

Aluminium Bahrain B.S.C.

**CONDENSED CONSOLIDATED INTERIM
FINANCIAL INFORMATION**

31 MARCH 2022 (REVIEWED)

Aluminium Bahrain B.S.C.
Condensed Consolidated Interim Financial Information
For three months period ended 31 March 2022 (Reviewed)

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

To the Board of Directors
Aluminium Bahrain B.S.C
Kingdom of Bahrain

Introduction

We have reviewed the accompanying 31 March 2022 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 2022;
- the condensed consolidated statement of profit or loss for the three-month period ended 31 March 2022;
- the condensed consolidated statement of comprehensive income for the three-month period ended 31 March 2022;
- the condensed consolidated statement of changes in equity for the three-month period ended 31 March 2022;
- the condensed consolidated statement of cash flows for the three-month period ended 31 March 2022; 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 2022 condensed consolidated interim financial information is not prepared, in all material respects, in accordance with IAS 34, 'Interim Financial Reporting'.

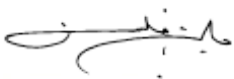
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Aluminium Bahrain B.S.C.

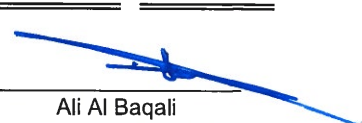
CONDENSED CONSOLIDATED INTERIM STATEMENT OF FINANCIAL POSITION

At 31 March 2022 (Reviewed)

	Note	31 March 2022 Reviewed BD '000	31 December 2021 Audited BD '000
ASSETS			
Non-current assets			
Property, plant and equipment		1,889,371	1,907,682
Derivative financial instruments	4	10,983	2,238
Deferred tax assets		99	99
		<u>1,900,453</u>	<u>1,910,019</u>
Current assets			
Inventories		358,303	302,835
Trade and other receivables		300,686	318,438
Derivative financial instruments	4	1,030	-
Bank balances and cash		130,071	93,311
		<u>790,090</u>	<u>714,584</u>
TOTAL ASSETS		<u>2,690,543</u>	<u>2,624,603</u>
EQUITY AND LIABILITIES			
Equity			
Share capital		142,000	142,000
Treasury shares		(3,630)	(3,742)
Statutory reserve		71,000	71,000
Capital reserve		249	249
Cash flow hedge reserve		10,166	944
Retained earnings		1,365,506	1,292,569
Total equity		<u>1,585,291</u>	<u>1,503,020</u>
Non-current liabilities			
Loans and borrowings		695,997	703,559
Lease liabilities		4,751	4,864
Employees' end of service benefits		1,692	1,704
		<u>702,440</u>	<u>710,127</u>
Current liabilities			
Loans and borrowings		222,702	223,591
Lease liabilities		556	686
Trade and other payables		178,737	185,806
Derivative financial instruments	4	817	1,373
		<u>402,812</u>	<u>411,456</u>
Total liabilities		<u>1,105,252</u>	<u>1,121,583</u>
TOTAL EQUITY AND LIABILITIES		<u>2,690,543</u>	<u>2,624,603</u>


Daj Bin Salman Bin Daj Al Khalifa
Chairman


Yousif Taqi
Director


Ali Al Baqali
Chief Executive Officer

The attached notes 1 to 12 form part of this condensed consolidated interim financial information.

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Aluminium Bahrain B.S.C.

