Aluminium
for the world

New era unfolds
Taking-off Bahrain to the world with Line 6 completion

Annual Report 2019

His Royal Highness
Prince Khalifa
bin Salman Al Khalifa

The Prime Minister
of the Kingdom of Bahrain

His Majesty
King Hamad
bin Isa Al Khalifa

The King
of the Kingdom of Bahrain

His Royal Highness
Prince Salman
bin Hamad Al Khalifa

The Crown Prince
Deputy Supreme Commander
and First Deputy Prime Minister

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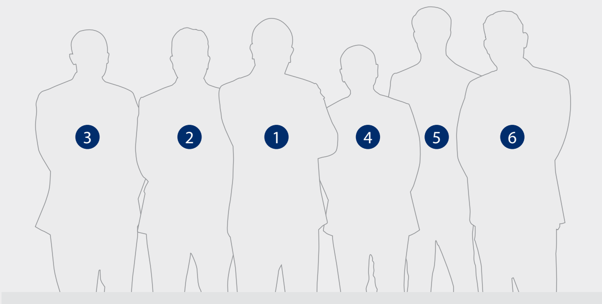
Board of Directors

1. **Shaikh Daij bin Salman bin Daij Al Khalifa**
   Chairman
2. **Suha Karzoon**
   Director
3. **Ahmed Al Jabr**
   Director
4. **Dr. Mohamed Kameshki**
   Director
5. **Ali Al Shamrani**
   Director
6. **Yousif A. Taqi**
   Director
7. **Osama M. Al Arrayedh**
   Director
8. **Yaser Humaidan**
   Director
9. **Omar Al Amoudi**
   Director
10. **Mutlaq H. Al Morished**
    Director

Executive Management



1. **Ali Al Baqali**
   Acting* Chief Executive Officer
2. **Khalid A. Latif**
   Chief Marketing Officer
3. **Waleed Tamimi**
   Chief Administration and Supply Officer
4. **Amin Sultan**
   Chief Power Officer
5. **Bryan Harris**
   Chief Financial Officer
6. **Dr. Abdulla Habib Ahmed Ali**
   Chief Operations Officer

* Appointed CEO on 13 February 2020

To Our Shareholders

Daij bin Salman bin Daij Al Khalifa
Chairman of the Board

2019: The Year of Many Firsts

My Dear Shareholders, on behalf of the Board of Directors, it gives me great pleasure to present Aluminium Bahrain B.S.C. (Alba) Annual Report for 2019.

Line 6 Expansion Project – A Dream Come True

The Kingdom of Bahrain made history on 24 November 2019 when His Majesty King Hamad Bin Isa Al Khalifa the King of the Kingdom of Bahrain patronised and graced the Inauguration Ceremony of Alba's Line 6 Expansion Project, and accompanied by His Royal Highness Prince Salman Bin Hamad Al Khalifa the Crown Prince, Deputy Supreme Commander and First Deputy Prime Minister, thus making Alba the world's largest aluminium smelter ex-China.

Alba Line 6 Expansion Project is not just another development in the Kingdom but a dream come true with tremendous significance to the economic and social landscape of Bahrain.

The Project will add 540,000 metric tonnes per annum to Alba's total production name-plate capacity bringing it to more than 1.5 million metric tonnes. This growth in production will enable Alba to captialise on the growing demand for aluminium and at the same time, increase Alba's contribution to Bahrain Gross Domestic Product (GDP). These, in turn, will result in profitable growth for Alba and ultimately strengthen Bahrain's competitiveness regionally and internationally.

While Line 6 Expansion Project has set many benchmarks in the aluminium industry, I am pleased to report that the Project has achieved savings of more than US$400 million in the execution of Potline 6 – corresponding to c.17% savings of its allotted budget. Some of these savings were utilised to finance and upgrade Alba Port (Calciner & Marine) and other ancillary facilities related to the Project. Alba also successfully refinanced its US$1.5 Billion Syndicated Loan Facility by reducing the interest margin from 325 basis points over LIBOR to 300 basis points over LIBOR – a significant milestone amidst a volatile and uncertain market. Our financial success with the Line 6 Expansion Project underscores Alba's strong business fundamentals and the confidence the financial markets have placed in Alba, our game-changer 'Line 6 Expansion Project' and Bahrain.

Highlights

Expansion
Line 6 Project

OBJECTIVES

Line 6 Expansion Project is qualitative leap for Bahrain and its people.

Improvement
Yearly Targets

OBJECTIVES

We set the industry benchmarks with Line 6 Expansion Project in terms of Operations, Construction and Sustainability.

The Line 6 Expansion Project was also a solid stride to bring sustainability and long-term value not just to Alba but also Bahrain. Aligned with Bahrain Economic Vision 2030, the Project supported the national economy through job creation for local companies and people. Alba created around 500 permanent direct jobs through the Line 6 Expansion Project, while indirectly, few thousand job opportunities were and will be generated with the development of the aluminium downstream cluster.

The Line 6 Expansion Project, in every way, is a qualitative leap for Bahrain and its people.

Alba Thrive also in Turbulent Times

2019 was a tumultuous year for the industry; however, Alba was able to remain on course and deliver good results. Aluminium demand has lost momentum in most global markets: world consumption contracted in 2019 thanks to weaker economic growth landscape in Europe and China, trade-tensions between major markets and slow global manufacturing – all had taken its toll on LME price, down by 15% Year-over-Year.

Year of Many Firsts

2019 was a year of many firsts for Alba. We set a new production record by exceeding the 1.36 million metric tonnes mark - production topped 1,365,005 metric tonnes for the first time in history, versus 1,011,101 metric tonnes in 2018, up by 35% Year-over-Year. Our Safety performance soared higher with Alba not just topping 15 million working-hours without Lost Time Injury (LTI) on 21 December 2019 for the first time but also achieving Zero Lost Time Injuries (LTIs).

It is matter of great pride that Alba has been surpassing its own record in Production and Safety, year-on-year. These achievements are, no doubt, the outcome of our pro-active commitment towards excellence and uncompromising approach towards Safety.

Future Path

2019 has been a significant year for Alba in many ways and we are proud to have amassed accolades; however, it is also just the beginning. We want to continue with the same momentum and challenge ourselves to go above and beyond our set targets.

I would like to end this note with by expressing my deepest thanks to His Majesty King Hamad Bin Isa Al Khalifa the King of the Kingdom of Bahrain for officially inaugurating the Line 6 Expansion Project. I express my thanks and appreciation to His Royal Highness Prince Khalifa bin Salman Al Khalifa the Prime Minister, and His Royal Highness Prince Salman bin Hamad Al Khalifa the Crown Prince, First Deputy Prime Minister and Deputy Supreme Commander, for their wise directives and unlimited support to our Company's growth and development.

I also express my gratitude to the Government of the Kingdom of Bahrain for their valuable guidance and generous support. I would also like to express my thanks to the Government of the Custodian of the Two Holy Mosques for its most valuable support to the Company over the last decades.

I am grateful to my fellow Board of Directors for their dynamic leadership in steering the Company to a better and stronger position as well as thankful to Alba's Management Team for their continuous commitment towards developing Alba from within. I thank our employees and contractors for upholding Alba's values and working tirelessly to transform challenges into successes and bringing us to this stage today.

We look forward to unfolding a new era in 2020 as we move beyond Line 6. As Alba approaches its Golden Jubilee of commercial operations, we intend to write a new chapter that will speak of achievements for Bahrain and its people.

Daij bin Salman bin Daij Al Khalifa
Chairman of the Board
Aluminium Bahrain B.S.C. (Alba)

CEO Message

Ali Al Baqali
Chief Executive Officer

2019: Making it Happen

2019 has been a transformational year for Alba on many fronts:

- With the safe and successful completion of Line 6, Alba is now the largest smelter in the world without China. And this a proud moment for Alba and the Kingdom of Bahrain.
- Achieving a breakthrough record in Safety, Production and Sales' volume is a FIRST in Alba's soon to be Golden Jubilee operations.

I would like to start my note by thanking each employee and contractor for their ownership and hands-on contribution to Alba's success in 2019.

Key Highlights

Aluminium industry lost its momentum in most of the markets thanks to global headwinds, weak economic activity, ongoing trade-tensions, slow global manufacturing and increased use of scrap metal – all has taken its toll on LME price leading to a drop of 15% Year-over-Year (YoY).

Despite this weak market sentiment fueled by low LME price, we have turned the Company into Profitability when many of our peers were cash negative. This was made possible thanks to our people, the true assets of our Company.

Alba's financial performance was driven by higher metal sales' volume thanks to Line 6 ramp-up and was partially offset by lower LME prices. Alba generated a Profit and Total Comprehensive Income of BD 5.38 million (US$14.31 million), down by 91% YoY, versus BD 59.76 million (US$ 158.92 million) in 2018. The Revenue from Contracts and Customers reached BD 1,029.38 million (US$ 2,737.7 million) in 2019, up by 13% YoY, compared to BD 911.3 million (US$ 2,423.7 million) in 2018.

Alba also made headlines when it topped more than 15 million working-hours without Lost Time Injury (LTI) and achieved Zero Lost Time Injuries (LTIs) - the first time since it began commercial operations in 1971. This is indeed a rare feat in the smelting industry, made possible due to our motto of 'Think Safety First and Always'.

We truly believe that our people create our success stories. Developing our employees through education and skills training is part of our growth strategy. Giving further impetus to our Employee Development, we launched the one-of-its-kind Master Training Plan. Aligned with Bahrain's Economic Vision 2030, this Plan will create a customised training programme for every job and every employee in Alba, further boosting our vision of becoming the world's leading smelter.

Highlights

Expansion
Line 6 Project

OBJECTIVES
We aim to go above and beyond to achieve bigger.

Improvement
Yearly Targets

OBJECTIVES
We will focus on what we control best: Safety, Production and Cost.

Making History: Line 6 Goes Fully on -Stream

It was a moment of great pride when the Line 6 Expansion Project was inaugurated by His Majesty King Hamad Bin Isa Al Khalifa the King of the Kingdom of Bahrain on 24 November 2019, making Alba the world's largest aluminium smelter ex-China. One of the biggest industrial developments in the Region, the Line 6 Expansion Project has been one of the much-awaited projects that will have a significant and sustainable impact on Bahrain's economy and Alba's future.

The Line 6 Expansion Project has set many firsts in the aluminium industry -- the first Potline in the world to adopt Emirates Global Aluminium (EGA) DX+ Ultra Technology and General Electric's most-efficient 9HA Gas Turbine technology in Power Station 5; the First Hot Metal was achieved on 13 December 2018 ahead of its scheduled date of 01 January 2019; Potline 6 was commissioned within 23 months, one of the fastest expansion projects to be ever commissioned; and Line 6 construction was completed with a CAPEX of less than US$4,000 per metric tonne of aluminium produced, lower than the average CAPEX of other projects in the industry. Potline 6 also outperformed some of EGA's guaranteed parameters, where the production capacity of each reduction cell was 11% higher while energy consumption was 1% better.

And, we are truly proud that despite the various challenges faced during the timeline of the Line 6 Expansion Project, we were able to successfully start its operations safely.

Outlook for 2020

As we set Alba's 2020 Expectations – Safety Globe, Beyond Line 6 and Legacy of Titan - we aim to go above and beyond to achieve bigger.

Alba has come a long way in its Safety transformational journey. Today, we stand proud of our Safety culture, which has been recognized and awarded by international organisations such as National Safety Council and ROSPA. Alba could not have achieved this without a strong leadership emphasis on Safety and Health as well as collective ownership of both - our employees and contractors to maintain a zero-accident work environment. Extreme Ownership of Safety in our daily lives, both on and off work and safe production remain our priorities.

With Line 6 fully on-stream, we are confident of increasing our footprint in the global market thanks to attaining Aluminium Stewardship Initiative (ASI) membership in 2019 and ASI Performance Certification in 2020.

Being a responsible corporate citizen, social impact, civic responsibility and sustainability will always sit at the top of our objectives. In line with Bahrain Economic Vision 2030, we have embarked on establishing the first-of-its-kind Spent Pot Lining (SPL) Treatment Plant in the GCC and Bahrain in collaboration with Bahrain's Supreme Council of Environment (SCE). Based on the best international standards, the SPL Treatment Plant is expected to be operational by first quarter of 2021 and will bring environmental as well as economic benefits for Bahrain. Alba is also looking into various projects such as Fish Farming and Solar Panels as ways for a sustainable future as well as giving back to the society, thus ensuring that we generate a positive impact for all stakeholders.

I take this opportunity to express my sincere gratitude to the wise Leadership and Government of the Kingdom of Bahrain for their valuable guidance and generous support. I thank Alba's Chairman and the Board of Directors for their wise leadership, the Executive Management Team for their continuous support, and all Alba employees and contractors for their commitment and contribution towards making Alba successful and safe.

In closing, I would like to emphasise that we shall continue to outperform ourselves in 2020 by focusing on what we control best: Safety of our employees and contractors; build on our Titan legacy to be lean; focus on future upstream opportunities to secure alumina requirements - that is how we think beyond Line 6; roll-out Alba's new Vision, Mission and Values; and deliver Spent Pot Lining treatment plan as per timeline.

Until next year,

Ali Al Baqali
Chief Executive Officer
(Appointed CEO on 13 February 2020)
Aluminium Bahrain B.S.C. (Alba)

Operational Highlights

JANUARY

Operational: Alba CEO (Former) kicks-off 2019 Town Hall Meetings

Line 6: Alba Reaches the Financial Close of c.US$136 million & c.EUR90 million in Export Credit Financing

Achievement: Alba Achieves US$102 Million Savings in Project Titan - Phase III & Launches Project Titan - Phase IV

FEBRUARY

Award: Alba Wins International Safety Award – Merit for 2018

Award: Alba Wins Big with National Safety Council's Safety Awards

Achievement: Alba Becomes a Member of Aluminium Stewardship Initiative (ASI)

MARCH

Line 6: Alba Accelerating to 50% of Line 6 Capacity

Operational: Alba Holds its AGM/EGM for 2019

Line 6: Alba Line 6 Smelter Celebrates 30 Million Working-Hours without LTI

Line 6: Alba Successfully Starts 25% of Line 6 pots

MAY

Line 6: Alba Marks 50% Milestone on Line 6 start-up

Achievement: Alba Marks 5 Million Working-Hours without LTI

Award: Alba Wins Best Corporate Governance Award by Ethical Boardroom

Achievement: Alba Achieves Historical Milestone of 6 Million Work-Hours without LTI

JUNE

Safety: Alba Launches its Summer Safety Campaign "Safety Gateway"

Award: Alba Scoops RoSPA's Gold Medal Award

AUGUST

Achievement : Alba Hits Historic Milestone of 10 Million Working-Hours Without LTI

SEPTEMBER

Operational: Alba Certified to ISO 27001:2013 Information Security Management System Standard

Operational: Alba to Establish First Spent Pot Lining Treatment Plant in GCC

Operational: Alba Promotes Bryan Harris to the Chief Financial Officer and Khalid Turani to Chief Internal Audit and Risk Management Officer

OCTOBER

Operational: Alba Launches Master Training Plan for All Employees

Award: Alba Scoops Prestigious MEIRA Awards for 2019

NOVEMBER

Safety: Alba Unveils New Custom-Made Fire Truck

Operational: Alba Partners with BTI for Customised-Training Programmes

Line 6: HM King Inaugurates Alba Line 6 Milestone

DECEMBER

Line 6: Alba Successfully Refinances its US$1.5 Billion Syndicated Loan Facility with Lower Interest Margin

Operational: Alba Signs Regain as the Technology Partner for its SPL Treatment Plant

Safety: Alba Makes History as it Tops 15 Million Working Hours Without LTI

Operational: Alba Sets New Production Record as It Goes Above 1.36 Million Metric Tonnes For The First Time

Line 6: Alba Line 6 Performs Above Expectations

For further information, please refer to the link: Albasmelter.com

Financial Highlights

CASH PAYBACK TO SHAREHOLDERS

0

US$ million
(2018: US$ 98 million)

Cash Payback to Shareholders down by -100% YoY [no dividend paid in 2019]

EQUITY RATIO

45%

(2018: 49%)

Equity Ratio stood at 45% due to an appreciation in Total Assets (+ 10% YoY) on the back of Line 6 Expansion Project and soft increase in Shareholder's Equity

METAL SALES

2,726

US$ million
(2018: US$ 2,366 million)

Metal Revenues up by 15% YoY driven by higher Sales' volume and partially offset by lower LME price and premiums

EBITDA

301

US$ million
(2018*: US$ 327 million)

EBITDA down by 8% YoY driven by higher overall cost despite higher Metal Sales

* 2018 EBITDA adjusted due to reclassification of finance cost

NET DEBT

2,450

US$ million
(2018: US$ 2,012 million)

Net Debt rose by 22% YoY attributed to drawdown of loans for Line 6 Expansion Project

For further information, please refer to Alba's Audited Financial Statements in the last section of the 2019 Annual Report

EBITDA = Profit for the year before tax + Finance cost - Change in fair value of derivative financial Instruments + Depreciation + Amortisation

Net Debt = Total Borrowings - bank balances and cash

Equity Ratio = Total Equity / Total Assets

Leverage Ratio = Total Liabilities / Total Assets

SHAREHOLDER'S EQUITY

2,869

US$ million

(2018: US$ 2,855 million)

Shareholders' Equity topped US$ 2,869 million - almost flat

FREE CASH FLOW*

397

US$ million

(2018: US$ 284 million)

Free-Cash Flow up by 40% thanks to lower CAPEX spending

* Excluding Line 6 CAPEX (2019:US$687 M. & 2018:US$1,186 M.)

