

Aluminium Bahrain B.S.C.
INTERIM CONDENSED FINANCIAL STATEMENTS
30 SEPTEMBER 2016 (REVIEWED)



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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 30 September 2016, comprising of the interim statement of financial position as at 30 September 2016 and the related interim statements of comprehensive income, changes in equity and cash flows for the nine-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.

13 November 2016
Manama, Kingdom of Bahrain

Aluminium Bahrain B.S.C.

INTERIM STATEMENT OF FINANCIAL POSITION

At 30 September 2016

	30 September 2016 Reviewed BD '000	31 December 2015 Audited BD '000
ASSETS		
Non-current assets		
Property, plant and equipment	815,509	811,377
Other asset	4,368	4,512
	<u>819,877</u>	<u>815,889</u>
Current assets		
Inventories	140,707	146,404
Current portion of long term receivable	1,719	3,439
Trade and other receivables	101,400	100,698
Bank balances and cash	110,159	116,009
	<u>353,985</u>	<u>366,550</u>
TOTAL ASSETS	<u><u>1,173,862</u></u>	<u><u>1,182,439</u></u>
EQUITY AND LIABILITIES		
Equity		
Share capital	142,000	142,000
Treasury shares	(4,940)	(4,905)
Statutory reserve	71,000	71,000
Capital reserve	249	249
Retained earnings	766,269	731,698
Proposed dividend	-	7,768
Total equity	<u>974,578</u>	<u>947,810</u>
Non-current liabilities		
Borrowings	10,173	33,024
Employees' end of service benefits	1,370	1,349
	<u>11,543</u>	<u>34,373</u>
Current liabilities		
Borrowings	65,153	56,373
Trade and other payables	122,588	143,844
Derivative financial instruments	-	39
	<u>187,741</u>	<u>200,256</u>
Total liabilities	<u>199,284</u>	<u>234,629</u>
TOTAL EQUITY AND LIABILITIES	<u><u>1,173,862</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 nine months ended 30 September 2016 (Reviewed)

	Notes	Three months ended		Nine months ended	
		30 September 2016 BD '000	30 September 2015 BD '000	30 September 2016 BD '000	30 September 2015 BD '000
Sales revenue	5	174,268	184,386	496,449	590,332
Cost of sales		(152,134)	(165,326)	(436,588)	(486,907)
GROSS PROFIT		22,134	19,060	59,861	103,425
Other income		822	735	2,136	3,274
Gain on foreign exchange		706	219	1,026	622
(Loss) gain on revaluation/settlement of derivative financial instruments (net)		-	(168)	-	535
General and administrative expenses		(5,212)	(7,166)	(16,922)	(22,154)
Selling and distribution expenses		(3,563)	(3,243)	(9,378)	(7,558)
Finance costs		(579)	(769)	(1,911)	(2,485)
PROFIT AND OTHER COMPREHENSIVE INCOME FOR THE PERIOD		14,308	8,668	34,812	75,659
Basic and diluted earnings per share (fils)	3	10	6	25	54



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 CASH FLOWS

For the nine months ended 30 September 2016 (Reviewed)

	30 September 2016	30 September 2015
Note	BD '000	BD '000
OPERATING ACTIVITIES		
Profit for the period	34,812	75,659
Adjustments for:		
Depreciation	53,819	55,036
Loss on disposal of property, plant and equipment	222	382
Provision for slow moving inventories	24	845
Provision for employees' end of service benefits	1,247	1,132
Provision for doubtful debts written back	(20)	-
Interest income	(139)	(110)
Interest on borrowings	1,761	2,485
Amortisation of other asset	144	144
Unrealised gain on revaluation of derivative financial instruments	-	(4,293)
	91,870	131,280
Working capital changes:		
Inventories	5,673	(12,869)
Trade and other receivables	(682)	7,848
Trade and other payables	(21,247)	765
Cash from operations	75,614	127,024
Employees' end of service benefits paid	(1,226)	(988)
Net cash flows from operating activities	74,388	126,036
INVESTING ACTIVITIES		
Purchase of property, plant and equipment	(58,495)	(27,290)
Proceeds from disposal of property, plant and equipment	322	62
Interest received	139	110
Net cash flows used in investing activities	(58,034)	(27,118)
FINANCING ACTIVITIES		
Amounts received from long term receivable	1,720	1,720
Borrowings availed	90,240	77,080
Borrowings repaid	(104,311)	(128,268)
Interest on borrowings paid	(1,809)	(2,692)
Dividends paid	(7,756)	(28,963)
Purchase of treasury shares - net	(705)	(1,296)
Proceeds from resale of treasury shares	417	407
Net cash flows used in financing activities	(22,204)	(82,012)
(DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS	(5,850)	16,906
Cash and cash equivalents at 1 January	116,009	67,198
CASH AND CASH EQUIVALENTS AT 30 SEPTEMBER	110,159	84,104