CONDENSED CONSOLIDATED INTERIM STATEMENT OF PROFIT OR LOSS

For the three months ended 31 March 2022 (Reviewed)

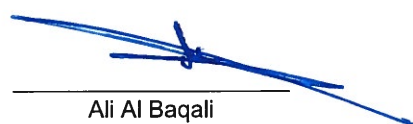
	Note	Three months ended	
		31 March 2022 BD '000	31 March 2021 BD '000
Revenue	7	454,949	302,707
Cost of sales		(276,940)	(222,224)
GROSS PROFIT		178,009	80,483
Other income		702	689
Gain on foreign exchange		4,605	3,432
General and administrative expenses		(9,626)	(12,803)
Selling and distribution expenses		(20,343)	(8,329)
Impairment loss on trade and other receivables		(153)	(2,451)
Finance costs		(6,889)	(8,847)
Changes in fair value of derivative financial instruments	4	1,108	140
PROFIT FOR THE PERIOD BEFORE TAX		147,413	52,314
Tax		(610)	(131)
PROFIT FOR THE PERIOD		146,803	52,183
Basic and diluted earnings per share (fils)	3	104	37



Daij Bin Salman Bin Daij Al Khalifa
Chairman



Yousif Taqi
Director



Ali Al Baqali
Chief Executive Officer

The attached notes 1 to 12 form part of this condensed consolidated interim financial information.

Aluminium Bahrain B.S.C.

CONDENSED CONSOLIDATED INTERIM STATEMENT OF COMPREHENSIVE INCOME

For the three months ended 31 March 2022 (Reviewed)

		<i>Three months ended</i>	
		31 March	31 March
		2022	2021
	<i>Note</i>	BD '000	BD '000
PROFIT FOR THE PERIOD		146,803	52,183
<i>Other comprehensive income</i>			
<i>Items that are or may be reclassified to profit or loss:</i>			
Effective portion of changes in fair value of cash flow hedge	4	9,222	6,259
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD		156,025	58,442

Daij Bin Salman Bin Daij Al Khalifa
Chairman

Yousif Taqi
Director

Ali Al Baqali
Chief Executive Officer

The attached notes 1 to 12 form part of this condensed consolidated interim financial information.

Aluminium Bahrain B.S.C.

CONDENSED CONSOLIDATED INTERIM STATEMENT OF CHANGES IN EQUITY

For the three months ended 31 March 2022 (Reviewed)

	Share capital BD '000	Treasury shares BD '000	Statutory reserve BD '000	Capital reserve BD '000	Cash flow hedge reserve BD '000	Retained earnings BD '000	Total BD '000
Balance at 1 January 2022	142,000	(3,742)	71,000	249	944	1,292,569	1,503,020
Profit for the period	-	-	-	-	-	146,803	146,803
<i>Other comprehensive income:</i>							
Effective portion of changes in fair value of cash flow hedge	-	-	-	-	9,222	-	9,222
Total comprehensive income for the period	-	-	-	-	9,222	146,803	156,025
Net movement in treasury shares	-	112	-	-	-	1,450	1,562
Final dividend for 2021 approved and paid	-	-	-	-	-	(75,316)	(75,316)
Balance at 31 March 2022	142,000	(3,630)	71,000	249	10,166	1,365,506	1,585,291
Balance at 1 January 2021	142,000	(2,589)	71,000	249	(8,300)	877,193	1,079,553
Profit for the period	-	-	-	-	-	52,183	52,183
<i>Other comprehensive income:</i>							
Effective portion of changes in fair value of cash flow hedge	-	-	-	-	6,259	-	6,259
Total comprehensive income for the period	-	-	-	-	6,259	52,183	58,442
Net movement in treasury shares	-	(627)	-	-	-	168	(459)
Balance at 31 March 2021	142,000	(3,216)	71,000	249	(2,041)	929,544	1,137,536

The attached notes 1 to 12 form part of this condensed consolidated interim financial information.

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Aluminium Bahrain B.S.C.

