



**THE BAHRAIN SHIP REPAIRING
AND ENGINEERING COMPANY B.S.C.**

**ANNUAL REPORT
2020**



**STRENGTHENING
PERFORMANCE SINCE 1962**



**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
Prime Minister of the
Kingdom of Bahrain

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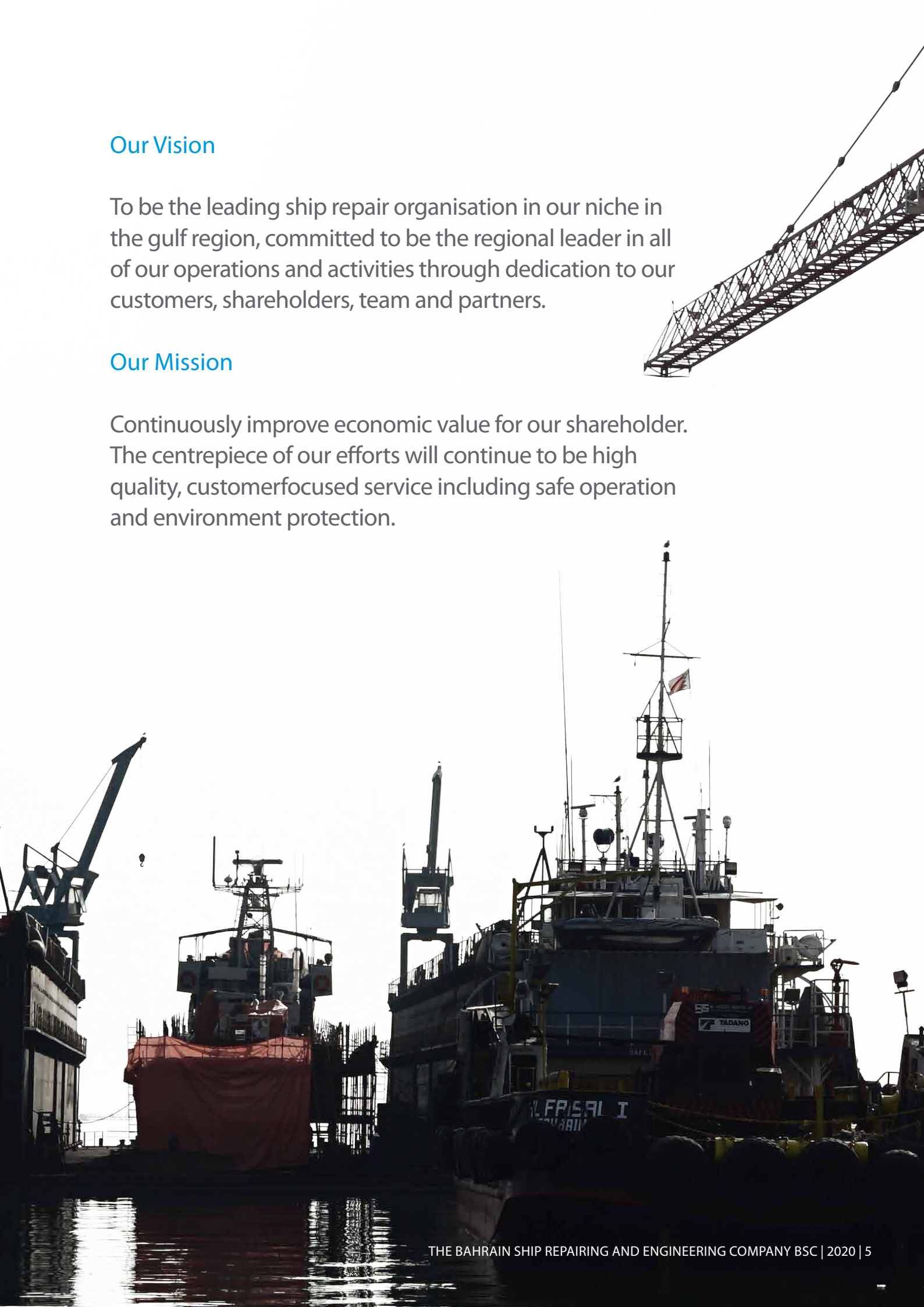


Our Vision

To be the leading ship repair organisation in our niche in the gulf region, committed to be the regional leader in all of our operations and activities through dedication to our customers, shareholders, team and partners.

Our Mission

Continuously improve economic value for our shareholder. The centrepiece of our efforts will continue to be high quality, customerfocused service including safe operation and environment protection.



Board of Directors



Fawzi Ahmed Kanoo
Chairman



Khalid Mohammed
Kanoo
Deputy Chairman



Khaled Yousuf
Abdulrahman
Director



Khaled Abdulla
Abdulrahman Abdulla
Director



Talal Fawzi Kanoo
Director



Yusuf Abdulla Yusuf
Akbar Alireza
Director



N. E. Saadi
Director & CEO

General Information

Rewarding journey guided by strong principles

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

Commercial Registration

715

Head Office

Mina Salman Industrial Area
Kingdom of Bahrain
P.O. Box 568
Telephone: +973 17725300
Telefax: +973 17729891
E-mail: mainoffice@basrec.com.bh

Board of Directors

Fawzi Ahmed Kanoo
Chairman

Khalid Mohamed Kanoo
Deputy Chairman

Khaled Yousuf Abdulrahman
Director

Khaled Abdulla Abdulrahman Abdulla
Director

Talal Fawzi Kanoo
Director

Yusuf Abdulla Yusuf Akbar Alireza
Director

N.E. Saadi
Director

Chief Executive Officer
N.E. Saadi

Bankers

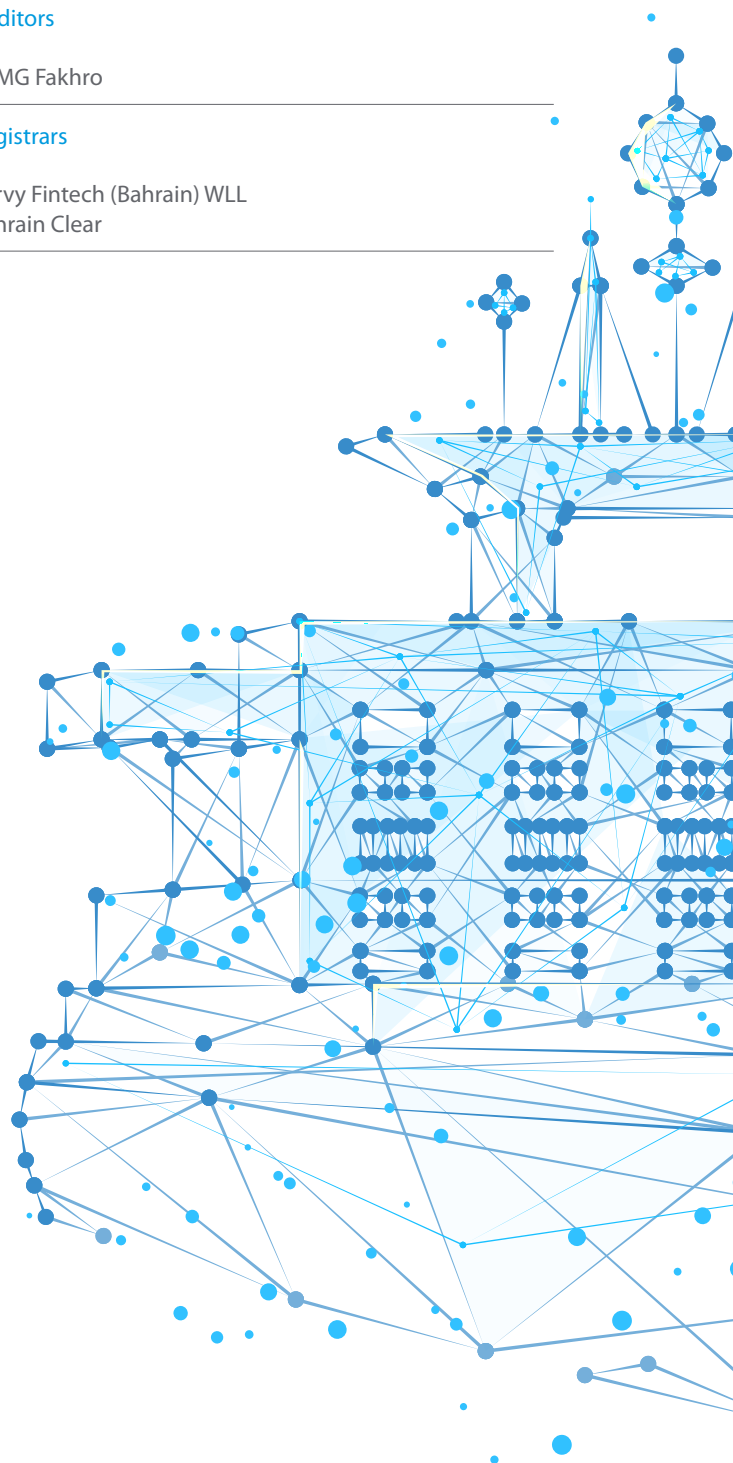
National Bank of Bahrain BSC
Al Salam Bank BSC
Bank of Bahrain and Kuwait BSC
Ahli United Bank BSC
Bahrain Islamic Bank
National Bank of Kuwait
Kuwait Finance House
Standard Chartered Bank

Auditors

KPMG Fakhro

Registrars

Karvy Fintech (Bahrain) WLL
Bahrain Clear





Sustaining a culture of Safety and Quality

Chairmans' Report

Fawzi Ahmed Kanoo
Chairman

“BASREC is committed to improve its economic value for its shareholders and its corporate social responsibility by ensuring customer satisfaction, safe operations and environmental protection.”



