

Aluminium Bahrain B.S.C.
INTERIM CONDENSED CONSOLIDATED
FINANCIAL INFORMATION

31 MARCH 2019 (REVIEWED)



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Independent auditors' report on review of condensed consolidated interim financial information

The Board of Directors
Aluminium Bahrain B.S.C.
Kingdom of Bahrain

30 April 2019

Introduction

We have reviewed the accompanying 31 March 2019 condensed consolidated interim financial information of Aluminium Bahrain B.S.C. ("the Company") and its subsidiaries (together "the Group"), which comprises:

- the condensed consolidated statement of financial position as at 31 March 2019;
- the condensed consolidated statement of comprehensive income for the three-month period ended 31 March 2019;
- the condensed consolidated statement of changes in equity for the three-month period ended 31 March 2019;
- the condensed consolidated statement of cash flows for the three-month period ended 31 March 2019; and
- notes to the condensed consolidated interim financial information.

The Board of Directors of the Company is responsible for the preparation and presentation of this condensed consolidated interim financial information in accordance with IAS 34, 'Interim Financial Reporting'. Our responsibility is to express a conclusion on this condensed consolidated interim financial information based on our review.

Scope of Review

We conducted our review in accordance with the International Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity". A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying 31 March 2019 condensed consolidated interim financial information is not prepared, in all material respects, in accordance with IAS 34, 'Interim Financial Reporting'.

Other Matter

The consolidated financial statements of the Group as at and for the year ended 31 December 2018, and the condensed consolidated interim financial information for the period ended 31 March 2018, from which the corresponding figures of consolidated statement of financial position, statement of comprehensive income, statement of changes in equity and statement of cash flows have been derived, were audited and reviewed by another auditor who issued an unmodified audit opinion and review conclusion on those financial statements and financial information respectively.

Aluminium Bahrain B.S.C.

INTERIM CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 March 2019 (Reviewed)

	31 March 2019 Reviewed (*) BD '000	31 December 2018 Audited BD '000
ASSETS		
Non-current assets		
Property, plant and equipment	1,796,759	1,702,117
Other asset	3,888	3,936
Derivative financial instruments	213	1,725
Deferred tax asset	34	34
	1,800,894	1,707,812
Current assets		
Inventories	272,871	266,229
Trade and other receivables	127,525	130,522
Derivative financial instruments	246	471
Bank balances and cash	58,337	103,684
	458,979	500,906
TOTAL ASSETS	2,259,873	2,208,718
EQUITY AND LIABILITIES		
Equity		
Share capital	142,000	142,000
Treasury shares	(4,315)	(4,800)
Statutory reserve	71,000	71,000
Capital reserve	249	249
Retained earnings	848,876	865,021
Total equity	1,057,810	1,073,470
Non-current liabilities		
Borrowings	717,304	785,877
Employees' end of service benefits	1,877	1,677
Trade and other payable	53,534	47,000
	772,715	834,554
Current liabilities		
Borrowings	202,467	74,504
Trade and other payables	226,881	225,332
Derivative financial instruments	-	858
	429,348	300,694
Total liabilities	1,202,063	1,135,248
TOTAL EQUITY AND LIABILITIES	2,259,873	2,208,718

(*) The Group has adopted IFRS 16 Leases on its effective date of 1 January 2019. Prior period accounts have not been re-stated. Refer Note 2(b).

Daij Bin Salman Bin Daij Al Khalifa
Chairman

Yousif Taqi
Director

Tim Murray
Chief Executive Officer

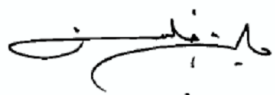
The attached notes 1 to 10 form part of these interim condensed consolidated financial information.

Aluminium Bahrain B.S.C.