CONDENSED CONSOLIDATED INTERIM STATEMENT OF CASH FLOWS

For the three months ended 31 March 2022 (Reviewed)

	<i>Three months ended</i>	
	31 March 2022	31 March 2021
<i>Note</i>	BD '000	BD '000
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit for the period before tax	147,413	52,314
<i>Adjustments for:</i>		
Depreciation and amortisation	31,770	29,394
Provision for employees' end of service benefits	435	442
Reversal of provision for slow moving inventories	-	(22)
Provision for impairment of trade and other receivables	153	2,451
(Gain) / loss on disposal of property, plant and equipment	(80)	51
Changes in fair value of derivative financial instruments	(1,108)	(140)
Interest income	(49)	(68)
Forex gain on revaluation of loans and borrowings and bank balances	(5,665)	(3,884)
Finance costs	6,889	8,847
Operating profit before working capital changes	179,758	89,385
<i>Working capital changes:</i>		
Inventories	(55,468)	(24,075)
Trade and other receivables	17,599	(47,647)
Trade and other payables	(12,046)	(10,546)
Cash generated from operations	129,843	7,117
Employees' end of service benefits paid	(447)	(202)
Income tax paid	(610)	(131)
Net cash flows generated from operating activities	128,786	6,784
CASH FLOWS FROM INVESTING ACTIVITIES		
Acquisition of property, plant and equipment	(14,108)	(18,760)
Proceeds from disposal of property, plant and equipment	729	41
Interest received	49	68
Net cash flows used in investing activities	(13,330)	(18,651)
CASH FLOWS FROM FINANCING ACTIVITIES		
Borrowings availed	117,419	195,256
Borrowings repaid	(122,237)	(155,721)
Interest on loans and borrowings	(1,059)	(3,022)
Leases liabilities paid	(243)	(317)
Dividends paid	(75,316)	-
Purchase of treasury shares	(3,100)	(1,564)
Proceeds from resale of treasury shares	4,653	1,105
Net cash flows (used in) / generated from financing activities	(79,883)	35,737
NET INCREASE IN CASH AND CASH EQUIVALENTS		
Bank balances and cash at 1 January	93,311	44,438
Effect of movement in exchange rates on bank balances and cash	1,187	58
Restricted cash (Deposit pledged against short term borrowings)	(33,578)	-
CASH AND CASH EQUIVALENTS AT 31 MARCH	96,493	68,366
Comprising		
Bank balances	71,239	68,270
Short term deposits with maturities of three months or less	58,762	-
Cash in hand	70	96
Bank balances and cash in condensed consolidated interim statement of financial position	130,071	68,366
Restricted cash (Deposit pledged against short term borrowings)	(33,578)	-
Cash and cash equivalents	96,493	68,366

The attached notes 1 to 12 form part of this condensed consolidated interim financial information.

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Aluminium Bahrain B.S.C.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

For the three months ended 31 March 2022 (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") on 23 November 2010, the Company became a Bahrain Public Joint Stock Company with a dual listing on the Bahrain Bourse (primary listing) as well as the Global Depository Receipts on the London Stock Exchange – Alternative Investment Market ("AIM"). 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 and National Economy, 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:

<i>Name</i>	<i>Effective ownership</i>		<i>Country of incorporation</i>	<i>Principal activity</i>
	<i>2022</i>	<i>2021</i>		
Aluminium Bahrain US, Inc.	100%	100%	United States of America (USA)	Selling and distribution of aluminium throughout the South and North America
ALBA Club W.L.L.*	-	-	Kingdom of Bahrain	Provider of recreational and sports facilities
ALBACap Insurance Limited	100%	100%	Guernsey	Captive insurance entity to insure risks of the Group

*The Company based on Board resolution dated 30 December 2021, have proposed to change the legal status of ALBA Club W.L.L. and convert it to a Branch of the Company. The Company is in the process of cancelling the Commercial Registration by filing the necessary document with Ministry of Industry, Commerce and Tourism.

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

The condensed consolidated interim financial information was authorised for issue in accordance with a resolution of the Directors on 12 May 2022.

2 SIGNIFICANT ACCOUNTING POLICIES

a) Basis of accounting

The condensed consolidated interim financial information of the Group for the three-months periods ended 31 March 2022 has been prepared in accordance with International Accounting Standard 34 ("IAS 34"), "Interim Financial Reporting".

