The Bahrain Ship Repairing and Engineering Company BSC

CONSOLIDATED FINANCIAL STATEMENTS

31 DECEMBER 2023

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GENERAL INFORMATION

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: 17725300 Telefax: 17729891 E-mail: mainoffice@basrec.com.bh
Board of Directors	
Fawzi Ahmed Kanoo	*Chairman*
Khalid Mohamed Kanoo	*Deputy Chairman*
Zaid Khalid Yusuf Abdulrahman	*Director*
Yusuf Abdulla Yusuf Alireza	*Director*
Talal Fawzi Kanoo	*Director*
Ali Abdulaziz Abdulmalek	*Director*
N.E. Saadi	*Director*
Chief Executive Officer	John Robson
Bankers	National Bank of Bahrain Al Salam Bank Bank of Bahrain and Kuwait Ahli United Bank Bahrain Islamic Bank National Bank of Kuwait Kuwait Finance House Standard Chartered Bank Mashreq Bank
Auditors	KPMG Fakhro
Registrars	Karvy Fintech (Bahrain) WLL Bahrain Clear

شركة البحرين لتصليح السفن والهندسة ش.م.ب.
THE BAHRAIN SHIP REPAIRING AND ENGINEERING COMPANY B.S.C.

BOARD OF DIRECTORS REPORT

On behalf of the Board of Directors, it is my great pleasure to present the 62nd 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 2023.

In the face of numerous challenges and uncertainties, I am proud to report that BASREC has not only persevered but has also achieved significant milestones and growth.

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.

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. Post pandemic the global business environment started getting back to normalcy. Various measures taken by the company helped BASREC succeed in continuing to provide services with high 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, the company was able to achieve satisfactory revenues resulted in increase of revenue in core business by 13.98% in 2023 as compared to previous year. BASREC was able to maintain liquidity and financial sustainability that allowed it to meet all its obligations, and to retain employees.

BOARD OF DIRECTORS Strengthening Performance Since 1962 Fawzi Ahmed Kanoo Chairman of the Board of Directors BASREC always make continuous efforts to enhance relationship with existing clients, and also to attract new customers.

During the year 2023, Company attracted some of the strategic customers who are promising long term business prospects. As part of the company's commitment to its social responsibility, the company also continued to implement its various community initiatives, including providing support and assistance to groups, charities and hospitals.

As compared to last year, in year 2023, the Company's revenues increased by BD 787,332.

The Company's net profits during the year reached BD 2,073,872 compared to BD 1,044,200 in 2022.

The Company's retained earnings as on 31 December 2023 is BD 25,698,422 that is increase of BD 1,099,129 from BD 24,599,293 the same for year 2022.

In recognition of the importance and support of the valued shareholders, the Board of Directors are 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 2023. This proposed dividend for the year 2023, is subject to regulatory and shareholders' approval at an Annual General Meeting.

Directors

I would like to thank all Directors for their valuable guidance & suggestions and all employees of the Company for their diligence and hard work.

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 and Industry 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 pour valued shareholders, we are pleased to attach the table below that shows the rumination of members of the Board of Directors and Executive Management for the fiscal ending 31st December 2023.

First: Board of directors' remuneration details:

Name	Fixed remunerations					Variable remunerations					End-of-service award	Aggregate amount	Expenses Allowance
	Remunerations of the chairman and BOD	Total allowance for attending Board and committee	Salaries	Others*	Total	Remunerations of the chairman	Bonus	Incentive plans	Others**	Total			
First: Independent Directors:													
1- ZAID KHALID YUSUF ABDULRAHMAN	28,000	4,000	-	-	32,000	-	-	-	-	-	-	-	-
2- YUSUF ABDULLA YOUSUF AKBAR ALIREZA	22,000	1,600	-	-	23,600	-	-	-	-	-	-	-	-
Second: Non-Executive Directors:													
1- FAWZI AHMED KANOO	22,000	-	-	-	22,000	-	-						

2- KHALID MOHAMED KANOO	22,000	-	-	-	22,000								
3- TALAL FAWZI KANOO	28,000	2,400	-	-	30,400								
4- ALI ABDULAZIZ ABDULMALEK	22,000	-	-	-	22,000								
Third: Executive Directors:													
1- N.E. SAADI	22,000	2,000			24,000								
Total	**166,000**	**10,000**			**176,000**								

Note: All amounts must be stated in Bahraini Dinars.

A) The director's remuneration FY 2023 is subject to the approval in the upcoming from Annual AGM.
B) The Sitting fees has been paid to the directors in FY 2023 subject to the approval in the upcoming from AGM.
C) Ex. director's salary already included in the top 6 employees.

