
Aluminium Bahrain B.S.C.

**CONDENSED CONSOLIDATED INTERIM
FINANCIAL INFORMATION**

30 SEPTEMBER 2022 (REVIEWED)

Aluminium Bahrain B.S.C.
CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION
For the nine months period ended 30 September 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 30 September 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 30 September 2022;
- the condensed consolidated statement of profit or loss for the three-month and nine-month periods ended 30 September 2022;
- the condensed consolidated statement of comprehensive income for the three-month and nine-month periods ended 30 September 2022;
- the condensed consolidated statement of changes in equity for the nine-month period ended 30 September 2022;
- the condensed consolidated statement of cash flows for the nine-month period ended 30 September 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 30 September 2022 condensed consolidated interim financial information is not prepared, in all material respects, in accordance with IAS 34, 'Interim Financial Reporting'.

10 November 2022

Aluminium Bahrain B.S.C.

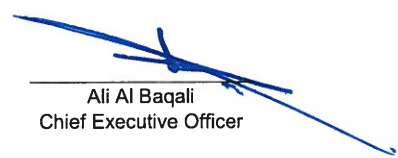
CONDENSED CONSOLIDATED INTERIM STATEMENT OF FINANCIAL POSITION

At 30 September 2022 (Reviewed)

		30 September 2022	31 December 2021
	<i>Note</i>	Reviewed BD '000	Audited BD '000
ASSETS			
Non-current assets			
Property, plant and equipment		1,872,856	1,907,682
Derivative financial instruments	4	25,575	2,238
Deferred tax assets		99	99
		<u>1,898,530</u>	<u>1,910,019</u>
Current assets			
Inventories		440,740	302,835
Trade and other receivables		285,528	318,438
Derivative financial instruments	4	313	-
Bank balances and cash		104,675	93,311
		<u>831,256</u>	<u>714,584</u>
TOTAL ASSETS		<u>2,729,786</u>	<u>2,624,603</u>
EQUITY AND LIABILITIES			
Equity			
Share capital		142,000	142,000
Treasury shares		(5,283)	(3,742)
Statutory reserve		71,000	71,000
Capital reserve		249	249
Cash flow hedge reserve	4	25,888	944
Retained earnings		1,549,817	1,292,569
Total equity		<u>1,783,671</u>	<u>1,503,020</u>
Non-current liabilities			
Loans and borrowings	5	638,056	703,559
Lease liabilities		4,915	4,864
Employees' end of service benefits		1,256	1,704
		<u>644,227</u>	<u>710,127</u>
Current liabilities			
Loans and borrowings	5	145,949	223,591
Lease liabilities		599	686
Trade and other payables		154,630	185,806
Derivative financial instruments	4	710	1,373
		<u>301,888</u>	<u>411,456</u>
Total liabilities		<u>946,115</u>	<u>1,121,583</u>
TOTAL EQUITY AND LIABILITIES		<u>2,729,786</u>	<u>2,624,603</u>


 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 PROFIT OR LOSS

For the nine months ended 30 September 2022 (Reviewed)

	Note	Three months ended		Nine months ended	
		30 September	30 September	30 September	30 September
		2022	2021	2022	2021
		BD '000	BD '000	BD '000	BD '000
Revenue	7	403,204	388,865	1,378,526	1,061,544
Cost of sales		(324,179)	(231,509)	(913,484)	(700,035)
GROSS PROFIT		79,025	157,356	465,042	361,509
Other income (net)		2,429	470	3,084	1,393
Gain on foreign exchange		3,880	3,556	13,021	6,665
General and administrative expenses		(9,296)	(12,592)	(28,310)	(35,847)
Selling and distribution expenses		(20,506)	(13,046)	(64,498)	(32,071)
Impairment loss on trade and other receivables (net)		-	(190)	(1,168)	(3,036)
Finance costs (net)		(8,937)	(9,424)	(7,996)	(26,889)
Trading loss on MTM of derivative financial instruments		-	-	(1,820)	-
Changes in fair value of derivative financial instruments	4	412	123	(632)	248
PROFIT FOR THE PERIOD BEFORE TAX		47,007	126,253	376,723	271,972
Tax		974	(304)	-	(1,258)
PROFIT FOR THE PERIOD		47,981	125,949	376,723	270,714
Basic and diluted earnings per share (fils)	3	34	89	266	191