Non-cash item

Movements in unpaid interest on borrowings of BD 48 thousand (2015: BD 207 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.

INTERIM STATEMENT OF CHANGES IN EQUITY

For the nine months ended 30 September 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	-	-	-	-	34,812	-	34,812
Net movement in treasury shares	-	(35)	-	-	-	-	(35)
Loss on resale of treasury shares	-	-	-	-	(253)	-	(253)
Final dividend for 2015 approved and paid (note 7)	-	-	-	-	-	(7,756)	(7,756)
Excess of final dividend for 2015 reversed	-	-	-	-	12	(12)	-
Balance at 30 September 2016	142,000	(4,940)	71,000	249	766,269	-	974,578
	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	-	-	-	-	75,659	-	75,659
Net movement in treasury shares	-	(856)	-	-	-	-	(856)
Loss on resale of treasury shares	-	-	-	-	(33)	-	(33)
Final dividend for 2014 approved and paid (note 7)	-	-	-	-	-	(21,198)	(21,198)
Excess of final dividend for 2014 reversed	-	-	-	-	2	(2)	-
Dividend proposed (note 7)	-	-	-	-	(7,768)	7,768	-
Interim dividend for 2015 approved and paid	-	-	-	-	-	(7,765)	(7,765)
Excess of interim dividend for 2015 reversed	-	-	-	-	3	(3)	-
Balance at 30 September 2015	142,000	(4,552)	71,000	249	755,250	-	963,947

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

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

As of 30 September 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 13 November 2016.

2 SIGNIFICANT ACCOUNTING POLICIES

Basis of preparation

The interim condensed financial statements of the Company for the nine month period ended 30 September 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, results for the nine month period ended 30 September 2016 are not necessarily indicative of the results that may be expected for the financial year ending 31 December 2016.

Aluminium Bahrain B.S.C.

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS

At 30 September 2016 (Reviewed)

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 Interpretations 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 on 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 interim condensed financial statements of the Company.

- *IFRS 14 - Regulatory Deferral Accounts;*
- *Amendments to IFRS 11 - Joint Arrangements: Accounting for acquisition of Interests;*
- *Amendments to 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:

- *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

At 30 September 2016 (Reviewed)

3 EARNINGS PER SHARE

	<i>Three month period ended</i>		<i>Nine month period ended</i>	
	<i>30 September</i>		<i>30 September</i>	
	<i>2016</i>	<i>2015</i>	<i>2016</i>	<i>2015</i>
Profit for the period - BD '000	<u>14,308</u>	<u>8,668</u>	<u>34,812</u>	<u>75,659</u>
Weighted average number of shares outstanding - thousands of shares	<u>1,410,066</u>	<u>1,412,088</u>	<u>1,410,158</u>	<u>1,412,849</u>
Basic and diluted earnings per share – fils	<u>10</u>	<u>6</u>	<u>25</u>	<u>54</u>

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

4 FAIR VALUE OF FINANCIAL INSTRUMENTS

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

The fair values of the Company's financial assets and financial liabilities are not materially different from their carrying values at 30 September 2016 and 31 December 2015.

All financial instruments for which fair value is recognised or disclosed are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

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

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

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

As at 30 September 2016, the Company does not have financial instruments measured at fair value and qualifying for Level 1, Level 2 or Level 3 classification (31 December 2015: The Company's derivative financial instruments were measured at fair value and categorised as Level 2).

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.

Aluminium Bahrain B.S.C.