On behalf of the Board of Directors, it is my great pleasure to present the 59th Annual Report of the Bahrain Ship Repairing and Engineering Company B.S.C. (BASREC), together with the consolidated financial statements for the year Ended 31 December 2020.

The consolidated financial statements have been prepared in accordance with the requirements of the International Financial Reporting Standards as part of our permanent commitment to the highest quality standards in corporate governance, as they form an important part of our identity.

This report documents the various activities, strategic projects and agreements relevant to BASREC. It also records the overall activities of the Company over the period covered by this report.

The year 2020 witnessed an unprecedented experience in the history not only by the ship repairing industry but also by almost all industries and other businesses universally.

With the worldwide spread of Coronavirus (COVID-19) pandemic earlier this year, the ship repairing industry, similar to other businesses throughout the world, was affected and activities either slowed down or came to a halt. BASREC was not an exception, and as a result, the company had to adopt to the new situation.

However, the Company's strategy, based on flexibility in response and continuous excellence in performance, had its active role in strengthening the steadfastness of the Company and in enabling it to continue its work with minimum interruption. The measures taken by the company included the application of a package of preventive precautions to meet the challenges of the pandemic. Therefore, BASREC has succeeded in continuing to provide its integrated services with all professionalism in the field of repair and maintenance of ships and associated engineering works.

As the company has been accustomed, throughout its history of more than half of a century, its services have won the satisfaction of customers, and despite the shrinkage in the global business environment in light of the difficult conditions imposed by the pandemic, the company was able to achieve satisfactory revenues. BASREC was able to maintain liquidity and financial sustainability that allowed it to meet all its obligations, and to retain all employees.

Thanks to the Government of the Kingdom of Bahrain, which voluntarily supported the Company by subsidizing BASREC with part of Bahraini manpower wages and salaries for a period of 6 months, waiver of rent lease payments and waiver part of electricity and water for 3 months.

Nevertheless, BASREC made further efforts to enhance relationship with existing clients, and also to attract new customers.

As part of BASREC's commitment to its social responsibility, the Company has also continued to implement its various community initiatives, including providing support and assistance to groups and societies, on top of which is the Royal Humanitarian Foundation for its tangible role in supporting the groups in need.

Chairmans' Report (continued)

Consolidated Financial Statements

The year 2020 was difficult by all standards, and the Company's revenues were affected by the challenges posed by the pandemic. The Company's net profits during the year reached BD 1,400,033 compared to BD 3,075,110 in 2019. However, the Company was able to maintain its retained earnings at BD 24,174,153 as on 31 December 2020 compared to BD 23,840,998 as on December 2019.

In recognition of the importance and support of the valued shareholders, the Board of Directors is pleased to propose a dividend of BD 50 fils per share, amounting to BD 990,000, representing 50% of the paid up share capital for the year 2020.

This proposed dividend for the year 2020, is subject to regulatory and shareholders' approval at an Annual General Meeting.

Directors

I would like to thank all Directors and employees of the Company for their persistent work, diligence and guidance.

Acknowledgement

All Shareholders, Directors, Management Executives and employees, express their gratitude and appreciation to His Majesty King Hamad Bin Isa Al Khalifa, King of the Kingdom of Bahrain, to His Royal Highness Prince Salman Bin Hamad Al Khalifa, the Crown Prince, Prime Minister, and Deputy Supreme Commander, the Ministers in general and the Ministry of Commerce, Industry and Tourist, in particular, Undersecretaries, Directors and Heads of Government Departments, for the immeasurable interest guidance and encouragement accorded to BASREC.

Our sentiments also go to our suppliers, contractors, patrons and the people of Bahrain. In particular, we thank our clients and supporters for their continued encouragement, trust and confidence as we strive for progress.

I would also like to commemorate our former Prime Minister Lt. HRH Khalifa bin Salman Al-Khalifa who played a vital role and supported us during his reign.

Fawzi Ahmed Kanoo
Chairman of the Board of Directors

Kingdom of Bahrain
24th February 2021

An aerial photograph of a ship's wake in deep blue water. The wake is a turbulent, white and light blue trail of water that curves from the bottom left towards the top right. The water is a rich, dark blue, and the sky above is a lighter, hazy blue. The overall scene is dynamic and captures the power of the vessel.

“Safety is vital to our business and we place great emphasis on entrenching a safety culture and zero tolerance for incidents.”

Management Report

Bahrain Ship Repairing & Engineering Company (BASREC) has never faced such a remarkable year since it was incorporated in 1963. For the first time in the nearly 50 years of its operational history, BASREC, like other businesses worldwide, has faced a global pandemic as a result of COVID-19.

It was a time for BASREC to exert further efforts and work harder to maintain its global position and prove it could stand in the face of such adversity.

Addressing challenges during such a difficult time will naturally take priority over any vessel berthing at BASREC. Thus, measures recommended by the Government medical authorities were strictly applied, and other additional precautionary actions were also put in place.

Nevertheless, BASREC introduced holistic service solutions in all aspects of marine engineering and ship repair to local and international shipping and offshore industry. Management continue to monitor the current market and to take adequate measures to cope with the prevailing situation and improve its competitive position in the ship repairing market. As a result, the company was able to make a profit of BD 1,357,276,000, which was in excess of the anticipated forecast of BD 1,040,000,000.

Uninterruptedly, BASREC continued to upgrade the skills of its workforce and to improve the effectiveness of its facilities.

Health and safety have always remained a prime priority and have at all times been improved and monitored.

Surveillance audit for verification of compliance with the rules and regulations was performed in March. The shipyard was presented with the Recertification Audit for ISO 14000:2015 (Environmental Management System) and OSHAS 18001:2007 and ISO 45001:2018 (Occupational Health & Safety Management System). The audit was carried out by LQRA.

The company is already certified by Lloyd's Register for ISO 9001:2015 (QMS) and MIPR is certified by Bureau Vertas (BV) for ISO 9001:2015.

Apart from concentration on the operational aspect, BASREC has never failed to recognize its workforce who form the backbone of its business.



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

During the year, the company recognized several employees who have completed 20 years or more of service with BASREC. In a special ceremony attended personally by Chief Executive Officer, Didine Saadi, employees received their token recognition awards. The Chief Executive Officer congratulated the long serving employees and expressed his thanks and appreciation to them and stressed the Board of Director’s keenness to encourage and motivate the employees. He emphasised the company’s relentless pursuit to provide permanent support to employees and to help them continuously develop their professional skills.

BASREC is proud of its national employees and of attracting and employing Bahraini skilled citizens to assume various positions suiting their qualifications within the company. The ship yard recognizes the role of young people in the growth and development of the company and Management works to satisfy the commitment for social responsibility towards the Kingdom of Bahrain.

We would like to take this opportunity to extend our thanks and gratitude to our customers for their trust and confidence in BASREC and look forward for their continued cooperation and support.

I would also like, on behalf of the management and the Board, to thank all of the Bahrain Ship Repairing and Engineering Company employees for their valuable contribution and their deep commitment to the company.

N.E. Saadi
Director & CEO

Kingdom of Bahrain
24th February 2021





Inspired workforce, Progressive insight

Corporate Governance

The Fundamental governance principles that regulate the relationship between The Bahrain Ship Repairing and Engineering Company B.S.C. ("BASREC/ the Company") shareholders, management, employees and third parties, i.e. customers, legal authorities, suppliers and all types of individuals and institutions with whom BASREC does business are stipulated below:

Integrity

With regard to BASREC's activities and relationships with customers, employees, shareholders, legal authorities, institutions and organizations, BASREC remains committed to the principle of integrity.

Credibility

Aware that confidence relies at the heart of business success, BASREC provides customers, shareholders, employees and legal authorities with clear, comprehensive and accurate information and offers timely and excellent services.

Responsibility

All the employees and directors undertake to perform their duties with honor, integrity, impartiality and sincerity towards BASREC and also to the society in general hereby placing the Company's interest ahead of their own self-interests.

Compliance

BASREC abides by all laws, regulations and standards and is committed to ensure compliance with any of the proposals for modifications.

Confidentiality

BASREC does not share any information or details on transactions concerning shareholders, employees, suppliers and business partners and above all personal information regarding customers, with any person or institution, except with those authorities with which the sharing of information is permitted or required by laws and regulations.

Transparency

Except for information that is deemed a commercial secret and not yet disclosed to the public, BASREC discloses to the public financial and non-financial information promptly, accurately, thoroughly, comprehensively and in a way easy to interpret and, to access.

BASREC Management strives to establish transparent and close communication with the shareholders. The primary objective is to make BASREC shares an attractive and predictable investment vehicle for existing shareholders as well as for potential investors. To this purpose, BASREC's management implements strategic plans and announces results in accordance with generally accepted accounting principles, International Financial Reporting Standards and provisions of relevant legislation in a comprehensive, fair, accurate, timely and comprehensive manner.

The company believes that good Corporate Governance is vital to our success in business; create long term shareholder value as also an important component of our commitment to our

shareholders, customers & employees. The Company through its Board of Director, Senior Management & employees is committed to adhering to good Corporate Governance practices to effectively meet its statutory, financial and social obligations.

Effective Corporate Governance is an important part of our identity. Accordingly, we ensure the responsible, value-driven management and control of BASREC through our system of corporate governance. The guiding framework for this is provided by the Corporate Governance Code 2018 for public listed entities, whilst general reference is also drawn from other applicable laws and regulations of the Kingdom of Bahrain, Central Bank of Bahrain and the Bahrain Stock Exchange (Bahrain Bourse) along with Commercial Companies Law and its amendments.

This Corporate Governance Policy highlights key components of the governance system as designed and implemented in BASREC for the reporting period from 1 January 2020 to 31 December 2020.

