

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

30 JUNE 2017 (REVIEWED)

REPORT ON THE REVIEW OF INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS TO THE BOARD OF DIRECTORS OF ALUMINIUM BAHRAIN B.S.C.

Introduction

We have reviewed the accompanying interim consolidated statement of financial position of Aluminium Bahrain B.S.C. ('the Company') and its subsidiary (together "the Group") as at 30 June 2017, and the related interim consolidated statements of comprehensive income, changes in equity and cash flows for the six-month period then ended and explanatory notes. The Company's Board of Directors is responsible for the preparation and presentation of these interim condensed consolidated financial statements in accordance with International Accounting Standard 34 ("IAS 34") "Interim Financial Reporting". Our responsibility is to express a conclusion on these interim condensed consolidated financial statements 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. Consequently, it 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 interim condensed consolidated financial statements are not prepared, in all material respects, in accordance with IAS 34.



24 July 2017
Manama, Kingdom of Bahrain

Aluminium Bahrain B.S.C.

INTERIM CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 June 2017

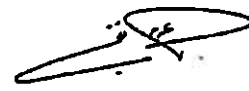
	30 June 2017 Reviewed BD '000	31 December 2016 Audited BD '000
ASSETS		
Non-current assets		
Property, plant and equipment	957,744	847,500
Other asset	4,224	4,320
Deferred tax asset	10	10
	961,978	851,830
Current assets		
Inventories	198,288	163,422
Trade and other receivables	149,577	92,065
Bank balances and cash	48,235	66,413
	396,100	321,900
TOTAL ASSETS	1,358,078	1,173,730
EQUITY AND LIABILITIES		
Equity		
Share capital	142,000	142,000
Treasury shares	(1,280)	(4,965)
Statutory reserve	71,000	71,000
Capital reserve	249	249
Retained earnings	792,434	779,813
Total equity	1,004,403	988,097
Non-current liabilities		
Borrowings	114,168	6,489
Employees' end of service benefits	1,666	1,554
Derivative financial instruments	1,034	-
	116,868	8,043
Current liabilities		
Borrowings	71,114	45,235
Trade and other payables	165,512	132,355
Derivative financial instruments	181	-
	236,807	177,590
Total liabilities	353,675	185,633
TOTAL EQUITY AND LIABILITIES	1,358,078	1,173,730



Daj Bin Salman Bin Daj Al Khalifa
Chairman



Tim Murray
Chief Executive Officer



Yousif Taqi
Director

The attached notes 1 to 8 form part of these interim condensed consolidated financial statements.



Aluminium Bahrain B.S.C.

INTERIM CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 June 2017 (Reviewed)

	Note	Three months ended		Six months ended	
		30 June	30 June	30 June	30 June
		2017	2016	2017	2016
		BD '000	BD '000	BD '000	BD '000
Sales revenue	5	179,316	165,727	369,731	322,181
Cost of sales		(156,577)	(141,271)	(310,641)	(284,454)
GROSS PROFIT		22,739	24,456	59,090	37,727
Other Income		5,751	661	6,484	1,314
Gain (loss) on foreign exchange		326	(155)	412	320
Selling and distribution expenses		(2,482)	(2,793)	(6,709)	(5,815)
General and administrative expenses		(6,565)	(5,210)	(13,052)	(11,710)
Finance costs		(637)	(683)	(1,214)	(1,332)
Changes in fair value of derivative financial instruments		(944)	-	(1,215)	-
PROFIT FOR THE PERIOD BEFORE TAX		18,188	16,276	43,796	20,504
Tax		(534)	-	(541)	-
PROFIT AND TOTAL COMPREHENSIVE INCOME FOR THE PERIOD		17,654	16,276	43,255	20,504
Basic and diluted earnings per share (fils)	3	12	12	31	15



Daij Bin Salman Bin Daij Al Khalifa
Chairman



Tim Murray
Chief Executive Officer



Yousif Taqi
Director

The attached notes 1 to 8 form part of these interim condensed consolidated financial statements.



Aluminium Bahrain B.S.C.