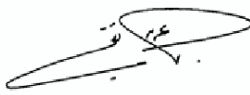
INTERIM CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the three months ended 31 March 2019 (Reviewed)

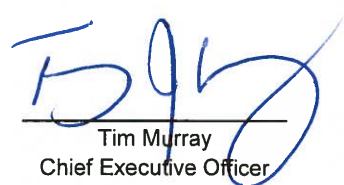
	Note	Three months ended	
		31 March 2019 BD '000	31 March 2018 BD '000
Revenue from contracts with customers	6	203,514	221,259
Cost of sales		(202,664)	(181,299)
GROSS PROFIT		850	39,960
Other income		1,019	5,319
Gain/ (loss) on foreign exchange		1,245	(2,656)
Selling and distribution expenses		(7,831)	(4,805)
General and administrative expenses		(8,607)	(6,919)
Finance costs		(1,076)	(296)
Changes in fair value of derivative financial instruments		(1,751)	3,880
(LOSS)/ PROFIT FOR THE PERIOD BEFORE TAX		(16,151)	34,483
Tax		342	(617)
(LOSS)/ PROFIT AND TOTAL COMPREHENSIVE INCOME FOR THE PERIOD		(15,809)	33,866
Basic and diluted earnings per share (fils)	3	(11)	24



Daij Bin Salman Bin Daij Al Khalifa
Chairman



Yousif Taqi
Director



Tim Murray
Chief Executive Officer

The attached notes 1 to 10 form part of these interim condensed consolidated financial information.

Aluminium Bahrain B.S.C.

INTERIM CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the three months ended 31 March 2019 (Reviewed)

	Share capital BD '000	Treasury shares BD '000	Statutory reserve BD '000	Capital reserve BD '000	Retained earnings BD '000	Proposed dividend BD '000	Total BD '000
Balance at 1 January 2019	142,000	(4,800)	71,000	249	865,021	-	1,073,470
Total comprehensive income for the period	-	-	-	-	(15,809)	-	(15,809)
Net movement in treasury shares	-	485	-	-	(336)	-	149
Balance at 31 March 2019	142,000	(4,315)	71,000	249	848,876	-	1,057,810
	Share capital BD '000	Treasury shares BD '000	Statutory reserve BD '000	Capital reserve BD '000	Retained earnings BD '000	Proposed dividend BD '000	Total BD '000
Balance at 1 January 2018	142,000	(2,690)	71,000	249	805,029	36,806	1,052,394
Total comprehensive income for the period	-	-	-	-	33,866	-	33,866
Net movement in treasury shares	-	(199)	-	-	134	-	(65)
Final dividend for 2017 approved and paid (note 8)	-	-	-	-	-	(36,720)	(36,720)
Excess of final dividend for 2017 reversed	-	-	-	-	86	(86)	-
Balance at 31 March 2018	142,000	(2,889)	71,000	249	839,115	-	1,049,475

The attached notes 1 to 10 form part of these interim condensed consolidated financial information.

Aluminium Bahrain B.S.C.

INTERIM CONSOLIDATED STATEMENT OF CASH FLOWS

For the three months ended 31 March 2019 (Reviewed)

	Note	Three months ended	
		31 March	31 March
		2019	2018
		BD '000	BD '000
OPERATING ACTIVITIES			
(Loss)/ Profit for the period before tax		(16,151)	34,483
Adjustments for:			
Depreciation		15,940	16,868
Amortisation of other asset		48	48
Provision for employees' end of service benefits		468	408
Provision for slow moving inventories		26	41
Provision for impairment of trade receivables - net		-	1
Loss/ (gain) on disposal of property, plant and equipment		44	(2)
Changes in fair value of derivative financial instruments		1,751	(3,880)
Interest income		(286)	(65)
Finance costs		1,076	216
		2,916	48,118
Working capital changes:			
Inventories		(6,668)	(9,117)
Trade and other receivables		2,997	4,507
Trade and other payables		8,093	14,353
Cash from operations		7,338	57,861
Employees' end of service benefits paid		(268)	(384)
Tax benefit/ (paid)		342	(617)
Net cash flows from operating activities		7,412	56,860
INVESTING ACTIVITIES			
Purchase of property, plant and equipment		(97,943)	(151,261)
Proceeds from disposal of property, plant and equipment		3	2
Interest income received		286	65
Net cash flows used in investing activities		(97,654)	(151,194)
FINANCING ACTIVITIES			
Borrowings availed		195,631	117,572
Borrowings repaid		(136,241)	(18,228)
Finance costs paid		(14,644)	(2,716)
Dividends paid	8	-	(36,720)
Purchase of treasury shares		(540)	(1,162)
Proceeds from resale of treasury shares		689	1,097
Net cash flows from financing activities		44,895	59,843
DECREASE IN CASH AND CASH EQUIVALENTS		(45,347)	(34,491)
Cash and cash equivalents at 1 January		103,684	77,459
CASH AND CASH EQUIVALENTS AT 31 MARCH		58,337	42,968

The attached notes 1 to 10 form part of these interim condensed consolidated financial information.