Shareholders

BASREC maintains an open and transparent dialogue with its shareholders. The Annual General Assembly was held on 24 March 2020, during which the following resolutions were approved:

- The Board of Directors' Report on the Company's activities and its financial position for the fiscal year ended 31 December 2019 and the future plan of the Company.
- Approved distribution of dividend to the shareholders for the financial year 2019 at 50 fils per share.
- The adoption of the company's financial statements for the year ended 31 December, 2019.
- Appointment of KPMG as external auditors for the fiscal year 2020 and the auditor's fees.
- Approval of the Amendment of the Articles of Association, Article (5) to add "Service activities incidental to Water Transportation Management and Operation of Port and Private Jetties" to the company activities.
- Approval of the Amendment to the Articles of Incorporation and Memorandum of Association of the company to comply with the requirements of Act No. (1) of 2018 with regard to amend certain provisions of the Commercial Companies Law promulgated by Law decree (21) of 2001.
- Authorizing the Board of Directors to make the necessary Amendments to the Articles of Incorporation and Memorandum of Association which comply with above 2 and 3 paragraphs. Moreover, to authorize the Chairman of the Board or his representative to sign on behalf of the company before a Notary to document these Amendments.

Corporate Governance (continued)

The Articles of Association (“AoA”) includes provisions to ensure the rights of shareholders are respected in a fair and equitable manner, and more specifically include provisions with regard to calls for General Assembly meetings, General Assembly resolutions, and equal treatment of shareholders, the exercise of - voting rights, method of voting for Board members and dividend distribution method.

The Board of Directors has adopted and is committed to implement both the Corporate Governance Code of the Kingdom of Bahrain (the “MOICT Code”) and the Corporate Governance Module (the “CBB Module”). The Company seeks, where applicable, to meet the requirements of the MOICT Code and the CBB Module and to implement the additional recommendations and guidance of the MOICT Code as well as other international best practices in the Corporate Governance. The Company operates in line with a set of Board approved ‘Corporate Governance Guidelines’. The aforementioned document is fully aligned with the MOICT Code. Compliance with the Code is monitored by the Board Audit, Risk and Corporate Governance Committee by utilizing reports prepared by the Corporate Secretary and corporate governance related audits by Internal Audit.

Major Shareholders

Yusuf Bin Ahmed Kanoo W.L.L. and General Organization for Social Insurance (GOSI) are the two major shareholders of BASREC holding 50.47 % and 7.50 % of shares respectively.

As at 31 December 2020, 57.97 % of the total number of shares in the Company is held by two Bahraini shareholders.

NATIONALITY WISE REPORT AS ON 31.12.2020

Nationality	No of Holder	Total Shares	% To Equity
BAHRAINI	676	19,267,775	97.31 %
EMIRATI	6	16,900	0.09 %
KUWAITI	5	174,870	0.88 %
QATARI	3	6,352	0.03 %
SAUDI	7	320,004	1.62 %
INDIAN	3	13,949	0.07 %
PAKISTANI	1	150	0.00 %
	701	19,800,000	100%

Corporate Governance (continued)

Board of Directors

The BASREC Board of Directors (the “Board”) is the primary governing body for BASREC. The Articles of Association (“AOA”) includes composition of Board of Directors and their term of office, condition for the membership of the Board, election of Directors, appointment of expert as Board member, termination of membership, and powers of the Board of Directors under Bahrain Commercial Company Law 2001 and its amendments, Directors liability, Directors remuneration and requirements for the nomination to the Board. Additionally the information

in regards to board’s responsibilities, activities to induct, educate, direct, orient and train new directors are included in the Company’s corporate governance manual which has been approved by the Board. This manual is compliant with the MOICT code.

As per its AOA the BASREC Board is composed of 7 members and the board members will be elected during the Annual General Meeting.

Composition of Board

The Company has a balanced Board, comprising of Executive and Non- executive Directors which include independent Directors

No.	Name	Designation	Date of appointment	Category
1.	Fawzi Ahmed Kanoo	Chairman	29 March 2018	Non-executive
2.	Khalid Mohamed Kanoo	Deputy Chairman	29 March 2018	Non-executive
3.	Khaled Yusuf Abdulrahman	Member	29 March 2018	Non-executive & Independent
4.	Khaled Abdulla Abdulrahman Abdulla	Member	29 March 2018	Non-executive
5.	Talal Fawzi Kanoo	Member	29 March 2018	Non-executive
6.	Yusuf Abdulla Yusuf Akbar Alireza	Member	27 March 2019	Non-executive & Independent
7.	N.E. Saadi	Member	29 March 2018	Executive

The Chairman is considered to be independent as he is independent of the management and free from any business or other relationship that could materially interfere with or could reasonably be perceived to materially interfere with the exercise of their unfettered and independent judgment. There are strong independent directors to maintain a balance in the boardroom.



Composition of Board (continued)

The Board met 4 times during the period from January 2020 to December 2020, as follows:

Sr. No	Date	No. of Members Attended	No. of Members Excused
1.	24 February 2020	7	-
2.	1 June 2020	7	-
3.	13 August 2020	7	-
4.	12 November 2020	7	-

Director	Meeting Dates				AMG
	24/2/2020	01/6/2020	13/8/2020	12/11/2020	24/3/2020
Fawzi Ahmed Kanoo	✓	✓	✓	✓	✓
Khalid Mohamed Kanoo	✓	✓	✓	✓	✓
Khaled Yusuf Abdulrahman	✓*	✓	✓	✓	✓
Khaled Abdulla Abdulrahman Abdulla	✓	✓	✓*	✓	✓
Talal Fawzi Kanoo	✓	✓	✓	✓	✓
Yusuf Abdulla Yusuf Akbar Alireza	✓	✓*	✓*	✓*	✓*
N.E. Saadi	✓	✓	✓	✓	✓

*Members attended the meeting by teleconference

“Audit, Risk and Governance Committee ensures the quality of financial reporting, sound business risk management practices and ethical behavior.”



Composition of Board (continued)

Board Committees

Two Board Committees i.e. an Audit Risk and Governance Committee and Nomination and Remuneration Committee has been established following a decision of the Board of Directors.

Audit, Risk and Governance Committee (the“ARGC”)

The ARGC is responsible to oversee BASREC’s financial reporting process, to review BASREC’s compliance with all relevant laws, regulations, codes and business practices, to review and supervise BASREC’s governance policies such as Code of Conduct Policy, Whistleblowing Policy, Related Party Transactions Policy and Conflict of Interest Policy as required by the Corporate Governance Code 2018 and for supervising and undertaking all internal and external audit activities, risk management governance and other matters according to the pre-approved action plan of the Board of Directors.

The ARGC Charter was approved by the Board of Directors on 12 May 2011 and the ARGC was elaborated with Risk and Governance responsibilities in 2015. The ARGC comprises two members of the Board of Directors and an expert from independent audit firm who will elect a Chairman from amongst them. The membership of the ARGC will correspond to the tenure of Board membership and expert’s period will be based on appointment letter. All members of the ARGC have accounting and financial experience.

The members of the ARGC are:

- Yusuf Abdulla Yusuf Akbar Alireza – Chairman
- Khaled Yusuf Abdulrahman – Member
- Jassim Abdulaal - Expert

The responsibilities of the ARGC as documented in the ARGC charter are to:

1. Prepare the agenda and minutes for ARGC meetings in consultation with the Internal Auditors, External Auditors, Chief Executive Officer, Compliance Officer and Chief Financial Officer.
2. Review and update the approval of the ARGC Charter.
3. Oversee BASREC’s financial reporting process on behalf of the Board and report the results of its activities to the Board.
4. Review BASREC’s companies with all relevant laws, regulations, codes and business practices.
5. Review and supervise the Company’s policy and procedures for the code of conduct policy, whistle blowing policy and related party transaction policy and conflict of interest policy as required by the Corporate Governance Code 2018.
6. Ensure the quality of financial reporting, sound business risk management practices and ethical behavior.
7. Monitoring the adequacy and implementation of the Company’s Corporate Governance Framework.
8. Monitor and review the standards of risk management and the effectiveness and integrity of internal control systems, including the procedures for ensuring that material business risks, fraud and related matters, are properly identified and managed.

The Committee met 4 times during the period from January 2020 to December 2020, as follows:

Sr. No	Date	No. of Members Attended	No. of Members Excused
1.	18 February 2020	2	1
2.	04 June 2020	3	-
3.	06 August 2020	3	-
4.	08 November 2020	3	-

Director	Meeting Dates			
	18/2/2020	04/6/2020	06/8/2020	08/11/2020
Yusuf Abdulla Yusuf Akbar Alireza	✓*	✓*	✓*	✓*
Khaled Yusuf Abdulrahman	x	✓	✓*	✓
Jassim Abdulaal	✓	✓	✓	✓

*Committee members attended the meeting by teleconference

Corporate Governance (continued)

Related Party Transactions and Conflict of Interest

All the related party transactions are strictly done on arm's length basis. For information on related party transactions, please refer to Note 24 "RELATED PARTY TRANSACTIONS" of the consolidated financial statements in the Group's Financial Report 2020. No material transactions has been entered into by the Company with the Directors or the Management, their subsidiaries or relatives etc. that may have a potential conflict with the interest of the Company

Nomination and Remuneration Committee (the "NRC")

The NRC will assist the Board to identify, assess and nominate individuals for directorships with the Company and NRC members. The NRC shall also ensure that Compensation offered is competitive, in line with the market and consistent with the responsibilities assigned. The NRC will review and recommend the management remuneration policy for the Board approval.