The condensed consolidated interim financial information does 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 2021. In addition, the results for the three-months period ended 31 March 2022 are not necessarily indicative of the results that may be expected for the financial year ending 31 December 2022.

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

b) New and amended standards and interpretations

The accounting policies adopted in the preparation of the condensed consolidated interim financial information are consistent with those followed in the preparation of the Group's annual consolidated financial statements for the year ended 31 December 2021.

The following new standards or amendments to standards are required to be applied for an annual period beginning from 1 January 2022 but these do not have a material effect on the Group's condensed consolidated interim financial information.

<u>New standards or amendments</u>	<u>Effective date</u>
COVID-19-Related Rent Concessions beyond 30 June 2021 – Amendment to IFRS 16	1 April 2022
Onerous Contracts – Cost of Fulfilling a Contract (Amendments to IAS 37)	1 January 2022
Property, Plant and Equipment: Proceeds before Intended Use (Amendments to IAS 16)	1 January 2022
Reference to the Conceptual Framework (Amendments to IFRS 3)	1 January 2022

c) Seasonability

The Group does not have significant income of seasonal nature.

d) Judgements and estimates

The preparation of the Group's condensed consolidated interim financial statements requires Board of Director's to make judgements, estimates and assumptions that affect the application of accounting policies and reported amounts of assets and liabilities, the disclosure of contingent liabilities, revenue and expense at the reporting date. 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 2021 for changes in key assumption relating to impairment of property, plant and equipment as described below.

Impairment of property, plant and equipment

The management assessed the recoverable amount of the property, plant and equipment considering the Group as a single cash generating unit (CGU). The recoverable amount of the CGU was determined to be higher than its carrying amount and no impairment loss was recognised as on 31 March 2022. The recoverable amount of the CGU was based on its value-in-use.

Consistent with its method of impairment assessment as of 31 December 2021, the Group estimated the value-in-use of its CGU by using a discounted cash flow method that considers a 5 year cash-flow projections which do not include restructuring activities that the Group is not yet committed to and a terminal value beyond the forecast period. As compared to 31 December 2021, the weighted average cost of capital used in calculating the CGU's value-in-use as on 31 March 2022 increased from 8.30% to 8.96% to reflect the change in overall market based inputs as at the reporting date including higher risk free rates, cost of funds and use of industry long term leverage ratios. Other key assumptions that impact the forecast include the future London Metal Exchange (LME) cash settlement prices and premium rates for aluminium and market alumina index which were updated using the most recent forecasts from various market sources.

Sensitivity to changes in assumptions

With regard to the assessment of value in use, management believes that reasonably possible changes in the weighted average cost of capital would cause a material change to the recoverable amount. An increase in weighted average cost of capital by 22.22% (2222 basis point) (31 December 2021:14.77% (1477 basis point)) (with all other variables remain unchanged) throughout the forecast period could result in the recoverable amount of the CGU to be lower than its carrying value.

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NOTES TO THE CONDENSED CONSOLIDATED INTERIM
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For the three months ended 31 March 2022 (Reviewed)

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

Similarly, an increase in alumina index by 12.39% (31 December 2021: 10.80%) (with all other variables remain unchanged) throughout the forecast period, a reduction in LME price by USD 1,004/MT (31 December 2021: USD 819/MT) (with all other variables remain unchanged) throughout the forecast period could result in the recoverable amount of the CGU to be lower than its carrying value.

The LME price has increased significantly compared to the previous year. The net carrying value of CGU is greater than its recoverable amount even with the assumption of premium considered zero (31 December 2021: Zero) (with all other variables remain unchanged) throughout the forecast period. The sensitivity to changes in assumptions will not impact the net carrying value of CGU for the period ended 31 March 2022.

e) Provisional pricing adjustments

Adjustments to sale price occur based on the movements in market prices from the date of sale to the end of the period agreed with the customer. The period can range between 1-2 months. Estimates are made on likely price adjustments using available market rates of underlying commodity price benchmarks. Actual results are determined on the date of price confirmation with the customers.

f) Fair value measurement

The Group measures financial instruments at fair value at each reporting date. Also, fair values of financial instruments measured at amortised cost.

