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

STRENGTHENING PERFORMANCE SINCE 1962

ANNUAL REPORT

2021

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

CONTENTS:

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

Yusuf Abdulla Yusuf Alireza
Director

N. E. Saadi
Director

Talal Fawzi Kanoo
Director

Zaid Khalid Yusuf Abdulrahman
Director

Ali Abdulaziz Ahmed Abdulmalek
Director

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 Mohammed Kanoo
Deputy Chairman

Yusuf Abdulla Yusuf Alireza
Director

N. E. Saadi
Director

Talal Fawzi Kanoo
Director

Zaid Khalid Yusuf Abdulrahman
Director

Ali Abdulaziz Ahmed Abdulmalek
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

Fawzi Ahmed Kanoo
Chairman of the Board of Directors

BOARD OF DIRECTORS REPORT

"BASREC IS COMMITTED TO IMPROVE ITS ECONOMIC VALUE FOR ITS SHAREHOLDERS ANDITSCORPORATESOCIALRESPONSIBILITY BY ENSURING CUSTOMER SATISFACTION, SAFE OPERATIONS AND ENVIRONMENTAL PROTECTION."

On behalf of the Board of Directors, it is my great pleasure to present the 60th 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 2021.

At the outset, I would like to welcome Mr. Zaid Khaled Abdul Rahman and Mr. Ali Abdul Malik as new members of the Board of Directors and I am confident that the Board of Directors will benefit from the great experience they enjoy.

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 2021 witnessed an unprecedented experience in the history not only by the ship repairing industry but also by almost all industries and other businesses universally.

The global economic outlook appears to be improving but remain challenging because of Coronavirus (COVID-19) pandemic continuous in 2021, 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 for 3 months.

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

BOARD OF DIRECTORS REPORT (CONTINUED)

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 A HI-TECH Machine That Helps In The Treatment Of Prostate Cancer Has Been Donated To The BDF Hospital.

Consolidated Financial Statements

The year 2021 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 1,433,326 compared to BD 1,400,033 in 2020. However, the Company was able to maintain its retained earnings at BD 24,580,926 as on 31 December 2021 compared to BD 24,174,153 as on December 2020.

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 2021.

This proposed dividend for the year 2021, 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.

Acknowledgment

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.

As PART OF Company's obligation to maintain utmost transparency with our valued shareholders, we are pleased to attach the table below that shows the remuneration of members of the Board of Directors and Executive Management for the fiscal year ending31st December 2021.

Fawzi Ahmed Kanoo
Chairman of the Board of Directors
24th February 2022

As PART OF Company's obligation to maintain utmost transparency with our valued shareholders, we are pleased to attach the table below that shows the remuneration of members of the Board of Directors and Executive Management for the fiscal year ending 31st December 2021.

First: Board of directors' remuneration details:

	Fixed remunerations					Variable remunerations							
	Remunerations of the chairman and BOD	Total allowance for attending Board and committee meetings	Salaries	Others*	Total	Remunerations of the chairman and BOD	Bonus	Incentive plans	Others**	Total	End-of-service award	Aggregate amount (Does not include expense allowance)	Expenses Allowance
First: Independent Directors:													
1- ZAID KHALID YUSUF ABDULRAHMAN	27,090	2000			**29,090**	--	--	--	--	--	--	--	--
2- YUSUF ABDULLA YOUSUF AKBAR ALIREZA	21,090	1,600			**22,690**	--	--	--	--	--	--	--	--
3- KHALID YUSUF ABDULRAHMAN	--	1,200			**1,200**	--	--	--	--	--	--	--	--
Second: Non-Executive Directors:													
1- FAWZI AHMED KANOO	27,090	1,600			28,690	--	--	--	--	--	--	--	--
2- KHALID MOHAMED KANOO	21,090	--			21,090	--	--	--	--	--	--	--	--
3- TALAL FAWZI KANOO	21,090	--			21,090	--	--	--	--	--	--	--	--
4- ALI ABDULAZIZ ABDULMALEK	21,090	--			21,090	--	--	--	--	--	--	--	--
Third: Executive Directors:													
1- N.E. SAADI	21,090	--			21,090	--	--	--	--	--	--	--	--
Total	**159,630**	**6,400**			**166,030**	--	--	--	--	--	--	--	--

Note: All amounts must be stated in Bahraini Dinars.

A) The director's remuneration FY 2021 is subject to approval from Ministry of Industry, Commerce & Tourism and shareholder's approval in the upcoming AGM.

B) The sitting fees is subject to shareholder's approval in the upcoming AGM.

Other remunerations:

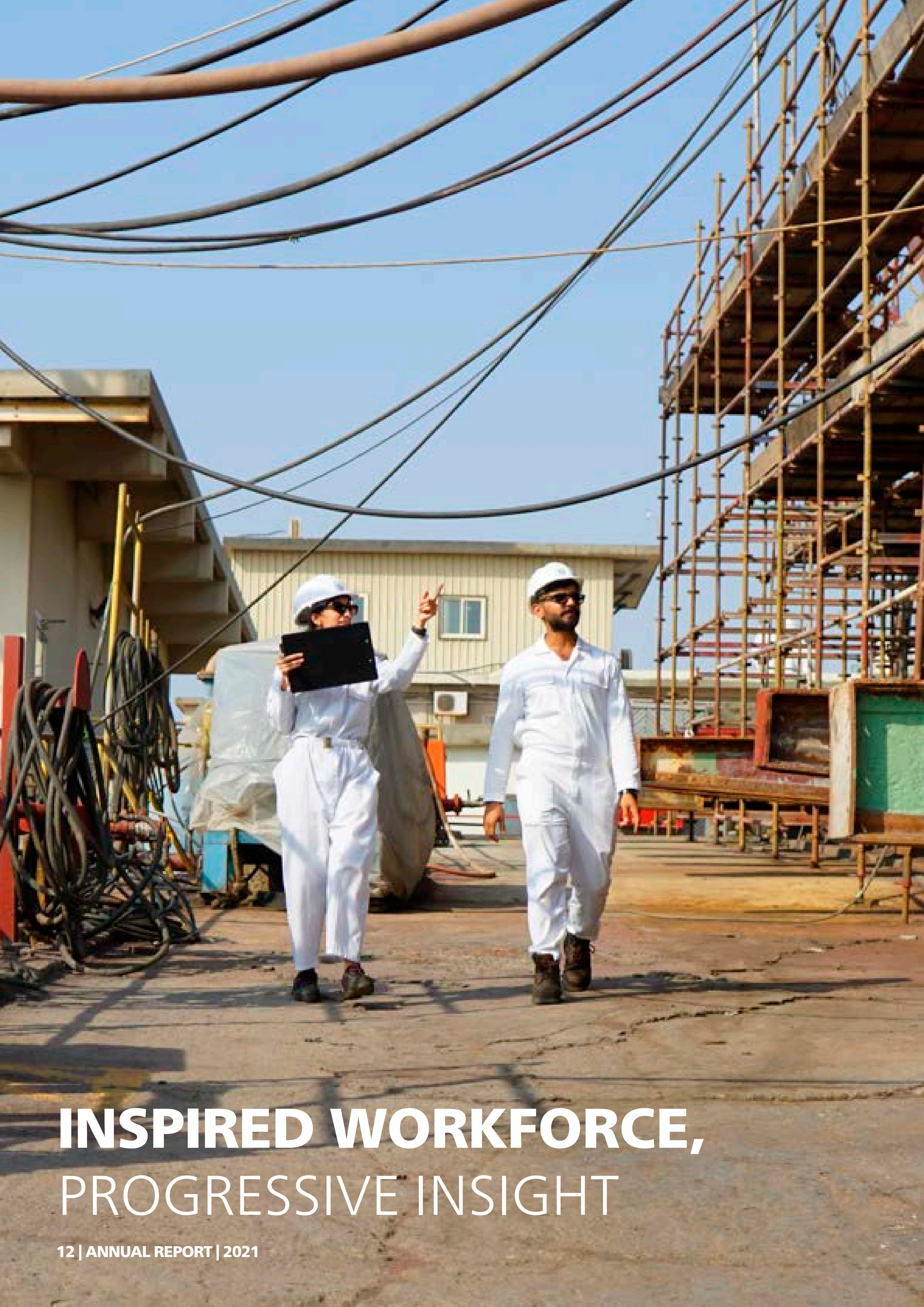
* It includes in-kind benefits – specific amount - remuneration for technical, administrative and advisory works (if any).

