

Aluminium Bahrain B.S.C.
INTERIM CONDENSED FINANCIAL STATEMENTS
31 MARCH 2016 (REVIEWED)

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

Introduction

We have reviewed the accompanying interim condensed financial statements of Aluminium Bahrain B.S.C. ('the Company') as at 31 March 2016, comprising of the interim statement of financial position as at 31 March 2016 and the related interim statements of comprehensive income, changes in equity and cash flows for the three-month period then ended and explanatory notes. The Company's Board of Directors is responsible for the preparation and presentation of these interim condensed financial statements in accordance with International Accounting Standard 34 "Interim Financial Reporting" ("IAS 34"). Our responsibility is to express a conclusion on these interim condensed 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 financial statements are not prepared, in all material respects, in accordance with IAS 34.




2 May 2016
Manama, Kingdom of Bahrain

Aluminium Bahrain B.S.C.
INTERIM STATEMENT OF FINANCIAL POSITION
 At 31 March 2016

	31 March 2016 Reviewed BD '000	31 December 2015 Audited BD '000
ASSETS		
Non-current assets		
Property, plant and equipment	800,839	811,377
Other asset	4,464	4,512
	<u>805,303</u>	<u>815,889</u>
Current assets		
Inventories	134,069	146,404
Current portion of long term receivable	3,439	3,439
Trade and other receivables	90,387	100,698
Bank balances and cash	114,347	116,009
	<u>342,242</u>	<u>366,550</u>
TOTAL ASSETS	<u><u>1,147,545</u></u>	<u><u>1,182,439</u></u>
EQUITY AND LIABILITIES		
Equity		
Share capital	142,000	142,000
Treasury shares	(4,956)	(4,905)
Statutory reserve	71,000	71,000
Capital reserve	249	249
Retained earnings	735,861	731,898
Proposed dividend	7,768	7,768
Total equity	<u>951,922</u>	<u>947,810</u>
Non-current liabilities		
Borrowings	23,942	33,024
Employees' end of service benefits	1,481	1,349
	<u>25,423</u>	<u>34,373</u>
Current liabilities		
Borrowings	61,463	56,373
Trade and other payables	108,737	143,844
Derivative financial instruments	-	39
	<u>170,200</u>	<u>200,256</u>
Total liabilities	<u>195,623</u>	<u>234,629</u>
TOTAL EQUITY AND LIABILITIES	<u><u>1,147,545</u></u>	<u><u>1,182,439</u></u>


 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 financial statements.



Aluminium Bahrain B.S.C.

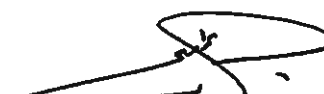
INTERIM STATEMENT OF COMPREHENSIVE INCOME

For the three months ended 31 March 2016 (Reviewed)

	Note	Three months ended	
		31 March 2016 BD '000	31 March 2015 BD '000
Sales revenue	5	156,454	206,564
Cost of sales		(143,183)	(160,475)
GROSS PROFIT		13,271	46,089
Other Income		653	1,223
Gain on foreign exchange		475	590
Gain on revaluation / settlement of derivative financial instruments (net)		-	726
Selling and distribution expenses		(3,022)	(3,478)
General and administrative expenses		(6,500)	(7,099)
Finance costs		(649)	(877)
PROFIT AND TOTAL COMPREHENSIVE INCOME FOR THE PERIOD		4,228	37,174
Basic and diluted earnings per share (fils)	3	3	26


Dajj Bin Salman Bin Dajj Al Khalifa
Chairman


Tim Murray
Chief Executive Officer


Yousif Taqi
Director

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



Aluminium Bahrain B.S.C.