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:

- In the principal market for the asset or liability, or
- 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.

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

All assets and liabilities for which fair value is measured or disclosed in the condensed consolidated interim financial information 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 (unadjusted) market prices in active markets 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.
- Level 3 – Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable.

For assets and liabilities that are recognised in the condensed consolidated interim financial information 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.

At each reporting date, the management analyses the movements in the values of assets and liabilities which are required to be re-measured or re-assessed as per the Group's accounting policies. For this analysis, the management verifies the major inputs applied in the latest valuation by agreeing the information in the valuation computation to contracts and other relevant documents.

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 the fair value hierarchy as explained above.

g) Contingencies

The Group discloses its contingent liabilities for the pending litigations and claims against the Group based on its judgment and the advice of the legal advisors for the estimated financial outcome. The actual outcome of these litigations and claims can have an effect on the carrying amounts of the liabilities recognized at the balance sheet date. However, based on the best judgment of the Company and the likely outcome of these litigations and claims as on 31 March 2022, there is no need to recognize any liability at the balance sheet date.

Aluminium Bahrain B.S.C.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

For the three months ended 31 March 2022 (Reviewed)

3 EARNINGS PER SHARE

	<i>Three months ended</i>	
	<i>31 March</i>	
	2022	2021
Profit for the period - BD '000	146,803	52,183
Weighted average number of shares outstanding - thousands of shares	1,416,273	1,414,597
Basic and diluted earnings per share – fils	104	37

Basic and diluted earnings per share are the same since the Group has not issued any instruments that would have a dilutive effect.

There have been no other transactions involving ordinary shares or potential ordinary shares between the reporting date and the date of completion of this condensed consolidated interim financial information.

4 DERIVATIVE FINANCIAL INSTRUMENTS

	31 March	<i>31 December</i>
	2022	2021
	Reviewed	<i>Audited</i>
	BD '000	<i>BD '000</i>
<i>Classified in the condensed consolidated interim financial position:</i>		
Negative fair values - liabilities current portion arising from interest rate swap (IRS)	817	1,294
Negative fair values - liabilities current portion arising from commodity futures	-	79
	817	1,373
Positive fair values - assets non-current portion arising from IRS	(10,983)	(2,238)
Positive fair values - assets current portion arising from commodity futures	(1,030)	-
	(12,013)	(2,238)
Total	(11,196)	(865)
	<i>Three months ended</i>	
	<i>31 March</i>	
	2022	2021
	BD '000	BD '000

Recognised in condensed consolidated interim statements of profit or loss and comprehensive income

Changes in fair value of derivative financial instruments related to

- Commodity futures (FVTPL) recognised in statement of profit or loss	1,108	140
- Interest rate swap (FVTPL) recognised in other comprehensive income (note i)	9,222	6,259

(i) This represent the difference between the Mark-to-Market (MTM) value of IRS as on 31 March 2022 and 31 December 2021 as confirmed by the respective counter party in IRS transaction as disclosed below.

The Group does not engage in proprietary trading activities in derivatives. However, the Group enters into derivative transactions under its risk management guidelines and holds derivative financial instruments, such as interest rate swaps, to hedge its interest rate risks and commodity futures to meet customer pricing requirement.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM
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For the three months ended 31 March 2022 (Reviewed)

4 DERIVATIVE FINANCIAL INSTRUMENTS (continued)

Interest rate swaps

On 03 March 2020, the Group entered into amortised interest rate swap transaction with National Bank of Bahrain B.S.C., to hedge dollar 6 months LIBOR cash flows attributable to the borrowings availed for financing the line 6 project for the notional amount BD 248,160 thousand (31 December 2021 BD 248,160 thousand) out of total principal amount of BD 496,320 thousand as on 31 March 2022 (31 December 2021 BD 496,320 thousand). Derivative contract expires on 29 October 2027.