** It includes the board member's share of the profits - Granted shares (insert the value) (if any).

Second: Executive management remuneration details:

Executive management	Total paid salaries and allowances	Total paid remuneration Bonus)	Any other cash/ in kind remuneration for 20XX	Aggregate Amount
Top 6 remunerations for executive management	**278,433.500**	**--**	**--**	**278,433.500**

Note: All amounts in Bahraini Dinars.



INSPIRED WORKFORCE, PROGRESSIVE INSIGHT

MANAGEMENT REPORT

N.E Saadi
CEO / Director

"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."

It has been another challenging year for us, as well as for the world's companies in the Ship Repair and Engineering business around the world.

It is natural that facing challenges of this magnitude in these difficult circumstances requires the company to rearrange its priorities, and thus try to limit the effects of this pandemic, which required it to adhere to implementing the recommendations and procedures issued by the health authorities in the government of the Kingdom of Bahrain, and to take other precautionary measures and put them into practice.

We have witnessed another wave of Corona virus turmoil, but despite these difficult circumstances, the company continued to provide its services in all aspects of marine engineering and ship repair to many local and international companies. In fact, the Company's Management continued to monitor the current market situation and take all measures that commensurate with the prevailing situation, in addition to improving its competitive position in the field of ship repair. As a result, the company was able to achieve a profit of BD1,433,326.

The company continued to develop the capabilities of its employees and to improve the effectiveness of the facilities in which it conducts its business.

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

During the month of March, an audit was conducted, the purpose of which was to verify compliance with the applicable rules and regulations. As a result, the company was awarded ISO 14000:2015 Environmental Management System, Health and Safety (OHSAS 18001:2007, and ISO 45001:2018: Occupational Health and Safety Management System) certification from Lloyd's Quality Assurance Registry (LQRA). Already ISO 9001:2015 certified.

The company is proud of its employees, and continues its interest in hiring skilled Bahraini nationals to occupy various positions in the company to commensurate with their abilities and qualifications. The company appreciates the role of youth in the development of the company's business, while the Management works to fulfill its social obligations towards the Kingdom of Bahrain.

I would like to take this opportunity to extend my sincere thanks and gratitude to our customers, for their confidence in Bahrain Ship Repairing and Engineering Company, and we look forward to continuing this cooperation and support in the future.

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

Our outlook for 2022 is positive, and our focus will be on maintaining our strong financial position and preparing for any new challenges, in order to ensure our better growth.

N.E Saadi
CEO / Director
24th February 2022

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.

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.

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.

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 2021 to 31 December 2021.

Shareholders

BASREC maintains an open and transparent dialogue with its shareholders. The Annual General Assembly was held on 30 March 2021, 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 2021 and the future plan of the Company.

CORPORATE GOVERNANCE (CONTINUED)

- Approved distribution of dividend to the shareholders for the financial year 2021 at 50 fils per share.
- The adoption of the company›s financial statements for the year ended December 31, 2021.
- Appointment of KPMG as external auditors for the fiscal year 2021 and the auditor's fees.
- Re- Appointment of the Directors.

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 2021, 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**
AMERICAN	1	3,960	0.02 %
BAHRAINI	687	19,235,072	97.15 %
EMARATI	7	17,409	0.09 %
KUWAITI	5	174,870	0.88 %
QATARI	3	6,352	0.03 %
SAUDI	11	344,604	1.74 %
INDIAN	3	13,949	0.07 %
MORROCO	1	3634	0.00 %
PAKISTANI	1	150	0.00 %
	719	**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.