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).

Fawzi Ahmed Kanoo
Chairman of the Board of Directors

Zaid Khalid Abdulrahman
Director

Second: Executive management remuneration details:

Executive management	Total paid salaries and allowances	Total paid remuneration (Bonus)	Any other cash/ in kind remuneration for 2023	Aggregate Amount
Remunerations for Executives Management	275,948	--	85,757	~~275,948~~ 361,705

Note: All amounts must be stated in Bahraini Dinars.

* The highest authority in the executive management of the company, the name may vary: (CEO, President, General Manager (GM), Managing Director...etc).

** The company's highest financial officer (CFO, Finance Director, ...etc)

Fawzi Ahmed Kanoo
Chairman of the Board of Directors

Zaid Khalid Abdulrahman
Director

MANAGEMENT REPORT

MANAGEMENT REPORT (continued)

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CR No. 6220 - 2

Independent auditors' report

To the Shareholders

The Bahrain Ship Repairing and Engineering Company BSC
Manama – Kingdom of Bahrain

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 2023, and the consolidated statements of profit or loss and other comprehensive income, changes in equity and cash flows for the year then ended, and notes, comprising material 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 2023, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with IFRS Accounting Standards as issued by the International Accounting Standards Board (IFRS Accounting Standards).

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.

INDEPENDENT AUDITORS' REPORT (continued)
TO THE SHAREHOLDERS OF
The Bahrain Ship Repairing and Engineering Company BSC

Contract accounting and revenue recognition

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

The key audit matter	How the matter was addressed in our audit
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.	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 Accounting Standards, 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.

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.

INDEPENDENT AUDITORS' REPORT (continued)
TO THE SHAREHOLDERS OF
The Bahrain Ship Repairing and Engineering Company BSC

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 and Commerce in their letter dated 30 January 2020 in respect of the requirements of Article 8 of Section 2 of Chapter 1 of the Corporate Governance Code, we report that the Company has:
   a) a corporate governance officer; and
   b) a Board approved written guidance and procedures for corporate governance;

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

KPMG

KPMG Fakhro
Partner Registration Number 83
25 February 2024

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
as at 31 December 2023

Bahraini Dinars

	Note	2023	2022
ASSETS			
Equity investment securities	6	4,683,597	4,625,840
Debt investment securities	7	942,500	1,000,000
Investment properties	8	2,297,863	2,435,706
Right-of-use assets	9 b	1,470,375	1,544,350
Property, plant and equipment	9 a	5,231,630	5,141,333
Total non-current assets		**14,625,965**	14,747,229
Debt investment securities	7	1,000,000	1,000,000
Cash and bank balances	4	3,831,656	1,419,262
Bank deposits	5	12,869,199	13,866,708
Trade receivables	10	674,206	2,205,014
Due from contract customers	16 b	2,039,193	1,108,532
Inventories	11	696,724	648,718
Other assets	12	829,762	595,564
Total current assets		**21,940,740**	20,843,798
Total assets		**36,566,705**	35,591,027
EQUITY AND LIABILITIES			
Equity			
Share capital	13	1,980,000	1,980,000
Treasury shares	13	(6,786)	-
Reserves		5,188,399	5,145,899
Retained earnings		25,698,422	24,599,293
Total equity		**32,860,035**	31,725,192
Liabilities			
Lease liabilities	15 b	1,469,627	1,542,166
Employees' benefits	14	775,793	739,789
Total non-current liabilities		**2,245,420**	2,281,955
Trade payables		163,548	743,427
Other payables and accrued expenses	15 a	1,297,702	840,453
Total current liabilities		**1,461,250**	1,583,880
Total liabilities		**3,706,670**	3,865,835
Total equity and liabilities		**36,566,705**	35,591,027

The consolidated financial statements were approved by the Board of Directors on 25 February 2024 and signed on its behalf by:

Fawzi Ahmed Kando
Chairman

Zaid Khalid Yusuf Abdulrahman
Director

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

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
for the year ended 31 December 2023