The Group has designated this derivative as cash flow hedging instrument and it qualifies for hedge accounting under IFRS 9 and consequently effective portion of the gains or losses resulting from the re-measurement of fair value of derivative are recognised in the condensed consolidated interim statement of comprehensive income as other comprehensive income / (loss).

Existing derivative contracts expire on 29 October 2027. The notional amount outstanding as at 31 March 2022 was BD 248,160 thousand (31 December 2021: BD 248,160 thousand) with fixed rate leg of 1.2125% over the term of the contract.

In the periods during which interest expense relating to hedge borrowings is recognised or paid, the realised gain or loss is reclassified from cash flow hedge reserve to consolidated statement of profit or loss as a reclassification adjustment upon settlement of IRS.

Interest rate benchmark reform

A fundamental reform of major interest rate benchmarks is being undertaken globally, including the replacement of some interbank offered rates (IBORs) with alternative nearly risk-free rates (referred to as 'IBOR reform'). The Group has exposure to IBORs on its financial instruments that will be reformed as part of these market-wide initiatives. The Group considers that a contract is not yet transitioned to an alternative benchmark rate when interest under the contract is indexed to a benchmark rate that is still subject to IBOR reform, even if it includes a fallback clause that deals with the cessation of the existing IBOR (referred to as an 'unreformed contract').

The Group's remaining IBOR exposures at the reporting date are unsecured borrowings and interest rate swap, indexed to US dollar LIBOR. The alternative reference rate for US dollar LIBOR is the Secured Overnight Financing Rate (SOFR). In March 2021, the Financial Conduct Authority announced that US dollar setting (except for one-week and two-month US dollar settings) will either cease to be provided or no longer be representative after 30 June 2023. As explained in the annual consolidated financial statements for the year ended 31 December 2021, the Group had finished the process of implementing appropriate fallback clauses for US dollar LIBOR-indexed exposures by the end of 2021. These clauses automatically switch the instrument from USD LIBOR to SOFR when US dollar LIBOR either ceases to be provided or is no longer representative.

There has been no significant change in the balance of unreformed contracts, which include those with a fallback clause that deals with the cessation of the existing IBOR since the previous annual reporting date. See the annual consolidated financial statements for the year ended 31 December 2021, for more detail.

Commodity futures

These derivatives are entered into to reduce the price risk on behalf of its customers. These are initially measured at fair value and do not qualify for hedge accounting. Subsequent to initial recognition, these derivatives are measured at fair value, and the changes therein are recognised in the condensed consolidated interim statement of profit or loss.

The Group entered into commodity futures contracts to reduce the price risk on behalf of its customers for 6,750 metric tonnes (31 December 2021: 7,825 metric tonnes) and these mature between one to six months from the reporting date.

5 LOAN COVENANTS

The Group is required to ensure that the debt covenant of outstanding loans and borrowings should not exceed 300 percent of EBITDA during each period of twelve months ending on or about the last day of each financial half-year of the Group. If the conditions are not met, these outstanding loans and borrowings will be repayable on demand.

As at 31 March 2022, the Group is compliant with the covenants clauses relating to Leverage Ratio and Debt Service Cover Ratio and the Management is confident to meet the same as on 31 December 2022.

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

For the three months ended 31 March 2022 (Reviewed)

5 LOAN COVENANTS (continued)

Subsequent to period end, the Group entered into a term loan agreement on 26 April 2022 with a syndicate of financial institutions for BD 469.05 million (USD 1,247.48 million) comprising two tranches; BD 202.09 million (USD 537.475 million) as a conventional credit facility and BD 266.96 million (USD 710 million) as an Islamic Ijara facility. Gulf International Bank B.S.C. is the global facility agent and investment agent for this facility. This loan was utilized to repay all amounts borrowed by the Group under the old term loan facility. The loan is repayable in sixteen semi-annual instalments starting from October 2022. The new term loan facility carries interest linked to secured overnight financing rate (SOFR).