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 nine months ended 30 September 2022 (Reviewed)

	Note	Three months ended		Nine months ended	
		30 September	30 September	30 September	30 September
		2022	2021	2022	2021
		BD '000	BD '000	BD '000	BD '000
PROFIT FOR THE PERIOD		47,981	125,949	376,723	270,714
Other comprehensive income					
<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	10,211	447	39,354	4,774
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD		58,192	126,396	416,077	275,488


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 nine months ended 30 September 2022 (Reviewed)

	Note	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		-	-	-	-	-	376,723	376,723
<i>Other comprehensive income:</i>								
Effective portion of changes in fair value of cash flow hedge	4	-	-	-	-	39,354	-	39,354
Total comprehensive income for the period		-	-	-	-	39,354	376,723	416,077
Reclassification adjustment of realised loss on settlement of cash flow hedge to profit or loss		-	-	-	-	(14,410)	-	(14,410)
Net movement in treasury shares		-	(1,541)	-	-	-	964	(577)
Final dividend for 2021 approved and paid	9	-	-	-	-	-	(75,316)	(75,316)
Interim dividend for 2022 approved and paid	9	-	-	-	-	-	(45,123)	(45,123)
Balance at 30 September 2022		142,000	(5,283)	71,000	249	25,888	1,549,817	1,783,671
		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 2021		142,000	(2,589)	71,000	249	(8,300)	877,193	1,079,553
Profit for the period		-	-	-	-	-	270,714	270,714
<i>Other comprehensive income:</i>								
Effective portion of changes in fair value of cash flow hedge	4	-	-	-	-	4,774	-	4,774
Total comprehensive income for the period		-	-	-	-	4,774	270,714	275,488
Reclassification adjustment of realised loss on settlement of cash flow hedge to profit or loss		-	-	-	-	1,295	-	1,295
Net movement in treasury shares		-	(1,021)	-	-	-	775	(246)
Balance at 30 September 2021		142,000	(3,610)	71,000	249	(2,231)	1,148,682	1,356,090

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 nine months ended 30 September 2022 (Reviewed)

	Note	Nine months ended	
		30 September	30 September
		2022	2021
		BD '000	BD '000
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit for the period before tax		376,723	271,972
Adjustments for:			
Depreciation and amortisation		93,917	88,965
Provision for employees' end of service benefits		1,207	1,262
Reversal of provision for slow moving inventories		-	(22)
Provision for impairment of trade receivables (net)		1,168	3,036
Loss on disposal of property, plant and equipment		379	403
Changes in fair value of derivative financial instruments		632	(248)
Interest income		(220)	(245)
Unrealised forex gain on restatement		(24,183)	(7,242)
Realised loss on settlement of cash flow hedge	4	-	1,295
Trading loss on MTM valuation of derivatives		1,820	-
Finance costs (net)		7,996	25,594
Operating profit before working capital changes		459,439	384,770
Working capital changes:			
Inventories		(137,905)	(70,215)
Trade and other receivables		31,486	(110,188)
Trade and other payables		(36,911)	(52,543)
Employees' end of service benefits paid		(1,655)	(1,090)
Cash generated from operations		314,454	150,734
Income tax paid		(791)	(1,258)
Net cash flows generated from operating activities		313,663	149,476
CASH FLOWS FROM INVESTING ACTIVITIES			
Acquisition of property, plant and equipment		(59,690)	(58,216)
Proceeds from disposal of property, plant and equipment		781	91
Interest received		220	245
Net cash flows used in investing activities		(58,689)	(57,880)
CASH FLOWS FROM FINANCING ACTIVITIES			
Loans and borrowings availed		453,541	536,571
Loans and borrowings repaid		(554,533)	(589,593)
Interest on loans and borrowings		(13,860)	(16,373)
Transaction costs related to loans and borrowings		(4,664)	-
Leases liabilities paid		(596)	(909)
Settlement of cash flow hedge	4	-	(1,295)
Dividends paid	9	(120,439)	-
Purchase of treasury shares		(8,759)	(4,622)
Proceeds from resale of treasury shares		8,183	4,376
Net cash flows used in financing activities		(241,127)	(71,845)

Aluminium Bahrain B.S.C.