* 2018 Free Cash-Flow exludes capitalised interest [as per Note 5 of 2019 Financial Statements]

LEVERAGE RATIO

55%

(2018: 51%)

Leverage Ratio reached 55% as result of higher Debt (in connection to Line 6 Expansion Project)

NET PROFIT

14

US$ million

(2018: US$ 159 million)

Net Profit amounted US$ 14 million & down by 91% YoY on the back of unfavourable LME price and premiums

NET DEBT TO EBITDA

8.15x

(2018: 6.15x)

Higher Net Debt to EBITDA on the back of Line 6 Expansion Project Financing & lower EBITDA

Corporate Governance

Description of the Company's management and supervisory bodies

Alba's Board of Directors maintains effective oversight of the Company by regularly monitoring key business activities and providing directives to Management. The Board has ten directors, all of whom are external to the company's management. The Board operates in accordance with the laws of the Kingdom of Bahrain, including the Commercial Companies Law (as amended), the Memorandum and Articles of Association of the Company, its own Board Charter, and the Company's 'Levels of Authority' document.

The Board of Directors has three sub-committees:

1. **The Board Audit Committee (BAC)** carries-out the Board's audit functions in accordance with the BAC Charter to include overseeing the integrity of the Company's financial statements, financial reporting and its systems of internal accounting and financial controls, the annual independent audit of the Company's financial statements, the engagement of external auditors and the evaluation of the external auditors' performance, the appointment of an internal auditor and the regular review of the internal audit function and the Company's compliance with the legal and regulatory requirements as well as assess and review the risk management systems. BAC has six members each of whom has a financial and/or audit background.

2. **The Nomination, Remuneration and Corporate Governance Committee (NRCGC)** carries-out the Board's nominating and remuneration functions in accordance with the NRCGC Charter and is also responsible to develop the Company's Corporate Governance Policy Framework. The NRCGC has three members all of whom are non-executive directors and where the majority is independent.

3. **The Board Executive Committee (ExCom)** is responsible to assist the Board in fulfilling its oversight responsibility with respect to strategic initiatives and projects, business and operational plans in accordance with its Charter.

Relevant members of management attend Board and sub-committee meetings.

The Company is headed by a Chief Executive Officer (CEO), who has five Executive roles reporting to him (Chief Financial Officer, Chief Marketing Officer, Chief Operations Officer, Chief Power Officer and Chief Administration and Supply Officer). Each Executive oversees a number of Managers. The Company has a Corporate Secretary and a Chief Internal Auditor and Risk Officer, who report independently to the Chairman of the Board/ Chairman of the Board Audit Committee respectively.

Corporate Governance Practices applied by the Company

Alba has adopted, and is committed to implementing, both the Corporate Governance Code of the Kingdom of Bahrain (the Code) issued on 01 September 2018 by the Ministry of Industry and Commerce and Tourism (MOICT), and the Corporate Governance Module (the Module) of the Central Bank of Bahrain (issued in July 2011, as amended).

The principles governing these frameworks are:

- The Company shall be headed by an effective, collegial and informed Board;
- The directors and officers shall have full loyalty to the Company;

- The Board shall have rigorous controls for financial audit and reporting, internal control, and compliance with law;
- The Company shall have rigorous procedures for appointment, training and evaluation of the Board;
- The Company shall remunerate directors fairly and responsibly;
- The Board shall establish a clear and efficient management structure;
- The Company shall communicate with shareholders, encourage their participation, and respect their rights; and
- The Company shall disclose its corporate governance practices.

The Company seeks, where applicable, to exceed the minimum requirements of the Code and Module, and to implement the additional recommendations and guidance of the Code, as well as other international best practice in Corporate Governance.

The following are some of the key improvements in corporate governance instituted by the Company in recent years:

Corporate Governance Report - The Board has presented a comprehensive annual 'Corporate Governance Report' at each Shareholders Meeting since March 2011. This report, (also available on Alba's website), sets out Alba's compliance with the Code and with the additional guidelines, along with explanations for areas of non-application and required disclosures.

Code of Conduct - A Board approved 'Code of Conduct', on par with leading international codes of ethics, sets out required ethical conduct for all employees and representatives of the Company. It was re-launched during 2018 by the Board and Executive team through a comprehensive communication and training program. Compliance with the Code of Conduct is monitored by Alba's Integrity Task Force, which comprises the Chief Internal Auditor, the Chief Administration and Supply Officer and the Legal Manager, and reports directly to the Board Audit Committee. Monitoring tools include 'IntegrityLine' an independently operated confidential hotline and reporting system that provides for reporting in multiple languages by phone, internet, and intranet 24 hours a day and 7-days a week.

Evaluation and assessment of the Board and its Committees – The Board and its three standing sub-committees: the Board Audit Committee (BAC), the Nomination, Remuneration and Corporate Governance Committee (NRCGC) and the Board Executive Committee conduct annual self-evaluations and assessments using questionnaires and a discussion of gaps and areas of improvement. The results of the assessments by the sub-committees are reported to the Board.

Directors' orientation/ handbook - A Director's handbook consisting of key documents and other content on directors' responsibilities serves as a reference guide for incumbent directors and to facilitate orientation of new directors.

Directors' independence – The Board conducts an annual review of directors' independence, applying the classification criteria and guidance from the Central Bank of Bahrain and from the Code.

Conflicts of Interest – Policies are in place to prohibit a member of the Board of Directors from voting in any meeting, or participating in any business operation or activity, in which the member has a conflict of interest with the Company. Abstentions are required to be minuted. Directors are required to list directorships of all Bahraini companies, and any potential conflicts of interest through an annual declaration process.

CEO and CFO Certification of financial statements – The CEO and CFO produce a memorandum certifying each quarter's financial statements, as well as the year-end financials.

Ownership and trading of company shares – Following the company's dual listing on the Bahrain Bourse and the London Stock Exchange in November 2010, a process was implemented to identify and report Directors' and Executives' ownership and trading of company shares. The Company has issued policies on Key Persons Dealing/ Insider Trading and circulated these to all directors, officers, and other key employees identified by the Company, and has established, for all directors and officers, quarantine periods for trading in Alba shares.

Levels of Authority – In September 2019, the Board approved an updated Levels of Authority document for the Company. This document defines the limits of approvals and decision-making authority designated to specified positions of responsibility within the Company, including the Board and Executives.

Succession plans – An annual review of succession plans for executives is now built into the Board agenda.

Corporate Governance

For further information about the Corporate Governance, please refer to this link:
http://www.albasmelter.com/IR/CorporateGovernance/Pages/default.aspx

Main features of the internal control and risk management systems in relation to the financial reporting process

The Board, through the Board Audit Committee (BAC), is responsible for ensuring a sound and effective control environment. Monitoring of internal controls is provided through a number of internal and external assurance providers, including:

- Statutory Audit by our External Auditors, and discussion by the BAC of the results of the statutory audit, including a review of the financial performance, any changes to disclosure, a subsequent events review, important accounting matters and other internal control matters;

- Review and formal approval of financial results by the CFO, CEO, BAC and Board;

- Co-ordination and review by Public Relations and Investor Relations department of all releases of financial results and other market-sensitive information to the market and to regulators;

- Monitoring of progress against agreed actions for financial and other risks identified through the application of Alba's Board approved Enterprise Risk Management Framework, and with regard to the Risk Appetite set by the Board. The BAC reviews changes to the risk profile, together with progress on actions for key risks, on a quarterly basis;

- An independent Internal Audit function, working from a risk-based annual internal audit plan covering key controls. The audit plan, budget, and methodologies are approved and monitored by the BAC. On a quarterly basis, the BAC reviews and discusses the internal audit findings, recommendations and agreed management actions, as well as progress made against prior audit findings. Additional private meetings are held between the BAC Chairman and the Chief Internal Auditor and Risk Officer;

- Audits carried out by the National Audit Office;

- Board and sub-committee approvals and monitoring of Operating, Financial, Manpower and other Plans; and

- Executive and management monitoring activities (including the monitoring of Key Performance Indicators).

Assurance is also provided through application of the Levels of Authority document for financial transactions, through financial reporting policies and procedures, and through IT controls in the financial reporting system. Alba's Code of Conduct also sets out clear and specific requirements for accurate financial reporting.

Principal risks and uncertainties faced by the business

The following risks described below need to be carefully considered as their occurrence could have a material adverse impact on our business, financial condition and results of operations, and could result in a decline in the trading price and liquidity of our securities. Our systems of governance, internal control and risk management identify and provide responses to key risks through the establishment of standards and other controls. Any failure of these systems could lead to the occurrence, or re-occurrence, of any of the risks described below:

- The cyclical nature of the Company's industry has historically meant that there is significant aluminium price and demand volatility, and a general production overcapacity in the industry. The Company has no control over a number of factors that affect the price of aluminium;
- The Company operates in an industry that gives rise to health, safety, security and environmental risks;
- Fire, equipment breakdown, attack on the physical or IT infrastructure, civil strike or unrest, or loss of gas, power or other utilities may result in loss of operational capability or shutdowns for significant periods, resulting in a significant adverse impact on the Company's financial condition and results of operations;
- The loss of either of the Company's three largest customers, or its inability to recover the receivables due from one of them, may have a material adverse effect on its financial condition and future prospects;
- The Company relies on third-party suppliers for certain raw materials, and any disruption in its supply chain or failure to renew these contracts at competitive prices may have an adverse impact on the Company's financial condition, results of operations and future prospects;
- The Company's competitive position in the global aluminium industry is highly dependent on continued access to competitively priced and uninterrupted natural gas supply. An increase in the price of natural gas, or interruption in its supply, could have a material adverse effect on the Company's business, financial condition, results of operations and future prospects;
- The Company's business may be affected by shortages of skilled employees (including management), labour cost inflation and increased rates of attrition;
- The Company depends on the provision of uninterrupted transportation of raw materials and finished products across significant distances. Interruption of these activities could have a material adverse impact on the Company. Prices for shipping/transportation services (particularly for sea transport) could increase;
- The Company has a number of hedging contracts, and has historically experienced significant mark-to-market and realised losses from certain of the Company's derivative positions;
- The Company is exposed to foreign currency fluctuations, which may affect its financial condition;
- There is a high level of competition in the GCC aluminium market, and the Company may lose its market share in the GCC as its competitors increase their production levels;
- The Company's strategy includes growth and expansion of its operations, as well as cost savings initiatives, which may not be achieved on time or on budget;
- The Company does not insure against certain risks, and some of its insurance coverage may be insufficient to cover actual losses incurred; and
- Changes in laws or regulations, or a failure to comply with any laws or regulations, may adversely affect the Company's business.

Products & Markets

2019 **Metal Sales**	US$ **2.726** Billion	**Value-Added Sales**	**595,520** Metric Tonnes (MT)	**Metal Sales Topped**	**1,350,326** Metric Tonnes (MT)

Global Market (Demand & Supply) – In Focus

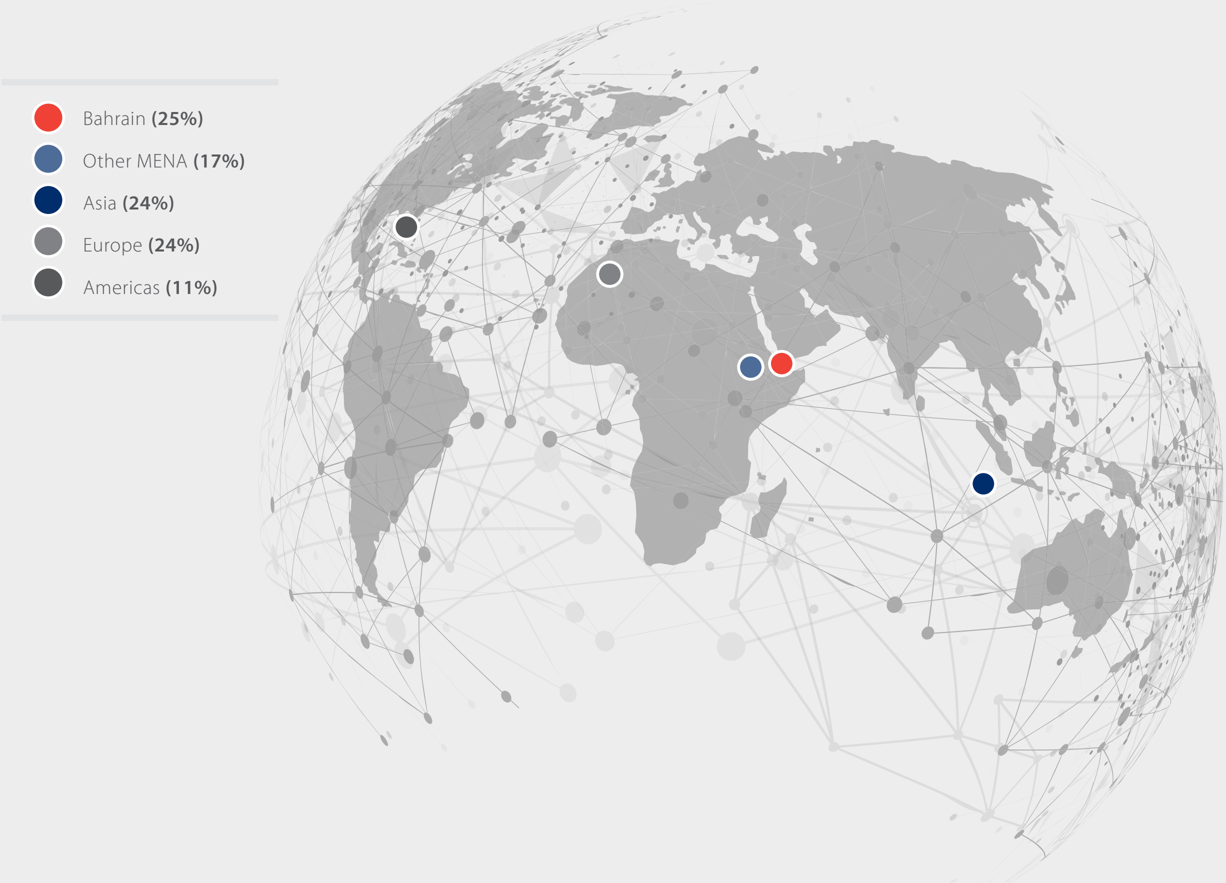
2019 Major Highlights - weak consumer and investor sentiment on the back of trade-tensions, a recession in the Aluminium auto industry and a slowdown in Chinese economic activity

- Global Aluminium demand conditions have progressively deteriorated in 2019. Escalation in the US-China trade war has dulled investor confidence and impacted key end-users namely automotive and machinery. The downturn in automotive production has been particularly severe and this sector is expected to remain weak in 2020.
- The construction sector in China has also taken a particular hit on the back of policy induced financial de-risking.
- World consumption and production softened to reach 64.5 million metric tonnes [versus 65 million metric tonnes in 2018] and 63.4 million metric tonnes [versus 63.8 million metric tonnes] respectively.
- Issues around climate change, decarbonisation along with energy transition to a lower carbon economy came to the forefront in 2019. The Aluminium industry will have an important role to play in the years to come.