Bahraini Dinars

	Note	2023	2022
REVENUE			
Revenue from contract with customers	16	6,416,997	5,629,665
Interest income		930,938	506,188
Dividend income		250,910	213,582
Other income	17	489,373	473,142
Total revenue		**8,088,218**	6,822,577
EXPENSES			
Staff cost		1,958,653	1,892,363
Materials cost		819,461	902,117
Subcontract and overhead cost	18	1,613,414	1,362,072
Depreciation and amortization		692,086	733,229
Other operating expenses	19	821,600	697,833
Financing cost of leased property		79,694	83,549
Impairment losses for trade receivables	10	29,438	107,214
Total expenses		**6,014,346**	5,778,377
Profit for the year		**2,073,872**	1,044,200
Other comprehensive income			
Items that will not be reclassified to profit or loss:			
Equity investments at FVTOCI – net change in fair value	6	57,757	(320,079)
Total other comprehensive income for the year		57,757	(320,079)
Total comprehensive income for the year		**2,131,629**	724,121
Basic and diluted earnings per share	20	105 Fils	53 Fils

The consolidated financial statements were approved by the Board of Directors on 25 February 2024 and signed on its behalf by:

Fawzi Ahmed Kanoo
Chairman

Zaid Khalid Yusuf Abdulrahman
Director

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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
for the year ended 31 December 2023

Bahraini Dinars

2023	Share capital	Treasury shares	Statutory reserve	General reserve	Charity reserve	Fair value reserve	Retained earnings	Total
At 1 January 2023	1,980,000	-	1,006,602	700,000	438,741	3,000,556	24,599,293	**31,725,192**
Comprehensive income for the year:								
Profit for the year	-	-	-	-	-	-	2,073,872	2,073,872
Net changes in fair value of equity investment at FVTOCI	-	-	-	-	-	57,757	-	57,757
Total comprehensive income for the year	**-**	**-**	**-**	**-**	**-**	**57,757**	**2,073,872**	**2,131,629**
Net movement in treasury shares	-	(6,786)	-	-	-	-	-	(6,786)
Charity contribution approved for 2022	-	-	-	-	26,105	-	(26,105)	-
Transfer to statutory reserve 2023	-	-	6,053	-	-	-	(6,053)	-
Charity utilised during 2023	-	-	-	-	(47,415)	-	47,415	-
Cash dividends declared for 2022	-	-	-	-	-	-	(990,000)	(990,000)
At 31 December 2023	**1,980,000**	**(6,786)**	**1,012,655**	**700,000**	**417,431**	**3,058,313**	**25,698,422**	**32,860,035**

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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
for the year ended 31 December 2023 (continued)

Bahraini Dinars

2022	Share capital	Statutory reserve	General reserve	Charity reserve	Fair value reserve	Retained earnings	Total
At 1 January 2022	1,980,000	1,006,602	700,000	413,945	3,320,635	24,580,926	32,002,108
Comprehensive income for the year:							
Profit for the year	-	-	-	-	-	1,044,200	1,044,200
Net changes in fair value of equity investment at FVTOCI	-	-	-	-	(320,079)	-	(320,079)
Total comprehensive income for the year	-	-	-	-	(320,079)	1,044,200	724,121
Charity contribution approved for 2021	-	-	-	35,833	-	(35,833)	-
Cash dividend declared for 2021	-	-	-	-	-	(990,000)	(990,000)
Charity utilised during 2022	-	-	-	(11,037)	-	-	(11,037)
At 31 December 2022	1,980,000	1,006,602	700,000	438,741	3,000,556	24,599,293	31,725,192

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

CONSOLIDATED STATEMENT OF CASH FLOWS
for the year ended 31 December 2023 Bahraini Dinars

	note	2023	2022
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash receipts from customers		7,025,942	4,717,155
Cash paid to suppliers and for operating expenses		(4,787,938)	(4,583,402)
Directors' remuneration and sitting fee paid		(124,720)	(176,430)
Net cash from/ (used in) operating activities		**2,113,284**	(42,677)
CASH FLOWS FROM INVESTING ACTIVITIES			
Acquisition of property, plant and equipment	9 a	(582,067)	(666,468)
Sale of property, plant and equipment		3,751	2,773
Bank deposits, net		997,509	823,140
Debt investment securities, net		57,500	-
Interest and dividends received		1,003,254	648,666
Net cash from investing activities		**1,479,947**	808,111
CASH FLOWS FROM FINANCING ACTIVITIES			
Dividends paid		(990,000)	(990,000)
Charities paid		(47,415)	(11,037)
Payment for lease liabilities		(152,232)	(147,225)
Net cash used in financing activities		**(1,189,647)**	(1,148,262)
Net increase/ (decrease) in cash and cash equivalents		2,403,584	(382,828)
Cash and cash equivalents at 1 January		1,428,400	1,811,228
Cash and cash equivalents at 31 December	4	**3,831,984**	1,428,400

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

1 Reporting entity

The 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 2023 and 2022 is as follows:

Company	Place of business/country of incorporation	Proportion of ownership and voting power held by the Group	Principal activities
Marine and Industrial Pump Repair (Gulf) 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 IFRS Accounting Standards as issued by the International Accounting Standards Board (IFRS Accounting Standards) 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 ("BD"), which is the Group's functional and presentation currency. All amounts have been rounded to the nearest whole number, unless otherwise indicated.