INTERIM CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2017 (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 2017	142,000	(4,965)	71,000	249	779,813	-	988,097
Total comprehensive income for the period	-	-	-	-	43,255	-	43,255
Net movement in treasury shares	-	3,685	-	-	-	-	3,685
Loss on resale of treasury shares	-	-	-	-	(976)	-	(976)
Final dividend for 2016 approved and paid (note 7)	-	-	-	-	(29,658)	-	(29,658)
Balance at 30 June 2017	142,000	(1,280)	71,000	249	792,434	-	1,004,403
	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 2016	142,000	(4,905)	71,000	249	731,698	7,768	947,810
Total comprehensive income for the period	-	-	-	-	20,504	-	20,504
Net movement in treasury shares	-	(60)	-	-	-	-	(60)
Loss on resale of treasury shares	-	-	-	-	(99)	-	(99)
Final dividend for 2015 approved and paid (note 7)	-	-	-	-	-	(7,756)	(7,756)
Excess of final dividend for 2015 reversed	-	-	-	-	12	(12)	-
Balance at 30 June 2016	142,000	(4,965)	71,000	249	752,115	-	960,399

The attached notes 1 to 8 form part of these interim condensed consolidated financial statements.

Aluminium Bahrain B.S.C.

INTERIM CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 June 2017 (Reviewed)

	<i>Six months ended</i>	
	<i>30 June 2017</i>	<i>30 June 2016</i>
<i>Note</i>	<i>BD '000</i>	<i>BD '000</i>
OPERATING ACTIVITIES		
Profit for the period before tax	43,796	20,504
Adjustments for:		
Depreciation	33,345	36,084
Amortisation of other asset	96	96
Provision for employees' end of service benefits	732	824
(Reversal of provision) provision for slow moving inventories	(159)	59
Reversal of provision for impairment of trade receivables - net	(160)	(20)
Loss on disposal of property, plant and equipment	743	230
Changes in fair value of derivative financial instruments	1,215	-
Interest income	(186)	(61)
Interest on borrowings	1,447	1,207
	80,869	58,923
Working capital changes:		
Inventories	(34,707)	7,813
Trade and other receivables	(57,352)	5,913
Trade and other payables	33,251	(17,047)
Cash from operations	22,061	55,802
Employees' end of service benefits paid	(620)	(776)
Tax paid	(541)	-
Net cash flows from operating activities	20,900	54,826
INVESTING ACTIVITIES		
Purchase of property, plant and equipment	(144,375)	(22,253)
Proceeds from disposal of property, plant and equipment	43	305
Interest income received	186	61
Net cash flows used in investing activities	(144,146)	(21,887)
FINANCING ACTIVITIES		
Borrowings availed	206,800	63,920
Borrowings repaid	(73,242)	(76,151)
Interest on borrowings paid	(1,541)	(1,203)
Dividends paid	(29,658)	(7,756)
Purchase of treasury shares	(2,040)	(303)
Proceeds from resale of treasury shares	4,749	144
Amounts received from long term receivable	-	1,720
Net cash flows from (used in) financing activities	105,068	(19,629)
(DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS	(18,178)	13,310
Cash and cash equivalents at 1 January	66,413	116,009
CASH AND CASH EQUIVALENTS AT 30 JUNE	48,235	129,319

Non-cash item

1) Movements in unpaid finance costs of BD 94 thousand (2016: BD 4 thousand) have been excluded from the movement of trade and other payables.

The attached notes 1 to 8 form part of these interim condensed consolidated financial statements.

Aluminium Bahrain B.S.C.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

At 30 June 2017 (Reviewed)

1 ACTIVITIES

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 are listed on Bahrain Bourse and Global Depositary Receipts are listed on the London Stock Exchange. The Company has its registered office at 150 Askar Road, Askar 951, Kingdom of Bahrain.

The majority shareholder of the Company 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 manufacturing aluminium and aluminium related products. The Company owns and operates a primary aluminium smelter and the related infrastructure in the Kingdom of Bahrain. The Company also has representative sales branch offices in Zurich, Switzerland and Hong Kong and a subsidiary incorporated in the United States of America.

The Group comprises of the Company and the following subsidiary:

Name	Effective ownership		Country of incorporation	Principal activity
	30 June 2017	31 December 2016		
Aluminium Bahrain US, Inc.	100%	100%	United States of America (USA)	Selling and distribution of aluminium throughout USA

The interim condensed consolidated financial statements were authorised for issue by the Board of Directors on 24 July 2017.

2 SIGNIFICANT ACCOUNTING POLICIES

Basis of preparation

The interim condensed consolidated financial statements of the Group for the six month period ended 30 June 2017 have been prepared in accordance with International Accounting Standard 34 ("IAS 34"), "Interim Financial Reporting".