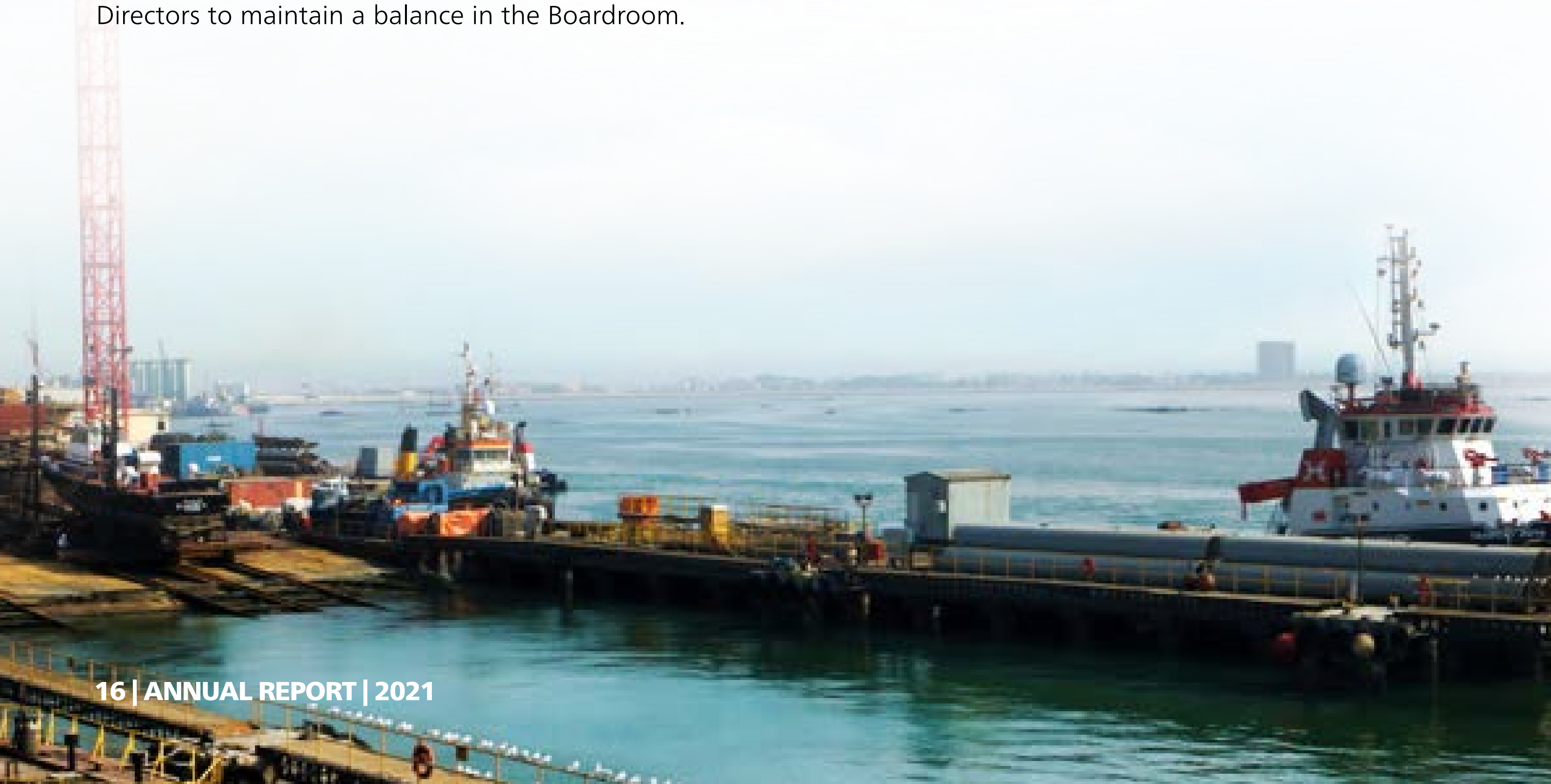
As per its AOA the BASREC Board is composed of 7 members and the board members will be elected during the Annual General Meeting.

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	Zaid Khaled Yusuf Abdulrahman	Member	30 March 2021	Non-executive & Independent
4	Ali Abdulaziz Abdulmalek	Member	30 March 2021	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.



CORPORATE GOVERNANCE (CONTINUED)

The Board met 4 times during the period from January 2021 to December 2021, as follows:

Sr. No	Date	No. of Members Attended	No. of Members Excused
1	24 February 2021	7	-
2	20 May 2021	7	-
3	12 August 2021	7	-
4	11 November 2021	7	-

	Meeting Dates				AGM
Director	24/2/2021	20/05/2021	12/8/2021	11/11/2021	30/3/2022
Fawzi Ahmed Kanoo	√	√	√	√	√
Khalid Mohamed Kanoo	√	√	√	√	√
Khaled Yusuf Abdulrahman	√	--	--	--	--
Zaid Khaled Yusuf Abdulrahman	--	√	√	√	√
Khaled Abdulla Abdulrahman Abdulla	√	--	--	--	--
Ali Abdulaziz Abdulmalek	--	√	√	√	√
Talal Fawzi Kanoo	√	√	√	√	√
Yusuf Abdulla Yusuf Akbar Alireza	√*	√*	√ *	√*	√*
N.E. Saadi	√	√	√	√	√

*Members attended the meeting by teleconference.

The names of the senior executives of the Company are published on the Company's website

Board Committee

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.

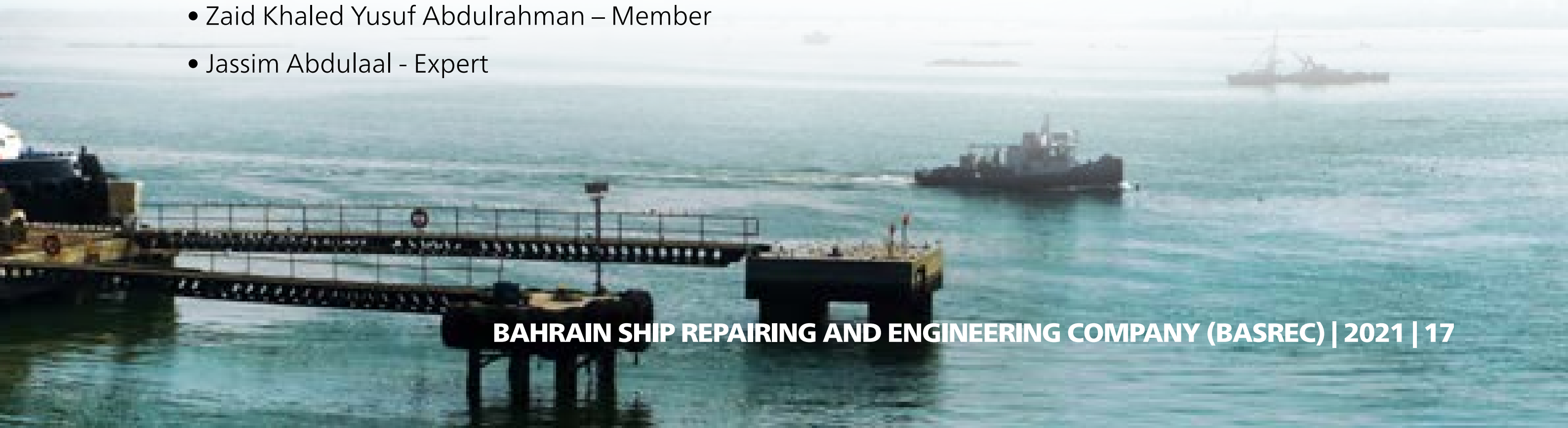
Audit, Risk and Governance Committee (the "ARGC")

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
- Zaid Khaled Yusuf Abdulrahman – Member
- Jassim Abdulaal - Expert



CORPORATE GOVERNANCE (CONTINUED)

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 2021 to December 2021, as follows:

Sr. No	Date	No. of Members Attended	No. of Members Excused
1	18 February 2021	3	-
2	10 May 2021	3	-
3	05 August 2021	3	-
4	08 November 2021	3	-

Member	Meeting Dates			
	18/2/2021	10/5/2021	05/8/2021	08/11/2021
Yusuf Abdulla Yusuf Akbar Alireza	√ *	√ *	√ *	√ *
Khaled Yusuf Abdulrahman	√	--	--	--
Zaid Khaled Yusuf Abdulrahman	--	√	√	√
Jassim Abdulaal	√	√	√	√

*Committee members attended the meeting by teleconference

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 25 "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:

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

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 ofremuneration.

