of Bahrain	9,759	9,038
Amortisation of intangible asset	427	429
	10,186	9,467
	23,727	22,339

17 GENERAL AND ADMINISTRATIVE EXPENSES

	2018	2017
Salaries and related costs	2,109	1,703
Insurance	519	474
Management and administration fee	350	340
Computer expenses	344	340
Training expenses	20	23
Legal and professional charges	44	52
Communication expenses	34	27
Travel expenses	28	30
Office expenses	58	44
Other expenses	148	51
	3,654	3,084

18 FINANCE EXPENSE

	2018	2017
Lease expense	693	704
Bank charges	10	4
	703	708

19 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:

	2018	2017
Profit for the period (BD 000's)	10,460	10,438
Weighted average number of shares (000's)	90,000	90,000
Basic and diluted earnings per share (fils)	116	116

20 APPROPRIATIONS

The Board of Directors have proposed the following appropriations for the year 2018:

	2018	2017
Dividend proposed	9,850	9,209
Statutory reserve	1,046	1,044

21 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 2018			
<u>Assets</u>			
Trade receivables	225	540	765
Placements	19,668	-	19,668
Interest receivable	18	-	18
Other receivables	1	-	1
	19,912	540	20,452
<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

The Company keeps short term placements with a Group Company of the Parent and earns an average interest of 2.36% p.a. (2017: 1.35% p.a.)

21 RELATED PARTY TRANSACTIONS (continued)

Description	Parent/ Group company	Shareholders / entities in which directors are interested	Total
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
Board remuneration	8	3	11
Other expenses	52	58	105
	3,885	61	3,946

Description	Parent/ Group company	Shareholders / entities in which directors are interested	Total
As at 31 December 2017			
<u>Assets</u>			
Trade receivables	6	154	160
Placements	10,269	-	10,269
Interest receivable	4	-	4
Other receivables	36	-	36
	10,315	154	10,469
<u>Liabilities</u>			
Trade payables	23	1	24
Accrued expenses	338	5	343
Management fee payable	27	-	27
	388	6	394
For the year ended 31 December 2017			
<u>Income</u>			
Revenue	100	4,198	4,298
Finance income	145	-	145
	245	4,198	4,443
<u>Expenses</u>			
Subcontracting charges	3,169	-	3,169
Management and administration fee	340	-	340
Computer expenses	199	-	199
Board remuneration	8	-	8
Other expenses	10	69	79
	3,726	69	3,795

21 RELATED PARTY TRANSACTIONS (continued)

Other related party transactions for the year ended 31 December

Description	Parent/ Group company		Shareholders / entities in which directors are interested		Total	
	2018	2017	2018	2017	2018	2017
Purchase of equipment and vehicles	-	222	-	-	-	222
Purchase of inventories	-	-	19	21	19	21

Key management personnel

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

	2018	2017
Salaries and other short-term benefits	629	619
Post-employment benefits for the year	52	8
Board remuneration for the year	11	8
Post-employment benefits payable	36	24

22 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.

23 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.

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.

The Company establishes an allowance for impairment that represents its estimate of incurred losses in respect of trade receivables. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganization, and default or delinquency in payments are considered indicators that the accounts receivable is impaired.

Company's credit risk on cash and cash equivalents is limited as these are placed with bank in Bahrain having investment grade credit rating.

(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:

	2018	2017
Balances with bank	3,996	2,040
Trade receivables	1,665	1,781
Other receivables	501	38
Due from related party	20,452	10,469
	26,614	14,328

23 FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (continued)

(ii) Impairment Losses

The aging of trade receivables at the reporting date was:

	2018		2017	
	Gross	Impairment	Gross	Impairment
Not past due	969	8	1,167	6
Past due less than 90 days	230	2	98	1
Past due between 91-180 days	11	1	26	3
Past due between 181-270 days	10	3	24	7
Past due between 271-365 days	3	2	4	2
Past due over 365 days	442	442	462	462
	1,665	458	1,781	481

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
2018						
Trade and other payables	5,978	5,978	5,978	-	-	-
Finance lease liabilities	8,190	14,729	854	-	868	13,007
	14,168	20,707	6,832	-	868	13,007
2017						
Trade and other payables	6,014	6,014	6,014	-	-	-
Finance lease liabilities	8,330	15,563	833	-	854	13,876
	14,344	21,577	6,847	-	854	13,876

23 FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (continued)

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.

(ii) 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 banks and 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.

(iii) 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.

c) 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.

d) 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 shareholder's 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.

24 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 short term 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 financial assets and financial liabilities are classified under the amortized cost category.

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

	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>					
Finance lease liability	(140)	-	-	-	(140)
Finance expense	(703)	-	-	-	(703)
Total changes from financing cash flows	(843)	-	-	-	(843)
Equity-related changes	703	-	1,046	9,414	11,163
Balance at 31 December 2018	8,190	9,000	4,493	9,850	31,533

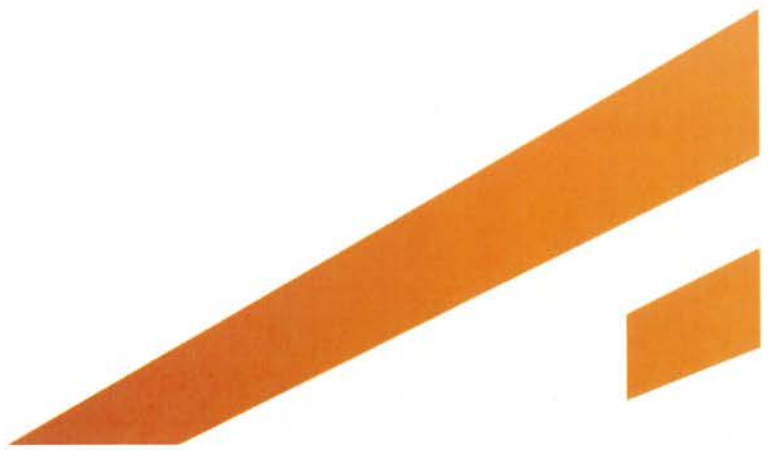
26 COMMITMENTS

Capital commitments

2018	2017
129	17

27 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.







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