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Aluminium Bahrain B.S.C.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED

FINANCIAL INFORMATION

31 March 2019 (Reviewed)

1 REPORTING ENTITY

Aluminium Bahrain B.S.C. ("the Company") was incorporated as a Bahrain Joint Stock Company (closed) in the Kingdom of Bahrain and registered with the Ministry of Industry, Commerce and Tourism under commercial registration (CR) number 999.

Subsequent to the Initial Public Offering (IPO), the Company became a Bahrain Public Joint Stock Company effective 23 November 2010 and its shares were listed on Bahrain Bourse and the Global Depositary Receipts were listed on the London Stock Exchange - Alternative Investment Market. The Company has its registered office at 150 Askar Road, Askar 951, Kingdom of Bahrain.

The Company's majority shareholder is Bahrain Mumtalakat Holding Company B.S.C. (c) (Mumtalakat), a company wholly owned by the Government of the Kingdom of Bahrain through the Ministry of Finance, which holds 69.38% of the Company's share capital.

The Company is engaged in the manufacture and sale of aluminium and aluminium related products. The Company owns and operates a primary aluminium smelter and the related infrastructure in the Kingdom of Bahrain.

The Group comprises of the Company and the following subsidiaries:

Name	Effective ownership		Country of incorporation	Principal activity
	2019	2018		
Aluminium Bahrain US, Inc.	100%	100%	United States of America (USA)	Selling and distribution of aluminium throughout the Americas
ALBA Club S.P.C.	100%	100%	Kingdom of Bahrain	Provider of recreational and sports facilities

The Group also has representative sales branch offices in Zurich, Switzerland and Hong Kong.

The interim condensed consolidated financial statements were authorised for issue by the Board of Directors on 30 April 2019.

2 SIGNIFICANT ACCOUNTING POLICIES

a) Basis of preparation

The interim condensed consolidated financial information of the Group for the three month period ended 31 March 2019 have been prepared in accordance with International Accounting Standard 34 ("IAS 34"), "Interim Financial Reporting".

The interim condensed consolidated financial information do not contain all the information and disclosures required in the annual consolidated financial statement, and should be read in conjunction with the Group's annual consolidated financial statement as at 31 December 2018. In addition, the results for the three month period ended 31 March 2019 are not necessarily indicative of the results that may be expected for the financial year ending 31 December 2019.

b) New and amended standards and interpretations

The accounting policies adopted in the preparation of the interim condensed consolidated financial information are consistent with those followed in the preparation of the Group's annual consolidated financial statements for the year ended 31 December 2018 except for the adoption of new standards and interpretations effective as of 1 January 2019. The Group has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective.

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NOTES TO THE INTERIM CONDENSED CONSOLIDATED
FINANCIAL INFORMATION

31 March 2019 (Reviewed)

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

b) New and amended standards and interpretations (continued)

The Group applies, for the first time, IFRS 16 Leases.

IFRS 16 Leases

The Group has applied IFRS 16 with a transition date of 1 January 2019 which resulted in changes in accounting policies and adjustments to the amounts from those previously recognised in the financial statements as at 31 December 2018.

As permitted by the transitional provisions of IFRS 16, the Group elected to use the modified retrospective approach and therefore the comparative information has not been restated and continues to be reported under IAS 17 'Leases' and IFRIC 4 'Determining whether an arrangement contains a lease'.

Set out below are the details of the specific IFRS 16 accounting policies applied in the current period and the IFRS 16 transition impact disclosures for the Group.

(i) Changes in accounting policies

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.

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

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.

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NOTES TO THE INTERIM CONDENSED CONSOLIDATED

FINANCIAL INFORMATION

31 March 2019 (Reviewed)

(A) Measurement

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

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

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

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

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

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

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

(B) 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.