The NRC met 4 times during the period from January 2021 to December 2021, as follows:

Sr. No	Date	No. of Members Attended	No. of Members Excused
1	18 February 2021	3	-
2	10 May 2021	3	-
3	05 August 2021	3	-
4	08 November 2021	3	-

Member	Meeting Dates			
	18/2/2021	10/5/2021	05/8/2021	08/11/2021
Yusuf Abdulla Yusuf Akbar Alireza	√ *	√ *	√ *	√ *
Khaled Yusuf Abdulrahman	√	--	--	--
Zaid Khaled Yusuf Abdulrahman	--	√	√	√
N E Saadi	√	√	√	√

*Members attended the meeting by teleconference

CORPORATE GOVERNANCE (CONTINUED)

Board Committes

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 30 March 2021, re-appointed KPMG as their external auditor. The External Auditor has submitted an unqualified audit opinion for the year 2021.

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.

Directors and Senior Management Interests

The number of shares held by Directors, Senior Management as at 31st December 2021 as follows:

Name	Type of Share	**31st Dec 2021**	31st Dec 2020
Fawzi Ahmed Kanoo	Ordinary	**29,265**	29,265
Khaled Yusuf Abdulrahman	Ordinary	**--**	254,932
Zaid Khaled Yusuf Abdulrahman	Ordinary	**254,932**	
Yusuf Alireza	Ordinary	**510,590**	471,652
TOTAL		**794,787**	755,849

CORPORATE GOVERNANCE (CONTINUED)

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 2021.

Remuneration Policy

The Directors have proposed remuneration of BHD 166,000 for their contribution in 2021. Board remuneration is subject to approval of the MOIC and 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 2021.

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

Environmental Social Governance (ESG)

The Company recognizes its responsibility as a dedicated member of the society in which it operates and does business. All 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.

At Basrec, sustainability is implanted with our business model and integrated across various operation. We are committed to ensuring that our operations are environmentally sustainable and making business decisions with Environmental, Social, and Governance (ESG) factors at their core.

Healthcare and Social Services

BASREC has been involved in a number of initiatives over the years aimed at improving healthcare and social services in Bahrain, attesting to the value it places on improving the wellbeing of our community. The Company regularly extends support to a number of organizations and initiatives. Some of the organizations it has supported are:

- Ministry of Health
- Bahrain Defiance Force Hospital(BDF)
- Zakat Fund
- Alia for early intervention center
- Bahrain philanthropic society
- Al Noor Charity Welfare
- Children and Mothers Welfare Society
- Child Care Home
- Gulf Disability Society
- Bahrain association for parents and friend of disabled

In addition, Basrec also offered support to the BDF Hospital with the BK5000 MRI ultrasound Hi-Tech machine that helps in the treatment of prostate cancer, the first of its kind in Bahrain and one of the few in the region.

Also Basrec offered support to the Ministry of Health with a device for quick microbiological monitoring of water to be delivered to the dialysis units. The device assesses the quality and safety of water used in the dialysis units to avoid the penetration of bacterial toxins through the special filters in the dialysis machines.

The aim of these supports will serve patients and will contribute to the improvement of the quality and efficiency of health services.

CORPORATE GOVERNANCE (CONTINUED)

Health and Safety

To maintain a resilient culture, we continue to deliver on our commitment to providing our people with health work environment.

BASREC continues to be in compliance with Integrated Management System (IMS). The recertification audit for ISO 9001:2015 (Quality Management System) was successfully completed in March 2021. Additionally, surveillance audits for verification of compliance towards ISO 14001:2015 (Environmental Management System) and ISO 45001:2018 (Occupational Health & Safety Management System) were also successfully completed in the same month. These audits were carried out by LRQA (LIoyd's Register Quality Assurance).

The company has Health and Safety committee that meets each month to discuss all the issues that is related to the improvement of job conditions. The Committee provides a forum for employees and Management to work together to solve health and safety problems and help prevent injury and illness on the job; increase awareness of health and safety issues among employees, customers, and contractors and develop strategies to make the work environment safe and healthy.

Environmental Preservation

BASREC is totally committed to a policy of prevention and elimination of all undesirable events/hazards which may result in loss of lives and/or harm to Employees, Visitors, Clients, Vendor/Supplier, External Contractors, Damage to Properties, the Surrounding Community and Environment. To provide safe and healthy working environment within the company we are committed to consultation and participation of the workers.

We are therefore committed to reduce our Environmental Impact, Prevention of Pollution, Protection of Environment and continually improving our Environmental & Safety performance as an Integral and Fundamental part of our Service Processes.

We are always fostering a Quality & Safety culture with the Objective of developing and providing services with zero defects & incidents that are trusted and preferred by our Consumers. For that we are always trying to sustainably create value and to effectively and efficiently build customer and consumer trusts.

Data Privacy & Personal Data Protection

BASREC is committed to maintaining the confidentiality, integrity, and security of information collected from customers, in accordance with all applicable privacy laws. For the propose of applicable privacy law in Bahrain, BASREC acts as a data manager with respect to any personal information obtained from clients.

The Company has a privacy policy which governs how it collects, shares, and processes personal information through all means including corporate offices, subsidiaries, affiliates, and the BASREC website. In addition, the notice also covers any additional personal information that BASREC may collect from clients. This policy aims to ensure that there is transparency between BASREC and its clients and maintains the integrity of all interactions in order to ensure ethical and consensual conduct in the handling of all client data.

DECADES WORTH OF EXPERTISE IN REPAIRING AND MAINTAINING SMALL BOATS

INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS

Opinion

We have audited the consolidated financial statements of The 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 2021, and 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 2021, 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.