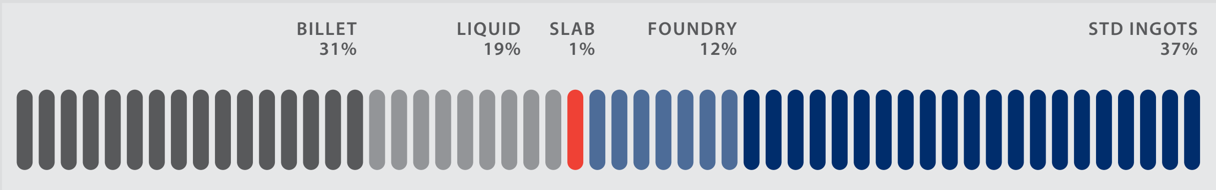
- China's smelting industry has taken steps to reduce its reliance on coal-fired power by relocating some of its smelting capacity to Yunnan province.
- Globally, regions with surplus hydroelectric power are in locations that are far from consumption's centres.
- This could ultimately lead the total carbon footprint of delivering aluminium to the market high.

Industry Outlook in 2020

- Aluminium demand to grow at a 3% per annum between 2020 - 2025 and will depend mainly on China's recovery. Chinese consumption is set to grow modestly in 2020 (c. 2% growth).
- Urbanisation will drive demand for aluminium intensive products such as white goods, cars, packaging and construction.
- The scrap and secondary aluminium market to play a key role in securing additional metal units in the future especially as the auto industry moves towards full adoption of electric vehicles.
- The long-term challenge for primary metal producers will be to secure lower carbon emission energy sources to feed their smelters.
- The secondary aluminium to start replacing primary aluminium within the consumption mix in the longer-run. This will be driven by a greater focus on decarbonisation, sustainability and scrap recovery.



By Product Line



Clientele Profile

ALUMINIUM PRODUCTS COMPANY (ALUPCO)
Founded in 1975
Aluminium Products Company (ALUPCO) is the largest extrusion company in the Middle East and Africa (MENA Region)."

CORTIZO
Founded in 1972
Cortizo is known for being the first manufacturer and distributor of aluminium and PVC system for the architecture and industry sector in Spain, as well as one of the sector's leading companies in Europe.

RONAL WHEELS
Founded in 1962
RONAL Company is the pioneer of light alloy wheels in the world market. Karl Wirth Born founded the Company in 1962. Since then, Ronal has been applying a high technology, innovative design and quality without compromise for all its products.

BORBET
Founded in 1962
BORBET stands for perfect quality, innovative technologies and pioneering design - valuable work that has made us a sought-after partner for the automobile industry and speciality retail.

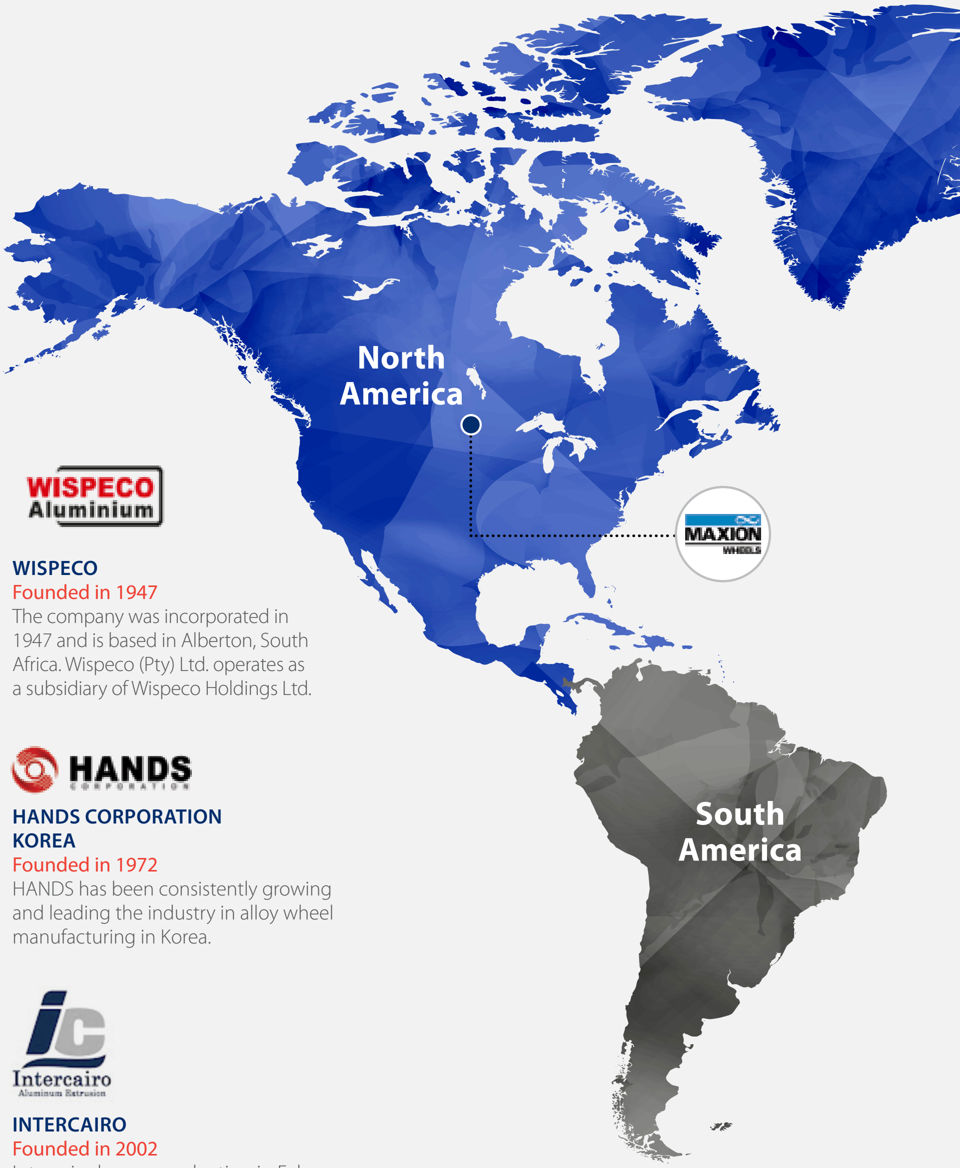
MAXION WHEELS
Founded in 1918
Maxion Wheels and its subsidiaries have been supplying OEMs with the highest quality wheels and most innovative technologies for over 100 years.

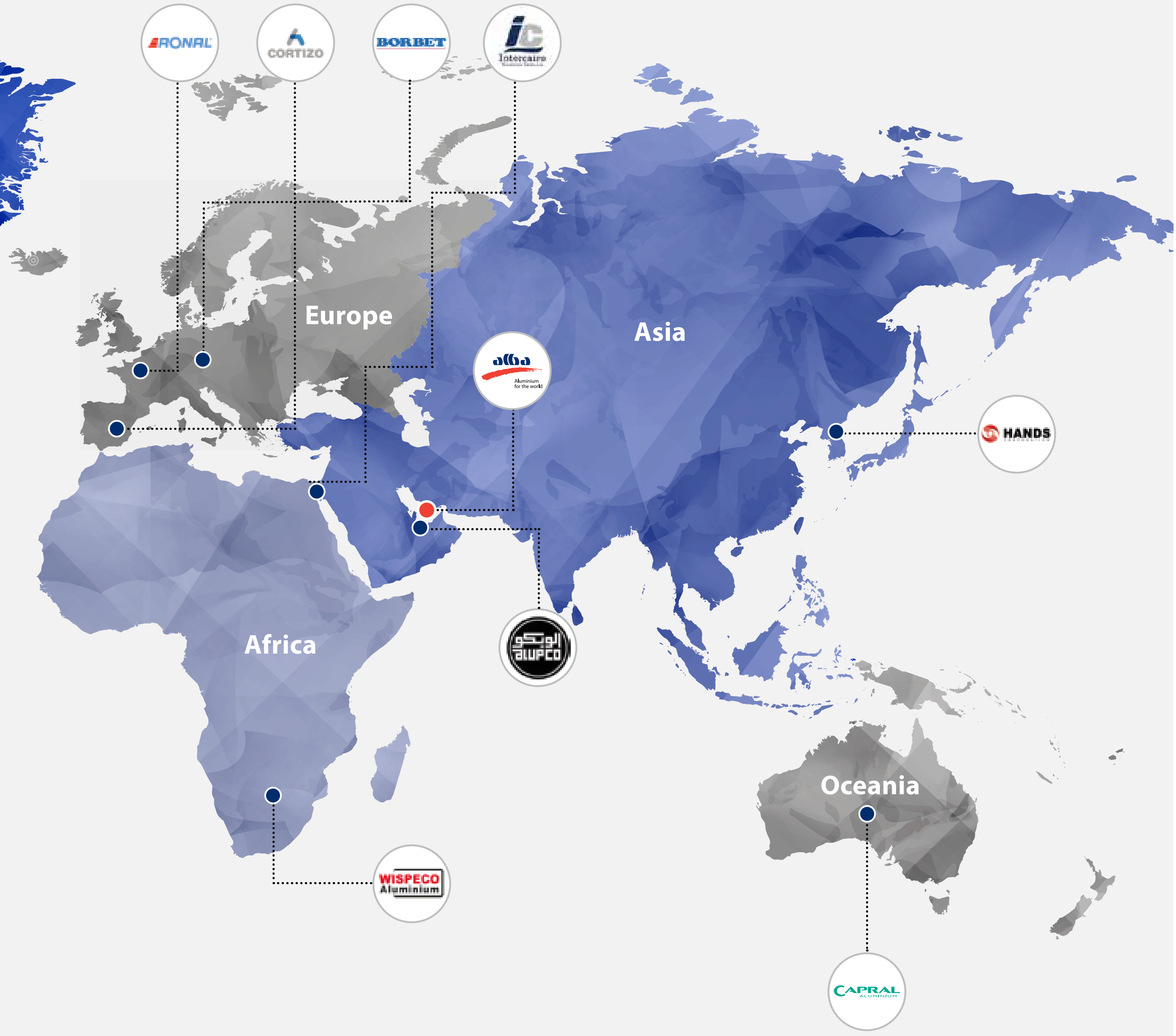
WISPECO
Founded in 1947
The company was incorporated in 1947 and is based in Alberton, South Africa. Wispeco (Pty) Ltd. operates as a subsidiary of Wispeco Holdings Ltd.

HANDS CORPORATION KOREA
Founded in 1972
HANDS has been consistently growing and leading the industry in alloy wheel manufacturing in Korea.

INTERCAIRO
Founded in 2002
Intercairo began production in February 2004 as the youngest to produce aluminium sectors in Egypt.

CAPRAL
Founded in 1936
Capral is the largest manufacturer and distributor of aluminium profiles, Capral has a national footprint of world class aluminium extrusion plants, comprising of eight operating presses.





Europe
Asia
Africa
Oceania

Clientele Profile

MENA

ALUMINIUM PRODUCTS COMPANY (ALUPCO)

www.alupco.com

Established in 1975, Aluminium Products Company (ALUPCO) is the largest extrusion company in the Middle East and North Africa (MENA Region). ALUPCO Headquarters and it's first ever extrusion plant is located in Dammam. There are a total of 9 presses now that are located in between Dammam and Jeddah with a total capacity exceeding 85,000 MT per year with plans to expand to over 100,000 MT per year. ALUPCO maintains very high quality standards that are confirmed and complying with European (EN), German (DIN), British (BS), American (ASTM) and the Saudi (SASO) standards in every step of its operations. ALUPCO is well known for its variety of Aluminium extruded profiles in different shapes and surface treatment like mill finish, powder coated, anodized, wood finish and polished. Towards energy sustainability especially in the construction sector and to provide advanced solutions, ALUPCO has formed strategic partnerships with International companies like ALUK (Italian Architectural Systems Company) and ALUBOND (American Brand of Aluminium Composite Panels).

ALUPCO has also developed its own Architectural Thermal Break Systems for doors, windows and curtain walls to minimize heat transfer in the buildings from outside to inside. ALUPCO operates sales offices in Saudi Arabia; Dammam, Jeddah, Riyadh, UAE (Dubai) & Egypt (Cairo) to ensure best services towards customer in ME, GCC, North Africa and Europe.

INTERCAIRO

www.intercairo.com

The company was founded in 2002, began production in February 2004 as the youngest to produce aluminum sectors in Egypt and one production line company is a piston extrusion horizontal size 7-inch annual capacity of 6,500 tons. The development of production in the company by adding new lines until production capacity reached in August 2008 to 18,000 tonnes per year and has become the largest company to produce aluminum sectors since then until now. The establishment of a new factory and began production in January 2011 and the arrival of the production capacity to 38,000 tonnes per year and work is underway to reach production 42000 tonnes per year.

AFRICA

WISPECO

www.wispeco.co.za

The company was incorporated in 1947 and is based in Alberton, South Africa. Wispeco (Pty) Ltd. operates as a subsidiary of Wispeco Holdings Ltd."

Wispeco Aluminium is the largest aluminium extruder and supplier in Africa. The company encompasses factories and distribution centres nationally.

Alba supplies alloyed aluminium Billet to Wispeco that are used to make various applications in transportation industry (truck, bus and train bodies), Due to its light weight and strength it has several advantages for use in the transport industry. Wispeco extruded the window and door extrusions for the Gautrain train coach units. Extrudes specialised engineering profiles which include cooling fins, electrical bus bar, ladders, scaffolding, irrigation equipment, sport and camping equipment, tile edges and carpet trims, safety security doors, curtain tracks, signage sections, conveyor system sections. An extensive range of standard engineering profiles such as round tubes, round bars, flat bars, angles and t-sections are available. It strives to offer quality products, excellent service, technical support and to be responsive to any customer queries.

EUROPE

RONAL WHEELS
www.ronalgroup.com

RONAL Company is the pioneer of light alloy wheels in the world market. Karl Wirth Born founded the Company in 1962. Since then, Ronal has been applying a high technology, innovative design and quality without compromise for all its products. The lasting growth was achieved thanks to the customers' service, continuing innovations and a high standard of quality. For ensuring the highest quality RONAL develops and manufactures its own manufacturing tools, which originate both in Cantanhede Portugal and Härkingen Switzerland.

RONAL Company serves customers in Germany, France, Italy, Mexico, Poland, Spain, the Czech Republic and the USA. Light alloy wheels with own RONAL & SPEEDLINE brands are the lasting leaders on the demanding aftermarket. Both brands are distinguished for their quality and in-commutable design. Presence on particular markets; a high technology and a product design; and a state-of-the-art manufacturing equipment help the company to satisfy the customer needs all over the world.