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

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

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

2 Basis of preparation (continued)
d) Use of estimates and judgements (continued)

(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.

Change in estimate
During the year 2023, the Group conducted a review of the estimation of inventory provision of TEAMS, which resulted in changes in the estimate. As a result, the inventory provision has been released by BD 85,248. Management is unable to assess the impact of the change of estimate over the future periods.

e) New standards, amendments and interpretations effective from 1 January 2023
The adoption of the new IFRS Accounting Standards, amendments and interpretations issued by IASB that are effective for annual periods beginning on 1 January 2023 did not have a significant impact on the consolidated financial statements.

(i) IFRS 17 Insurance contracts
(ii) Disclosure of Accounting Policies - Amendments to IAS 1 and IFRS Practice Statements 2
(iii) Definition of Accounting Estimates - Amendments to IAS 8
(iv) Deferred Tax related to Assets and Liabilities arising from a Single Transaction - Amendments to IAS 12
(v) International Tax Reform - Pillar Two Model Rules - Amendments to IAS 12

f) New standards and amendments not yet effective
A number of new standards, amendments to standards and interpretations are effective for annual periods beginning after 1 January 2023 are earlier application is permitted, however, the Group has not early adopted the new or amended standards in preparing these consolidated financial statements and the Group does not expect to have a significant impact on the consolidated financial statements.

The following new and amended standards are not expected to have a significant impact on the Group's consolidated financial statements:

(i) Non-current Liabilities with Covenants - Amendments to IAS 1 and Classification of Liabilities as Current or Non-current - Amendments to IAS 1
(ii) Lease Liability in a Sale and Leaseback - Amendments to IFRS 16
(iii) Supplier Finance Arrangements - Amendments to IAS 7 and IFRS 7
(iv) Lack of Exchangeability - Amendments to IAS 21

3 Material accounting policies
The material 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.

3 Material accounting policies (continued)

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.

3 Material accounting policies (continued)

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

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

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

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

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

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

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.

3 Material accounting policies (continued)

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

(ii) Classification and subsequent measurement

On initial recognition, the Group classifies its financial assets as measured at: amortised cost, FVTOCI, or FVTPL.

Financial assets are not reclassified subsequent to their initial recognition unless the Group changes its business model for managing financial assets, in which case all affected financial assets are reclassified on the first day of the first reporting period following the change in the business model.

A financial asset is measured at amortised cost if it meets both of the following conditions and is not designated as at FVTPL:
- it is held within a business model whose objective is to hold assets to collect contractual cash flows; and
- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

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

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

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

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

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

(ii) Classification and subsequent measurement (continued)

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

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

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

3 Material accounting policies (continued)

(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 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.

3 Material accounting policies (continued)

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

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

g) Cash and cash equivalent

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

h) Inventories

Inventories are measured at the lower of cost and estimated net realisable value. 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.

3 *Material accounting policies (continued)*

(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. The Group has classified these leases as operating leases, because they do not transfer substantially all of the risks and rewards incidental to the ownership of assets.

k) Property, plant and equipment

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

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

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

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

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

Description	**Useful lives in years**
Jetties and buildings	10 – 30
Plant and equipment	5 – 15
Motor vehicles	3 - 5
Launches	5 – 15
Furniture and equipment	2 – 5
Capital work in progress	-

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.

3 Material accounting policies (continued)

n) Segment reporting

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

o) Employees' benefits

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

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

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

p) Share Capital

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

q) 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.

3 Material accounting policies (continued)

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.

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

s) 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.

t) 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.

u) Charity reserve
Charity reserve represents transfers from retained earnings that are set aside by the shareholders for charitable purposes.

v) Dividends declared
Dividends declared are recognised as a liability in the period in which they are approved by the shareholders.

w) Treasury Shares
Treasury shares are stated at acquisition cost and are shown as a deduction to equity. No gain or loss is recognized in the consolidated statement of profit or loss on the purchase, sale, issue or cancellation of the treasury shares. Gain or loss arising from the subsequent resale of treasury shares is included in the retained earnings in the consolidated statement of changes in equity. Net movement from repurchase and resales of treasury shares is booked under the treasury shares.