CONDENSED CONSOLIDATED INTERIM STATEMENT OF CASH FLOWS (continued)

For the nine months ended 30 September 2022 (Reviewed)

	30 September 2022 BD '000	30 September 2021 BD '000
NET INCREASE IN CASH AND CASH EQUIVALENTS	13,847	19,751
Cash and cash equivalents at 1 January	93,311	44,438
Effect of movement in exchange rates on bank balances and cash	(2,483)	(1,086)
Restricted cash (Deposit pledged against short term borrowings)	(29,210)	(39,268)
CASH AND CASH EQUIVALENTS AT 30 SEPTEMBER	75,465	23,835
Comprising		
Bank balances	49,848	63,042
Short term deposits with maturities of three months or less*	54,768	39,268
Cash in hand	59	61
Bank balances and cash in condensed consolidated interim statement of financial position	104,675	102,371
*Short term deposits pledged against short term borrowings	(29,210)	(39,268)
Cash and cash equivalents	75,465	63,103

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

Aluminium Bahrain B.S.C.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

For the nine months ended 30 September 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 and Commerce 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:

Name	Effective ownership		Country of incorporation	Principal activity
	2022	2021		
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.*	-	100%	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 and Commerce.

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 10 November 2022.

2 SIGNIFICANT ACCOUNTING POLICIES

a) Basis of accounting

The condensed consolidated interim financial information of the Group for the three-month and nine-month periods ended 30 September 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-month and nine-month periods ended 30 September 2022 are not necessarily indicative of the results that may be expected for the financial year ending 31 December 2022.

Aluminium Bahrain B.S.C.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

For the nine months ended 30 September 2022 (Reviewed)

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.

New standards or amendments

Effective date

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 information 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 30 September 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 30 September 2022 increased from 8.30% to 11.70% to reflect the change in overall market based inputs as at the reporting date including high 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 13.00% (1,300 basis point) (31 December 2021: 14.77% (1,477 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.

Similarly, an increase in alumina index by 8.60% (31 December 2021: 10.80%) (with all other variables remain unchanged) throughout the forecast period and a reduction in LME price by USD 712/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 decreased 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 nine month period ended 30 September 2022.

Aluminium Bahrain B.S.C.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

For the nine months ended 30 September 2022 (Reviewed)

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

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.

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 Group and the likely outcome of these litigations and claims as on 30 September 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 nine months ended 30 September 2022 (Reviewed)

3 EARNINGS PER SHARE

	<i>Three months ended</i>		<i>Nine months ended</i>	
	<i>30 September (Reviewed)</i>		<i>30 September (Reviewed)</i>	
	2022	2021	2022	2021
Profit for the period - BD '000	47,981	125,949	376,723	270,714
Weighted average number of shares outstanding - thousands of shares	1,415,397	1,414,876	1,416,249	1,414,699
Basic and diluted earning per share - fils	34	89	266	191

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

	30 September 2022	31 December 2021
	<i>Reviewed</i>	<i>Audited</i>
	BD '000	BD '000
<i>Classified in the condensed consolidated interim financial position:</i>		
Negative fair values - liabilities current portion arising from interest rate swap (IRS)	-	1,294
Negative fair values - liabilities current portion arising from commodity futures	710	79
	710	1,373
Positive fair values - assets non-current portion arising from IRS	(25,575)	(2,238)
Positive fair values - assets current portion arising from IRS	(313)	-
	(25,888)	(2,238)
Total	(25,178)	(865)

	<i>Three months ended</i>		<i>Nine months ended</i>	
	<i>30 September (Reviewed)</i>		<i>30 September (Reviewed)</i>	
	2022	2021	2022	2021
	BD '000	BD '000	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	412	123	(632)	248
- Interest rate swap (FVTPL) recognised in other comprehensive income (note i)	10,211	447	39,354	4,774
- Realised gain/(loss) on settlement of old IRS recognised in statement of profit or loss	-	-	14,410	(1,295)

(i) This represent the difference between the Mark-to-Market (MTM) value of IRS as on 30 September 2022 and 28 April 2022 and the old IRS between 31 December 2021 to 28 April 2022 which have been adjusted in statement of changes in equity upon settlement as confirmed by the respective counter party in IRS transactions 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.