BORBET
www.borbet.de

It's a Family business and traditional company. Since 1962, their heritage company from Germany's Sauerland region has become a worldwide leader in the manufacture of light alloy wheels. The reason for this: BORBET stands for perfect quality, innovative technologies and pioneering design - valuable work that has made them a sought-after partner for the automobile industry and speciality retail. At the same time, they still consider ourselves a family with unbounded passion for our craft, deep affinity to our roots that stretch back to 1881, and the lofty objective of always giving our best for their customers.

They want to excite people: their customers, partners, and employees - everyone with whom BORBET is connected. For this reason, they develop, produce and sell our high-quality light alloy wheels, which fulfil the highest standards in every regard. They unite design and safety, longevity and functionality. Elements of an unmistakeable signature: a BORBET wheel can be identified by aficionados even without a logo!

In order to ensure that this uniqueness endures, they invest in sustainable, value-orientated and international growth with a focus on quality and innovation. The highest possible degree of profitability, productivity and efficiency coupled with optimum use of resources at all levels of production are decisive factors for success in the face of stiff competition on the global market. This is also anchored in the BORBET management policy.

CORTIZO
www.cortizo.com

Cortizo is known for being the first manufacturer and distributor of aluminium and PVC system for the architecture and industry sector in Spain, as well as one of the sector's leading companies in Europe. Based in La Coruña, Spain.

Established in 1972. Aluminios Cortizo SA is a producer of aluminium extrusions. The company is known to be the principal manufacturer and distributor of industrial aluminium profiles in Spain. Cortizo stands out for completing the whole manufacturing cycle of aluminium: foundry, extrusion, powder coating, anodizing, chemical brightening, CNC machining, packaging, storage and distribution. Cortizo has nine Production centres with production capacity of 96,000 tonnes per annum, employees 2,510 workers and sales network over 31 countries.

Clientele Profile

FAR EAST

HANDS
www.handscorp.co.kr

HANDS is the largest alloy wheel manufacturer in Korea. Since the establishment in 1972, HANDS has been consistently growing and leading the industry in alloy wheel manufacturing. Alba supplies alloyed aluminium ingots to HANDS that are used to make wheels for top car makers in Korea and rest of the world. Over the years, HANDS has won several industry and national awards. In 2015, HANDS was awarded grand prize of Korea Sejong-Daewang Sharing Volunteer Service. In the same year, it was selected as an Outstanding Enterprise of Company Renovation and of Competitive Power for Quality.

Management philosophy of HANDS is: • Faithful to basic, think different and do different • Enjoy happiness and richness of mind • Pride to be members of HANDS Corporation and enjoy work

Five fingers of a hand can be used to describe five key elements of HANDS' management philosophy:
1. Trust – HANDS builds credit with its customers
2. Happiness – HANDS cares that small things make a better world
3. Center – HANDS stands on the top and at the center of the world
4. Direction – HANDS pursues to benefit customers and humanity
5. No. 1 – HANDS thinks creatively as the top of the world

OCEANIA

CAPRAL
www.capral.com.au

Capral has a comprehensive product range, innovative R&D capability, and well positioned to take advantage of changing building regulations in Australia.

Further, Capral's strength is its people. It is through that the success of their people, is the main driver of its grow. Capral has a range of initiatives in place to ensure its people are working in rewarding roles with real opportunities for growth and development.

It's strong values-based culture is a key part of looking after their people's. Capral's five core values of Safety First, Customer Success, Play Fair, Better Every Day and Own it form the basis of all aspects of our operations.

AMERICAS

MAXION WHEELS
www.maxionwheels.com

Maxion Wheels and its subsidiaries have been supplying OEMs with the highest quality wheels and most innovative technologies for over 100 years. During that time, They acquired some of the most recognizable names in the industry, including Kelsey Hayes, Lemmerz and Fumagalli. Today, they put their combined expertise to work for nearly every OEM and vehicle market in the world.

They are also backed by the strength and security of their parent company, Iochpe-Maxion, which ensures that their customers can count on them for the long-term growth, infrastructure and stability they need.

With an international network of strategically located engineering, technology and production facilities, Maxion is one of the only wheel manufacturers who can deliver on a truly global platform. This allows them to not only reduce logistical costs — it also allows them to eliminate duplicate processes, and to streamline the complexities that come from managing variation in a single vehicle platform. As They are able to implement the same design, technology and controls across multiple production lines, and to ensure a consistent and quality product whenever and wherever its need.

Line 6 Expansion Project

A Vision Yesterday, Today's Reality

KEY FACT

PROJECT TYPE
Brownfield

CAPACITY
540k MT
Construction Date 2017

FIRST HOT METAL
13-12-2018

FULL PRODUCTION
Q3 2019

LINE 6 SMELTER SPECS

POT TECHNOLOGY
DX+ Ultra (440 kA)

TECHNOLOGY SUPPLIER
EGA

NUMBER OF POTLINES
424

LENGTH
1.35 Km

POWER STATION 5 SPECS

POWER PLANT OUTPUT
1,792 MW

POWER SOURCE
Natural Gas

EFFICIENCY
54%

LINE 6 SMELTER- 2018

FIRST CATHODE SEALING OPERATION
31 January

HANDOVER OF FIRST 36 POTS IN POTROOM F TO OPERATIONS
25 November

START SHORT CIRCUIT TEST (SCT)
26 November

START ANODE BAKE FURNACE DRY-OUT
28 November

	POWER EXPANSION PROJECT - 2018	LINE 6 SMELTER- 2019	POWER EXPANSION PROJECT - 2019
FIRST POT ENERGISATION **13 December**	ENERGISATION OF 33 KV SUBSTATION **30 May**	SUCCESSFUL TESTING OF 40 POTS **16 February**	FIRST FIRE OF GAS TURBINE – UNIT 3 **30 March**
FIRST GREEN ANODE **15 December**	ENERGISATION OF 220 KV SUBSTATION **30 September**	STARTED OPERATIONS OF 106 POTS **26 March**	PS5 BLOCK 1 TAKING OVER **28 August**
FIRST COLD CHARGE OF FURNACE 3 IN CASTHOUSE 4 **26 December**	ALBA GAS STATION HANDOVER **15 October**	STARTED OPERATIONS OF ADDITIONAL 106 POTS **18 April**	PS5 BLOCK 2 TAKING OVER **26 October**
	RECTIFIER ENERGISATION **25 October**	START SHORT CIRCUIT TEST (SOUTHERN 212 POTS) **31 May**	
	FIRST FIRE OF GAS TURBINE - UNIT 1 **30 October**	SAFE START-UP OF THE LAST POT (#424) **21 July**	
	COMPLETE RECTIFIER SHORT CIRCUIT TEST **03 November**	LAST HOT METAL **31 July**	

Safety, Health & Environment (SHE)

At Alba, we believe that Safety and Productivity are mutually inclusive. As an employee-centric business, Alba owns the responsibility of ensuring that its employees, contractors and all stakeholders are safe and healthy.

Through our constant endeavour for a safe and healthy work environment at Alba, we have been able to build a strong Safety culture as well as an excellent track record for Safety.

Safety First, Safety Always

The three Safety principles - 1) Ownership of Safety is everyone's responsibility'; 2) Working safely is a condition of employment; and 3) All work-related injuries and illnesses are preventable – have been the guiding philosophies for Alba and its Safety culture.

Safety is a big productivity driver. If our people feel safe, they will be more productive; with this as our motto, Alba has placed employee Safety and Health as our number ONE PRIORITY. We encourage our employees and contractors to take ownership of their Safety; by being more self-aware about Safety, we can boost our resilience and be well-prepared for the challenges ahead.

One of the driving factors of Safety in Alba is the Senior Management's direct involvement in all aspects of Safety. Alba Safety Health Environment (SHE) campaigns, plant-wide as well as department level, are an important tool of direct-communication for the Management to share its Safety objectives.

Alba SHE campaigns are tailor-made for different functions and areas of the Company with the underlying common message: Safety First, Safety Always. All the SHE campaigns held in 2019 were pivotal in emphasising Alba's safety priorities as well as the SHE objectives to be achieved going ahead. The main Safety Campaign was the 'Safety Gateway' Campaign during which the Chairman of Alba's Board of Directors Shaikh Daij Bin Salman Bin Daij Al Khalifa reiterated Alba Board's resolve to put Safety and Health first alongside closer involvement in sustainability initiatives.

Some of the other significant Safety campaigns in 2019 included 'Do Not be the Next' and 'Extreme Ownership in Safety' campaigns, both of which focused on the importance of linking Safety to the organisation's financial and production performance while the 'Safety in Special Times' campaign stressed on the importance of being fit during the Holy Month of Ramadan and beyond.

One of the key reasons behind Alba's success in the SHE areas has been its inclination to adopt and implement global standards of SHE. Alba's Health, Safety & Environment Management System (HSEMS) has incorporated various international and national practices and policies to ensure the effective management of various SHE risks.

Alba Line 6 Expansion Project was a massive success Safety-wise as the Project (Potline 6 and Power Station 5) clocked 60,893,000 hours without Lost Time Injury (LTI) as of 21 November 2019. The SHE department successfully aligned its procedures and policies to the requirements of International Financial Corporation (IFC) for both, Potline 6 and Power Station 5. The IFC prescribes an organisation's SHE and Social commitments as well as its obligations towards the lenders or lending organizations.

Alba is also tied-up with Safety and Health bodies/organisations locally and internationally such as the Supreme Council for Environment, Gulf Aluminium Council and the International Aluminium Institute (IAI), which act as guiding hands for Alba's Health Safety Environment Management Systems (HSEMS).

It is noteworthy that Alba became the first industrial facility in the Region to be granted the status of being an approved training provider for the Institution of Occupational Safety and Health (IOSH). This certified Alba to become a Health & Safety training hub for the IOSH Managing Safely and IOSH Working Safely courses that are delivered to its employees and employees from industries around at no cost.

Alba was also recently certified to the newest Health and Safety standard ISO 45001:2018 in addition to the upgrade of its Environmental Management System standard ISO 14001:2015.

Alba underlined its evolution to a more sustainable future by joining the Aluminium Stewardship Initiative (ASI) in February 2019 as a Production and Transformation member category. ASI is a global, multi-stakeholder, non-profit standards setting and certification organization.

This membership ensures stricter compliance with international standards and practices throughout the aluminium value chain where the organization is ready to undergo the ASI certification audit.

As one of the key industries in Bahrain, Alba also supports key SHE conferences held in Bahrain such as the 'World Civil Defence Day' event, the 'Gulf Safety Forum' and the Global HSE Conference and Exhibition event.

The biggest achievement for Alba in terms of Safety in 2019 was the crossing 15 million working-hours without Lost Time Injury (LTI) for the first time since its commercial operations began in 1971. The Company maintained zero fatality in 2019, zero Lost Time Injuries (LTIs) while the total Injuries dropped around 62.5% from 32 in 2018 to 12 injuries in 2019.

Occupational Health

The Company continues to place great emphasis on the Occupational Health of its employees, contractor workers and other stakeholders on its premises.

Alba is a pioneer in Heat Stress Management as it strictly follows the prescribed international standards and best practices including the use of Wet Bulb Globe Temperature (WBGT) index. The WBGT index is measured four times a day and communicated to all supervisors via different communication channels such as emails, display screens around the organization and WhatsApp broadcast messages. It was commendable that Alba's achieved Zero Heat Exhaustion case in 2019 for the third year in row. In addition, the 2019 'Hydration Survey' showed improved results compared to 2018.

Safety, Health & Environment (SHE)

Environment

Environment and sustainable initiatives are key areas of Alba's corporate responsibility viewpoint.

Alba has been making concerted efforts to achieve sustainable solutions in order to reduce industrial waste of all kinds and safely dispose waste footprints. Alba Management, in 2019, endorsed a five-year Waste Management Strategic plan aimed to reduce major solid waste streams destined to the landfill. This strategy is based on the hierarchy of waste management for the conservation of resources, reuse, recycle and proper disposal as well as on waste generator involvement in assuming more responsibility and accountability for the generated waste.

Alba took a major step towards sustainability with the establishment of the first-of-its-kind Spent Pot Lining (SPL) Treatment Plant in the Region. SPL is the major waste for any aluminium smelter, qualitatively and quantitatively, and hence addressing SPL issues is in the best interest of both Alba and the Kingdom of Bahrain. In collaboration with Bahrain's Supreme Council for Environment, the SPL Treatment Plant is expected to be operational by Q1 2021 and is a zero-waste process with a capacity to treat 30,000 - 35,000 tonnes of SPL a year then convert it to value - product. The SPL Treatment Plant will set new global benchmarks in terms of environmental sustainability and economics for transforming SPL into value-added products.

Alba's environment section periodically monitors activities to cover the requirements for routine and non-routine statutory reporting of environmental data including source emissions from around 30 major stacks and three pot room roofs fugitive emission as well as ambient air quality monitoring stations distributed over four points in and around Alba plant. Manual sampling is also done each quarter for each stack as a confirmation of the emission results' reliability. The total fluoride emissions from reduction areas as well as roof fugitive emissions for the last 12 months show that it was within legal limits. For more insights, Environment, Social and Governance (ESG) Key Metrics are disclosed in details in Alba's 2019 Sustainability Report.

Awards

Alba continued to win international Safety and Health awards that recognized its Safety performance -- the 2019 Occupational Excellence Achievement Award by the National Safety Council (NSC) – USA; the 2019 RoSPA Gold Medal Award for Occupational Health and Safety from the Royal Society for the Prevention of Accidents (RoSPA); and the 2019 International Safety Award from the British Safety Council, UK. Moreover, Alba also won the National Safety Council's Significant Improvement Award and Safety Leadership Award for maintaining a life changing injury-free record for the past 5 years.

As Bahrain's leading industrial company, Alba aim to be fully aligned with Bahrain's Economic Vision 2030 and is committed to advancing sustainable initiatives that will benefit the Kingdom of Bahrain and as well as the Company.

Training & Development

Employee enhancement, through training and development, is the corner-stone of a sound management. This was one of the founding principles of Alba, and it sets the precedent in employee training and development in Bahrain. Today and as we approach our Golden Jubilee, Alba has successfully set the path for leadership proficiency and employee growth.

Our People, ONE Team

People make the business and its success. As Alba grows, we believe our people should also develop. Promoting employees from within Alba has been key to its succession planning, which in turn has boosted employees' morale and help build a strong foundation for the Company. Alba is well-known in the Region for the range of training programmes and educational opportunities offered to its employees.

Alba Training Department is a full-fledged function of the Company with a strong focus on technical, soft-skills, management and executive trainings. The programmes, workshops and trainings are delivered by in-house experts, technical experts from the industry, Original Equipment Manufacturers (OEMs) and vendors, well-known speakers and industry specialists.

Some of the key trainings that were held in 2019 were - High Performance Leadership, Supervisory Development, Employee Relations, Technical Report Writing, Team Building, Accident Investigation Course, SAP and Microsoft Courses and English Language Development. In addition to the above, Alba employees attended numerous external trainings, conferences and seminars to include events organised by Gulf Aluminium Council (GAC) in different GCC countries, Primary Aluminium "Back2School" programme organised by Fives Solios in Al Jubail KSA, and Aluminium Stewardship Initiative (ASI) workshops in Dubai.

Alba considers Executive Management Training integral to its management growth. These programmes seek to align the management with the ever-changing leadership and business dynamics. Through the Executive Management Training programmes, Alba seeks to equip the Management with skills to lead high performing teams that deliver on the company's goals and objectives. These programs are in collaboration with leading global learning institutes and business schools.

The below tables chart out the training hours achieved for Alba's Management, Second Line and First Line employees.