The NRC comprises three members of the Board of Directors:

The members of the NRC are:

- Khaled Yusuf Abdulrahman - Chairman
- Yusuf Abdulla Yusuf Akbar Alireza - Member
- N.E. Saadi - Member

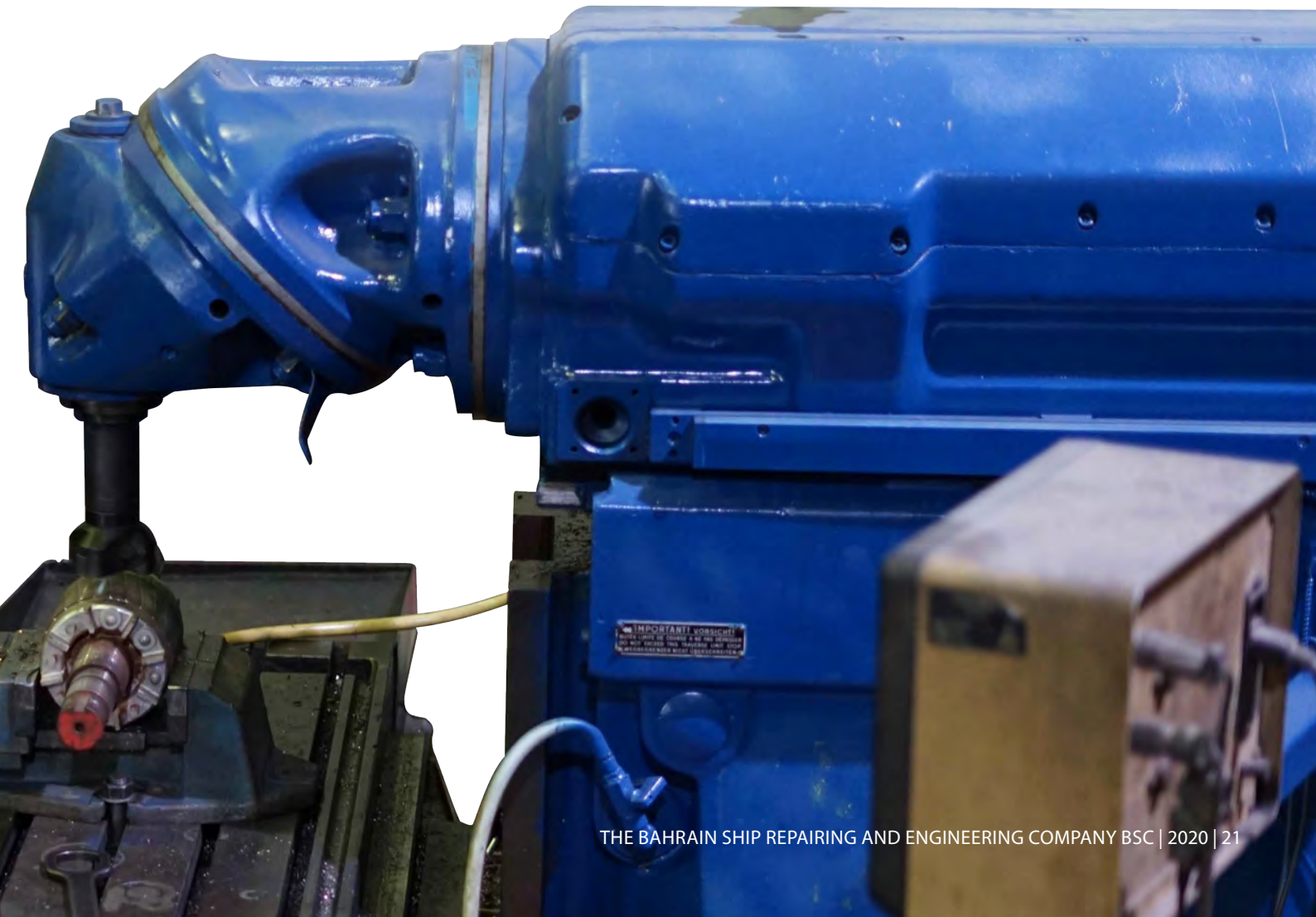


Corporate Governance (continued)

“NRC reviews, monitors and makes recommendations regarding the orientation (induction) and ongoing development of existing and new directors such as continued education and training programs.”

The responsibilities of the NRC as documented in the NRC charter are:

1. Board’s proposal to the Shareholders for election or re-election of a director to be accompanied by a recommendation from the NRC.
2. Review, monitor and make recommendations regarding the orientation (induction) and ongoing development of existing and new directors such as continued education and training programs.
3. The NRC shall propose the specific remuneration package for the Directors and Senior Management to the Board for approval. The remuneration policy for Directors shall be subject to the Shareholders’ approval and annual fee payment is subject to Shareholders’ approval prior to payment. The Chief Executive Officer may in turn consider and recommend to the NRC the remuneration packages for all other employees of the company.
4. The NRC, jointly with the CEO, will review and identify key positions, requiring succession planning and ensure appropriate measures are in place.
5. Review the adequacy of Charters adopted by each committee of the Board and recommend changes if necessary.
6. The NRC should regularly review the time commitment required from each non – executive director and each non-executive director must inform the NRC before the director accepts any other Board appointments.
7. The NRC shall exercise utmost discretion when making written records of its deliberations and recommendations of remuneration.



Corporate Governance (continued)

Nomination and Remuneration Committee (the "NRC") (continued)

The NRC met 4 times during the period from January 2020 to December 2020, as follows:

Sr. No	Date	No. of Members Attended	No. of Members Excused
1.	18 February 2020	2	1
2.	4 June 2020	3	-
3.	6 August 2020	3	-
4.	8 November 2020	3	-

Director	Meeting Dates			
	18/2/2020	04/6/2020	06/8/2020	08/11/2020
Yusuf Abdulla Yusuf Akbar Alireza	✓*	✓*	✓*	✓*
Khaled Yusuf Abdulrahman	x	✓	✓*	✓
N.E. Saadi	✓	✓	✓	✓

*Members attended the meeting by teleconference

Board Committees

The composition of the NRC does not currently meet with the recommendation as there are not enough Board members appointed to the Board at this stage. The Board considers that the company is not of a size nor are its affairs of such complexity to justify the requirement. As such NRC is made of two independent Directors. The Board will reconsider the policy framework as the company and the Board grows.

The two members of the NRC maintains responsibility for setting the level and composition of remuneration for Directors and Senior Executives and ensuring that such remuneration is appropriate and not excessive and are pursuant to Company's Articles of Association.

Board Secretary

BASREC has assigned the Board secretarial duties to the Corporate Secretary. Meeting minutes of all Board meetings are maintained and Board resolutions are documented.

Internal Control System

The Board is responsible for the internal control system in the Company. The Board has appointed an outsourced internal auditor to oversee internal control system of the BASREC. Internal Audit has conducted an initial risk assessment.

Internal and External Audit

The Board appointed BDO as its outsourced Internal Auditor in January 2021.

The shareholders at their General Meeting held on 24 March 2018, re-appointed KPMG as their external auditor. The External Auditor has submitted an unqualified audit opinion for the year 2019.

Insider Trading and Key Person Dealing

An insider trading policy was implemented in June 2007 as per the Guidelines of the Central Bank of Bahrain. In 2011, Insider Policy was replaced by Key Person Dealing Policy as per the Guidelines issued by the Bahrain Stock Exchange (Bahrain Bourse) and notification/directive of the Central Bank of Bahrain. Automated controls are integrated in operational processes to monitor compliance with the policy, including trading by Board members, Management and employees.

Decades worth of expertise in repairing and maintaining small boats

DC
GROUP
dc.fr

16t

“The Company recognizes that it must be a responsible member of the society in which it operates and does business.”



Composition of Board (continued)

Directors and Senior Management Interests

The number of shares held by Directors, Senior Management as at 31st December 2020 as follows:

Name	Type of Share	31st Dec 2020	31st Dec 2019
Fawzi Ahmed Kanoo	Ordinary	29,265	29,265
Khalid Mohamed Kanoo	Ordinary	-	-
Abdulla Yousuf Akbar Alireza	Ordinary	Retired	471,652
Yusuf Alireza	Ordinary	471,652	-
Khaled Yusuf Abdulrahman	Ordinary	254,932	254,932
TOTAL		755,849	755,849
As a % the total number of shares		3.82%	3.82%

*Members attended the meeting by teleconference

Dividend Policy

The payment of dividends is subject to recommendation by the Board of Directors and approval by the Company's shareholders. The Directors have recommended payment of cash dividend of 50 fils per share of 100 fils each on 19,800,000 Ordinary Shares for the financial year 2020.

Remuneration Policy

The Directors have proposed remuneration of BHD 166,000 for their contribution in 2020. Board remuneration is subject to approval of the General Assembly.

The Board determines Senior Management compensation. The Senior Management compensation is composed of a salary and allowances. BASREC discloses Board and Senior Management compensation as a part of the Related Party disclosures (Note No. 25) in the Group's Financial Report of 2020.

The remuneration policy is diverted towards rewarding performance. It is aimed at retaining high caliber talent.

Corporate Social Responsibility

The Company recognizes that it must be a responsible member of the society in which it operates and does business. Policies, procedures and systems have been put in place to address health, safety and environmental concerns. The company also contributes to educational and charitable organization in the community to help further goals of society.

Independent auditors' report to the shareholders

The Bahrain Ship Repairing and Engineering Company BSC Manama – Kingdom of Bahrain
Report on the audit of the consolidated financial statements

Opinion

We have audited the accompanying consolidated financial statements of Bahrain Ship Repairing and Engineering Company BSC (the "Company") and its subsidiary (together the "Group"), which comprise the consolidated statement of financial position as at 31 December 2020, the consolidated statements of profit or loss and comprehensive income, changes in equity and cash flows for the year then ended, and notes, comprising significant accounting policies and other explanatory information.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at 31 December 2020, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRS).