4 Cash and bank balances

	2023	2022
Cash in hand	3,089	5,153
Bank balances	3,828,895	1,423,247
Cash and cash equivalents in the statement of cashflow	**3,831,984**	1,428,400
Less: Expected credit losses	(328)	(9,138)
Cash and cash equivalents	**3,831,656**	1,419,262

5 Bank deposits

	2023	2022
Deposits maturing 3 months and above	12,943,689	13,941,198
Less: Expected credit losses	(74,490)	(74,490)
Bank deposits	**12,869,199**	13,866,708

As at reporting date, average interest rate on bank deposits is 5.44% (2022: 4.96%).

6 Equity investment securities

	2023	2022
Quoted equity securities – at FVTOCI	4,683,597	4,625,840
	4,683,597	4,625,840

Movement on equity investment securities during the year as follows:

	2023	2022
At 1 January	4,625,840	4,945,919
Fair value changes	57,757	(320,079)
At 31 December	**4,683,597**	4,625,840

The Group designates these equity securities at FVTOCI because these equity securities represent investments that the Group intends to hold for the long term for strategic purposes. No investments were disposed during the year 2023, and there were no transfers of any cumulative gain or loss within equity relating to these investments.

7 Debt investment securities

Debt investment securities represents the Government of Bahrain Development Bonds carried at amortised cost. Management has assessed credit loss on these debt investments to be immaterial.

	2023	2022
Maturing within one year	1,000,000	1,000,000
Maturing after one year	942,500	1,000,000
	1,942,500	2,000,000

8 Investment properties

	Freehold land	Buildings	Total 2023	Total 2022
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	-	2,209,407	2,209,407	2,071,734
Charge for the year	-	137,843	137,843	137,673
At 31 December	**-**	**2,347,250**	**2,347,250**	2,209,407
Net book value at 31 December	**355,674**	**1,942,189**	**2,297,863**	2,435,706

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

	2023	2022
Gross rental income (note 17)	326,841	269,803
Depreciation	(137,843)	(137,673)
Other expenditure	(147,052)	(136,790)
Net rental income	**41,946**	(4,660)

Investment properties comprises principally of freehold land and buildings owned by the Group leased to third parties. The fair value of the investment properties of BD 8.354 million (2022: BD 8.13 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 115,000 (2022: BD 83,000) 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 2022. 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

	Jetties and buildings	Plant and equipment	Motor vehicles and launches	Furniture and equipment	Capital work-in-progress	Total 2023	Total 2022
Cost							
At 1 January	4,489,104	8,218,780	421,345	838,283	555,429	14,522,941	13,887,074
Additions	409	37,013	18,312	7,887	518,446	582,067	666,468
Transfers	81,713	-	-	-	(81,713)	-	-
Disposals	-	(11,500)	(47,981)	(5,296)	-	(64,777)	(30,601)
At 31 December	**4,571,226**	**8,244,293**	**391,676**	**840,874**	**992,162**	**15,040,231**	14,522,941
Depreciation							
At 1 January	3,697,398	4,631,024	342,613	710,573	-	9,381,608	8,891,032
Charge for the year	82,608	288,275	31,010	80,102	-	481,995	520,074
Disposals	-	(1,725)	(47,981)	(5,296)	-	(55,002)	(29,498)
At 31 December	**3,780,006**	**4,917,574**	**325,642**	**785,379**	**-**	**9,808,601**	9,381,608
Net book value	**791,220**	**3,326,719**	**66,034**	**55,495**	**992,162**	**5,231,630**	5,141,333

b) Right-of-use assets

	2023	2022
Balance at 1 January	1,544,350	1,618,329
Charge for the year	(73,975)	(73,979)
Balance at 31 December	**1,470,375**	1,544,350

The service facilities and head office buildings of the Group are built on leasehold land through three lease agreements.

10 Trade receivables

	2023	2022
Gross receivables	1,073,137	2,727,561
Less: Impairment allowances	(398,931)	(522,547)
	674,206	2,205,014

10 Trade receivables (continued)

Movement on impairment allowance is as follows:

	2023	2022
At 1 January	522,547	415,333
Charge for the year	29,438	107,214
Released for the year	(54,453)	-
Written off for the year	(98,601)	-
At 31 December	**398,931**	522,547

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

11 Inventories

	2023	2022
Raw materials and consumables	676,680	681,314
Goods for resale	413,793	440,520
	1,090,473	1,121,834
Less: Provision for slow-moving and obsolete items	(393,749)	(473,116)
	696,724	648,718

Movement on provision for slow-moving and obsolete items is as follows:

	2023	2022
At 1 January	473,116	711,525
Charge for the year	5,881	-
Inventory provision released	(85,248)	-
Inventory written off	-	(238,409)
At 31 December	**393,749**	473,116

During the year, inventories of BD 819,461 (2022: BD 902,117) were recognised as an expense in profit or loss. In year 2023, following a change in estimate, BD 85,248 of the provision was released.