TRAINING HOURS	
First line	80,221
SLIN	29,695
Exec, Dir & Managers	5,263

% OF TRAINING	
First line	10.4%
SLIN	8.5%
Exec, Dir & Managers	6.6%

NO. OF ATTENDEES	
First line	2,223
SLIN	1,061
Exec, Dir & Managers	500

On occasions, the Senior Management also takes on the role of coaching and delivers these high-quality courses to the supervisory and non-supervisory staff. For example, Alba's Acting CEO Ali Al Baqali delivered the workshop '1 Team: 2-Way Communication', which focused on aligning Alba's Management Team with the priorities of the new Management and proprieties of Alba, especially post Line 6 Start-Up.

In 2019, Alba is proud to have achieved excellent training statistics clocking up to 588,895 working-hours of training and 7.3% of training hours [excluding the training-hours for Line 6 training] over available working-hours.

The Line 6 Expansion Project placed a high and unique demand of training employees in new areas of technology and business. As Alba prepared to become the world's largest aluminum smelter ex-China with the Line 6 Expansion Project, it also prepared to have a fully-trained and skilled staff to operate and maintain the new Potline.

The Training Department, conceptualized, designed and prepared training activities, both technical and non-technical, custom-made for the Line 6 Project Team as well as the operation staff. The trainings were delivered in classrooms, simulation set-ups and even at existing sites to ensure maximum benefit to the trainees. During the start-up of Line 6, on-site training was also factored in so that the trainees worked closely with the OEMs to gain hands-on experience. Post Line 6 start-up, these trainees were then involved in normal operation, troubleshooting and maintenance activities to prepare for operations and critical safety practices.

During the Line 6 start-up phase, Alba trained 507 employees specifically designed for the new Potline 6; out of this, 360 new employees were recruited in four batches and trained over two years in Operations, Maintenance and the associated support areas. Training and coaching were delivered by in-house experts as well as external OEM vendors with a total of 182 courses delivered by OEMs. Line 6 training hours topped 1.7 million man-hours of training attended by 32,850 attendees over two years.

Training & Development

Educational Enrichment

Alba places strong emphasis on higher education, which is a key element of training and development for succession at management positions. Alba, in 2019, continued to collaborate with numerous local, regional and international educational institutes to provide quality education for its employees. Selected Alba employees are also sponsored for B.S. degrees and MBA programs in reputed local and overseas universities.

Alba works closely with organisations such as InJaz Bahrain, a non-profit organisation that aims at educating and inspiring young Bahrainis to develop their skills, and the Crown Prince International Scholarship Program (CPISP), which encourages Bahrain's brightest and most talented youth to realise their potential and emerge as future leaders. Alba's highly-regarded Vocational Training Programme has been in operation for over 25-years and presents a highly structured and focused approach towards achieving the Company's Bahrainisation goals.

Alba Master Training Plan 2019 – 2020

The Master Training Plan has been designed as a comprehensive training initiative for the benefit of every employee, every job and every department. Needs of every department were analysed through extensive gap analysis, training programmes and schedule were created by in-house and external experts and resources for the trainings were planned for 2019-2020 period. These trainings will also be extended to Alba contractors, especially in the areas of Safety, Health and Environment.

The Master Training Plan - in line with the Kingdom of Bahrain's Economic Vision 2030 - is one-of-a-kind opportunity for Alba employees, both management and non-management.

Priority Areas for 2020

Going forward, Alba aims to deliver on its Master Training Plan while maintaining effective budget optimization. The collaboration with leading providers will be a key area of focus to facilitate major technical/functional specialised training events delivered in Bahrain to maximize benefit across wider range of employees. The Company will also continue to partner with local universities to equip our potential workforce with needed academic qualifications e.g. HND, Bachelors and Masters.

An equal opportunity employer, Alba is looking into engaging women engineers in operational areas as well as developing a training programme similar to their male counterparts to prepare them for these roles.

Alba believes that learning is a continuous process. Alba continues to invest in its people and endeavours to find the right developmental path for every employee.

Corporate Social Responsibility

Alba is one of the leading philanthropic companies in Bahrain. Our CSR engagements are directed towards making a positive contribution to the society in which we operate as well as create a sustainable value for all our stakeholders.

Being one of the blue-chip assets of the Kingdom of Bahrain, our aim is to lead the fields in sustainability via our contributions to the Social, Civic, Environmental and Economic fronts of the community we serve.

Being a responsible corporate citizen, our engagement is geared to meet the expectations of our customers, suppliers, employees and investors.

Alba, through active participation, sponsorships, donations, marketing and branding, supports several community-based organisations, NGOs, institutions, etc. in Bahrain that play an active role in the overall development of the society.

Numerous Initiatives

Some of the altruistic activities Alba organized in 2019 were -- a Fun-day for children in Bahrain orphanages; meals for residents of Al Hekma Society; Alba Club tour for Al Manar Elderly Day Care Society members; water cooler dispensers, sofa sets and other in-kind contributions to Bahrain Mobility International, Alia for Early Intervention and Al Manar Elderly Day Care Society.

Alba donated pre-owned furniture and home appliances to Al Eker Charitable Society, National Bank of Bahrain Elderly Home and Ma'ameer Charity Society. Alba has also been a long-standing supporter of the special needs at Alia for Early Intervention School.

Alba Health Care Centre plays an active role in keeping its employees healthy and safe. Through the year, awareness sessions are held to mark days such as World Cancer Day, World Environment Day, World Hepatitis Day, World Heart Day, World Breast Cancer Awareness Month, etc. Blood Donation drives are also held annually and bi-annually at the Health Care Centre, which in turn supports the Central Blood Bank of the Salmaniya Medical Centre.

Sports

We believe that the youth are the future of the country. The Company lends its support to programmes, events and activities that empower the youth such as local athletic associations and federations in the fields of football, basketball, cycling, golfing and horse riding.

Alba promotes a healthy lifestyle amongst its employees by organising annual inter-departmental tournaments for sports such as basketball, cricket and football. Alba marked 2019 Bahrain Sports Day with a Walkathon for its employees at its Oasis Hall.

Education

With an aim to shaping the young minds, Alba CSR team worked on many educational initiatives such career guidance on Industrial Engineering to the students of St. Christopher School; an educational session on Safety practices to elementary students at Beacon School; and educational tours to school children and university students to Alba campus.

Additionally, Alba continued its long-term support of Injaz Bahrain by participating in the various programmes offered to public and private school students in Bahrain. Alba also hosted a group of students from Nasser Vocational Training Centre (NVTC) and provided them with On-Job Training (OJT) across Alba's various Departments as per the requirements of their study programme.

Alba remains one of the main sponsors of HRH the Crown Prince International Scholarship Program and joined other major Bahrain companies in providing top scholastic achievers with the opportunity to attain higher education in reputed international schools and colleges.

Safety, Health and Environment (SHE)

In the fields of SHE, Alba collaborated with Bahrain's Ministry of Interior, the Ministry of Health and the Supreme Council for Environment to spread awareness amongst Alba employees and the general public on topics such as preventing traffic accidents, ensuring pedestrian safety, maintaining healthy lifestyles, fighting cybercrimes and reducing the impact of harmful substances.

A Safety awareness session was held for Askar Primary Boys School while swimming pool awareness sessions were held for the families of Alba employees during the summer season.

Alba is the only business organization in Bahrain that provides a substantial amount of garden resources and makes provisions for external communities to avail of excess water from Alba Lake for irrigation purposes. Our commitment to a greener world is also reflected in our active participation at the annual Bahrain International Garden Show.

Alba demonstrated its ongoing commitment towards a greener future for Bahrain by aligning itself to local, regional and international laws and regulations in terms of emission control and reducing the usage of hazardous materials in its core processes and operations.

Aligning itself to Bahrain's National Waste Management Strategy, Alba collaborated with Supreme Council for Environment to establish the first-of-its-kind Spent Pot Lining (SPL) Treatment Plant in the GCC and Bahrain. The SPL Treatment Plant - expected to be operational by Q1 2021 - is a zero-waste process with a capacity to treat 30,000 - 35,000 tonnes of SPL a year, which will then be converted to a value-based product. With the establishment of this Plant, Alba will be developing a sustainable solution for the treatment of SPL with zero-waste.

Economic

As one of the leading industrial companies in Bahrain, Alba promoted the Kingdom of Bahrain as an international economic and financial destination supporting events such as the Middle East Entrepreneurial Week, the Middle East Angel Investors Summit, the Smart Investors Program, the Spring of Culture, Bahrain Formula 1 Grand Prix, etc.

For the past 50 years, Alba has been an integral part of the Bahraini society with remarkable contributions in various community-based fields and activities. Our future objective is to keep the momentum going and put forward prodigious efforts to shape the country's future [refer to Alba's Sustainability Report, to be released along with the 2019 Annual Report in March 2020, which highlights the aspects of sustainability that are most important to our stakeholders].

Financial Statements

31 December 2019

Report of the Board of Directors

ALUMINIUM BAHRAIN B.S.C. (ALBA)

The Directors have the pleasure to submit their report together with the Audited Consolidated Financial Statements for the year-ended 31 December 2019.

Principal Activity

Aluminium Bahrain B.S.C. (Alba) ("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. The Company was converted into a Bahrain Public Joint Stock Company effective 23 November 2010 and its shares were listed on two exchanges: Ordinary Shares on the Bahrain Bourse and Global Depositary Receipts (GDRs) on the London Stock Exchange - Alternative Investment Market (AIM).

The principal activities of the Company are to build and operate smelters for the production of aluminium, to sell aluminium within and outside the Kingdom of Bahrain and to carry on any related business to complement the Company's operations and/or to enhance the value or profitability of any of the Company's property or rights.

Registered Office

The official business address of the Company is located at Building 150, Road 94, Block 951, Askar, Kingdom of Bahrain.

Winterthur Branch

On 7 July 2011, the Company established and registered Aluminium Bahrain B.S.C. (Alba), Manama, Bahrain, Winterthur Branch in Zurich, Switzerland, with address at Merkustrsse 25, CH-8400 Winterthur, Switzerland.

Hong Kong Branch

On 30 November 2011, the Board approved the establishment of a Sales Office in Hong Kong, with address at 2210, Windsor House, 311 Gloucester Road, Causeway Bay, Hong Kong.

U.S. Subsidiary

On 11 June 2014, the Board approved the incorporation of a U.S. entity and the creation of a Sales Office with address at Aluminium Bahrain US, Inc. 400 Colony Square, Suite 1001, 1201 Peachtree St. NE, Atlanta, GA 30361.

Bahrain Subsidiary

On 21 October 2014, the Board approved the formation of Alba Club S.P.C., a subsidiary entity of Aluminium Bahrain B.S.C. (Alba) in relation to the Bahraini Commercial Registration for Alba Social Club which is located at Building 23, Road 43, Block 937, Riffa /Al Bhair, Kingdom of Bahrain.

Guernsey Subsidiary

On 07 February 2019, the Board approved the establishment of Alba's Captive Insurance Vehicle in Guernsey 'AlbaCap Insurance Limited' with address at Suite 1 North, 1st Floor, Albert House, South Esplanade, St Peter Port, GY1 1AJ.

Share Capital Structure

Shareholders	2019 (%)	2018 (%)
Bahrain Mumtalakat Holding Company B.S.C. (c)	**69.38**	69.38
SABIC Industrial Investments Company	**20.62**	20.62
Others – Public	**10.00**	10.00
	100.00	100.00

Corporate Secretary

Ms. Eline Hilal, is the Corporate Secretary since February 2015.

Executive Management Team

Mr. Ali Al Baqali, Acting Chief Executive Officer (*effective 01 August 2019)*
Mr. Abdulla Habib, Chief Operations Officer
Mr. Amin Sultan, Chief Power Officer
Mr. Khalid Abdul Latif, Chief Marketing Officer
Mr. Waleed Tamimi, Chief Administration and Supply Officer
Mr. Bryan Harris, Chief Financial Officer (appointed as Chief Financial Officer on 25 September 2019)
Mr. Tim Murray, Ex-Chief Executive Officer *(until 31 July 2019)*

Report of the Board of Directors

ALUMINIUM BAHRAIN B.S.C. (ALBA)

Results and Retained Earnings

The Company made a Profit of BD5.379 Million for the financial year of 2019 versus a Profit of BD59.755 Million for the financial year of 2018.

The Movements in Retained Earnings of the Company were:

	BD '000
Balance as at 31 December 2018	865,021
Profit for the year 2019	5,379
Loss on resale of treasury shares	(1,084)
Excess of 2018 dividend reversed	nil
Balance as at 31 December 2019	**869,316**

Appropriation

At the Board meeting held on Thursday 13 February 2020, the Company's Board of Directors proposed to pay a final dividend of BD0.001 per share (excluding treasury shares) totalling BD1,412 Thousand relating to 2019.

Directors of the Company

The following Directors served on the Board of Alba from 01 January 2019 to 31 December 2019:

Bahrain Mumtalakat Holding Company B.S.C. (c)

Shaikh Daij Bin Salman Bin Daij Al Khalifa, Chairman
Yousif A. Taqi, Director
Osama M. Al Arrayedh, Director
Suha S. Karzoon, Director
Yaser E. Humaidan, Director
Dr. Mohammed S. Kameshki, Director

Sabic Industrial Investments Company

Ali Al Shamrani, Director
Ahmed Al Jabr, Director

Elected Directors

Mr. Omar Al Amoudi (since 10 March 2019)
Mr. Uwaidh Al Harethi, Director (until 10 March 2019)
Mr. Mutlaq H. Al Morished, Director

Directors' Remuneration

Directors' Remuneration charged during the year ended 31 December 2019 was BD 210,000 (2018: BD 210,000).

By order of the Board,

Daij Bin Salman Bin Daij Al Khalifa
Chairman
13 February 2020

INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF ALUMINIUM BAHRAIN B.S.C.

Report on the audit of the consolidated financial statements

Opinion

We have audited the accompanying consolidated financial statements of Aluminium Bahrain B.S.C (the "Company") and its subsidiaries (together the "Group"), which comprise the consolidated statement of financial position as at 31 December 2019, the consolidated statement of comprehensive income, changes in equity and cash flows for the year then ended, and notes, comprising significant accounting policies and other explanatory information.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at 31 December 2019, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRS).

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the Auditors' responsibilities for the audit of the consolidated financial statements section of our report. We are independent of the Group in accordance with the International Ethics Standards Board for Accountants Code of Ethics for Professional Accountants (IESBA Code), and we have fulfilled our other ethical responsibilities in accordance with the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements for the year ended 31 December 2019. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Assessment for impairment of property, plant and equipment

(refer to the impairment policy in note 3(e), use of estimate and management judgement in note 4, and note 5 on disclosure of property, plant and equipment in the consolidated financial statements)

Description	How the matter was addressed in our audit
As at 31 December 2019, the Group held property, plant and equipment of BD 1,962.2 million in the consolidated statement of financial position. This area was important to our audit due to the size of the carrying value of the property, plant and equipment (81% of the total assets as at 31 December 2019) as well as the judgement involved in the assessment of the recoverability of the carrying value of the assets. This assessment requires management to make assumptions in the underlying cash flow forecasts in respect of factors such as future production and sales levels, LME prices, raw material prices and overall market and economic conditions.	Our audit procedures, amongst others, included: — evaluating the Group's basis of developing forecasts and cash flow projections on the basis of management's expectation of the performance of the Group's business considering the prevailing economic conditions in general and the aluminium industry in particular; — We involved our own valuation specialists to assist us in: o evaluating the appropriateness of the methodology used by the Group to assess impairment of property, plant and equipment; o evaluating key inputs and assumptions in cash flow models used by the Group against external benchmarks including adjustments for risks specific to the Group, in particular its derivation of revenues forecasts based on forward estimates of LME prices, margins, discount rates and expected long term growth rates; and — assessed whether the consolidated financial statements disclosures relating to key inputs and assumptions for impairment were appropriate.

Report on the Audit of the Consolidated Financial Statements (continued)

Key audit matters (continued)

Capitalisation and useful lives of property, plant and equipment
(refer to the use of estimate and management judgement in note 4 and note 5 on disclosure of property, plant and equipment in the consolidated financial statements).