INTERIM STATEMENT OF CHANGES IN EQUITY

For the three months ended 31 March 2016 (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 2016	142,000	(4,905)	71,000	249	731,698	7,768	947,810
Total comprehensive income for the period	-	-	-	-	4,228	-	4,228
Net movement in treasury shares	-	(51)	-	-	-	-	(51)
Loss on resale of treasury shares	-	-	-	-	(65)	-	(65)
Balance at 31 March 2016	142,000	(4,956)	71,000	249	735,861	7,768	951,922
	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 2015	142,000	(3,696)	71,000	249	687,387	21,200	918,140
Total comprehensive income for the period	-	-	-	-	37,174	-	37,174
Net movement in treasury shares	-	(275)	-	-	-	-	(275)
Loss on resale of treasury shares	-	-	-	-	(7)	-	(7)
Final dividend for 2014 approved and paid (note 7)	-	-	-	-	-	(21,198)	(21,198)
Excess of final dividend for 2014 reversed	-	-	-	-	2	(2)	-
Balance at 31 March 2015	142,000	(3,971)	71,000	249	724,556	-	933,834

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

Aluminium Bahrain B.S.C.

INTERIM STATEMENT OF CASH FLOWS

For the three months ended 31 March 2016 (Reviewed)

	<i>Three months ended</i>	
	31 March 2016 BD '000	31 March 2015 BD '000
	<i>Note</i>	
OPERATING ACTIVITIES		
Profit for the period	4,228	37,174
Adjustments for:		
Depreciation	17,897	18,162
Loss (gain) on disposal of property, plant and equipment	62	(5)
(Reversal of) provision for slow moving inventories	(4)	213
Provision for employees' end of service benefits	466	307
Provision for doubtful debts written back	(20)	-
Amortisation of other asset	48	48
Unrealised gain on revaluation of derivative financial instruments	-	(2,301)
Interest income	(4)	(36)
Interest on borrowings	613	877
	23,286	54,439
Working capital changes:		
Inventories	12,339	(16,637)
Trade and other receivables	10,331	(52)
Trade and other payables	(35,053)	(6,051)
Cash from operations	10,903	31,699
Employees' end of service benefits paid	(334)	(248)
Net cash flows from operating activities	10,569	31,451
INVESTING ACTIVITIES		
Purchase of property, plant and equipment	(7,522)	(8,126)
Proceeds from disposal of property, plant and equipment	101	16
Interest income received	4	36
Net cash flows used in investing activities	(7,417)	(8,074)
FINANCING ACTIVITIES		
Borrowings availed	33,840	33,840
Borrowings repaid	(37,832)	(48,062)
Interest on borrowings paid	(706)	(1,022)
Dividends paid	-	(21,198)
Purchase of treasury shares	(217)	(410)
Proceeds from resale of treasury shares	101	128
Net cash flows used in financing activities	(4,814)	(36,724)
DECREASE IN CASH AND CASH EQUIVALENTS	(1,662)	(13,347)
Cash and cash equivalents at 1 January	116,009	67,198
CASH AND CASH EQUIVALENTS AT 31 MARCH	114,347	53,851

Non-cash item

Movements in unpaid interest on borrowings of BD 93 thousand (2015: BD 145 thousand) have been excluded from the movement of trade and other payables.

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

Aluminium Bahrain B.S.C.

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS

31 March 2016 (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 and Commerce under commercial registration (CR) number 999.

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

As of 31 March 2016, 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% (31 December 2015: 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. The Company also has representative sales branch offices in Zurich, Switzerland and Hong Kong and in the United States of America.

On 3 September 1990, the Company entered into a Quota Agreement between the Company, the Government of the Kingdom of Bahrain (GB), SABIC Industrial Investments Company (SIIC) and Breton Investments Limited (Breton). The Quota Agreement remains in full force and effect and was not amended with respect to the transfer of GB's shareholding in the Company to Mumtalakat. Consequent to the purchase of shares held by Breton in 2010, Breton ceased to be a shareholder of the Company, thereby revoking its entitlement to rights and obligations under the Quota Agreement, including the right to require the Company to sell the eligible quota of aluminium to Breton at a specified price.