12 Other assets

	2023	2022
Interest receivable	360,192	182,035
Advances to suppliers	67,302	120,725
Staff loans	6,450	6,155
VAT receivable	340,979	250,801
Others	54,839	35,848
	829,762	595,564

13 Share capital

	Number 2023	Amount 2023	Number 2022	Amount 2022
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

	2023	2022
Stock exchange price at 31 December	905 fils	900 fils
Market capitalisation of the Company as at 31 December	17,820,000	17,820,000
Basic and diluted earnings per share	105 fils	53 fils

c) Treasury shares
The reserves of the Company's treasury shares comprise the cost of the Company's shares held by the Group. At 31 December 2023, the Group held 7,569 of the Company's shares. (2022: Nil)

Additional information on shareholding pattern

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

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

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

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

Categories*	Number of Shares	Number of shareholders	% of total issued shares
Less than 1%	5,139,945	738	25.96%
1% to less than 5%	3,181,376	9	16.07%
5% to less than 10%	1,485,041	1	7.5%
10% to less than 50%	-	-	-
50% and above	9,993,638	1	50.47%
	19,800,000	**749**	**100.00%**

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

97.067% of the shares are held by Bahraini individuals and legal entities incorporated in the Kingdom of Bahrain and 2.933% by other nationalities. Total shares held by the directors at 31 December 2023 were 4.00% (2022: 4.01%).

14 Employees' benefits

	2023	2022
Balance at 1 January	739,788	741,726
Charge for the year	144,316	136,665
Paid during the year	(108,311)	(138,602)
At 31 December	**775,793**	739,789
Average number of employees	**252**	236

The Group's contributions to Social Insurance Organisation pension scheme in respect of Bahraini employees for 2023 were BD 76,228 (2022: BD 62,424).

15 Lease liabilities, other payables and accrued expenses

a) Other payables and accrued expenses

	2023	2022
Accrued expenses	770,002	401,187
Unclaimed dividends	11,017	11,017
Leave salary accruals	80,195	104,145
Lease liability – current (b)	124,667	124,667
Other payables	311,821	199,437
	1,297,702	840,453

b) Lease liabilities

	2023	2022
Non-current portion	1,469,627	1,542,166
Current portion	124,667	124,667
	1,594,294	1,666,833

Maturity analysis:

	2023	2022
Less than one year	126,948	126,948
One to five years	634,742	634,742
More than five years	1,779,432	1,906,380
	2,541,122	2,668,070
Less: Interest expense	(946,828)	(1,001,237)
	1,594,294	1,666,833

(i) Amounts recognised in profit or loss

	2023	2022
Leases under IFRS 16		
Interest on lease liabilities	79,694	83,549
Depreciation	73,975	73,979
Expenses relating to short-term leases	27,316	30,624
	180,985	188,152

15 Lease liabilities, other payables and accrued expenses (continued)

(ii) Amounts recognised in statement of cash flows

	2023	2022
Total cash outflow for lease liabilities	152,232	147,225

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.

	2023	2022
Revenue from contracts with customer		
Ship repair and maintenance – transferred overtime	5,633,980	4,753,795
Sale of engineering products – transferred at a point in time	597,613	699,153
Pump repair and maintenance – transferred overtime	185,404	176,717
	6,416,997	5,629,665

b. Contract balances

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

	2023	2022
Receivables, which are included in trade receivables	674,206	2,205,010
Due from contract customers	2,039,193	1,108,532
	2,713,399	3,313,542

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

	2023	2022
Property income (note 8)	326,841	269,803
Release of impairment allowance for trade receivables	54,453	-
Inventory provision released	85,248	-
Release of impairment allowance on cash and bank balances	8,811	-
Scrap sale and other miscellaneous income	14,020	203,339
	489,373	473,142

18 Subcontract and overhead cost

	2023	2022
Subcontracts services	1,484,063	1,241,956
Professional fees	101,586	98,799
Others	27,765	21,317
	1,613,414	1,362,072

19 Other operating expenses

	2023	2022
Directors' remuneration and sitting fees	171,269	110,200
Repairs and maintenance	252,263	123,042
Electricity and water	26,358	24,187
Advertising and marketing expenses	25,989	21,651
Printing and stationery	12,387	12,573
Other expenses	333,334	406,180
	821,600	697,833

20 Earnings per share

	2023	2022
Profit for the year	2,073,872	1,044,200
Weighted average number of shares during the year	19,792,431	19,800,000
Basic and diluted earnings per share	105 fils	53 fils

Basic earnings per share (EPS) is calculated by dividing the net profit for the year attributable to shareholders of the Company by the weighted average number of ordinary shares outstanding during the year. There were no dilutive instruments issued by the Company.