Contract accounting and revenue recognition

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

The key audit matter

Determination of revenue to be recognised on contracts is a key matter for our audit because of the judgment involved in determining goods and services for which the customer has obtained control over time. This revenue is recognised over time based on progress made to satisfy performance obligations which is determined based on surveys of work performed and completion of physical proportion of the contract work. An error in the contract forecast could result in a material variance in the amount of profit or loss recognised to date and therefore also in the current period.

How the matter was addressed in our audit

We have performed the following audit procedures to address the key audit matter:

- We 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

- We evaluated the adequacy of the Group's disclosures in relation to contract accounting and revenue recognition by reference to the requirements of relevant accounting standards.

Other Information

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

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

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

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

Responsibilities of 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 (CONTINUED)

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

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

We communicate with the board of directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.
We also provide the board of directors with a statement that we have complied with relevant ethical requirements regarding independence, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, 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:

a) a corporate governance officer; and

b) a Board approved written guidance and procedures for corporate governance; The engagement partner on the audit resulting in this independent auditors' report is Jaafar AlQubaiti.

KPMG Fakhro

Partner Registration Number 83
24 February 2022

“AUDIT, RISK AND GOVERNANCE COMMITTEE ENSURES THE QUALITY OF FINANCIAL REPORTING, SOUND BUSINESS RISK MANAGEMENT PRACTICES AND ETHICAL BEHAVIOR.**”**

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

as at 31 December 2021

	Note	2021	2020
			Bahraini Dinars
ASSETS			
Equity investment securities	6	**4,945,919**	4,853,907
Debt investment securities	7	**2,005,850**	1,972,360
Investment properties	8	**2,573,379**	2,711,052
Right-of-use assets	9a	**1,618,329**	1,692,304
Property, plant and equipment	9b	**4,996,042**	5,058,355
Total non-current assets		**16,139,519**	16,287,978
Cash and bank balances	4	**1,811,228**	1,793,393
Bank deposits	5	**14,689,848**	15,549,550
Trade receivables	10	**1,442,803**	889,006
Unbilled contract work-in-progress	16b	**958,233**	267,560
Inventories	11	**440,335**	443,679
Other assets	12	**448,368**	515,231
Total current assets		**19,790,815**	19,458,419
Total assets		**35,930,334**	35,746,397
EQUITY AND LIABILITIES			
Equity			
Share capital	13	**1,980,000**	1,980,000
Reserves		**5,441,182**	5,470,630
Retained earnings		**24,580,926**	24,174,153
Total equity		**32,002,108**	31,624,783
LIABILITIES			
Lease liabilities	15b	**1,605,842**	1,641,912
Employees' benefits	14	**741,726**	668,106
Total non-current liabilities		**2,347,568**	2,310,018
Trade payables		**470,104**	352,795
Other payables and accrued expenses	15a	**1,110,554**	1,458,801
Total current liabilities		**1,580,658**	1,811,596
Total liabilities		**3,928,226**	4,121,614
Total equity and liabilities		**35,930,334**	35,746,397

The consolidated financial statements were approved by the Board of Directors on 24 February 2022 and signed on its behalf by:

Fawzi Ahmed Kanoo
Chairman

Zaid Khalid Yusuf 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

as at 31 December 2021

	Note	2021	2020
REVENUE			
Revenue from contract with customers	16	**5,284,554**	5,106,993
Interest income		**517,331**	442,330
Dividend income		**164,788**	250,700
Other income	17	**475,930**	414,600
Total revenue		**6,442,603**	6,214,623
EXPENSES			
Staff cost		**1,691,997**	1,556,533
Materials cost		**857,139**	862,512
Subcontract and overhead cost	18	**1,134,200**	1,077,717
Depreciation and amortization		**687,538**	611,080
Other operating expenses	19	**554,316**	620,384
Financing cost of leased property		**84,087**	86,364
Total expenses		**5,009,277**	4,814,590
Profit for the year		**1,433,326**	1,400,033
Other comprehensive income			
Items that will not be reclassified to profit or loss:			
Equity investments at FVTOCI – net change in fair value	6	**92,012**	432,886
Total other comprehensive income for the year		**92,012**	432,886
Total comprehensive income for the year		**1,525,338**	1,832,919
Basic and diluted earnings per share	20	**72 fils**	71 fils

The consolidated financial statements were approved by the Board of Directors on 24 February 2022 and signed on its behalf by:

Fawzi Ahmed Kanoo
Chairman

Zaid Khalid Yusuf 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 2021 (continued)

2021	Share capital	Statutory reserve	General reserve	Charity reserve	Fair value reserve	Retained earnings	Total
At 1 January 2021	1,980,000	1,005,049	700,000	536,958	3,228,623	24,174,153	31,624,783
Comprehensive income for the year:							
Profit for the year	-	-	-	-	-	1 ,433,326	1 ,433,326
Net changes in fair value of equity investment at FVTOCI	-	-	-	-	92,012	-	92,012
Total comprehensive income for the year	-	-	-	-	92,012	1,433,326	1,525,338
Transfer to statutory reserve for 2021	-	1,553	-	-	-	(1,553)	-
Charity contribution approved for 2020	-	-	-	35,000	-	(35,000)	-
Cash dividend ddeclared for 2020	-	-	-	-	-	(990,000)	(990,000)
Charity utilised during 2021	-	-	-	(158,013)	-	-	(158,013)
At 31 December 2021	**1,980,000**	**1,006,602**	**700,000**	**413,945**	**3,320,635**	**24,580,926**	**32,002,108**

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 201 9	-	-	-	76,878	-	(76,878)	-
Cash dividend ddeclared 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

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 2021 (continued)

Bahraini Dinars

	Note	2021	2020
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash receipts from customers		**4,084,515**	7,918,602
Cash paid to suppliers and for operating expenses		**(4,226,063)**	(4,641,585)
Directors' remuneration and sitting fee paid		**(156,600)**	(166,000)
Net cash (used in) / from operating activities		**(298,148)**	3,111,017
CASH FLOWS FROM INVESTING ACTIVITIES			
Acquisition of property, plant and equipment	9a	**(413,814)**	(351,839)
Acquisition of debt investment at amortised cost		**-**	(1,000,000)
Maturing of debt investment at amortised cost		**-**	1,000,000
Bank deposits, net		**863,493**	(10,017,587)
Interest and dividends received		**974,717**	1,003,697
Net cash from / (used in) investing activities		**1,424,396**	(9,365,729)
CASH FLOWS FROM FINANCING ACTIVITIES			
Dividends paid		**(990,000)**	(941,334)
Charities paid		**(118,413)**	(17,200)
Net cash used in financing activities		**(1,108,413)**	(958,534)
Net increase / (decrease) in cash and cash equivalents		**17,835**	(7,213,246)
Cash and cash equivalents at 1 January		**1,793,393**	9,006,639
Cash and cash equivalents at 31 December		**1,811,228**	1,793,393

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

1- Reporting entity

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

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

The subsidiary of the Group included in these consolidated financial statements as at 31 December 2021 and 2020 is as follows:

Company	Place of business/coun-try of incorporation	Proportion of ownership and voting power held by the Group	Principal activi ties
Marine and Industrial Pump Repair (Gulf) WLL	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:

2 Basis of preparation (continued)

(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).