Basis for opinion

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

Key audit matters

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

(i) Contract accounting and revenue recognition

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

Description	How the matter was addressed in our audit
<p>Determination of revenue to be recognised on contracts is a key matter for our audit because of the judgment involved in determining goods and services for which the customer has obtained control over time.</p> <p>This revenue is recognised over time based on progress made to satisfy performance obligations which is determined based on surveys of work performed and completion of physical proportion of the contract work. An error in the contract forecast could result in a material variance in the amount of profit or loss recognised to date and therefore also in the current period.</p>	<p>We have performed the following audit procedures to address the key audit matter:</p> <ul style="list-style-type: none">• Obtained an understanding of the process for the revenue recognition;• We read all significant contracts and discussed each with management to obtain full understanding of the specific terms and risk, which formed as basis for our consideration of whether revenue was appropriately recognised;• We evaluated and tested the operating effectiveness of internal controls over the accuracy and timing of revenue recognised in the consolidated financial statements, including controls over detailed contract reviews performed by management that included estimating total cost and stage upto which control is transferred to customer;• We challenged the financial assessment of the contract progress overtime through discussion with management and comparing the outcome of our discussion with the underlying records; and• Evaluating the adequacy of the Group's disclosures in relation to contract accounting and revenue recognition by reference to the requirements of relevant accounting standards.

Independent auditors' report to the shareholders

Other information

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

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

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

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

Responsibilities of the board of directors for the consolidated financial statements

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

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

Auditors' responsibilities for the audit of the consolidated financial statements

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



Independent auditors' report to the shareholders

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

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion.

The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the board of directors.

- Conclude on the appropriateness of the board of directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Group to cease to continue as a going concern.

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

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

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



Independent auditors' report to the shareholders

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

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

Report on other regulatory requirements

1- As required by the Commercial Companies Law, we report that:

- a) the Company has maintained proper accounting records and the consolidated financial statements are in agreement therewith;
- b) the financial information contained in the Board of Directors' report is consistent with the consolidated financial statements;
- c) we are not aware of any violations during the year of the Commercial Companies Law or the terms of the Company's memorandum and articles of association that would have had a material adverse effect on the business of the Company or on its financial position; and
- d) satisfactory explanations and information have been provided to us by management in response to all our requests.

2- As required by the Ministry of Industry, Commerce and Tourism in its letter dated 30 January 2020 in respect of the requirements of Article 8 of Section 2 of Chapter 1 of the Corporate Governance Code, we report that the Company has:

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

The engagement director on the audit resulting in this independent auditors' report is Mayank Bindal.

KPMG Fakhro
Director registration number 246
24 February 2021





CONSOLIDATED STATEMENT OF FINANCIAL POSITION

as at 31 December 2020

Bahraini Dinars

	Note	2020	2019
ASSETS			
Equity investment securities	6	4,853,907	4,421,021
Debt investment securities	7	1,972,360	1,975,850
Investment properties	8	2,711,052	2,848,733
Right-of-use assets	9 b	1,692,304	1,766,482
Property, plant and equipment	9 a	5,058,355	5,105,845
Total non-current assets		16,287,978	16,117,931
Cash and bank balances	4	1,793,393	6,067,666
Bank deposits	5	15,549,550	8,498,355
Trade receivables	10	889,006	1,879,127
Due from contract customers	16 b	267,560	2,058,139
Inventories	11	443,679	469,604
Other assets	12	515,231	476,215
Total current assets		19,458,419	19,449,106
Total assets		35,746,397	35,567,037
EQUITY AND LIABILITIES			
Equity			
Share capital	13	1,980,000	1,980,000
Reserves		5,470,630	4,960,866
Retained earnings		24,174,153	23,840,998
Total equity		31,624,783	30,781,864
LIABILITIES			
Lease liabilities	15 b	1,641,912	1,681,050
Employees' benefits	14	668,106	684,142
Total non-current liabilities		2,310,018	2,365,192
Trade payables		352,795	869,010
Other payables and accrued expenses	15 a	1,458,801	1,550,971
Total current liabilities		1,811,596	2,419,981
Total liabilities		4,121,614	4,785,173
Total equity and liabilities		35,746,397	35,567,037

The consolidated financial statements were approved by the Board of Directors on 24 February 2021 and signed on its behalf by:

Fawzi Ahmed Kanoo
Chairman

Khaled Yousuf Abdulrahman
Director

The accompanying notes 1 to 28 are an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

for the year ended 31 December 2020

Bahraini Dinars

	Note	2020	2019
Revenue			
Revenue from contract with customers	16	5,106,993	8,333,591
Interest income		442,330	465,330
Dividend income		250,700	233,015
Other income	17	414,600	484,189
Total revenue		6,214,623	9,516,125
EXPENSES			
Staff cost		1,556,533	1,789,181
Materials cost		862,512	1,252,069
Subcontract and overhead cost	18	1,077,717	1,924,236
Depreciation and amortization		611,080	575,420
Other operating expenses	19	620,384	811,929
Interest expenses - leased property		86,364	88,180
Total expenses		4,814,590	6,441,015
Profit for the year		1,400,033	3,075,110
Other comprehensive income Items that will not be reclassified to profit or loss:			
Equity investments at FVTOCI – net change in fair value	6	432,886	633,769
Total other comprehensive income for the year		432,886	633,769
Total comprehensive income for the year		1,832,919	3,708,879
Basic and diluted earnings per share	20	71 fils	155 fils

The consolidated financial statements were approved by the Board of Directors on 24 February 2021 and signed on its behalf by:

Fawzi Ahmed Kanoo
Chairman

Khaled Yousuf Abdulrahman
Director

The accompanying notes 1 to 28 are an integral part of these consolidated financial statements.



CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

for the year ended 31 December 2020

Bahraini Dinars

2020	Share capital	Statutory reserve	General reserve	Charity reserve	Fair value reserve	Retained earnings	Total
At 1 January 2020	1,980,000	1,005,049	700,000	460,080	2,795,737	23,840,998	30,781,864
Comprehensive income for the year:							
Profit for the year	-	-	-	-	-	1,400,033	1,400,033
Net changes in fair value of equity investment at FVTOCI	-	-	-	-	432,886	-	432,886
Total comprehensive income for the year	-	-	-	-	432,886	1,400,033	1,832,919
Charity contribution approved for 2019	-	-	-	76,878	-	(76,878)	-
Cash dividend declared for 2019	-	-	-	-	-	(990,000)	(990,000)
At 31 December 2020	1,980,000	1,005,049	700,000	536,958	3,228,623	24,174,153	31,624,783

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

The accompanying notes 1 to 28 are an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS

for the year ended 31 December 2020

Bahraini Dinars

	Note	2020	2019
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash receipts from customers		7,918,602	8,537,826
Cash paid to suppliers and for operating expenses		(4,641,585)	(6,221,554)
Directors' remuneration and sitting fee paid		(166,000)	(166,000)
Net cash generated from operating activities		3,111,017	2,150,272
CASH FLOWS FROM INVESTING ACTIVITIES			
Acquisition of property, plant and equipment	9 a	(351,839)	(315,899)
Acquisition of debt investment at amortised cost		(1,000,000)	-
Maturing of debt investment at amortised cost		1,000,000	500,000
Bank deposits, net		(10,017,587)	(1,176,748)
Interest and dividends received		1,003,697	945,974
Refund of capital advance and performance bond	9 a	-	3,414
Net cash used in investing activities		(9,365,729)	(43,259)
CASH FLOWS FROM FINANCING ACTIVITIES			
Dividends paid		(941,334)	(945,700)
Charities paid		(17,200)	(8,900)
Net cash used in financing activities		(958,534)	(954,600)
Net (decrease) / increase in cash and cash equivalents		(7,213,246)	1,152,413
Cash and cash equivalents at 1 January		9,006,639	7,854,226
Cash and cash equivalents at 31 December		1,793,393	9,006,639
Cash and cash equivalents comprise:			
Cash and bank balances	4	1,793,393	6,067,666
Bank deposits maturing less than 3 months	5	-	2,938,973
		1,793,393	9,006,639

The accompanying notes 1 to 28 are an integral part of these consolidated financial statements.



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the year ended 31 December 2020

1 Reporting entity

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

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

The subsidiary of the Group included in these consolidated financial statements as at 31 December 2020 and 2019 is as follows:

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

2 Basis of preparation

a) Statement of compliance

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

b) Basis of measurement

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

c) Functional and presentation currency

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

d) Use of estimates and judgments

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

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

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

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

(ii) Contract accounting and revenue recognition

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

(iii) Impairment of financial assets

At each reporting date, the Group assesses whether financial assets carried at amortised cost are credit-impaired. A financial asset is 'credit-impaired' when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred. Debt securities and other financial assets measured at amortised cost are assessed for impairment using the expected credit loss model. Detailed of impairment on financial assets are included in note 3d(vi).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the year ended 31 December 2020

2 Basis of preparation (continued)

d) Use of estimates and judgments (continued)

(iv) Impairment of inventory

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

e) Standards, amendments and interpretations effective from 1 January 2020

There were no new standards and amendments to standards, which became effective as of 1 January 2020, that are relevant and material to the Group.

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 on or after 1 January 2021 and earlier application is permitted; however, the Group has not early applied the following new or amended standards in preparing these consolidated financial statements which are relevant for the Group.

(i) Onerous Contracts – Cost of Fulfilling a Contract (Amendments to IAS 37)

The amendments specify which costs an entity includes in determining the cost of fulfilling a contract for the purpose of assessing whether the contract is onerous. The amendments apply for annual reporting periods beginning on or after 1 January 2022 to contracts existing at the date when the amendments are first applied. At the date of initial application, the cumulative effect of applying the amendments is recognized as an opening balance adjustment to retained earnings or other components of equity, as appropriate. The comparatives are not restated.