Aluminium Bahrain B.S.C.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

For the nine months ended 30 September 2022 (Reviewed)

4 DERIVATIVE FINANCIAL INSTRUMENTS (continued)

Interest rate swaps

On 26 May 2022, the Group entered into new amortised interest rate swap contract with National Bank of Bahrain B.S.C., to hedge USD 6 months SOFR cash flows attributable to new term loan availed on 26 April 2022 as disclosed in note 5, for the notional amount BD 234,525 thousand out of total refinancing amount of BD 469,051 thousand as on 30 September 2022. Derivative contract expires on 29 April 2030.

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 April 2030. The notional amount outstanding as at 30 September 2022 was BD 234,525 thousand with fixed rate leg of 1.4830% over the term of the contract.

On 28 April 2022, the previous interest rate swap contract designated as cash flow hedging instrument related to old term loan facility has been reclassified to trading instrument and related cumulative fair value gain of BD 14,410 thousand, was reclassified to condensed consolidated interim statement of profit or loss in finance costs, from cash flow hedge reserve. The contract was unwound on 26 May 2022 and the impact of fair value amount was recognised in condensed consolidated statement of profit and loss. The net gain amounting to BD 12,590 thousand as at 26 May 2022 from the old derivative financial instruments is recognised as deferred cost which will be adjusted with cash settlement of the fixed rate leg of the new interest rate swap contract over the term of the contract. The interest rate has been reduced to adjust the realised gain on the old interest rate swap.

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 condensed consolidated interim 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'). Out of the total borrowings, the Company have borrowing in USD LIBOR amounting to BD 119,665 thousand (31 December 2021: BD 623,343 thousand) and Interest rate swap on derivatives BD Nil (31 December 2021: BD 944 thousand).

The Group's remaining IBOR exposures at the reporting date are unsecured borrowings 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.

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 4,075 metric tonnes (31 December 2021: 7,825 metric tonnes) and these mature between one to six months from the reporting date.

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NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

For the nine months ended 30 September 2022 (Reviewed)

5 LOAN COVENANTS

The Group is required to ensure that the (i) debt covenant of outstanding loans and borrowings should not exceed 500 percent of EBITDA ii) tangible net worth shall not be less than BD 940,000 thousand and (iii) debt service cover ratio shall not be less than 1.1:1 for new term loan as disclosed below and 300 percent of EBITDA and 1.4:1 for remaining loans and borrowings 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 30 September 2022, the Group is compliant with the covenants clauses relating to Leverage Ratio, tangible net worth and Debt Service Cover Ratio and the Management is confident to meet the same as on 31 December 2022.

On 26 April 2022, the Group entered into a term loan agreement 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 30 September 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 30 September 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>Nine months ended</i>	
	<i>30 September (Reviewed)</i>		<i>30 September (Reviewed)</i>	
	2022	2021	2022	2021
	BD '000	BD '000	BD '000	BD '000
Sale of aluminium	408,816	382,209	1,381,925	1,042,099
Sale of alumina	-	5,643	-	16,461
Sale of calcined coke	-	-	-	3
Revenue from contracts with customers	408,816	387,852	1,381,925	1,058,563
Pricing adjustments*	(5,612)	1,013	(3,399)	2,981
Total revenue	403,204	388,865	1,378,526	1,061,544

*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 nine months ended 30 September 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:

	<i>Three months ended</i>		<i>Nine months ended</i>	
	<i>30 September (Reviewed)</i>		<i>30 September (Reviewed)</i>	
	<i>2022</i>	<i>2021</i>	<i>2022</i>	<i>2021</i>
	<i>BD '000</i>	<i>BD '000</i>	<i>BD '000</i>	<i>BD '000</i>
Kingdom of Bahrain	95,206	92,558	326,997	256,380
Europe	97,213	80,827	295,241	216,155
Rest of the Middle East and North Africa	63,677	80,262	271,502	210,739
Asia	37,699	93,339	211,249	228,142
Americas	109,409	41,879	273,537	150,128
Total revenue from contracts with customers	403,204	388,865	1,378,526	1,061,544

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 435,594 thousands with two of the customers individually accounting for more than 10% of the total revenue from contracts with customers for the nine month period ended 30 September 2022 (three major customers of the Group amounted to BD 355,121 thousand with two of the customers accounting for more than 10% of total revenue from contracts with customers for the nine months period ended 30 September 2021).