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS

At 30 September 2016 (Reviewed)

5 OPERATING SEGMENT INFORMATION (continued)

a) Product

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

	<i>Three month period ended</i>		<i>Nine month period ended</i>	
	<i>30 September</i>		<i>30 September</i>	
	<i>2016</i>	<i>2015</i>	<i>2016</i>	<i>2015</i>
	<i>BD '000</i>	<i>BD '000</i>	<i>BD '000</i>	<i>BD '000</i>
Aluminium	166,020	179,373	471,199	576,487
Alumina	5,763	2,431	19,151	6,274
Calcined coke	2,485	2,582	6,099	7,571
	174,268	184,386	496,449	590,332

b) Geographic information

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

	<i>Three month period ended</i>		<i>Nine month period ended</i>	
	<i>30 September</i>		<i>30 September</i>	
	<i>2016</i>	<i>2015</i>	<i>2016</i>	<i>2015</i>
	<i>BD '000</i>	<i>BD '000</i>	<i>BD '000</i>	<i>BD '000</i>
Kingdom of Bahrain	73,309	84,510	205,867	271,571
Europe	30,844	23,013	85,789	81,095
Asia	28,912	30,886	82,143	84,376
Rest of the Middle East and North Africa	23,623	29,830	65,302	106,367
Americas	17,580	16,147	57,348	46,923
Total sales revenue	174,268	184,386	496,449	590,332

c) Customers

Revenue from sale of metal to two of the major customers of the Company amounted to BD 169,752 thousand (30 September 2015: BD 220,164 thousand), each being more than 10% of the total sales revenue for the nine month period ended 30 September 2016.

6 COMMITMENTS AND CONTINGENCIES

As of 30 September 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 181,095 thousand (31 December 2015: BD 24,263 thousand).

7 DIVIDEND

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

On 29 July 2015, the Board of Directors proposed an interim dividend of BD 0.0055 per share (excluding treasury shares) totalling BD 7,765 thousand which was fully paid as of 30 September 2015. This was ratified by the 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.

Aluminium Bahrain B.S.C.

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS

At 30 September 2016 (Reviewed)

8 RELATED PARTY TRANSACTIONS

Related parties represent 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>Nine month period ended</i>	
	<i>30 September</i>		<i>30 September</i>	
	<i>2016</i>	<i>2015</i>	<i>2016</i>	<i>2015</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	23,225	25,552	56,581	78,791
Sale of water	260	329	874	1,065
Interest on long term receivable	8	19	40	66
	<u>23,493</u>	<u>25,900</u>	<u>57,495</u>	<u>79,922</u>
Cost of sales and expenses				
Purchase of natural gas and diesel	32,624	29,496	92,234	82,680
Purchase (sale) of electricity	914	(259)	2,313	841
Royalty	1,021	996	2,988	2,972
	<u>34,559</u>	<u>30,233</u>	<u>97,535</u>	<u>86,493</u>

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

	<i>30 September</i>	<i>31 December</i>
	<i>2016</i>	<i>2015</i>
	<i>BD '000</i>	<i>BD '000</i>
Other related parties		
Assets		
Long term receivable	1,719	3,439
Bank balances	10,639	9,469
Trade receivables	9,597	19,173
	<u>21,955</u>	<u>32,081</u>
Liabilities		
Borrowings	-	3,760
Trade payables	44,090	29,228
Other payables	219	122
	<u>44,309</u>	<u>33,110</u>

Outstanding balances at the end of the period arise in the normal course of business. For the nine-month period ended 30 September 2016, the Company has not recorded any impairment on amounts due from related parties (2015: nil).

Aluminium Bahrain B.S.C.

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS

At 30 September 2016 (Reviewed)

8 RELATED PARTY TRANSACTIONS (continued)

Compensation of key management personnel

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

	<i>Three month period ended</i>		<i>Nine month period ended</i>	
	<i>30 September</i>		<i>30 September</i>	
	<i>2016</i>	<i>2015</i>	<i>2016</i>	<i>2015</i>
	<i>BD '000</i>	<i>BD '000</i>	<i>BD '000</i>	<i>BD '000</i>
Short term benefits	247	277	766	843
End of service benefits	11	10	32	32
Contributions to Alba Savings Benefit Scheme	15	15	53	45
	273	302	851	920