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

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

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

The practical expedient will only apply if:

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

Lessees applying the practical expedient are required to disclose:

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

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

The amendments are effective for annual reporting periods beginning on or after 1 June 2020, with earlier application permitted.

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

(iii) Classification of liabilities as current or non-current (amendment to IAS 1)

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



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the year ended 31 December 2020

2 Basis of preparation (continued)

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

Further, 'a right to defer' exists only if the company complies with conditions specified in the loan agreement at the end of the reporting period, even if the lender does not test compliance until a later date. This new requirement may change how companies classify rollover facilities, with some becoming non-current. The amendments state that settlement of a liability includes transferring a company's own equity instruments to the counterparty. When classifying liabilities as current or non-current a company can ignore only those conversion options that are recognized as equity. Therefore, companies may need to reassess the classification of liabilities that can be settled by the transfer of the company's own equity instruments – e.g. convertible debt.

The amendments are effective for annual reporting periods beginning on or after 1 January 2023.

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

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

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

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

The amendments are effective for annual reporting periods beginning on or after 1 January 2022.

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

3 Significant accounting policies

The significant accounting policies applied in the preparation of these consolidated financial statements are set out below. These accounting policies have been consistently applied by the Group and are consistent with those used in the previous year.

a) Basis of consolidation

(i) Subsidiaries

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

(ii) Transactions eliminated on consolidation

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

(iii) Loss of control

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the year ended 31 December 2020

3 Significant accounting policies (continued)

b) Leases

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

- the contract involves the use of an identified asset, this may be specified explicitly or implicitly, and should be physically distinct or represent substantially all of the capacity of a physically distinct asset. If the supplier has a substantive substitution right, then the asset is not identified;
- the Group has the right to obtain substantially all of the economic benefits from use of the asset throughout the period of use; and
- the Group has the right to direct the use of the asset. The Group has this right when it has the decision-making rights that are most relevant to changing how and for what purpose the asset is used. In rare cases where the decision about how and for what purpose the asset is used is predetermined, the Group has the right to direct the use of the asset if either:
 - the Group has the right to operate the asset; or
 - the Group designed the asset in a way that predetermines how and for what purpose it will be used.

At inception or on reassessment of a contract that contains a lease component, the Group allocates the consideration in the contract to each lease component on the basis of their relative stand-alone prices. However, for the leases of land and buildings in which it is a lessee, the Group has elected not to separate non-lease components and to account for the lease and non-lease components as a single lease component.

The Group recognises a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, which comprises:

- the amount of the initial measurement of the lease liability;
- any lease payment made at or before the commencement date, less any lease incentives received;
- any initial direct cost incurred by the lessee; and
- estimated cost to dismantle and to remove the underlying asset, or to restore the underlying asset or the site on which it is located.

The right-of-use asset is subsequently depreciated using the straight line method from the commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term. The estimated useful lives of right-of-use assets are determined based on the lease term.

Lease liability is measured as the present value of the future lease payments that are not paid at the commencement date. The lease payments are discounted based on the Group's incremental borrowing rate. Lease liability comprises the following:

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

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

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

Short-term leases and leases of low-value assets

The Group has elected not to recognise right-of-use assets and lease liabilities for short-term leases that have a lease term of 12 months or less and for leases of low-value assets. The Group recognises the lease payments associated with these leases as an expense on a straight-line basis over the lease term.



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the year ended 31 December 2020

3 Significant accounting policies (continued)

c) Foreign currency transactions and balances

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

d) Financial instruments

(i) Initial recognition and measurement

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

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

(ii) Classification and subsequent measurement

On initial recognition, the Group classifies its financial assets as measured at: amortised cost, FVTOCI, or FVTPL. Financial assets are not reclassified subsequent to their initial recognition unless the Group changes its business model for managing financial assets, in which case all affected financial assets are reclassified on the first day of the first reporting period following the change in the business model.

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

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

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

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

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

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the year ended 31 December 2020

3 Significant accounting policies (continued)

d) Financial instruments (continued)

(ii) Classification and subsequent measurement (continued)

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

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

(iii) Recognition

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

(iv) Derecognition

Financial assets

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

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

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

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

Financial liabilities

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

(v) Offsetting

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

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



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the year ended 31 December 2020

3 Significant accounting policies (continued)

d) Financial instruments (continued)

(vi) Impairment

The Group recognises loss allowances for expected credit losses (ECLs) on:

- financial assets measured at amortised cost; and
- due from contract customers.

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

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

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

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

Lifetime ECLs are the ECLs that result from all possible default events over the expected life of a financial instrument. 12-month ECLs are the portion of ECLs that result from default events that are possible within the 12 months after the reporting date (or a shorter period if the expected life of the instrument is less than 12 months). The maximum period considered when estimating ECLs is the maximum contractual period over which the Group is exposed to credit risk.

Measurement of ECLs

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

Credit-impaired financial assets

At each reporting date, the Group assesses whether financial assets carried at amortised cost are credit-impaired. A financial asset is 'credit-impaired' when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred.

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

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

Presentation of allowance for ECL in the statement of financial position

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the year ended 31 December 2020

3 Significant accounting policies (continued)

e) Impairment of non-financial assets

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

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

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

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

f) Investment property

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

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

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

g) Cash and cash equivalent

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

h) Inventories

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

i) Trade receivables

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



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the year ended 31 December 2020

3 Significant accounting policies (continued)

j) Revenue recognition

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

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

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

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

- (ii) Revenue from sale of engineering products is recognised at a point in time when customer obtains control over goods. Customer obtains control when the goods are delivered and have been accepted by customers at their premises.
- (iii) Rental income from investment property is recognised in the profit or loss on accrual basis over the term of the lease. Lease incentives granted are recognised as an integral part of the total rental income, over the term of the lease.

k) Property, plant and equipment

- (i) Recognition and measurement

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

- (ii) Subsequent costs

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

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

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

- (iii) Depreciation

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the year ended 31 December 2020

3 Significant accounting policies (continued)

k) Property, plant and equipment (continued)

(iii) Depreciation (continued)

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

l) Trade and other payables

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

m) Provisions

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

n) Segment reporting

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

o) Employees' benefits

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

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

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

p) Government Grant

Government grants are recognised in profit or loss on a systematic basis in the periods in which the Group recognises expenses for which grants are intended to compensate.

q) Share Capital

Equity shares are classified as equity. Incremental costs directly attributable to the issue of the ordinary shares are recognized as a deduction from equity.

r) Fair value measurement

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. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the year ended 31 December 2020

3 Significant accounting policies (continued)

r) Fair value measurement (continued)

- a) In the principal market for the asset or liability; or
- b) In the absence of a principal market, in the most advantageous market for the asset or liability.

The principal or the most advantageous market must be accessible by the Group.

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the consolidated financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

Fair value hierarchy:

- Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2: Valuation techniques based on observable inputs, either directly (i.e. ask 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 where all significant inputs are directly observable from market data.
- Level 3: Valuation techniques using significant unobservable inputs. This category includes instruments where the valuation technique includes inputs not based on market observable data.

For assets and liabilities that are recognised in the consolidated financial statements on a recurring basis, the Group determines whether transfers have occurred between Levels in the hierarchy by re-assessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

For the purpose of fair value disclosures, the Group has determined classes of assets and liabilities on the basis of the nature, characteristics and risks of the asset or liability and the level of fair value hierarchy as explained above.

s) Earnings per share

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

t) Statutory reserve

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

u) General reserve

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the year ended 31 December 2020

Bahraini Dinars

3 Significant accounting policies (continued)

- v) **Charity reserve**
Charity reserve represents transfers from retained earnings that are set aside for charitable purposes.
- w) **Dividends declared**
Dividends declared are recognised as a liability in the period in which they are approved by the shareholders.

4 Cash and bank balances

	2020	2019
Cash in hand	3,278	7,374
Bank balances	1,799,192	6,061,792
Less: Expected credit losses	(9,077)	(1,500)
Cash and bank balances	1,793,393	6,067,666

5 Bank deposits

	2020	2019
Deposits maturing less than 3 months when acquired	-	2,938,973
Deposits maturing 3 months and above	15,627,892	5,617,882
Less: Expected credit losses	(78,342)	(58,500)
Bank deposits	15,549,550	8,498,355

As at reporting date, average interest rate on bank deposits is 2.80% (2019: 2.83%).

6 Equity investment securities

	2020	2019
Quoted equity securities – at FVTOCI	4,853,907	4,421,021
	4,853,907	4,421,021

Movement on equity investment securities during the year as follows:

	2020	2019
At 1 January	4,421,021	3,787,252
Fair value changes	432,886	633,769
At 31 December	4,853,907	4,421,021

7 Debt investment securities

	2020	2019
Government of Bahrain Development Bonds	2,005,850	2,005,850
Less: Expected credit losses	(33,490)	(30,000)
	1,972,360	1,975,850



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the year ended 31 December 2020

Bahraini Dinars

8 Investment properties

	Freehold land	Buildings	Total 2020	Total 2019
Cost				
At 1 January	355,674	4,289,439	4,645,113	4,645,113
At 31 December	355,674	4,289,439	4,645,113	4,645,113
Depreciation				
At 1 January	-	1,796,380	1,796,380	1,657,700
Charge for the year	-	137,681	137,681	138,680
At 31 December	-	1,934,061	1,934,061	1,796,380
Net book value at 31 December	355,674	2,355,378	2,711,052	2,848,733

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

	2020	2019
Gross rental income (note 17)	295,473	359,502
Depreciation	(137,681)	(138,680)
Other expenditure	(36,398)	(72,075)
Net rental income	121,394	148,747

Investment properties comprises principally freehold land and buildings owned by the Group leased to third parties. The fair value of the investment properties of BD 8.42 million (2019: BD 15.3 million) has been determined by an independent third party property valuer.