(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 2021

There were no new standards and amendments to standards, which became effective as of 1 January 2021, 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 2022 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) Annual Improvements to IFRS Standards 2018-2020

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

IFRS 9 Financial Instruments

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

The amendments are effective for annual reporting periods beginning on or after 1 January 2022, with early application permitted. Adoption of this amendment is not expected to have significant impact on the financial statements of the Group.

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

2- Basis of preparation (continued)

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 also 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, with early application permitted. Adoption of this amendment is not expected to have significant impact on the financial statements of the Group.

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

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

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

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

The amendments are effective for annual reporting periods beginning on or after 1 January 2023, with early application permitted. Adoption of this amendment is not expected to have significant impact on the financial statements of the Group.

(iv) Disclosure of Accounting Policies (Amendments to IAS 1 and IFRS Practice Statement 2)

The IASB amended IAS 1 to require entities to disclose their material rather than their significant accounting policies. The amendments define what is 'material accounting policy information' and explain how to identify when accounting policy information is material. They further clarify that immaterial accounting policy information does not need to be disclosed. If it is disclosed, it should not obscure material accounting information. To support this amendment, the IASB also amended IFRS Practice Statement 2 Making Materiality Judgements to provide guidance on how to apply the concept of materiality to accounting policy disclosures.

The amendments are effective for annual reporting periods beginning on or after 1 January 2023, with early application permitted. Adoption of this amendment is not expected to have significant impact on the financial statements of the Group.

(v) Definition of Accounting Estimates (Amendments to IAS 8)

The amendments introduce a new definition for accounting estimates: clarifying that they are monetary amounts in the financial statements that are subject to measurement uncertainty. The amendments also clarify the relationship between accounting policies and accounting estimates by specifying that a company develops an accounting estimate to achieve the objective set out by an accounting policy. Developing an accounting estimate includes both selecting a measurement technique and choosing the inputs to be used when applying the chosen measurement technique. The effects of changes in such inputs or measurement techniques are changes in accounting estimates. The definition of accounting policies remains unchanged. The amendments are effective for annual reporting periods beginning on or after 1 January 2023, with early application permitted. Adoption of this amendment is not expected to have significant impact on the financial statements of the Group.

3- Significant accounting policies

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

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.

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.

3- Significant accounting policies (continued)

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.

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

3- Significant accounting policies (continued)

- 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).

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.

3- Significant accounting policies (continued)

(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.

(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

3- Significant accounting policies (continued)

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.

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

3- Significant accounting policies (continued)

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. Ship repairing Division inventories' cost is determined on the first-in-first-out principle, whereas Technical Engineering and Marketing division cost is determined on weighted average basis. 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.

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
for the year ended 31 December 2021

3- Significant accounting policies (continued)

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 **Floating dock** **Cranes** **Motor vehicles Launches** **Furniture and equipment**	**10 – 30** **12** **5 - 15** **3** **5 -15** **2 - 5**

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

l) Trade and other payables

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

m) Provisions

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

n) Segment reporting

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

o) Employees' benefits

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

Expatriate employees are entitled to leaving indemnities payable under the Bahraini Labour Law as amended,

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the year ended 31 December 2021

3- Significant accounting policies (continued)

based on length of service and final remuneration. Provision for this, which is unfunded, and which represents a defined benefit plan under IAS 19, has been made by calculating the notional liability had all employees left at the reporting date.

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

p) 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:

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

3- Significant accounting policies (continued)

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.

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

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4- Cash and bank balances

		Bahraini Dinars
	2021	2020
Cash in hand	**8,866**	3,278
Bank balances	**1,811,500**	1,799,192
Less: Expected credit losses	**(9,138)**	(9,077)
Cash and bank balances	**1,811,228**	1,793,393

5 Bank deposits

		Bahraini Dinars
	2021	2020
Deposits maturing 3 months and above	**14,764,338**	15,627,892
Less: Expected credit losses	**(74,490)**	(78,342)
Bank deposits	**14,689,848**	15,549,550

As at reporting date, average interest rate on bank deposits is 2.24% (2020: 2.80%).

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6- Equity investment securities

	2021	2020
		Bahraini Dinars
Quoted equity securities – at FVTOCI	**4,945,919**	4,853,907
At 1 January	**4,853,907**	4,421,021
Fair value changes	**92,012**	432,886
At 31 December	**4,945,919**	4,853,907

7- Debt investment securities

	2021	2020
		Bahraini Dinars
Government of Bahrain Development Bonds at amortised cost	**2,005,850**	2,005,850
Less: Expected credit losses	**-**	(33,490)
	2,005,850	1,972,360

8- Investment properties

	Freehold land	Buildings	Total 2021	Total 2020
				Bahraini Dinars
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	**-**	**1,934,061**	**1,934,061**	1,796,380
Charge for the year	**-**	**137,673**	**137,673**	137,681
At 31 December	**-**	**2,071,734**	**2,071,734**	1,934,061
Net book value at 31 December	**355,674**	**2,217,705**	**2,573,379**	2,711,052

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

	2021	2020
		Bahraini Dinars
Gross rental income (note 17) Depreciation	**277,547**	295,473
Depreciation	**(137,673)**	(137,681)
Other expenditure	**(43,644)**	(36,398)
Net rental income	**96,230**	121,394

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 (2020: BD 8.42 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 2020. 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.