On 25 May 2010, Mumtalakat provided a letter to the Company whereby it irrevocably and unconditionally waived its rights under the Quota Agreement requiring the Company to sell the eligible quota of aluminium to Mumtalakat. Consequently, as a result of this waiver the Company is no longer under an obligation to sell any part of its production to Mumtalakat. The Company is now free to sell 69.38% of its production to third-party customers on commercial terms. Mumtalakat has also acknowledged that it is under an obligation to purchase its quota of aluminium produced by the Company, should the Company decide to sell Mumtalakat's quota in accordance with the Quota Agreement. SIIC has not given a corresponding written waiver to the Company as at the date of approval of these interim condensed financial statements.

The interim condensed financial statements were authorised for issue by the Board of Directors on 2 May 2016.

2 SIGNIFICANT ACCOUNTING POLICIES

Basis of preparation

The interim condensed financial statements of the Company for the three month period ended 31 March 2016 have been prepared in accordance with International Accounting Standard 34, "Interim Financial Reporting".

The interim condensed financial statements do not contain all the information and disclosures required in the annual financial statements, and should be read in conjunction with the Company's annual financial statements as at 31 December 2015. In addition, the results for the three month period ended 31 March 2016 are not necessarily indicative of the results that may be expected for the financial year ending 31 December 2016.

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

New and amended standards and interpretations

The accounting policies adopted in the preparation of the interim condensed financial statements are consistent with those followed in the preparation of the Company's annual financial statements for the year ended 31 December 2015, except for the adoption of new Standards and Interpretation effective as of 1 January 2016, noted below, which did not have any impact on the accounting policies, financial position or performance of the Company:

Amendments to IAS 16 and IAS 38: Clarification of Acceptable Methods of Depreciation and Amortisation

The amendments clarify the principle in IAS 16 and IAS 38 that revenue reflects a pattern of economic benefits that are generated from operating a business (of which the asset is part) rather than the economic benefits that are consumed through use of the asset. As a result, a revenue-based method cannot be used to depreciate property, plant and equipment and may only be used in very limited circumstances to amortise intangible assets. These amendments did not have any impact to the Company given that the Company has not used a revenue-based method to depreciate its non-current assets.

Amendments to IAS 27: Equity Method in Separate Financial Statements

The amendments will allow entities to use the equity method to account for investments in subsidiaries, joint ventures and associates in their separate financial statements. Entities already applying IFRS and electing to change to the equity method in its separate financial statements will have to apply that change retrospectively. For first-time adopters of IFRS electing to use the equity method in its separate financial statements, they will be required to apply this method from the date of transition to IFRS. These amendments did not have any impact on the Company's interim condensed financial statements.

Annual Improvements 2012-2014 Cycle: IAS 34 Interim Financial Reporting

The amendment clarifies that the required interim disclosures must either be in the interim financial statements or incorporated by cross-reference between the interim financial statements and wherever they are included within the interim financial report (e.g., in the management commentary or risk report). The other information within the interim financial report must be available to users on the same terms as the interim financial statements and at the same time. This amendment did not have any impact on the Company's interim condensed financial statements.

The following other new standards and amendments apply for the first time in 2016. However, they do not impact the annual financial statements of the Company or the interim condensed financial statements of the Company.

- IFRS 14 - Regulatory Deferral Accounts;
- IFRS 11 - Joint Arrangements;
- IAS 16 and IAS 41 - Property, plant and equipment and Agriculture;
- IAS 1 - Presentation of Financial Statements; and
- IFRS 10, IFRS 12 and IAS 28 - Consolidated Financial Statements, Disclosure of Interest in other Entities and Investments in Associates and Joint Ventures.

Annual Improvements 2012-2014 Cycle: IAS 34 Interim Financial Reporting

- IFRS 5 - Non-current Assets Held for Sale and Discontinued Operations;
- IFRS 7 - Financial Instruments: Disclosures; and
- IAS 19 - Employee Benefits.

Aluminium Bahrain B.S.C.