Description	How the matter was addressed in our audit
During the year ended 31 December 2019, the Group transferred the cost of its substantially completed capital expansion –projects ("Projects"), including the new Pot Line 6, amounting to BD 1,236.5 million, to its operating property, plant and equipment in the consolidated statement of financial position. This area was important to our audit due to the size of the Project (62% of the total carrying value of property, plant and equipment as at 31 December 2019) as well as the volume of transactions and complexity involved in the recognition and measurement of the initial and subsequent costs, determination of the completion dates, calculation of depreciation charge and capitalisation of borrowing costs relating to the Projects. This requires management to differentiate between operating costs and capital costs, determine the completion dates and the useful lives of new assets in accordance with IFRSs.	Our procedures, amongst others, included: — we evaluated the appropriateness of the accounting policies based on the requirements of IAS 16 relating to the Projects; — we obtained understanding of management's processes, systems and controls implemented over capitalisation and transfer of the Projects in process of completion; — we tested controls in place over the acquisition process, evaluated the appropriateness of capitalisation policies and assessed the timeliness of the transfer of assets in the course of construction; — we examined the reports provided by the management's expert to determine the completion dates of each identifiable component within the overall Project; — we tested the sample of capital expenditure transactions relating to the Project to verify that these transactions are appropriately accounted for in the consolidated financial statements and do not include any operating costs, abnormal losses and other ineligible costs to be capitalised; — we evaluated the appropriateness of allocation and capitalisation of borrowing costs and other indirect costs attributable to the Project; — we evaluated whether key inputs and judgements in assessing useful life for each component of the Project capitalised were appropriate and consistent with the policies of the Group; and — assessed whether the consolidated financial statements disclosures relating to capitalisation and useful life of the Projects' property, plant and equipment were appropriate.

Independent Auditor's Report

TO THE SHAREHOLDERS OF ALUMINIUM BAHRAIN B.S.C. (continued)

Report on the Audit of the Consolidated Financial Statements (continued)

Other Matter

The consolidated financial statements of the Group as at and for the year ended 31 December 2018, were audited by another auditor whose report thereon dated 07 February 2019 expressed an unmodified opinion.

Other information

The board of directors is responsible for the other information. The other information comprises the annual report but does not include the consolidated financial statements and our auditors' report thereon. Prior to the date of this auditors' report, we obtained the Board of Directors' report which forms part of the annual report, and the remaining sections of the annual report are expected to be made available to us after that date.

Our opinion on the consolidated financial statements does not cover the other information and we do not and will not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work we have performed on the other information that we have obtained prior to the date of this auditors' report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the board of directors for the consolidated financial statements

The board of directors is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with IFRS, and for such internal control as the board of directors determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the board of directors is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the board of directors either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Auditors' responsibilities for the audit of the consolidated financial statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

Independent Auditor's Report
TO THE SHAREHOLDERS OF ALUMINIUM BAHRAIN B.S.C. (continued)

Report on the Audit of the Consolidated Financial Statements (continued)

Auditors' responsibilities for the audit of the consolidated financial statements (continued)

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the board of directors.

- Conclude on the appropriateness of the board of directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the board of directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the board of directors with a statement that we have complied with relevant ethical requirements regarding independence and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

Independent Auditor's Report
TO THE SHAREHOLDERS OF ALUMINIUM BAHRAIN B.S.C. (continued)

Report on the Audit of the Consolidated Financial Statements (continued)

Auditor's Responsibilities for the audit of the consolidated financial statements (continued)

From the matters communicated with the board of directors, we determine those matters that were of most significance in the audit of the consolidated financial statements for the year ended 31 December 2019 and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on other regulatory requirements

A) As required by the Commercial Companies Law, we report that:

1 the Company has maintained proper accounting records and the consolidated financial statements are in agreement therewith;
2 the financial information contained in the Board of Director's report is consistent with the consolidated financial statements;
3 we are not aware of any violations during the year of the Commercial Companies Law or the terms of the Company's memorandum and articles of association that would have had a material adverse effect on the business of the Company or on its financial position; and
4 satisfactory explanations and information have been provided to us by management in response to all our requests.

B) As required by the Ministry of Industry, Commerce and Tourism in its letter dated 30 January 2020 in respect of the requirements of Article 8 of Section 2 of Chapter 1 of the Corporate Governance Code, we report that the Company has:

1 a corporate governance officer; and
2 a Board approved written guidance and procedures for corporate governance.

The engagement partner on the audit resulting in this independent auditors' report is Mahesh Balasubramanian.

KPMG

KPMG Fakhro
Partner registration number 137
13 February 2020

Consolidated Statement of Financial Position

AT 31 DECEMBER 2019

	Note	2019* BD'000	2018 BD'000
ASSETS			
Non-current assets			
Property, plant and equipment	5	**1,962,150**	1,706,053
Derivative financial instruments	20	**-**	1,725
Deferred tax assets	18	**162**	34
		1,962,312	1,707,812
Current assets			
Inventories	6	**221,155**	266,229
Trade and other receivables	7	**155,455**	130,522
Derivative financial instruments	20	**-**	471
Bank balances and cash	8	**81,329**	103,857
		457,939	501,079
TOTAL ASSETS		**2,420,251**	2,208,891
EQUITY AND LIABILITIES			
Equity			
Share capital	9	**142,000**	142,000
Treasury shares	10	**(3,994)**	(4,800)
Statutory reserve	12	**71,000**	71,000
Capital reserve	13	**249**	249
Retained earnings		**869,316**	865,021
Total equity		**1,078,571**	1,073,470
Non-current liabilities			
Loans and borrowings	15	**850,537**	785,877
Lease liabilities	21	**5,160**	-
Employees' end of service benefits	17(a)	**1,627**	1,677
Other payables	19	**24,466**	47,000
Derivative financial instruments	20	**2,998**	-
		884,788	834,554
Current liabilities			
Loans and borrowings	15	**151,944**	74,504
Lease liabilities	21	**961**	-
Trade and other payables	19	**302,853**	225,505
Derivative financial instruments	20	**1,134**	858
		456,892	300,867
Total liabilities		**1,341,680**	1,135,421
TOTAL EQUITY AND LIABILITIES		**2,420,251**	2,208,891

* The Group has adopted IFRS 16 Leases on its effective date of 1 January 2019, using modified retrospective approach. Under this approach, comparative information is not re-stated. Refer to Notes 2(e) and 3(a).

Daij Bin Salman Bin Daij Al Khalifa	**Yousif Taqi**	**Ali Al Baqali**
Chairman	Director	Chief Executive Officer

The attached notes 1 to 31 form part of these consolidated financial statements.

Consolidated Statement of Comprehensive Income

YEAR ENDED 31 DECEMBER 2019

	Note	2019* BD'000	2018 BD'000
Revenue from contracts with customers	26(a)	**1,029,378**	911,317
Cost of sales	23	**(939,158)**	(826,324)
GROSS PROFIT		**90,220**	84,993
Other (expense)/income - net	22	**(568)**	12,831
Gain on foreign exchange		**4,520**	11,665
General and administrative expenses	23	**(34,824)**	(26,927)
Selling and distribution expenses	23	**(25,926)**	(19,541)
Impairment reversal/(loss) on trade and other receivables	7	**253**	(4,081)
Finance costs	24	**(22,458)**	(1,146)
Directors' fees	27	**(210)**	(210)
Changes in fair value of derivative financial instruments	20	**(5,426)**	2,699
PROFIT FOR THE YEAR BEFORE TAX		**5,581**	60,283
Tax expense	18	**(202)**	(528)
PROFIT FOR THE YEAR AFTER TAX		**5,379**	59,755
Other comprehensive income for the year		**-**	-
PROFIT AND TOTAL COMPREHENSIVE INCOME FOR THE YEAR		**5,379**	59,755
Basic and diluted earnings per share (fils)	11	**4**	42

* The Group has adopted IFRS 16 Leases on its effective date of 1 January 2019, using modified retrospective approach. Under this approach, comparative information is not re-stated. Refer to Notes 2(e) and 3(a).

Daij Bin Salman Bin Daij Al Khalifa
Chairman

Yousif Taqi
Director

Ali Al Baqali
Chief Executive Officer

The attached notes 1 to 31 form part of these consolidated financial statements.

Consolidated Statement of Changes in Equity

YEAR ENDED 31 DECEMBER 2019

	Note	Share capital BD '000	Treasury shares BD '000	Statutory reserve BD '000	Capital reserve BD '000	Retained earnings BD '000	Total BD '000
Balance at 31 December 2017		142,000	(2,690)	71,000	249	841,835	1,052,394
Total comprehensive income for the year		-	-	-	-	59,755	59,755
Net movement in treasury shares		-	(2,110)	-	-	151	(1,959)
Final dividend for 2017 paid	14	-	-	-	-	(36,720)	(36,720)
Balance at 31 December 2018		**142,000**	**(4,800)**	**71,000**	**249**	**865,021**	**1,073,470**
Total comprehensive income for the year		-	-	-	-	5,379	5,379
Net movement in treasury shares		-	806	-	-	(1,084)	(278)
Balance at 31 December 2019		**142,000**	**(3,994)**	**71,000**	**249**	**869,316**	**1,078,571**

The attached notes 1 to 31 form part of these consolidated financial statements.

Consolidated Statement of Cash Flows

YEAR ENDED 31 DECEMBER 2019

	Note	2019 BD'000	2018 BD'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit for the year before tax		**5,581**	60,283
Adjustments for:			
Depreciation and amortisation	5	**80,345**	64,825
Provision for employees' end of service benefits	17(a)	**1,581**	1,556
Provision for slow moving inventories	6	**92**	52
(Reversal)/provision for impairment of receivables - net	7	**(253)**	4,081
Changes in fair value of derivative financial instruments	20	**5,426**	(2,699)
Loss on disposal of property, plant and equipment	22	**4,269**	1,043
Interest income	22	**(791)**	(537)
Forex gain on revaluation of loans and borrowings		**(5,822)**	(15,803)
Finance costs	24	**22,458**	1,146
Operating profit before working capital changes		**112,886**	113,947
Working capital changes:			
Inventories		**44,982**	(67,704)
Trade and other receivables		**(24,680)**	29,306
Trade and other payables *(refer to note (ii) below)*		**58,134**	112,478
Cash generated from operations		**191,322**	188,027
Employees' end of service benefits paid	17(a)	**(1,631)**	(1,443)
Income tax paid		**(33)**	(528)
Net cash flows generated from operating activities		**189,658**	186,056
CASH FLOWS FROM INVESTING ACTIVITIES			
Acquisition of property, plant and equipment *(refer to note (i) below)*		**(299,430)**	(525,845)
Proceeds from disposal of property, plant and equipment		**72**	125
Interest received	22	**791**	537
Net cash flows used in investing activities		**(298,567)**	(525,183)
CASH FLOWS FROM FINANCING ACTIVITIES			
Borrowings availed		**1,460,256**	522,212
Borrowings repaid		**(1,319,644)**	(91,032)
Interest on loans and borrowings and leases *(refer to note (ii) below)*		**(53,122)**	(26,976)
Leases liabilities paid *(refer to note (iii) below)*		**(831)**	-
Dividends paid	14	**-**	(36,720)
Purchase of treasury shares		**(2,530)**	(5,769)
Proceeds from resale of treasury shares		**2,252**	3,810
Net cash flows generated from financing activities		**86,381**	365,525
NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS		**(22,528)**	26,398
Bank balances and cash at 1 January		**103,857**	77,459
CASH AND CASH EQUIVALENTS AT 31 DECEMBER	8	**81,329**	103,857

Non-cash items:

(i) Non-cash effects of right of use assets amounting to BD 6,952 thousand, recognised as a result of the initial application of IFRS 16, were excluded from aquisition of property, plant and equipment (2018: Nil).

(ii) The Group had movements in unpaid interest on borrowings amounting to BD 3,617 thousand which was excluded from the movement in trade and other payables (2018: BD 4,829 thousand).

(iii) Effective 01 January 2019, the Group has, on adoption of IFRS 16, classified cash payment for principal portion of lease liabilities under financing activities. Comparative information has not been restated.

The attached notes 1 to 31 form part of these consolidated financial statements.

Notes to the Consolidated Financial Statements

AT 31 DECEMBER 2019

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, which holds 69.38% of the Company's share capital.

The Company is engaged in manufacturing 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
	2019	2018		
Aluminium Bahrain US, Inc.	**100%**	100%	United States of America (USA)	Selling and distribution of aluminium throughout the Americas
ALBA Club S.P.C.	**100%**	100%	Kingdom of Bahrain	Provider of recreational and sports facilities
AlbaCap Insurance Limited**	**100%**	-	Guernsey	Captive insurance entity to insure risks of the Group

** On 07 August 2019, AlbaCap Insurance Limited ("AlbaCap") was fully incorporated in Guernsey as a captive insurance entity for self-insurance arrangements for the Group. AlbaCap is a wholly owned subsidiary of Aluminium Bahrain B.S.C. ("the Company") and share capital of $20 million was injected in November 2019 by the Company. Financial results of AlbaCap for the period from 07 August 2019 to 31 December 2019, are consolidated in these consolidated financial statements.

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

The consolidated financial statements of the Group were authorised for issue in accordance with a resolution of the Directors on 13 February 2020.

Notes to the Consolidated Financial Statements
AT 31 DECEMBER 2019

2. BASIS OF PREPARATION

(a) Basis of accounting
The consolidated financial statements of the Group have been prepared in accordance with International Financial Reporting Standards ("IFRS") issued by the International Accounting Standards Board ("IASB") and in conformity with the Bahrain Commercial Companies Law, applicable requirements of the Central Bank of Bahrain Rule Book and associated resolutions, rules and procedures of the Bahrain Bourse.

This is the first set of Group's annual consolidated financial statements in which IFRS 16 Leases has been applied. The related changes to significant accounting policies are described in notes 2(e) and 3(a).

(b) Functional and presentation currency
The consolidated financial statements have been presented in Bahraini Dinars (BD). Unless otherwise stated, all financial information presented has been rounded off to the nearest thousand dinar.

(c) Basis of measurement
The consolidated financial statements are prepared under the historical cost convention modified to include the measurement at fair value of derivative financial instruments.

(d) Basis of consolidation
The consolidated financial statements comprise the financial statements of the Company and its subsidiaries as at 31 December 2019. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Specifically, the Group controls an investee if and only if the Group has:

i) Power over the investee (i.e. existing rights that give it the current ability to direct the relevant activities of the investee);
ii) Exposure, or rights, to variable returns from its involvement with the investee; and
iii) The ability to use its power over the investee to affect its returns.

Generally, there is a presumption that a majority of voting rights result in control. To support this presumption and when the Group has less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

a) The contractual arrangement with the other vote holders of the investee;
b) Rights arising from other contractual arrangements; and
c) The Group's voting rights and potential voting rights.

The Group re-assesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control. Consolidation of a subsidiaries begins when the Group obtains control over the subsidiaries and ceases when the Group loses control of the subsidiaries.

Assets, liabilities, income and expenses of a subsidiaries acquired or disposed of during the year are included in the consolidated statement of other comprehensive income from the date the Group gains control until the date the Group ceases to control the subsidiaries.

The financial statements of the subsidiaries are prepared for the same reporting period as the Company, except for AlbaCap as disclosed above, using consistent accounting polices. Adjustments are made to ensure the financial statements of the subsidiaries conform to the accounting policies of the Company.