(ii) Impact of adopting IFRS 16

The impact from the adoption of IFRS 16 as at 1 January 2019 is set out below:

	Property, Plant and equipment	Trade and Other Payables
Closing balance under IAS 17 (31 December 2018)	-	-
<u>Impact on remeasurements:</u>		
Right-of-use asset	5,279	-
Lease liability	-	5,279
Opening balance under IFRS 16 on date of initial application of 1 January 2019	5,279	5,279

c) Seasonability

The Group does not have significant income of seasonal nature.

d) Judgements and estimates

In preparing these condensed consolidated interim financial statements, management make judgements, estimates and assumptions that affect the application of accounting policies and reported amounts of assets and liabilities, income and expense. Actual results may differ from these estimates. The significant judgements made by the management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those applied to the consolidated financial statements as at and for the year ended 31 December 2018.

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NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

31 March 2019 (Reviewed)

3 EARNINGS PER SHARE

	Three months ended 31 March	
	2019	2018
(Loss)/ profit for the period - BD '000	(15,809)	33,866
Weighted average number of shares outstanding - thousands of shares	1,412,365	1,415,246
Basic and diluted earnings per share – fils	(11)	24

No separate figure for diluted earnings per share has been presented as the Group has not issued financial instruments which may have a dilutive effect.

4 DERIVATIVE FINANCIAL INSTRUMENTS

The Group does not engage in proprietary trading activities in derivatives. However, the Group enters into derivative transactions to hedge economic risks under its risk management guidelines that may not qualify for hedge accounting under IFRS 9. Consequently, gains or losses resulting from the re-measurement to fair value of these derivatives are recognised in the interim condensed consolidated statement of comprehensive income.

Interest rate swaps

The Group entered into interest rate swap transactions for BD 282,000 thousand floating rate borrowings for financing the line 6 project to manage overall financing costs. These contracts expire on 20 September 2023. The notional amount outstanding as at 31 March 2019 was BD 282,000 thousand (2018: BD 206,800 thousand).

Commodity futures

The Group entered into commodity futures contracts to reduce the price risk on behalf of its customers for 13,985 metric tonnes (2018: 15,870 metric tonnes).

5 FINANCIAL INSTRUMENTS

Fair values

Financial instruments comprise of financial assets, financial liabilities and derivative financial instruments. Financial assets consist of bank balances, cash and trade and other receivables. Financial liabilities consist of borrowings and trade and other payables. Derivative financial instruments consist of interest rate swaps and commodity futures.

The Group assessed that the fair values of cash and bank balances, trade receivables, other receivables, trade payables, other current liabilities and borrowings approximate their carrying amounts, largely due to the short term maturities of these financial instruments and due to floating rate of borrowings which are similar to observed market rate of the group's liabilities. The Group also assessed that the fair value of the non-current portion of borrowings approximate their carrying amounts.

Fair value hierarchy

All financial instruments for which fair value is recognised or disclosed 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:

Level 1 : Quoted market prices in an active market (that are unadjusted) for identical assets or liabilities;

Level 2 : Valuation techniques (for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable); and

Level 3 : Valuation techniques (for which the lowest level input that is significant to the fair value measurement is unobservable).

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NOTES TO THE INTERIM CONDENSED CONSOLIDATED
FINANCIAL INFORMATION

31 March 2019 (Reviewed)

5 FINANCIAL INSTRUMENTS (continued)**Fair value hierarchy (continued)**

As at 31 March 2019, the Group's derivative financial instruments are measured at fair value using Level 2 inputs as per the hierarchy above. The Company does not have financial instruments qualifying for Level 1 or Level 3 classification.

During the three month period ended 31 March 2019, there were no transfers between Level 1 and Level 2 fair value measurements, and no transfers into or out of Level 3 fair value measurements (31 December 2018: none).