6 FINANCIAL INSTRUMENTS**Fair values**

The Group's derivative financial instruments are measured at fair value using Level 2 inputs. The Group enters into derivative financial instruments with various counterparties, principally financial institutions. Derivatives valued using valuation techniques with market observable inputs are mainly interest rate swaps and commodity forward contracts. The most frequently applied valuation techniques include forward pricing and swap models, using present value calculations. The models incorporate various inputs including the credit quality of counterparties and forward rates, interest rate curves and forward rate curves of the underlying commodity. All derivative contracts are fully cash collateralised, thereby eliminating both counterparty and the Group's own non-performance risk.

The fair values of other financial instruments are not materially different from their carrying values as of the reporting date largely due to the short term maturities and floating rate of borrowings which are similar to observed market rate of the group's liabilities.

As at 31 March 2022 and 31 December 2021, the Group's derivative financial instruments and trade receivables (subject to provisional pricing) that were measured at fair value were Level 2 as per the hierarchy. The Group does not have financial instruments qualifying for Level 1 or Level 3 classification.

During the period ended 31 March 2022 and 31 December 2021, 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.

7 OPERATING SEGMENT INFORMATION

For management reporting 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 disclosures of profit or loss, assets and liabilities are provided as this disclosure will be identical to the condensed consolidated interim statement of financial position and condensed consolidated interim statement of profit or loss 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>	
	2022	2021
	BD '000	BD '000
Sale of aluminium	451,510	294,411
Sale of alumina	-	7,875
Sale of calcined coke	-	3
Revenue from contracts with customers	451,510	302,289
Pricing adjustments*	3,439	418
Total revenue	454,949	302,707

*Pricing adjustments represent mark-to-market adjustments on initial estimate of provisionally priced sales.

Aluminium Bahrain B.S.C.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

For the three months ended 31 March 2022 (Reviewed)

7 OPERATING SEGMENT INFORMATION (continued)

b) Geographic information

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

	Three months ended 31 March	
	2022	2021
	BD '000	BD '000
Kingdom of Bahrain	114,073	76,858
Europe	97,727	70,468
Rest of the Middle East and North Africa	95,597	50,683
Asia	80,178	60,614
Americas	67,374	44,084
Total revenue from contracts with customers	454,949	302,707

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

c) Customers

Revenue from sale of aluminium to the three major customers of the Group amounted to BD 138,092 thousands with one of the customers individually accounting for more than 10% of the total revenue from contracts with customers for the three month period ended 31 March 2022 (the three major customers amounted to BD 98,262 thousand with two of the customers individually accounting for more than 10% of the total revenue from contracts with customers for the three month period ended 31 March 2021).

8 COMMITMENTS AND CONTINGENCIES

	31 March	31 December
	2022	2021
	Reviewed	Audited
	BD '000	BD '000
a) Commitments		

Physical metal commitments

Sales commitments :

6,750 metric tonnes (31 December 2021: 7,825 metric tonnes)

	7,731	8,227
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Raw material supply agreements

In the ordinary course of business the Group has entered into long-term commitments to purchase raw materials. These contracts are based on the market price of the raw material at the time of delivery.

Capital expenditure

As of 31 March 2022, the Group had commitments amounting to BD 136,134 thousand relating to the capital expenditure contracted for at the reporting date (31 December 2021: BD 20,862 thousand). The commitments are expected to be settled within 1 to 5 years from the reporting date.

Letters of credit

At 31 March 2022, the Group had outstanding letters of credit to counterparties of BD 345 thousand (31 December 2021: 3,818 thousand).