The fair values were determined based on income capitalisation method and market comparable method. Under the income capitalisation method, a property's fair value is estimated based on the normalised net operating income generated by the property, which is divided by the capitalisation rate which is considered a level 3 in the fair value hierarchy. A change of 100 basis points in income capitalisation rates at the reporting date would have increased/ (decreased) fair value by BD 60,700 in both ways. This analysis assumes that all other variables, in particular occupancy rates, remain constant. The analysis is performed on the same basis for 2019. Under the market comparable method a property's fair value is estimated based on comparable transactions that reflects recent transaction prices for similar properties which is considered a level 2 in the fair value hierarchy.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the year ended 31 December 2020

Bahraini Dinars

9 Property, plant, equipment and right-of-use assets

a) Property, plant and equipment

	Jetties and buildings	Plant and equipment	Motor vehicles and launches	Furniture and equipment	Capital work-in-progress	Total 2020	Total 2019
Cost							
At 1 January	7,378,600	4,406,624	429,094	736,175	233,923	13,184,416	12,871,931
Additions	7,729	125,021	31,933	39,833	147,323	351,839	315,899
Disposals	-	(108)	-	-	-	(108)	-
Transfers	-	76,314	11,430	3,522	(91,266)	-	-
Subsidy/Advance refunded	-	-	-	-	-	-	(3,414)
At 31 December	7,386,329	4,607,851	472,457	779,530	289,980	13,536,147	13,184,416
Depreciation							
At 1 January	3,946,112	3,354,942	284,640	492,878	-	8,078,572	7,715,499
Charge for the year	155,730	149,834	28,026	65,641	-	399,231	363,073
Disposals	-	(11)	-	-	-	(11)	-
At 31 December	4,101,842	3,504,765	312,666	558,519	-	8,477,792	8,078,572
Net book value	3,284,487	1,103,086	159,791	221,011	289,980	5,058,355	5,105,845

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

b) Right-of-use assetst

	2020	2019
Balance at 1 January	1,766,482	-
Recognition of right-of-use assets on transition to IFRS 16	-	1,840,255
Charge for the year	(74,178)	(73,773)
Balance at 31 December	1,692,304	1,766,482



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the year ended 31 December 2020

Bahraini Dinars

10 Trade receivables

	2020	2019
Gross receivables	1,330,020	2,324,513
Less: Impairment allowances	(441,014)	(445,386)
Balance at 31 December	889,006	1,879,127

Movement on impairment allowance is as follows:

	2020	2019
At 1 January	445,386	445,386
Charge for the year	4,201	-
Written back during the year	(8,573)	-
At 31 December	441,014	445,386

Information about the Group's exposure to credit risks, and impairment losses for trade and other receivable is included in note 23.

11 Inventories

	2020	2019
Raw materials and consumables	763,402	558,037
Goods for resale	391,802	623,092
	1,155,204	1,181,129
Less: Provision for slow-moving and obsolete items	(711,525)	(711,525)
At 31 December	443,679	469,604

Movement on impairment allowance is as follows:

	2020	2019
At 1 January	711,525	671,525
Charge for the year	-	40,000
At 31 December	711,525	711,525

During the year, inventories of BD 862,512 (2019: BD 1,252,069) were recognised as an expense in profit or loss.

12 Other assets

	2020	2019
Interest receivable	123,011	120,463
Advances to suppliers	170,697	136,076
Staff loans	54,029	52,234
VAT receivable	69,772	76,284
Others	97,722	91,158
	515,231	476,215

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the year ended 31 December 2020

Bahraini Dinars

13 Share capital

	Number 2020	Amount 2020	Number 2019	Amount 2019
a) Authorised shares 100 fils each	19,800,000	1,980,000	19,800,000	1,980,000
b) Issued and fully paid	19,800,000	1,980,000	19,800,000	1,980,000
			2020	2019
Stock exchange price at 31 December			930 fils	1,010 fils
Market capitalisation of the Company as at 31 December			18,414,000	19,998,000
Basic and diluted earnings per share			71 fils	155 fils

Additional information on shareholding pattern

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

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

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

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

Categories*	Number of Shares	Number of shareholders	% of total issued shares
Less than 1%	4,739,110	688	23.93
1% to less than 5%	3,582,211	11	18.10
5% to less than 10%	1,485,041	1	7.50
10% to less than 50%	-	-	-
50% and above	9,993,638	1	50.47
	19,800,000	701	100.00

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

97.93% of the shares are held by Bahraini individuals and legal entities incorporated in the Kingdom of Bahrain and 2.07% by other nationalities. Total shares held by the directors at 31 December 2020 were 3.82% (2019: 3.82%).

14 Employees' benefits

	2020	2019
Balance at 1 January	684,142	729,669
Charge for the year	100,336	63,618
Paid during the year	(116,372)	(109,145)
At 31 December	668,106	684,142
Average number of employees	249	265

The Group's contributions to Social Insurance Organisation pension scheme in respect of Bahraini employees for 2020 were BD 63,071 (2019: BD 65,935).



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the year ended 31 December 2020

Bahraini Dinars

15 Lease liabilities, other payables and accrued expenses

a) Other payables and accrued expenses

	2020	2019
Accrued expenses	405,727	390,299
Unclaimed dividends	209,015	209,320
Leave salary accruals	80,609	89,852
Lease liability – current (b)	124,667	124,655
Provision for charity	10,400	27,600
Other payables	628,383	709,245
	1,458,801	1,550,971

b) Lease liabilities

	2020	2019
Non-current portion	1,641,912	1,681,050
Current portion	124,667	124,655
	1,766,579	1,805,705

(i) Amounts recognised in profit or loss

	2020	2019
Leases under IFRS 16		
Interest on lease liabilities	86,364	88,180
Depreciation	74,178	73,773
Expenses relating to short-term leases	44,700	48,000
	205,242	209,953

(ii) Amounts recognised in statement of cash flows

	2020	2019
Total cash outflow for lease liabilities	125,490	122,730

16 Revenue from contract with customers

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

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

	2020	2019
Revenue from contracts with customer		
Ship repair and maintenance – transferred overtime	4,341,637	7,507,453
Sale of engineering products – transferred at a point in time	679,843	715,016
Pump repair and maintenance – transferred overtime	85,513	111,122
	5,106,993	8,333,591

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the year ended 31 December 2020

Bahraini Dinars

16 Revenue from contract with customers (continued)

b. Contract balances

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

	2020	2019
Receivables, which are included in trade receivables	883,073	1,879,127
Due from contract customers*	267,560	2,058,139
	1,150,633	3,937,266

*This is net of expected credit loss of BD 9,638 (2019: 34,614).

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

17 Other income

	2020	2019
Property income (note 8)	295,473	359,502
Scrap sale	21,209	37,994
Other miscellaneous income	97,918	86,693
	414,600	484,189

18 Subcontract and overhead cost

	2020	2019
Subcontracts services	640,059	1,420,203
Professional fees	75,754	145,428
Others	361,904	358,605
	1,077,717	1,924,236

19 Other operating expenses

	2020	2019
Directors' remuneration and sitting fees	173,868	184,000
Repairs and maintenance	158,450	248,761
Electricity and water	136,417	189,208
Advertising and marketing expenses	19,798	17,875
Printing and stationery	7,777	6,040
Other expenses	124,074	166,045
	620,384	811,929



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20 Earnings per share

	2020	2019
Profit for the year	1,400,033	3,075,110
Weighted average number of shares during the year	19,800,000	19,800,000
Basic and diluted earnings per share	71 fils	155 fils

21 Proposed appropriations

The Board of Directors propose a cash dividend of 50% (2019: 50%) of the paid-up capital and other appropriations as follows:

	2020	2019
Dividend	990,000	990,000
Transfer to charity contributions	35,000	76,878
	1,025,000	1,066,878

22 Segmental information

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

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

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

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22 Segmental information (continued)

The Group has the following business segments:

2020	Ship repairing & investment	Trading	Pump repairing	Elimination of inter-segment transactions	Total
Sales	4,341,637	718,484	85,513	(38,641)	5,106,993
Expenses	3,487,707	658,687	96,953	(39,837)	4,203,510
Depreciation / amortization	603,801	1,382	5,897	-	611,080
Interest, dividend and other income	1,107,149	685	992	(1,196)	1,107,630
Profit for the year	1,357,278	59,100	(16,345)	-	1,400,033
Total assets	35,605,904	879,144	254,426	(993,077)	35,746,397
Total liabilities	(4,034,539)	(820,044)	(210,108)	943,077	(4,121,614)

2019	Ship repairing & investment	Trading	Pump repairing	Elimination of inter-segment transactions	Total
Sales	7,507,452	790,069	111,122	(75,052)	8,333,591
Expenses	5,075,795	742,000	123,911	(76,111)	5,865,595
Depreciation / amortization	564,315	578	10,527	-	575,420
Interest, dividend and other income	1,167,902	4,491	11,200	(1,059)	1,182,534
Profit for the year	3,035,244	51,982	(12,116)	-	3,075,110
Total assets	35,263,254	939,595	262,287	(898,099)	35,567,037
Total liabilities	(4,529,856)	(887,615)	(216,541)	848,839	(4,785,173)

23 Financial instruments and risk management

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

a) Risk management framework

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

- credit risk
- liquidity risk
- market risk

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



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23 Financial instruments and risk management (continued)

a) Risk management framework (continued)

The Board of Directors of the Group has overall responsibility for the establishment and oversight of the Group's risk management framework. The Group's risk management policies are established to identify and analyse the risks faced by the Group, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Group's activities. The Group limits the credit risk on bank balances by ensuring that these are maintained with banks having high credit ratings.

b) Credit risk

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

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

(i) Exposure to credit risk

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

	2020	2019
Debt investments securities*	1,972,360	1,975,850
Bank balances*	1,790,115	6,060,292
Bank deposits*	15,549,550	8,498,355
Trade receivables**	889,006	1,879,127
Due from contractor customers**	267,560	2,058,139
Other assets	344,534	340,139
	20,813,125	20,811,902

*Subject to 12 Month Expected Credit Loss

** Subject to lifetime Expected Credit Loss

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

	2020	2019
Impairment loss on trade receivables	4,201	-
Impairment loss on bank balances and deposits	27,419	-
Impairment loss on debt investments securities	3,490	-
	35,110	-

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23 Financial instruments and risk management (continued)

(iii) The following table provides information about the exposure to credit risk and ECLs for trade receivables and due from contract customers from individual customers as at 31 December 2020.