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

a) Property, plant and equipment

Bahraini Dinars

	Jetties and buildings	Plant and equipment	Motor vehicles and launches	Furniture and equipment	Capital work-in-progress	Total 2021	Total 2020
Cost							
At 1 January	**4,083,568**	**7,970,410**	**412,659**	**779,530**	**289,980**	**13,536,147**	13,184,416
Additions	**29,755**	**30,860**	**69,642**	**40,147**	**243,410**	**413,814**	351,839
Disposals		**(29,44 9)**	**(31,65 6)**	**(1,782)**		**(62,88 7)**	(108)
Transfers	**362,317**	**94 ,844**	**-**	**-**	**(457, 161)**		
At 31 December	**4,475,640**	**8,066,665**	**450,645**	**817,895**	**76,229**	**13,887,074**	13,536,147
Depreciation							
At 1 January	3,532,134	4,074,474	312,665	558,519	-	8,477,792	8,078,572
Charge fo thr e ye ar	**74,705**	**282,679**	**45,187**	**73,319**	**-**	**475,890**	399,231
Disposals	**-**	**(29,449)**	**(31,656)**	**(1,545)**	**-**	**(62,650)**	(11)
At 31 December	**3,606,839**	**4,327,704**	**326,196**	**630,293**	**-**	**8,891,032**	8,477,792
Net book value at 31 December	**868,801**	**3,738,961**	**124,449**	**187,602**	**76,229**	**4,996,042**	5,058,355

The service facilities and head office buildings of the Group are built on leasehold land through three lease agreements. One of the lease agreements which was renewed in January 1997 for a further period of 25 years is under negotiation for renewal.

Bahraini Dinars

	2021	2020
b) Right-of-use assets		
Balance at 1 January	**1,692,304**	1,766,482
Charge for the year	**(73,975)**	(74,178)
Balance at 31 December	**1,618,329**	1,692,304

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for the year ended 31 December 2021

Bahraini Dinars

	2021	2020
10- Trade receivables		
Gross receivables	**1,858,136**	1,330,020
Less: Impairment allowances	**(415,333)**	(441,014)
	1,442,803	889,006
Movement on impairment allowance is as follows:		
At 1 January	**441,014**	445,386
Charge for the year	**-**	4,201
Written back during the year	**(25,681)**	(8,573)
At 31 December	**415,333**	441,014

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

Bahraini Dinars

	2021	2020
11- Inventories		
Raw materials and consumables	**794,964**	763,402
Goods for resale	**356,896**	391,802
	1,151,860	1,155,204
Less: Provision for slow-moving and obsolete items	**(711,525)**	(711,525)
	440,335	443,679
Movement on impairment allowance is as follows:		
At 1 January	**711,525**	711,525
Charge for the year	**-**	-
At 31 December	**711,525**	711,525

During the year, inventories of BD 857,139 (2020: BD 862,512) were recognised as an expense in profit or loss.

Bahraini Dinars

	2021	2020
12- Other assets		
Interest receivable	**110,930**	123,011
Advances to suppliers	**152,310**	170,697
Staff loans	**23,180**	54,029
VAT receivable	**122,621**	69,772
Others	**39,327**	97,722
	448,368	515,231

Bahraini Dinars

13- Share capital	Number 2021	Amount 2021	Number 2020	Amount 2020
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**

Bahraini Dinars

	2021	2020
Stock exchange price at 31 December	**925 fils**	930 fils
Market capitalisation of the Company as at 31 December	**18,315,000**	18,414,000
Basic and diluted earnings per share	**72 fils**	71 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	1,48 5,041	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:

	Number of Shares	Number of shareholders	% of total issued shares
Less than 1%	4,918,962	707	24.84
1% to less than 5%	3,402,359	10	17.19
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	**719**	**100.00**

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

98.03% of the shares are held by Bahraini individuals and legal entities incorporated in the Kingdom of Bahrain and 1.97% by other nationalities. Total shares held by the directors at 31 December 2021 were 4.02% (2020: 3.82%).

Bahraini Dinars

14- Employees' benefits

	2021	2020
Balance at 1 January	**668,106**	684,142
Charge for the year	**152,502**	100,336
Paid during the year	**(78,882)**	(116,372)
At 31 December	**741,726**	668,106
Average number of employees	**236**	249

The Group's contributions to Social Insurance Organisation pension scheme in respect of Bahraini employees for 2021 were BD 55,223 (2020: BD 63,071).

15- Lease liabilities, other payables and accrued expenses

		2020
a) Other payables and accrued expenses		
Accrued expenses	**260,591**	405,727
Unclaimed dividends	**11,641**	209,015
Leave salary accruals	**77,208**	80,609
Lease liability – current (b)	**124,667**	124,667
Accrual for charity	**50,000**	10,400
Other payables	**586,447**	628,383
	1,110,554	1,458,801

	2021	2020
b) Lease liabilities		
Non-current portion	**1,605,842**	1,641,912
Current portion	**124,667**	124,667
	1,730,509	1,766,579
(i) Amounts recognised in profit or loss		
Leases under IFRS 16		
Interest on lease liabilities	**84,087**	86,364
Depreciation	**73,975**	74,178
Expenses relating to short-term leases	**38,360**	44,700
	196,422	205,242
(ii) Amounts recognised in statement of cash flows		
Total cash outflow for lease liabilities	**120,836**	125,490

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.

	2021	2020
Revenue from contracts with customer		
Ship repair and maintenance – transferred overtime	**4,384,542**	4,341,637
Sale of engineering products – transferred at a point in time	**794,962**	679,843
Pump repair and maintenance – transferred overtime	**105,050**	85,513
	5,284,554	5,106,993

b. Contract balances

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

	2021	2020
Receivables, which are included in trade receivables	**1,442,803**	889,006
Due from contract customers*	**958,233**	267,560
	2,401,036	1,150,633

*This is net of expected credit loss of NIL (2020: BD 9,638).

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

	2021	2020
Property income (note 8)	**277,547**	295,473
Release of impairment allowance	**72,600**	-
Scrap sale	**34,994**	21,209
Other miscellaneous income	**90,789**	97,918
	475,930	414,600

18- Subcontract and overhead cost

	2021	2020
Subcontracts services	**725,851**	640,059
Professional fees	**69,337**	75,754
Others	**339,012**	361,904
	1,134,200	1,077,717

Bahraini Dinars

19- Other operating expenses

	2021	2020
Directors' remuneration and sitting fees	**163,000**	173,868
Repairs and maintenanc	**156,730**	158,450
Electricity and water	**132,132**	136,417
Advertising and marketing expenses	**10,619**	19,798
Printing and stationery	**6,475**	7,777
Other expenses	**85,360**	124,074
	554,316	620,384

20- Earnings per share

	2021	2020
Profit for the year	**1,433,326**	1,400,033
Weighted average number of shares during the year	**19,800,000**	19,800,000
Basic and diluted earnings per share	**72 fils**	71 fils

21- Proposed appropriations

The Board of Directors propose a cash dividend of 50% (2020: 50%) of the paid-up capital and other appropriations as follows:

	2021	2020
Dividend	**990,000**	990,000
Transfer to charity contributions	**35,833**	35,000
	1,025,833	1,025,000

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.