21 Proposed appropriations

The Board of Directors propose a cash dividend of 50% (2022: 50%) of the paid-up capital and other appropriations as follows:

	2023	2022
Dividend		990,000
Transfer to charity contributions		-
		990,000

22 Operating segments

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.

22 Operating segments (continued)

The Group has the following business segments:

2023	**Ship repairing & investment**	**Trading**	**Pump repairing**	**Elimination of inter-segment transactions**	**Total**
Sales	5,637,858	617,447	204,379	(42,687)	**6,416,997**
Expenses	4,587,048	635,029	142,870	(42,687)	**5,322,260**
Depreciation / amortization	677,221	12,983	1,882	-	**692,086**
Interest, dividend and other income	1,670,784	437		-	**1,671,221**
Profit for the year	2,044,373	(30,128)	59,627	-	**2,073,872**
Total assets	36,380,835	770,723	179,952	(764,805)	**36,566,705**
Total liabilities	(3,572,953)	(800,851)	(47,671)	714,805	**(3,706,670)**

2022	Ship repairing & investment	Trading	Pump repairing	Elimination of inter-segment transactions	Total
Sales	4,758,023	711,969	196,023	(36,350)	5,629,665
Expenses	4,247,774	700,748	132,976	(36,350)	5,045,148
Depreciation / amortization	717,616	12,774	2,839	-	733,229
Interest, dividend and other income	1,190,504	2,092	316	-	1,192,912
Profit for the year	983,137	539	60,524	-	1,044,200
Total assets	35,218,097	1,145,089	211,754	(983,913)	35,591,027
Total liabilities	(3,567,360)	(1,144,550)	(84,629)	930,704	(3,865,835)

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, other 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.

23 Financial instruments and risk management (continued)

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

b) Credit risk

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

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

(i) Exposure to credit risk

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

	2023	2022
Debt investments securities	1,942,500	2,000,000
Bank balances	3,828,895	1,414,109
Bank deposits	12,868,871	13,866,708
Trade receivables	674,206	2,205,014
Due from contractor customers	2,039,193	1,108,532
Other assets	762,460	474,839
	22,116,125	21,069,202

Management has assessed credit loss on other assets to be immaterial.

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

	2023	2022
(Release) / charge of impairment loss on trade receivables and contract customers	(25,015)	107,214
(Release) / charge of impairment loss on bank balances and deposits	(8,811)	-
	(33,826)	107,214

23 Financial instruments and risk management (continued)

(iii) The following table provides information about the exposure to credit risk and ECLs for trade receivables and due from contract customers from individual customers as at 31 December 2023.

2023	**Weighted-average loss rate**	**Gross carrying value**	**Impairment loss allowance**	**Credit-impaired**
Current (not past due)	3.34%	2,592,379	(86,627)	No
Past due up to 180 days	12.80%	204,848	(26,227)	No
More than 180 days	90.79%	315,103	(286,077)	Yes
	12.82%	**3,112,330**	**(398,931)**	

2022	Weighted-average loss rate	Gross carrying value	Impairment loss allowance	Credit-impaired
Current (not past due)	1.26%	2,986,314	(37,591)	No
Past due up to 180 days	11.76%	289,626	(34,072)	No
More than 180 days	80.49%	560,153	(450,884)	Yes
	13.62%	3,836,093	(522,547)	

All services are largely provided to Bahrain based customers. Management has assessed credit loss on due from contract customers to be immaterial.

(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.

	2023	2022
Trade receivables	398,931	522,547
Bank balances and deposits	74,818	83,628
Debt investments securities	-	-
	473,749	606,175

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.