8 COMMITMENTS AND CONTINGENCIES

	<i>30 September</i>	<i>31 December</i>
	<i>2022</i>	<i>2021</i>
	<i>Reviewed</i>	<i>Audited</i>
	<i>BD '000</i>	<i>BD '000</i>

a) Commitments

Physical metal commitments

Sales commitments :

4,075 metric tonnes (31 December 2021: 7,825 metric tonnes)

4,143	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 30 September 2022, the Group had commitments amounting to BD 132,316 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 30 September 2022, the Group had outstanding letters of credit to counterparties of BD 323 thousand (31 December 2021: BD 3,818 thousand).

b) Contingencies

(i) The Group is party to ongoing labor claims and disputes. Based on the advice of the Group's external legal counsel, the management is of the opinion that the Group has strong grounds to successfully defend itself against these claims. The total amount of claims against the Group amounting to BD 116 thousand as on 30 September 2022 (31 December 2021: BD 3 thousand). The management believes that there is no provision required against these claims.

Aluminium Bahrain B.S.C.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

For the nine months ended 30 September 2022 (Reviewed)

8 COMMITMENTS AND CONTINGENCIES (continued)

(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 Benefits Saving scheme. The total value of these letters of guarantee is BD 16,749 thousand as on 30 September 2022 (31 December 2021: BD 18,036 thousand).

At 30 September 2022, the Group had contingent liabilities in respect of the bank guarantees amounting to BD 12,731 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 30 September 2022.

The Board of Directors of Aluminium Bahrain B.S.C at the meeting held on 11 August 2022 approved to distribute an interim dividend of BD 0.03188 (excluding Treasury Shares) totalling to BD 45,123 thousand which has been fully paid as on 30 September 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>Nine months ended</i>	
	<i>30 September (Reviewed)</i>		<i>30 September (Reviewed)</i>	
	<i>2022</i>	<i>2021</i>	<i>2022</i>	<i>2021</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	20,301	25,067	99,580	79,160
Sale of water	293	517	813	1,281
Sale of electricity	2,008	-	2,008	-
Interest on receivables	-	101	-	399
	22,602	25,685	102,401	80,840
Cost of sales and expenses				
Purchase of natural gas and diesel	67,619	62,938	187,905	176,969
Interest on loans and borrowings	518	192	1,303	1,710
Purchase of scraps	-	-	8,978	-
Purchase of electricity	-	-	3,804	-
Others	217	42	583	139
	68,354	63,172	202,573	178,818

Aluminium Bahrain B.S.C.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

For the nine months ended 30 September 2022 (Reviewed)

10 RELATED PARTY TRANSACTIONS (continued)

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

	30 September	31 December
	2022	2021
	Reviewed	Audited
	BD '000	BD '000
Other related parties		
Assets		
Trade receivables - net of impairment of BD 7,944 (2021: BD 7,944 thousand)	10,368	4,733
Bank balances	677	1,243
Derivative financial instruments - Interest rate swap	25,888	944
Other receivable	1,512	884
	38,445	7,804
Liabilities		
Trade payables	21,953	32,834
Loans and borrowings	50,760	54,595
Interest payable on loans and borrowings	898	492
	73,611	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 30 September 2022, the Group recorded a specific impairment of BD Nil amounts 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</i>		<i>Nine months ended</i>	
	<i>30 September (Reviewed)</i>		<i>30 September (Reviewed)</i>	
	2022	2021	2022	2021
	BD '000	BD '000	BD '000	BD '000
Short term benefits	225	219	1,294	1,107
End of service benefits	36	10	106	30
Contributions to Alba Savings Benefit Scheme	23	24	69	72
	284	253	1,469	1,209

11 STANDARDS ISSUED BUT NOT YET EFFECTIVE

A number of new standards and amendments to standards are effective for annual periods beginning on or after 1 January 2023 and earlier application is permitted. These new standards and amendments have an insignificant impact on Group's condensed consolidated interim financial statements. The Group has not early adopted any of the forthcoming new 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.