The interim condensed consolidated financial statements do not contain all the information and disclosures required in the annual consolidated financial statements, and should be read in conjunction with the Group's annual consolidated financial statements as at 31 December 2016. In addition, the results for the six month period ended 30 June 2017 are not necessarily indicative of the results that may be expected for the financial year ending 31 December 2017.

New and amended standards and interpretations

The accounting policies used in the preparation of the interim condensed consolidated financial statements are consistent with those used in the preparation of the annual consolidated financial statements for the year ended 31 December 2016 except for the adoption of new standards and interpretations effective as of 1 January 2017. The Group has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective.

The nature and the effect of these changes are disclosed below. Although these new standards and amendments apply for the first time in 2017, they do not have a material impact on the annual consolidated financial statements of the Group or the interim condensed consolidated financial statements of the Group. The nature and the impact of each new standard or amendment is described below:

Aluminium Bahrain B.S.C.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

At 30 June 2017 (Reviewed)

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

New and amended standards and interpretations (continued)

IAS 7 Statement of Cash Flows (Amendments)

The amendments require an entity to provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both changes arising from cash flows and non-cash changes.

IAS 12 Income Taxes (Amendments)

The amendments, Recognition of Deferred Tax Assets for Unrealised Losses (Amendments to IAS 12), clarify how to account for deferred tax assets related to debt instruments measured at fair value.

3 EARNINGS PER SHARE

	<i>Three months ended</i>		<i>Six months ended</i>	
	<i>30 June (Reviewed)</i>		<i>30 June (Reviewed)</i>	
	<i>2017</i>	<i>2016</i>	<i>2017</i>	<i>2016</i>
Profit for the period - BD '000	<u>17,654</u>	<u>16,276</u>	<u>43,255</u>	<u>20,504</u>
Weighted average number of shares outstanding - thousands of shares	<u>1,417,259</u>	<u>1,410,107</u>	<u>1,412,691</u>	<u>1,410,190</u>
Basic and diluted earnings per share – fils	<u>12</u>	<u>12</u>	<u>31</u>	<u>15</u>

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 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 bank balances and cash, 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. The Group also assessed that the fair value of the non-current portion of borrowings approximate their carrying amounts.

Set out below is an overview of financial instruments, other than bank balances, held by the Company as at 30 June 2017 and 31 December 2016:

	<i>Loans and receivables</i>	
	<i>30 June</i>	<i>31 December</i>
	<i>2017</i>	<i>2016</i>
	<i>Reviewed</i>	<i>Audited</i>
	<i>BD '000</i>	<i>BD '000</i>
Financial assets		
Trade and other receivables	<u>126,639</u>	<u>89,428</u>

Aluminium Bahrain B.S.C.

**NOTES TO THE INTERIM CONDENSED CONSOLIDATED
FINANCIAL STATEMENTS**

At 30 June 2017 (Reviewed)

4 FINANCIAL INSTRUMENTS (continued)

	<i>Financial liabilities at amortised cost</i>		<i>Derivative financial instruments</i>	
	<i>30 June 2017</i>	<i>31 December 2016</i>	<i>30 June 2017</i>	<i>31 December 2016</i>
	<i>Reviewed BD '000</i>	<i>Audited BD '000</i>	<i>Reviewed BD '000</i>	<i>Audited BD '000</i>
Financial liabilities				
Borrowings	185,282	51,724	-	-
Trade and other payables	133,425	92,331	-	-
Derivative financial instruments	-	-	1,215	-
	318,707	144,055	1,215	-

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).

As at 30 June 2017, the Group's derivative financial instruments are measured at fair value. These are Level 2 as per the hierarchy above for the six months ended 30 June 2017. The Company does not have financial instruments qualifying for Level 1 or Level 3 classification.

During the six month period ended 30 June 2017, 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 2016: same).