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS

31 March 2016 (Reviewed)

4 FINANCIAL INSTRUMENTS (continued)

Fair value hierarchy (continued)

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

As at 31 March 2016, the Company's long term receivable and borrowings are measured at fair value. These are Level 2 as per the hierarchy above for the three months ended 31 March 2016. The Company does not have financial instruments qualifying for Level 1 or Level 3 classification.

During the three month period ended 31 March 2016, 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 2015: same).

5 OPERATING SEGMENT INFORMATION

For management purposes, the Company 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 statement of financial position and interim statement of comprehensive income of the Company.

a) Product

An analysis of the sales revenue by product is as follows:

	<i>Three month period ended</i>	
	<i>31 March</i>	
	<i>2016</i>	<i>2015</i>
	<i>BD '000</i>	<i>BD '000</i>
Aluminium	147,530	199,626
Alumina	6,824	3,843
Calcined coke	2,100	3,095
	<u>156,454</u>	<u>206,564</u>

b) Geographic information

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

	<i>Three month period ended</i>	
	<i>31 March</i>	
	<i>2016</i>	<i>2015</i>
	<i>BD '000</i>	<i>BD '000</i>
Kingdom of Bahrain	64,003	95,803
Rest of the Middle East and North Africa	20,443	37,751
Europe	23,723	32,701
Asia	27,323	24,610
Americas	20,962	15,699
Total sales revenue	<u>156,454</u>	<u>206,564</u>

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

c) Customers

Revenue from sale of metal to two of the major customers of the Company amounted to BD 51,506 thousand (31 March 2015: BD 76,640 thousand), each being more than 10% of the total sales revenue for the period.

Aluminium Bahrain B.S.C.

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS

31 March 2016 (Reviewed)

6 COMMITMENTS AND CONTINGENCIES

As of 31 March 2016, there have been no significant changes to outstanding commitments and contingencies compared to 31 December 2015, except for estimated capital expenditure contracted for at the reporting date which amounted to BD 48,158 thousand (31 December 2015: BD 24,263 thousand).

7 DIVIDEND

On 18 February 2016, the Board of Directors recommended a final dividend of BD 0.0055 per share (excluding treasury shares) totalling BD 7,768 thousand relating to 2015. The final dividend was approved by the Company's shareholders at the Annual General Meeting held on 16 March 2016.

On 1 March 2015, the Company's shareholders approved the Board of Directors' proposal to pay a final dividend of BD 0.015 per share (excluding treasury shares) totalling BD 21,198 thousand relating to 2014 which was fully paid as of 31 March 2015.

8 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 Board of Directors.

In the ordinary course of business, the Company 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.

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

	<i>Three month period ended</i>	
	<i>31 March</i>	
	<i>2016</i>	<i>2015</i>
	<i>BD '000</i>	<i>BD '000</i>
<i>Other related parties</i>		
Revenue and other income		
Sale of metal	15,449	27,743
Sale of water	374	450
Interest on long term receivable	16	23
	15,839	28,216
Cost of sales and expenses		
Purchase of natural gas and diesel	28,238	25,136
Purchase of electricity	956	763
Royalty	976	985
	30,170	26,884



Aluminium Bahrain B.S.C.

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS

31 March 2016 (Reviewed)

8 RELATED PARTY TRANSACTIONS (continued)

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

	31 March 2016 BD '000	31 December 2015 BD '000
Other related parties		
Assets		
Long term receivable	3,439	3,439
Bank balances	949	9,469
Trade receivables	4,248	19,173
	<u>8,636</u>	<u>32,081</u>
Liabilities		
Borrowings	-	3,760
Trade payables	29,449	29,228
Other payables	-	122
	<u>29,449</u>	<u>33,110</u>

Outstanding balances at the end of the period arise in the normal course of business. For the three-month period ended 31 March 2016, the Company has not recorded any impairment on amounts due from related parties (2015: nil).

Compensation of key management personnel

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

	Three month period ended 31 March	
	2016 BD '000	2015 BD '000
Short term benefits	272	298
End of service benefits	10	12
Contributions to Alba Savings Benefit Scheme	23	15
	<u>305</u>	<u>325</u>