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

For the three months ended 31 March 2022 (Reviewed)

8 COMMITMENTS AND CONTINGENCIES (continued)**b) Contingencies**

(i) The Company is party to ongoing labor claims and disputes. Based on the advice of the Company's external legal counsel, the management is of the opinion that the Company has strong grounds to successfully defend itself against these claims. The total amount of claims against the Company amounting to BD 3 thousand as on 31 March 2022 (31 December 2021: BD 3 thousand). The Management believes that there is no provision required against these claims.

(ii) Under an employee scheme, the Group has issued guarantees to financial institutions in the Kingdom of Bahrain in relation to the mortgage loans of its employees to the extent of their cumulative balance in the ALBA saving scheme. The total value of these letters of guarantee is as on 31 March 2022 BD 17,564 thousand (31 December 2021: BD 18,036 thousand).

At 31 March 2022, the Group had contingent liabilities in respect of the bank guarantees amounting to BD 12,730 thousand (31 December 2021: BD 12,921 thousand) from which is anticipated that no material liabilities will arise.

9 DIVIDEND

At the Annual General Meeting held on 10 March 2022, the Company's shareholders approved the final dividend of BD 0.05314 per share (excluding Treasury Shares) totalling to BD 75,316 thousand relating to year 2021 which has been fully paid as on 31 March 2022.

10 RELATED PARTY TRANSACTIONS

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

Transactions with shareholders

The Company qualifies as a government related entity under the definitions provided in IAS 24. The Company purchases gas and receives services from various Government and semi-government organisation and companies in the Kingdom of Bahrain. Other than purchase of natural gas, such other transactions are in the normal course of business and are not considered to be individually significant in terms of size.

Transactions with other commercial non-government related parties related to the controlling shareholder and significant transaction with government related entities included in the condensed consolidated interim statement of profit or loss are as follows:

	<i>Three months ended</i>	
	<i>31 March</i>	
	2022	2021
	BD '000	BD '000
Other related parties		
Revenue and other income		
Sale of metal	33,941	24,440
Sale of water	258	419
Interest on receivable	-	149
	34,199	25,008
Cost of sales and expenses		
Purchase of natural gas and diesel	58,318	55,537
Purchase of Electricity	2,029	3,021
Interest on loans and borrowings	504	483
Others	312	78
	61,163	59,119

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NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

For the three months ended 31 March 2022 (Reviewed)

10 RELATED PARTY TRANSACTIONS (continued)

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

	31 March 2022 Reviewed BD '000	31 December 2021 Audited BD '000
Other related parties		
Assets		
Trade receivables - net of impairment of BD 7,944 thousand (2021: BD 7,944 thousand)	11,030	4,733
Bank balances	1,859	1,243
Derivative financial instruments - Interest rate swap	10,166	944
Other receivable	-	884
	23,055	7,804
Liabilities		
Trade payables	25,485	32,834
Loans and Borrowings	54,595	54,595
Interest payable on loans and borrowings	857	492
	80,937	87,921

Outstanding balances at year-end arise in the normal course of business are interest free, unsecured and payable on demand. For the period ended 31 March 2022, the Group recorded a specific impairment of BD Nil on amounts due from related parties, based on the management best expectation (31 December 2021: BD 2,256 thousand (net of adjustment against other receivable amounting to BD 710 thousand)).

Compensation of key management personnel

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

	<i>Three months ended 31 March</i>	
	2022 BD '000	2021 BD '000
Short term benefits	851	517
End of service benefits	27	10
Contributions to Alba Savings Benefit Scheme	23	24
SIO Contribution (ALBA share)	7	-
	908	551

11 STANDARDS ISSUED BUT NOT EFFECTIVE

A number of new standards and amendments to standards are effective for annual periods beginning after 1 January 2022 and earlier application is permitted. The Group has not early adopted any of the forthcoming new or amended standards in preparing these condensed consolidated interim financial statements.

12 CORRESPONDING FIGURES

The corresponding's prior year figures have been regrouped, where necessary, in order to conform to current year's presentation. Such regroupings did not affect the previously reported net profit and comprehensive income for the period or total equity.

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