The Group has the following business segments:

Bahraini Dinars

	Ship repairing & investment	Trading	Pump repairing	Elimination of inter-segment transactions	Total
2021					
Sales	**4,397,644**	**803,779**	**113,331**	**(30,200)**	**5,284,554**
Expenses	**3,504,837**	**749,721**	**99,080**	**(31,899)**	**4,321,739**
Depreciation / amortization	**674,239**	**8,084**	**5,215**	**-**	**687,538**
Interest, dividend and other income	**1,152,773**	**486**	**6,489**	**(1,699)**	**1,158,049**
Profit for the year	**1,371,341**	**46,460**	**15,525**	**-**	**1,433,326**
Tota assets	**35,652,479**	**972,281**	**276,317**	**(970,743)**	**35,930,334**
Total liabilities	**(3,727,536)**	**(925,688)**	**(195,745)**	**920,743**	**(3,928,226)**
2020					
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
Tota 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)

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.

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.

23- Financial instruments and risk management (continued)

(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:

	2021	2020
(i) Exposure to credit risk		
Debt investments securities*	**2,005,850**	1,972,360
Bank balances*	**1,802,362**	1,790,115
Bank deposits*	**14,689,848**	15,549,550
Trade receivables**	**1,442,803**	889,006
Due from contractor customers**	**958,233**	267,560
Other assets	**296,058**	344,534
	21,195,154	20,813,125

*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:

	2021	2020
(Release) / charge of impairment loss on trade receivables and contract customers	**(35,319)**	4,201
(Release) / charge of impairment loss on bank balances and deposits	**(3,791)**	27,419
(Release) / charge of impairment loss on debt investments	**(33,490)**	3,490
	(72,600)	35,110

(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 2021.

	Weighted average loss rate	Gross carrying value	Impairment loss allowance	Credit- impaired
2021				
Current (not past due)	**2.07%**	**1,891,711**	**(39,154)**	**No**
Past due up to 180 days	**11.15%**	**361,995**	**(40,358)**	**No**
More than 180 days	**59.68%**	**562,663**	**(335,821)**	**Yes**
	14.75%	**2,816,369**	**(415,333)**	
2020				
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)	

All services are largely provided to Bahrain based customers.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the year ended 31 December 2021

23- Financial instruments and risk management (continued)

(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.

	2021	2020
Trade receivables	**415,333**	450,652
Bank balances and deposits	**83,628**	87,419
Debt investments securities	**-**	33,490
	498,961	571,561

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.

	2021	2020
Balance at 1 January	**571,561**	570,000
Net re-measurment of loss allowance	**(72,600)**	1,561
	498,961	571,561

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:

	Carrying amount	Total contractual cash flows	Within 1 Year	Over 1 year
2021				
Trade payables	**470,104**	**470,104**	**470,104**	**-**
Other payables	**985,887**	**985,887**	**985,887**	**-**
Lease liabilities	**1,730,509**	**2,792,562**	**127,158**	**2,665,404**
	3,186,500	**4,248,553**	**1,583,149**	**2,665,404**
2020				
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
	3,453,508	4,606,648	1,814,087	2,792,561

23- Financial instruments and risk management (continued)

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:

	2021	2020
Fixed rate instrument Government debt securities	**2,005,850**	1,972,360
Variable rate instruments Bank deposits	**14,689,848**	15,549,550

As at reporting date, government debt securities had average interest rate of 5.94% (2020: 5.94%), whereas average interest rate on bank deposits was 2.24% (2020: 2.80%). 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 146,898 in both ways (2020: BD 155,694). This analysis assumes that all other variables, in particular foreign currency rates, remain constant. The analysis is performed on the same basis for 2020.

(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 71,118 (2020: an increase /decrease of BD 65,523).

(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.

23- Financial instruments and risk management (continued)

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 instrument

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

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

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

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

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.

24- Fair value and classification of financial instrument (continued)

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

	At amortised cost	FVTOCI	Total carrying Amount
31 December 2021			
Trade receivables	**1,442,803**	**-**	**1,442,803**
Due from contract customers	**958,233**	**-**	**958,233**
Cash and bank balances	**1,811,228**	**-**	**1,811,228**
Bank deposits	**14,689,848**	**-**	**14,689,848**
Equity investment securities	**-**	**4,945,919**	**4,945,919**
Other assets	**296,058**	**-**	**296,058**
	21,204,020	**4,945,919**	**26,149,939**
Trade payables	**470,104**	**-**	**470,104**
Other payables	**985,887**	**-**	**985,887**
Lease liabilities	**1,730,509**	**-**	**1,730,509**
	3,186,500	**-**	**3,186,500**

	At amortised cost	FVTOCI	Total carrying Amount
31 December 2020			
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

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for the year ended 31 December 2021

24- Fair value and classification of financial instrument (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.

	Level 1	Level 2	Level 3	Total
2021				
Quoted equity investments securities	**4,205,740**	**740,179**	**-**	**4, 945,919**

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

b) Other financial assets and liabilities

The fair value of the debt investment securities as at 31 December 2021 is BD 2,123,150 (31 December 2020: BD 2,124,250) 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:

	2021	2020
a) Related party balances		
Amount due from Kanoo Shipping - entity under common control	**2,729**	12,293
Amount due to Yusuf Bin Ahmed Kanoo WLL- shareholder	**9,494**	13,440

	2021	2020
b) Transactions with related parties		
Revenues Ship repairing services - entity under common control	**56,005**	82,892
Expenses Purchase of air tickets and services - entity under common control	**56,057**	41,159

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:

	2021	2020
Advance given against salary	-	30,000

	2021	2020
Directors' remuneration and sitting fee*	**163,000**	173,868
Salaries and other short term benefits	**170,979**	119,640
Post employment benefits	**11,500**	8,470
	354,879	301,978

* Directors' remuneration accrued for 2021 is subject to the approval of MOICT as per the articles of Commercial Companies law.

	2021	2020
26- Commitment and contingent liabilities		
Letter of guarantees	**47,560**	40,000
Capital commitment	**-**	51,200

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 programmes ("Packages") to support businesses in these challenging times. During the year ended 31 December 2021, the Group received a total subsidy of BD 52,185 (2020: BD 212,000) comprising BD 52,185 towards staff costs (2020: BD 138,065) and Nil towards utilities and exemption of government-owned industrial land rental (2020: BD 73,935). In accordance with IAS 20, the Group has elected to present this support by reducing the related expense.

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.


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GAINING MOMENTUM

FORGING AHEAD

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