2. BASIS OF PREPARATION (continued)

(d) Basis of consolidation (continued)

Profit or loss and each component of other comprehensive income (OCI) are attributed to the equity holders of the parent of the Group and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance. When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies in line with the Group's accounting policies. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

A change in the ownership interest of a subsidiary, without loss of control, is accounted for as an equity transaction. If the Group loses control over a subsidiary, it:

i) derecognises the assets (including goodwill) and liabilities of the subsidiary;
ii) derecognises the carrying amount of any non-controlling interest;
iii) derecognises the cumulative translation differences, recorded in equity;
iv) recognises the fair value of the consideration received;
v) recognises the fair value of any investment retained;
vi) recognises any surplus or deficit in the consolidated statement of income; and
vii) reclassifies the parent's share of components previously recognised in OCI to the consolidated statement of income or retained earnings, as appropriate, as would be required if the Group had directly disposed of the related assets or liabilities.

(e) New and amended standards and interpretations effective from 1 January 2019

The Group initially applied IFRS 16 Leases from 01 January 2019. A number of other new standards are also effective from 01 January 2019 but these do not have a material effect on the Group's financial statements.

IFRS 16 Leases

IFRS 16 introduces a single, on-balance lease sheet accounting model for lessees. A lessee recognises a right-of-use asset representing its right to use the underlying asset and a lease liability representing its obligation to make lease payments. There are optional exemptions for short-term leases and leases of low value items. Lessor accounting remains similar to the current standard- i.e. lessors continue to classify leases as finance or operating leases.

IFRS 16 replaces existing leases guidance including IAS 17 Leases, IFRIC 4 Determining whether an Arrangement contains a Lease, SIC-15 Operating Leases-Incentives and SIC-27 Evaluating the Substance of Transactions Involving the Legal Form of a Lease. The standard is effective for annual periods beginning on or after 1 January 2019.

As permitted by the transitional provisions of IFRS 16, the Group elected to use the modified retrospective approach under which the cumulative effect of initial application is recognised in retained earnings at 1 January 2019. Accordingly, the comparative information presented for 2018 is not restated - i.e. it is presented, as previously reported, under IAS 17 and related interpretations. Additionally, the disclosure requirements in IFRS 16 have not generally been applied to comparative information.

The details of the changes in accounting policies and impact due to adoption of this standard has been disclosed in note 3(a).

(f) New and amended standards and interpretations issued but not yet effective

A number of new standards and amendments to standards are effective for annual periods beginning after 1 January 2019 and earlier application is permitted, however the Group has not early adopted the new or amended standards in preparing these consolidated financial statements.

Standards and interpretations issued but not yet effective up to the date of issuance of the Group's consolidated financial statements are disclosed below. These amended standards and interpretations are not expected to have a significant impact on the Group's consolidated financial statements.

Notes to the Consolidated Financial Statements
AT 31 DECEMBER 2019

2. BASIS OF PREPARATION (continued)

(f) New and amended standards and interpretations issued but not yet effective (continued)

Effective date	New standards or amendments
01 January 2020	Amendments to References to Conceptual Framework in IFRS Standards Definition of Business (Amendments to IFRS 3) Definition of Material (Amendments to IAS 1 and IAS 8)
01 January 2021	IFRS 17 Insurance contracts
Available for optional adoption	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (Amendments to IFRS 10 and IAS 28).

3. SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies adopted in the preparation of these consolidated financial statements are set below. These accounting policies have been consistently applied by the Group and are consistent with those used in the previous year, except for changes arising from adoption of IFRS 16 as set below.

(a) Changes in accounting policies

The Group has initially adopted IFRS 16 from 01 January 2019. The details of the changes in accounting policies are disclosed below:

I) Definition of a lease

Previously, the Group determined at contract inception whether an arrangement was or contained a lease under IFRIC 4 'Determining whether an Arrangement contains a Lease'. The Group now assesses whether a contract is or contains a lease based on the definition of a lease, as explained in Note 3(n).

On transition to IFRS 16, the Group elected to apply the practical expedient to grandfather the assessment of which transactions are leases. The Group applied IFRS 16 only to contracts that were previously identified as leases. Contracts that were not identified as leases under IAS 17 and IFRIC 4 were not reassessed for whether there is a lease under IFRS 16. Therefore, the definition of a lease under IFRS 16 was applied only to contracts entered into or changed on or after 1 January 2019.

II) As a Lessee

At commencement or on modification of a contract that contains a lease component, the Group allocates the consideration in the contract to each lease component on the basis of its relative stand-alone price. However, for leases of property the Group has elected not to separate non-lease components and account for the lease and associated non-lease components as a single lease component.

Leases classified as operating leases under IAS 17

Previously, classification under IAS 17 was based on assessment of risk and rewards. On transition, for these leases, lease liabilities were measured at the present value of the remaining lease payments, discounted at the Group's incremental borrowing rate as at 1 January 2019 (see Note 3(a)(III)). Right-of-use assets are measured at either:

- their carrying amount as if IFRS 16 had been applied since the commencement date, discounted using the Group's incremental borrowing rate at the date of initial application; or

- an amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments: the Group applied this approach to all its leases.

Notes to the Consolidated Financial Statements

AT 31 DECEMBER 2019

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

(a) Changes in accounting policies (continued)

Leases classified as operating leases under IAS 17 (continued)

The Group has tested its right-of-use assets for impairment on the date of transition and has concluded that there is no indication that the right-of-use assets are impaired.

The Group used a number of practical expedients when applying IFRS 16 to leases previously classified as operating leases under IAS 17. In particular, the Group:

- did not recognise right-of-use assets and liabilities for leases for which the lease term ends within 12 months of the date of initial application;
- did not recognise right-of-use assets and liabilities for leases of low value assets;
- excluded initial direct costs from the measurement of the right-of-use asset at the date of initial application; and
- used hindsight when determining the lease term.

III) Impact on financial statements

Impact on transition

On transition to IFRS 16, the Group recognised the right-of-use assets at an amount equal to the lease liabilities. The impact from the adoption of IFRS 16 as at 1 January 2019 is set out below:

	Property, Plant and equipment BD '000	Lease liabilities BD '000
Closing balance under IAS 17 (31 December 2018)	-	-
Impact on remeasurements:		
Right-of-use asset - property, plant and equipment	5,279	-
Lease liabilities	-	5,279
Opening balance under IFRS 16 on date of initial application of 1 January 2019	**5,279**	**5,279**

When measuring lease liabilities for leases that were classified as operating leases, the Group discounted lease payments using its weighted-average incremental borrowing rate of 6.00% as at 1 January 2019 except for factory land and office space where concessional rate of 2.75% and 1.99% respectively, are used, reflecting the terms offered for industrial contracts by the Government.

(b) Current versus non-current classification

The Group presents assets and liabilities in the consolidated statement of financial position based on current/non-current classification. An asset is presented as current when it is:

- Expected to be realised or intended to be sold or consumed in a normal operating cycle;
- Held primarily for the purpose of trading;
- Expected to be realised within twelve months after the reporting period, or
- Cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

(b) Current versus non-current classification (continued)

All other assets are classified as non-current.

A liability is presented as current when:

- It is expected to be settled in a normal operating cycle;
- It is held primarily for the purpose of trading;
- It is due to be settled within twelve months after the reporting period, or
- There is no unconditional right to defer the settlement of the liability for at least twelve months after the reporting period.

The Group classifies all other liabilities as non-current. Deferred tax assets and liabilities are classified as non-current.

(c) 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 are disclosed in note 29.

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 consolidated financial statements 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.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)
(c) Fair value measurement (continued)

For assets and liabilities that are recognised in the consolidated financial statements 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.

(d) Foreign currencies and foreign operations
The Group's consolidated financial statements have been presented in Bahraini Dinars (BD). However, the Group's functional currency is US Dollars (USD) as a significant portion of its sales and raw material purchases are denominated in USD. The Group uses the pegged exchange rate of 0.376 to translate USD into the BD equivalent.

Transactions in foreign currencies are recorded at the exchange rate prevailing on the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the rate of exchange prevailing at the reporting date. All exchange differences are taken to the consolidated statement of comprehensive income.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates as at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value is determined.

On consolidation, the assets and liabilities of foreign operations are translated into Bahraini Dinars at the rate of exchange prevailing at the reporting date and their statements of profit or loss are translated at exchange rates prevailing at the dates of the transactions. The exchange differences arising on the translation are recognised in other comprehensive income. On disposal of a foreign operation, the component of other comprehensive income relating to that particular foreign operation is recognised in the consolidated statement of comprehensive income.

(e) Property, plant and equipment

Recognition and measurement
Property, plant and equipment is stated at cost, net of accumulated depreciation and/or accumulated impairment losses, if any. Such cost includes the cost of replacing part of the property, plant and equipment and borrowing costs for long-term construction projects if the recognition criteria are met. When significant parts of property, plant and equipment are required to be replaced at intervals, the Group recognises such parts as individual assets with specific useful lives and depreciates them accordingly. Likewise, when a major inspection is performed, its cost is recognised in the carrying amount of the plant and equipment as a replacement if the recognition criteria are satisfied. All other repairs and maintenance costs are recognised in the consolidated statement of comprehensive income as incurred.

Subsequent expenditure
Subsequent expenditure is capitalised only if it is probable that the future economic benefits associated with the expenditure will flow to the Group.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)
(e) Property, plant and equipment (continued)

Depreciation
Depreciation is calculated on a straight line basis over the estimated useful lives of property, plant and equipment as follows:

Freehold buildings	45 years
Power generating plant	23-25 years
Plant, machinery and other equipment	3-23 years
Steel pot relining	4-5 years

Land and assets in the process of completion are not depreciated. An item of property, plant and equipment and any significant part initially recognised is derecognised upon disposal (i.e., at the date the recipient obtains control) or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the statement of profit or loss when the asset is derecognised. The residual values, useful lives and methods of depreciation of property, plant and equipment are reviewed at each financial year end and adjusted prospectively, if appropriate.

Impairment of non-financial assets
The Group assesses at each reporting date whether there is an indication that non-financial asset (except inventories and deferred tax assets) may be impaired. If any indication exists, or when annual impairment testing for an asset is required, the Group estimates the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or cash-generating unit's (CGU) fair value less costs to sell and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or Group of assets. When the carrying amount of an asset or CGU exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount.

In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs of disposal, recent market transactions are taken into account. If no such transactions can be identified, an appropriate valuation model is used.

An assessment is made at each reporting date to determine whether there is an indication that previously recognised impairment losses no longer exist or have decreased. If such indication exists, the Group estimates the asset's or CGU's recoverable amount. A previously recognised impairment loss is reversed only if there has been a change in the assumptions used to determine the asset's recoverable amount since the last impairment loss was recognised. The reversal is limited so that the carrying amount of the asset does not exceed its recoverable amount, nor exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised for the asset in prior years. Such reversal is recognised in the consolidated statement of comprehensive income.

Sensitivity to changes in assumptions
With regard to the assessment of value in use, management believes that reasonably possible changes in the growth rate and weighted average cost of capital would not cause a material change to the recoverable amount. However, an increase in alumina prices by USD 200/MT (with all other variables remain unchanged) throughout the forecast period would result in the recoverable amount of the cash generating unit lower than its carrying amount by BD 1,414 million (2018: BD 742 million) and a reduction in LME price by USD 350/MT (with all other variables remain unchanged) throughout the forecast period would result in the recoverable amount of the cash generating unit lower than its carrying amount by BD 1,135 million (2018: BD 545 million).

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

(f) Lease rights

Lease rights for leasehold land are stated at cost, net of accumulated amortisation and accumulated impairment losses, if any. Amortisation is calculated on a straight line basis over the lease term.

(g) Inventories

Inventories are valued at the lower of cost and net realisable value. Costs incurred in bringing each product to its present location and condition are accounted for as follows:

Raw materials	Purchase cost on a weighted average basis.
Finished goods and work in process	Cost of direct materials, labour plus attributable overheads based on normal level of activity, but excluding borrowing costs, on weighted average basis
Spares	Purchase cost calculated on a weighted average basis after making due allowance for any obsolete items.

Net realisable value is the estimated selling price in the ordinary course of business, less estimated costs of completion and the estimated costs necessary to make the sale.

(h) Financial Instruments

i. Financial assets

Initial recognition and measurement

Financial assets are classified, at initial recognition, and subsequently measured at amortised cost, fair value through other comprehensive income (OCI), and fair value through profit or loss. The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Group's business model for managing them. With the exception of trade and other receivables that do not contain a significant financing component or for which the Group has applied the practical expedient, the Group initially measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs. Trade and other receivables that do not contain a significant financing component or for which the Group has applied the practical expedient are measured at the transaction price determined under IFRS 15. Refer to the accounting policy for revenue from contracts with customers.

In order for a financial asset to be classified and measured at amortised cost or fair value through OCI, it needs to give rise to cash flows that are 'solely payments of principal and interest (SPPI)' on the principal amount outstanding. This assessment is referred to as the SPPI test and is performed at an instrument level. The Group's business model for managing financial assets refers to how it manages its financial assets in order to generate cash flows. The business model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both. Purchases or sales of financial assets that require delivery of assets within a time frame established by regulation or convention in the market place (regular way trades) are recognised on the trade date, i.e., the date that the Group commits to purchase or sell the asset.

Subsequent measurement

For purposes of subsequent measurement, financial assets are classified in four categories:

- Financial assets at amortised cost (debt instruments);
- Financial assets at fair value through OCI with recycling of cumulative gains and losses (debt instruments);
- Financial assets designated at fair value through OCI with no recycling of cumulative gains and losses upon derecognition (equity instruments); and
- Financial assets at fair value through profit or loss.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)
(h) Financial Instruments (continued)
i.Financial assets (continued)

Financial assets at amortised cost (debt instruments)
This category is the most relevant to the Group. The Group measures financial assets at amortised cost if both of the following conditions are met:

- The financial asset is held within a business model with the objective to hold financial assets in order to collect contractual cash flows; and
- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Financial assets at amortised cost are subsequently measured using the effective interest rate (EIR) method and are subject to impairment. Gains and losses are recognised in profit or loss when the asset is derecognised, modified or impaired.

The Group's financial assets at amortised cost includes bank balances and cash and trade and other receivables.

Trade and other receivables
Trade and other receivables represents the Group's right to an amount of consideration that is unconditional (i.e., only the passage of time is required before payment of the consideration is due). Trade and other receivables are stated at original invoice amount, less any impairment allowances provided.

Cash and cash equivalents
For the purpose of the consolidated statement of cash flows, cash and cash equivalents consist of cash in hand, bank balances and short-term deposits with an original maturity of three months or less.

Derecognition
A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is primarily derecognised (i.e. removed from the Group's consolidated statement of financial position) when:

- The rights to receive cash flows from the asset have expired, or
- The Group has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement; and either (a) the Group has transferred substantially all the risks and rewards of the asset, or (b) the Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

Impairment of financial assets
The Group recognises an allowance for expected credit losses (ECLs) for all debt instruments not held at fair value through profit or loss. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Group expects to receive, discounted at an approximation of the original EIR. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

For trade receivables and contract assets, the Group applies a simplified approach in calculating ECLs. Therefore, the Group does not track changes in credit risk, but instead recognises a loss allowance based on lifetime ECLs at each reporting date. The Group has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment. Further disclosures relating to impairment of trade receivables are provided in Note 7 and Note 27.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)
(h) Financial Instruments (continued)
i.Financial assets (continued)
Impairment of financial assets (continued)

The Group considers a financial asset in default when internal or external information indicates that the Group is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Group. A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

Impairment of financial assets is determined as follows:

- For assets carried at fair value, impairment is the difference between cost and fair value, less any impairment loss previously recognised in the consolidated statement of comprehensive income;
- For assets carried at cost, impairment is the difference between carrying value and the present value of future cash flows discounted at the current market rate of return for a similar financial asset; and
- For assets carried at amortised cost, impairment is the difference between the carrying amount and the present value of future cash flows discounted at the original EIR.

ii. Financial liabilities
Initial recognition and measurement
Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit or loss, loans and borrowings, trade and other payables, or as derivatives designated as hedging instruments in an effective hedge, as appropriate. All financial liabilities are recognised initially at fair value and, in the case of loans and borrowings and payables, net of directly attributable transaction costs.