	2023	2022
Balance at 1 January	606,175	498,961
Net re-measurement of loss allowance	(132,426)	107,214
	473,749	606,175

23 Financial instruments and risk management (continued)

c) Liquidity risk

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

The following are the contractual maturities of financial liabilities:

2023	**Carrying amount**	**Total contractual cash flows**	**Within 1 Year**	**Over 1 year**
Trade payables	163,548	163,548	163,548	-
Other payables	1,173,035	1,173,035	1,173,035	-
Lease liabilities	1,594,294	2,541,122	126,948	2,414,174
	2,930,877	**3,877,705**	**1,463,531**	**2,414,174**

2022	Carrying amount	Total contractual cash flows	Within 1 Year	Over 1 year
Trade payables	743,427	743,427	743,427	-
Other payables	715,786	715,786	715,786	-
Lease liabilities	1,666,833	2,668,070	126,948	2,541,122
	3,126,046	4,127,283	1,586,161	2,541,122

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:

	2023	2022
Fixed rate instruments		
Government debt securities	1,942,500	2,000,000
Bank deposits	12,868,871	13,866,708
	14,811,371	15,866,708

As at reporting date, government debt securities had average interest rate of 5.94% (2022: 5.94%), whereas average interest rate on bank deposits was 5.44% (2022: 4.96%).

23 Financial instruments and risk management (continued)

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 128,689 in both ways (2022: BD 138,667). This analysis assumes that all other variables, in particular foreign currency rates, remain constant. The analysis is performed on the same basis for 2022.

(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 60,200 (2022: an increase/ decrease of BD 71,600).

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

e) Capital management

The Group's objectives for managing capital are:

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

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

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

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

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

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

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

24 Fair value and classification of financial instruments (continued)

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

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

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

31 December 2023	**At amortised cost**	**FVTOCI**	**Total carrying Amount**
Trade receivables	674,206	-	674,206
Due from contract customers	2,039,193	-	2,039,193
Cash and bank balances	3,831,656	-	3,831,656
Bank deposits	12,869,199	-	12,869,199
Debt investments securities	1,942,500	-	1,942,500
Equity investment securities	-	4,683,597	4,683,597
Other assets	829,762	-	829,762
	22,186,516	**4,683,597**	**26,870,113**
Trade payables	163,548	-	163,548
Other payables	1,173,035	-	1,173,035
Lease liabilities	1,594,294	-	1,594,294
	2,930,877	**-**	**2,930,877**

31 December 2022	At amortised cost	FVTOCI	Total carrying Amount
Trade receivables	2,205,014	-	2,205,014
Due from contract customers	1,108,532	-	1,108,532
Cash and bank balances	1,419,262	-	1,419,262
Bank deposits	13,866,708	-	13,866,708
Debt investments securities	2,000,000	-	2,000,000
Equity investment securities	-	4,625,840	4,625,840
Other assets	595,564	-	595,564
	21,195,080	4,625,840	25,820,920
Trade payables	743,427	-	743,427
Other payables	715,786	-	715,786
Lease liabilities	1,666,833	-	1,666,833
	3,126,046	-	3,126,046

24 Fair value and classification of financial instruments (continued)

(ii) Fair value hierarchy

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

- Level 1

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

- Level 2

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

- Level 3

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

a) Financial instruments measured at fair value

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

2023	**Level 1**	**Level 2**	**Level 3**	**Total**
Quoted equity investments securities	**3,706,610**	**976,987**	**-**	**4,683,597**

2022	Level 1	Level 2	Level 3	Total
Quoted equity investments securities	4,598,057	27,783	-	4,625,840

At 31 December 2023, investments measured at FVOCI with a carrying amount of BD 934,068 was reclassified from Level 1 to Level 2 because there was no active market for these investments. There were no transfers from Level 2 to Level 1 in 2023.

b) Other financial assets and liabilities

The fair value of the debt investment securities as at 31 December 2023 is BD 1,925,958 (31 December 2022: BD 2,004,570) 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, except bank deposits which are of long-term nature and placed at market interest rates.

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. Pricing policies and terms of these transactions are approved by the Board of Directors.

25 Related party transactions (continued)

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

a) Related party balances	**2023**	2022
Amount due from Kanoo Shipping - *entity under common control*	**553**	12,771
Amount due to Yusuf Bin Ahmed Kanoo WLL- *shareholder*	**8,369**	9,798

b) Transactions with related parties

	2023	2022
Revenues		
Ship repairing services - *entity under common control*	**9,750**	297,812
Expenses		
Purchase of air tickets and services - *entity under common control*	**50,600**	57,036

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:

	2023	2022
Directors' remuneration and sitting fee*	171,269	110,200
Salaries and other short term benefits	188,703	161,175
Post employment benefits	63,382	11,931
	423,354	283,306

* Directors' remuneration accrued for 2023 is subject to the approval of the shareholders as per the articles of Commercial Companies law.

26 Commitment and contingent liabilities

	2023	2022
Letter of guarantees	58,378	50,517
Capital commitment	355,751	982,373

27 Comparatives

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