2020	Weighted-average loss rate	Gross carrying value	Impairment loss allowance	Credit-impaired
Current (not past due)	3.48%	908,155	(31,576)	No
Past due up to 180 days	9.57%	189,393	(18,126)	No
More than 180 days	78.67%	509,670	(400,950)	Yes
	28.04%	1,607,218	(450,652)	

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

All services are largely provided to Bahrain based customers.

(iv) Balance and movements on the allowance for impairment in respect of financial assets

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

	2020	2019
Trade receivables	450,652	480,000
Bank balances and deposits	87,419	60,000
Debt investments securities	33,490	30,000
	571,561	570,000

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

	2020	2019
Balance at 1 January	570,000	570,000
Net re-measurement of loss allowance	1,561	-
	571,561	570,000



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23 Financial instruments and risk management (continued)

c) Liquidity risk

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

The following are the contractual maturities of financial liabilities:

2020	Carrying amount	Total contractual cash flows	Within 1 Year	Over 1 year
Trade payables	352,795	352,795	352,795	-
Other payables	1,334,134	1,334,134	1,334,134	-
Lease liabilities	1,766,579	2,919,719	127,158	2,792,561
Total liabilities	3,453,508	4,606,648	1,814,087	2,792,561

2019	Carrying amount	Total contractual cash flows	Within 1 Year	Over 1 year
Trade payables	869,010	869,010	869,010	-
Other payables	1,426,316	1,426,316	1,426,316	-
Lease liabilities	1,805,705	3,048,915	127,158	2,921,757
Total liabilities	4,101,031	5,344,241	2,422,484	2,921,757

d) Market risk

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

(i) Interest rate risk

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

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

	2020	2019
Fixed rate instruments		
Government debt securities	1,975,850	1,975,850
Variable rate instruments		
Bank deposits	15,569,392	8,498,355

As at reporting date, government debt securities had average interest rate of 5.94% (2019: 5.69%), whereas average interest rate on bank deposits was 2.80% (2019: 2.83%).

Cash flow sensitivity analysis for variable rate instruments

A change of 100 basis points in interest rates at the reporting date would have increased/ (decreased) equity and profit or loss by BD 155,694 in both ways (2019: BD 84,984). This analysis assumes that all other variables, in particular foreign currency rates, remain constant. The analysis is performed on the same basis for 2019.

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23 Financial instruments and risk management (continued)

(ii) Other market price risk

Market price risk arises from equity investments held by the Group. All of the Group's quoted investments are listed on the Bahrain Bourse. A 2% increase / decrease in Bahrain Bourse prices at the reporting date would have increased / decreased equity by BD 65,523 (2019: an increase / decrease of BD 88,420).

(iii) Currency risk

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

e) Capital management

The Group's objectives for managing capital are:

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

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

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

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

24 Fair value and classification of financial instruments

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

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

The best evidence of the fair value of a financial instrument at initial recognition is normally the transaction price – i.e. the fair value of the consideration given or received. If the Group determines that the fair value at initial recognition differs from the transaction price and the fair value is evidenced neither by a quoted price in an active market for an identical asset or liability nor based on a valuation technique that uses only data from observable markets, then the financial instrument is initially measured at fair value, adjusted to defer the difference between the fair value at initial recognition and the transaction price.



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24 Fair value and classification of financial instruments (continued)

Subsequently, that difference is recognised in profit or loss on an appropriate basis over the life of the instrument but no later than when the valuation is wholly supported by observable market data or the transaction is closed out.

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

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

31 December 2020	At amortised cost	FVTOCI	Total carrying Amount
Trade receivables	883,073	-	883,073
Due from contract customers	267,560	-	267,560
Cash and bank balances	1,800,970	-	1,800,970
Bank deposits	15,569,392	-	15,569,392
Debt investments securities	1,975,850	-	1,975,850
Equity investment securities	-	4,853,907	4,853,907
Other assets	344,534	-	344,534
	20,841,379	4,853,907	25,695,286
Trade payables	352,795	-	352,795
Other payables	1,334,134	-	1,334,134
Lease liabilities	1,766,579	-	1,766,579
	3,453,508		3,453,508

31 December 2019	At amortised cost	FVTOCI	Total carrying Amount
Trade receivables	1,879,127	-	1,879,127
Due from contract customers	2,058,139	-	2,058,139
Cash and bank balances	6,060,292	-	6,060,292
Bank deposits	8,498,355	-	8,498,355
Debt investments securities	1,975,850	-	1,975,850
Equity investment securities	-	4,421,021	4,421,021
Other assets	340,139	-	340,139
	20,811,902	4,421,021	25,232,923
Trade payables	869,010	-	869,010
Other payables	1,426,316	-	1,426,316
Lease liabilities	1,805,705	-	1,805,705
	4,101,031		4,101,031

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24 Fair value and classification of financial instruments (continued)

(ii) Fair value hierarchy

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

• Level 1

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

• Level 2

Valuation techniques based on observable inputs, either directly (i.e. as prices) or indirectly (i.e., derived from prices). This category includes instruments valued using; quoted market prices in active markets for similar instruments; quoted prices for identical or similar instruments; quoted prices for identical or similar instruments in markets that are considered less than active; or other valuation techniques where all significant inputs are directly or indirectly observable from market data.

• Level 3

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

a) Financial instruments measured at fair value

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

2020	Level 1	Level 2	Level 3	Total
Quoted equity investments securities	4,021,123	832,784	-	4,853,907

2019	Level 1	Level 2	Level 3	Total
Quoted equity investments securities	3,509,460	911,561	-	4,421,021

b) Other financial assets and liabilities

The fair value of the debt investment securities as at 31 December 2020 is BD 2,124,250 (31 December 2019: BD 2,000,000) which is considered a level 2 in the fair value hierarchy. The carrying amount of other financial assets and liabilities approximate their fair values due to their short term nature.

25 Related party transactions

Parties are considered to be related if one party, directly or indirectly through one or more intermediaries, has the ability to control the other party or exercise significant influence over the other party in making financial and operating decisions. Related parties include major shareholders, directors and key management personnel of the Group and entities that are related to these parties.

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

a) Related party balances

	2020	2019
Amount due from Kanoo Shipping - entity under common control	12,293	1,201
Amount due to Yusuf Bin Ahmed Kanoo WLL- shareholder	13,440	11,395



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25 Related party transactions (continued)

b) Transactions with related parties

	2020	2019
Revenues		
Ship repairing services - entity under common control	82,892	510,968
Expenses		
Purchase of air tickets and services - entity under common control	41,159	105,231

c) Balances and transactions with key management personnel

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

	2020	2019
Advance given against salary	30,000	32,275

	2020	2019
Directors' remuneration and sitting fee*	173,868	184,000
Salaries and other short term benefits	119,640	125,581
Post employment benefits	8,470	8,470
Post employment benefits	301,978	318,051

* Directors' remuneration accrued for 2020 is subject to the approval of MOICT as per the articles of Commercial Companies law.

26 Commitment and contingent liabilities

	2020	2019
Letter of guarantees	40,000	40,000
Capital commitment	51,200	95,820

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27 Impact of COVID-19

On 11 March 2020, the COVID-19 outbreak was declared a pandemic by the World Health Organization (WHO) and has rapidly evolved globally. This has resulted in a global economic slowdown with uncertainties in the economic environment. Global equity and commodity markets have also experienced great volatility and a significant drop in prices. Authorities have taken various measures to contain the spread including implementation of travel restrictions and quarantine measures. The pandemic as well as the resulting measures and policies have had some impact on the Group. The Group is actively monitoring the COVID-19 situation, and in response to this outbreak, has activated its business continuity plan and various other risk management practices to manage the potential business disruption on its operations and financial performance.

Governments and central banks across the world have responded with monetary and fiscal interventions to stabilize economic conditions. The Government of Kingdom of Bahrain has announced various economic stimulus programmes ("Packages") to support businesses in these challenging times. The Group has received some benefits from these Packages mainly in the form of temporary waiver of Electricity and Water Authority utility bills, Government levy and partial reimbursement of salaries of employees from the Unemployment Fund.

Included in statement of profit or loss is BD 214,214 received from the Government of Kingdom of Bahrain, for the reimbursement of salaries of the national employees, waiver of Electricity and Water Authority utility bills and exemption of government-owned industrial land rental fees from April 2020 to June 2020. The Group has elected to present this support by reducing the related expense as below:

	2020
Staff cost	140,280
Subcontract and overhead cost	73,934
	214,214

The management and the Board of Directors (BOD) have been closely monitoring the potential impact of the COVID-19 developments on the Group's operations and financial position; including possible loss of revenue, impact on asset valuations, impairment, review of onerous contracts, outsourcing arrangements etc. Based on their assessment, the BOD is of the view that the Group will continue as a going concern entity for the next 12 months from the date of these consolidated financial statements.

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

28 Comparatives

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



**Gaining momentum
forging ahead**