6 OPERATING SEGMENT INFORMATION

For management purposes, the Group has a single operating segment which is the ownership and operation of a primary aluminium smelter and related infrastructure. Hence no separate disclosure of profit or loss, assets and liabilities is provided as this disclosure will be identical to the interim consolidated statement of financial position and interim consolidated statement of comprehensive income of the Group.

a) Product

An analysis of the revenue from contracts with customers by product is as follows:

	<i>Three months ended</i> <i>31 March</i>	
	2019	2018
	BD '000	BD '000
Sale of aluminium	203,130	219,545
Sale of alumina	384	1,711
Sale of calcined coke	-	3
Total revenue from contracts with customers	203,514	221,259

b) Geographic information

An analysis of the revenue from contracts with customers by geographic location is as follows:

	<i>Three months ended</i> <i>31 March</i>	
	2019	2018
	BD '000	BD '000
Kingdom of Bahrain	59,317	85,624
Europe	41,123	54,649
Rest of the Middle East and North Africa	34,053	25,068
Asia	33,982	26,657
Americas	35,039	29,261
Total revenue from contracts with customers	203,514	221,259

The revenue information above is based on the location of the customers.

c) Customers

Revenue from sale of aluminium to the two major customers of the Group amounted to BD 49,255 thousand with one of the customers accounting for more than 15% of total revenue from contracts with customers (31 March 2018: two major customers accounted for BD 66,272 thousand, with one of the customer being more than 10% of the total revenue from contracts with customers for the period).

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NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

31 March 2019 (Reviewed)

7 COMMITMENTS

As of 31 March 2019, the Group had commitments amounting to BD 86,232 thousand relating to the capital expenditure contracted for at the reporting date (31 December 2018: BD 93,635 thousand).

8 DIVIDEND

At the Annual General Meeting held on 7 March 2019, the Company's shareholders approved the Board of Directors' proposal for not distributing any cash dividends to shareholders for the year 2018.

At the Annual General Meeting held on 7 March 2018, the Company's shareholders approved the Board of Directors' proposal to pay a final dividend of BD 0.026 per share (excluding treasury shares) totalling BD 36,806 thousand relating to 2017, out of which BD 36,720 thousand was paid as of 31 March 2018 and the excess of BD 86 thousand was reversed.

9 RELATED PARTY TRANSACTIONS

Related parties represent major shareholders, directors and key management personnel of the Group, and entities controlled, jointly controlled or significantly influenced by such parties. Pricing policies and terms of these transactions are approved by the Board of Directors.

In the ordinary course of business, the Group purchases supplies and services from parties related to the Government of the Kingdom of Bahrain, principally natural gas and public utility services at mutually agreed terms.

Transactions with related parties included in the interim consolidated statement of comprehensive income are as follows:

	<i>Three months ended</i> <i>31 March</i>	
	2019	2018
	BD '000	BD '000
Other related parties		
Revenue and other income		
Sale of metal	8,905	19,141
Sale of water	229	190
Interest income	222	-
	9,356	19,331
Cost of sales and expenses		
Purchase of natural gas and diesel	52,133	34,059
Purchase of electricity	826	1,754
Sponsorship	295	-
Telecommunication Expenses	73	-
Royalty	-	1,075
	53,327	36,888

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NOTES TO THE INTERIM CONDENSED CONSOLIDATED
FINANCIAL INFORMATION

31 March 2019 (Reviewed)

9 RELATED PARTY TRANSACTIONS (continued)

Balances with related parties included in the interim consolidated statement of financial position are as follows:

	31 March 2019 Reviewed BD '000	31 December 2018 Audited BD '000
Other related parties		
Assets		
Trade receivables (net of impairment)	8,186	13,938
Bank balances	3,102	1,556
	11,288	15,494
Liabilities		
Trade payables	28,076	25,737
Borrowings	101,729	32,595
Other payables	221	234
	130,026	58,566

Outstanding balances at the end of the period arise in the normal course of business. For the three-month period ended 31 March 2019, the Group has not recorded any additional impairment on amounts due from related parties (31 December 2018: BD 3,413 thousand).

Compensation of key management personnel

The remuneration of members of key management during the period was as follows:

	Three months ended 31 March	
	2019 BD '000	2018 BD '000
Short term benefits	430	416
End of service benefits	18	18
Contributions to Alba Savings Benefit Scheme	26	24
	474	458

10 COMPARATIVES

Certain prior period/year amounts have been regrouped to conform to the presentation in the current period. Such regroupings did not affect previously reported net profit for the period, comprehensive income or total equity.

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