5 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 sales revenue by product is as follows:

	<i>Three months ended 30 June (Reviewed)</i>		<i>Six months ended 30 June (Reviewed)</i>	
	<i>2017</i>	<i>2016</i>	<i>2017</i>	<i>2016</i>
	<i>BD '000</i>	<i>BD '000</i>	<i>BD '000</i>	<i>BD '000</i>
Aluminium	166,404	157,649	344,363	305,179
Alumina	12,017	6,564	20,612	13,388
Calcined coke	895	1,514	4,756	3,614
	179,316	165,727	369,731	322,181

Aluminium Bahrain B.S.C.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

At 30 June 2017 (Reviewed)

5 OPERATING SEGMENT INFORMATION (continued)

b) Geographic Information

An analysis of the sales revenue by geographic location is as follows:

	<i>Three months ended</i>		<i>Six months ended</i>	
	<i>30 June (Reviewed)</i>		<i>30 June (Reviewed)</i>	
	<i>2017</i>	<i>2016</i>	<i>2017</i>	<i>2016</i>
	<i>BD '000</i>	<i>BD '000</i>	<i>BD '000</i>	<i>BD '000</i>
Kingdom of Bahrain	72,642	68,555	150,327	132,558
Europe	33,638	31,222	70,902	54,945
Rest of the Middle East and North Africa	32,954	21,236	64,692	41,679
Asia	16,341	25,908	39,333	53,231
Americas	23,741	18,806	44,477	39,768
Total sales revenue	179,316	165,727	369,731	322,181

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

c) Customers

Revenue from sale of metal to the two major customers of the Group amounted to BD 120,900 thousand (30 June 2016: BD 107,671 thousand), each being more than 10% of the total sales revenue for the period.

6 COMMITMENTS

As of 30 June 2017, the Group had commitments amounting to BD 290,486 thousand relating to the capital expenditure contracted for at the reporting date (31 December 2016: BD 190,505 thousand).

7 DIVIDEND

At the Annual General Meeting held on 21 March 2017, the Company's shareholders approved the Board of Directors' proposal to pay a dividend of BD 0.021 per share (excluding treasury shares) totalling BD 29,658 thousand relating to 2016, which was paid as of 30 June 2017.

At the Annual General Meeting held on 16 March 2016, the Company's shareholders approved the Board of Directors' proposal to pay a final dividend of BD 0.0055 per share (excluding treasury shares) totalling BD 7,768 thousand relating to 2015, out of which BD 7,756 thousand was paid as of 30 June 2016.

8 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. A royalty, based on production, is also paid to the Government of the Kingdom of Bahrain.

Aluminium Bahrain B.S.C.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED
FINANCIAL STATEMENTS

At 30 June 2017 (Reviewed)

8 RELATED PARTY TRANSACTIONS (continued)

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

	<i>Three months ended</i>		<i>Six months ended</i>	
	<i>30 June (Reviewed)</i>		<i>30 June (Reviewed)</i>	
	<i>2017</i>	<i>2016</i>	<i>2017</i>	<i>2016</i>
	<i>BD '000</i>	<i>BD '000</i>	<i>BD '000</i>	<i>BD '000</i>
Other related parties				
Revenue and other income				
Sale of metal	19,896	17,907	43,656	33,356
Sale of water	306	240	579	614
Interest on long term receivable	-	16	-	32
	20,202	18,163	44,235	34,002
Cost of sales and expenses				
Purchase of natural gas and diesel	20,772	31,372	52,042	59,610
(Sale) purchase of electricity	(604)	443	1,698	1,399
Royalty	848	991	1,879	1,967
	21,016	32,806	55,619	62,976

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

	<i>30 June</i>	<i>31 December</i>
	<i>2017</i>	<i>2016</i>
	<i>Reviewed</i>	<i>Audited</i>
	<i>BD '000</i>	<i>BD '000</i>
Other related parties		
Assets		
Trade receivables	16,786	8,940
Bank balances	1,618	2,650
	18,404	11,590
Liabilities		
Trade payables	22,370	27,536
Borrowings	7,520	-
Other payables	238	161
	30,128	27,697

Outstanding balances at the end of the period arise in the normal course of business. For the six-month period ended 30 June 2017, the Group has not recorded any impairment on amounts due from related parties (31 December 2016: nil).

Aluminium Bahrain B.S.C.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED
FINANCIAL STATEMENTS

At 30 June 2017 (Reviewed)

8 RELATED PARTY TRANSACTIONS (continued)

Compensation of key management personnel

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

	<i>Three months ended</i>		<i>Six months ended</i>	
	<i>30 June (Reviewed)</i>		<i>30 June (Reviewed)</i>	
	<i>2017</i>	<i>2016</i>	<i>2017</i>	<i>2016</i>
	<i>BD '000</i>	<i>BD '000</i>	<i>BD '000</i>	<i>BD '000</i>
Short term benefits	354	247	687	519
End of service benefits	20	11	33	21
Contributions to Alba Savings Benefit Scheme	20	15	38	38
	394	273	758	578