The Group's financial liabilities include trade and other payables [excluding advance from customers that are settled only through delivery of non-financial assets, refer to 3(o)(ii)], loans and borrowings and derivative financial instruments.

Subsequent measurement

Trade and other payables
Trade and other payables and accruals are carried at cost which is the fair value of the consideration to be paid in the future for goods and services received whether or not billed to the Group.

Loans and borrowings
After initial recognition, loans and borrowings are stated at amortised cost, any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the consolidated statement of comprehensive income over the period of the borrowings using the effective interest rate method. Instalments due within one year are classified under current liabilities.

Interest is charged as an expense based on the effective yield, with unpaid interest amounts included in trade and other payables.

Derivative financial instruments and hedging activities
The Group uses derivative financial instruments, such as interest rate swaps and forward commodity contracts, to hedge its foreign currency risks, interest rate risks and commodity price risks, respectively. Derivative financial instruments are initially recognised in the consolidated statement of financial position at cost, including transaction costs, and subsequently re-measured to fair value. The method of recognising the resulting gain or loss depends on whether the derivative is designated as a hedging instrument and, if so, the nature of the item being hedged.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

(h) Financial Instruments (continued)

ii. Financial liabilities (continued)

The recognition of changes in the fair values of derivative financial instruments entered into for hedging purposes is determined by the nature of the hedging relationship. For the purposes of hedge accounting, derivative financial instruments are designated as a hedge of either:

i) the fair value of a recognised asset or liability (fair value hedge), or

ii) the future cash flows attributable to a recognised asset or liability or a firm commitment (cash flow hedge).

The Group's criteria for a derivative financial instrument to be accounted for as a hedge include:

- at the inception of the hedge there is formal documentation of the hedging relationship and the Group's risk management objective and strategy for undertaking the hedge. That documentation should include identification of the hedging instrument, the related hedged item or transaction, the nature of the risk being hedged, and how the Group will assess the hedging instrument's effectiveness in offsetting the exposure to changes in the hedged item's fair value or the hedged transaction's cash flows that is attributable to the hedged risk;
- the hedge is expected to be highly effective in achieving offsetting changes in fair value or cash flows attributable to the hedged risk, consistent with the originally documented risk management strategy for that particular hedging relationship;
- for cash flow hedges, a forecasted transaction that is the subject of the hedge must be highly probable and must present an exposure to variations in cash flows that could ultimately affect reported net profit or loss;
- the effectiveness of the hedge can be reliably measured, that is, the fair value or cash flows of the hedged item and the fair value of the hedging instrument can be reliably measured; and
- the hedge must be assessed on an ongoing basis and determined to have actually been highly effective throughout the financial reporting period.

Changes in fair values of derivative financial instruments that are designated, and qualify, as cash flow hedges and prove to be highly effective in relation to the hedged risk, are recognised as a separate component in equity as a cash flow hedge reserve. Unrealised gains or losses on any ineffective portion of cash flow hedging transactions are recognised in the consolidated statement of comprehensive income.

When a hedging instrument expires or is sold, or when a hedge no longer meets the criteria for hedge accounting, any cumulative gain or loss existing in equity at that time remains in equity and is recognised when the forecast transaction is ultimately recognised in the statement of comprehensive income. When a forecast transaction is no longer expected to occur, the cumulative gain or loss that was reported in equity is immediately transferred to the consolidated statement of comprehensive income.

Changes in the fair value of any derivative instruments that do not qualify for hedge accounting are classified as held for trading and are recognised immediately in the consolidated statement of comprehensive income.

Derecognition

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires.

iii. Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount is reported in the consolidated statement of financial position if, and only if, there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liabilities simultaneously.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

(i) Employee benefits

For Bahraini nationals, the Group makes contributions to the Social Insurance Organisation (SIO). This is a funded defined contribution scheme and the Group's contributions are charged to the consolidated statement of comprehensive income in the year to which they relate. The Group's obligations are limited to the amounts contributed to the Scheme.

For non-Bahraini employees the Group provides for end of service benefits in accordance with the Bahrain Labour Law based on their salaries at the time of leaving and number of years of service. Provision for this unfunded commitment, which represents a defined benefit scheme, has been made by calculating the liability had all employees left at the reporting date.

Further, adequate provision is created for staff entitlements in accordance with the labour laws prevailing in the respective countries in which the subsidiaries operate.

Alba Savings Benefit Scheme

The Group operates a compulsory savings scheme for its Bahraini employees. The Group's obligations are limited to the amounts to be contributed to the scheme. This saving scheme represents a funded defined contribution scheme.

(j) Taxes

Current income tax

Current income tax assets and liabilities are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted, at the reporting date in the countries where the Group operates and generates taxable income.

Current income tax relating to items recognised directly in other comprehensive income or equity is recognised in other comprehensive income or equity and not in the consolidated statement of comprehensive income. Management periodically evaluates positions taken in the tax returns with respect to situations in which applicable tax regulations are subject to interpretation and establishes provisions where appropriate.

Deferred tax

Deferred tax is provided using the liability method on temporary differences between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes at the reporting date.

Deferred tax liabilities are recognised for all taxable temporary differences, except:

- When the deferred tax liability arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss.
- In respect of taxable temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, when the timing of the reversal of the temporary differences cannot be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognised for all deductible temporary differences, the carry forward of unused tax credits and any unused tax losses. Deferred tax assets are recognised to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry forward of unused tax credits and unused tax losses can be utilised, except:

- When the deferred tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss.

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3. SIGNIFICANT ACCOUNTING POLICIES (continued)

(j) Taxes (continued)

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Unrecognised deferred tax assets are re-assessed at each reporting date and are recognised to the extent that it has become probable that future taxable profits will allow the deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the year when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the reporting date.

Deferred tax relating to items recognised outside consolidated statement of comprehensive income is recognised outside consolidated statement of comprehensive income. Deferred tax is recognised in correlation to the underlying transaction either in other comprehensive income or directly in equity.

Deferred tax assets and deferred tax liabilities are offset if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

Sales tax

Expenses and assets are recognised net of the amount of sales tax, except:

- When the sales tax incurred on a purchase of assets or services is not recoverable from the taxation authority, in which case, the sales tax is recognised as part of the cost of acquisition of the asset or as part of the expense item, as applicable.
- When receivables and payables are stated with the amount of sales tax included.

The gross amount of sales tax recoverable from, or payable to, the taxation authority are included as part of receivables and payables in the statement of financial position.

(k) Provisions

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. When the Group expects some or all of a provision to be reimbursed, for example, under an insurance contract, the reimbursement is recognised as a separate asset, but only when the reimbursement is virtually certain. The expense relating to a provision is presented in the consolidated statement of comprehensive income net of any reimbursement.

If the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects, when appropriate, the risks specific to the liability. When discounting is used, the increase in the provision due to the passage of time is recognised as a finance cost.

(l) Treasury shares

Treasury shares are stated at acquisition cost and are shown as a deduction to equity. No gain or loss is recognised in the consolidated statement of comprehensive income on the purchase, sale, issue or cancellation of the treasury shares. Gains arising from the subsequent resale of treasury shares is treated as non-distributable and included in the treasury shares reserve. Any loss arising from the subsequent resale of treasury shares is first adjusted against the treasury shares reserve, if any, and charged to retained earnings if the amounts in the treasury shares reserve is not sufficient to cover the loss. Any difference between the carrying amount and the consideration, if reissued, is recognised in share premium. Share options exercised during the reporting period are satisfied with treasury shares.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

(m) Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of an asset that necessarily takes a substantial period of time to get ready for its intended use or sale are capitalised as part of the cost of the asset. All other borrowing costs are expensed in the period in which they occur. Borrowing costs consist of interest, realised losses resulted from settlement of interest rate swaps (excluding unrealised fair value changes) and other costs that an entity incurs in connection with the borrowing of funds.

(n) Leases

The Group has applied IFRS 16 using the modified retrospective approach and therefore the comparative information has not been restated and continues to be reported under IAS 17 and IFRIC 4. The details of accounting policies under IAS 17 and IFRIC 4 are disclosed separately.

Policy applicable from 1 January 2019

At inception of a contract, the Group assesses whether a contract is, or contains a lease. A contract is or contains a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. To assess whether a contract conveys the right to control the use of an identified asset, the Group uses the definition of a lease in IFRS 16.

This policy is applied to contracts entered into, on or after 1 January 2019.

At commencement or on modification of a contract that contains a lease component, the Group allocates the consideration in the contract to each lease component on the basis of its relative stand-alone prices. However, for the leases of property the Group has elected not to separate non-lease components and account for the lease and non-lease components as a single lease component.

The Group recognises a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located. less any lease incentives received.

The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the end of the lease term, unless the lease transfers ownership of the underlying asset to the Group by the end of the lease term or the cost of the right-of-use asset reflects that the Group will exercise a purchase option. In that case the right-of-use asset will be depreciated over the useful life of the underlying asset. which is determined on the same basis as those of property and equipment. In addition. the right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or if that rate cannot be readily determined, the Group's incremental borrowing rate. Generally, the Group uses its incremental borrowing rate as the discount rate.

The Group determines its incremental borrowing rate by obtaining interest rates from various external financing sources and makes certain adjustments to reflect the terms of the lease and type of the asset leased.

Lease payments included in the measurement of the lease liability comprise the following:

- fixed payments, including in-substance fixed payments;
- variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date;
- amounts expected to be payable under a residual value guarantee; and
- the exercise price under a purchase option that the Group is reasonably certain to exercise, lease payments in an optional renewal period if the Group is reasonably certain to exercise an extension option, and penalties for early termination of a lease unless the Group is reasonably certain not to terminate early.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)
(n) Leases (continued)
Policy applicable from 1 January 2019 (continued)

The lease liability is measured at amortised cost using the effective interest method. It is remeasured when there is a change in future lease payments arising from a change in an index or rate, if there is a change in the Group's estimate of the amount expected to be payable under a residual value guarantee, if the Group changes its assessment of whether it will exercise a purchase, extension or termination option or if there is a revised in-substance fixed lease payment.

When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

The Group presents right-of-use assets that do not meet the definition of investment property in property, plant and equipment' and lease liabilities in 'loans and borrowings' in the statement of financial position.

Short-term leases and leases of low-value assets
The Group has elected not to recognise right-of-use assets and lease liabilities for leases of low-value assets and short-term leases . The Group recognises the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

Policy applicable before 1 January 2019
For contracts entered into before 01 January 2019, the Group determined whether the arrangement was or contained a lease based on the assessment of whether:

- fulfilment of the arrangement was dependent on the use of specific assets or assets; and
- the arrangement had conveyed a right to use the asset. An arrangement conveyed the right to use the asset if one of the following was met:
  - the purchaser had the ability or right to operate the asset while obtaining or controlling more than an insignificant amount of the output;
  - the purchaser had the ability or right to control physical access to the asset while obtaining or controlling more than an insignificant amount of the output; or
  - facts and circumstances indicated that it was remote that other parties would take more than an insignificant amount of the output, and the price per unit was neither fixed per unit of output nor equal to the current market price per unit of output.

As a lessee
In the comparative period, as a lessee the Group classified leases that transferred substantially all of the risks and rewards of ownership as finance leases. When this was the case, the leased assets were measured initially at an amount equal to the lower of their fair value and the present value of the minimum lease payments. Minimum lease payments were the payments over the lease term that the lessee was required to make, excluding any contingent rent. Subsequent to initial recognition, the assets were accounted for in accordance with the accounting policy applicable to that asset.

Assets held under other leases were classified as operating leases and were not recognised in the Group's statement of financial position. Payments made under operating leases were recognised in profit or loss on straight-line basis over the term of the lease. Lease incentives received were recognised as an integral part of the total lease expense, over the term of the lease.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

o) Revenue from contracts with customers

The Group is in the business of manufacturing and selling aluminium in liquid form as well as in the form of billets, slabs and ingots. Revenue from contracts with customers is recognised when control of the goods or services are transferred to the customer at an amount that reflects the consideration to which the Group expects to be entitled in exchange for those goods or services. The Group has generally concluded that it is the principal in its revenue arrangements because it typically controls the goods or services before transferring them to the customer.

The disclosures of significant accounting judgements relating to revenue from contracts with customers are provided in Note 4.

The following specific recognition criteria must also be met before revenue is recognised:

Sale of goods

Revenue from sale of goods is recognised at the point in time when control is transferred to the customer, generally on delivery of the goods. The normal credit term is 30 to 90 days upon delivery. The Group considers whether there are other promises in the contract that are separate performance obligations to which a portion of the transaction price needs to be allocated. In determining the transaction price for the sale of goods, the Group considers the effects of variable consideration, the existence of significant financing components, noncash consideration and consideration payable to the customer (if any).

(i) Variable consideration

If the consideration in a contract includes a variable amount, the Group estimates the amount of consideration to which it will be entitled in exchange for transferring the goods to the customer. The variable consideration is estimated at contract inception and constrained until it is highly probable that a significant revenue reversal in the amount of cumulative revenue recognised will not occur when the associated uncertainty with the variable consideration is subsequently resolved.

Volume discounts

The Group provides retrospective volume discounts to certain customers once the quantity of products purchased during the period exceeds a threshold specified in the contract. Discounts are offset against amounts payable by the customer. To estimate the variable consideration for the expected future discounts, the Group applies the most likely amount method for contracts with a single-volume threshold and the expected value method for contracts with more than one volume threshold. The selected method that best predicts the amount of variable consideration is primarily driven by the number of volume thresholds contained in the contract. The Group then applies the requirements on constraining estimates of variable consideration and recognises a refund liability for the expected future discounts. The Group has not recognised any liabilities for the expected future discounts during the year ended 31 December 2019 (2018: Nil).

(ii) Significant financing component

Generally, the Group receives short-term advances from its customers. Using the practical expedient in IFRS 15, the Group does not adjust the promised amount of consideration for the effects of a significant financing component if it expects, at contract inception, that the period between the transfer of the promised good or service to the customer and when the customer pays for that good or service will be one year or less.

Where the Group receives an advance from a customer in consideration for the sale of aluminium over a period exceeding 12 months, the transaction price for such contracts is discounted, using the rate that would be reflected in a separate financing transaction between the Group and its customers at contract inception, to take into consideration the significant financing component.

p) Interest income

Interest income is recognised as the interest is accrued using the effective interest rate method.

q) Other income

Other income is recognised as the income accrues.

r) Share Capital

Incremental costs directly attributable to the issue of ordinary shares are recognised as a deduction from equity.

4. SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS

The preparation of the Group's consolidated financial statements requires the Board of Directors to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the disclosure of contingent liabilities, at the reporting date. However, uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of the asset or liability affected in future periods.

Judgements

In the process of applying the Group's accounting policies, the Board of Directors has made the following judgments, which have the most significant effect on the amounts recognised in the consolidated financial statements:

Going concern

The Group's Board of Directors has made an assessment of the Group's ability to continue as a going concern and is satisfied that the Group has the resources to continue in business for the foreseeable future. Furthermore, the Board of Directors is not aware of any material uncertainties that may cast significant doubt upon the Group's ability to continue as a going concern. Therefore, the consolidated financial statements continue to be prepared on the going concern basis.

Revenue from contracts with customers

The Group applies the judgements in determination of effects of variable consideration that could significantly affect the determination of the amount and timing of revenue from contracts with customers

Contracts for the sale of goods that include volume discounts, give rise to variable consideration. In estimating the variable consideration, the Group is required to use either the expected value method or the most likely amount method based on which method better predicts the amount of consideration to which it will be entitled.

The Group determined that the expected value method is the appropriate method to use in estimating the variable consideration for the sale of goods, given the large number of customer contracts that have similar characteristics. The selected method that better predicts the amount of variable consideration was primarily driven by the number of volume thresholds contained in the contract. During the year ended 31 December 2019, the Group has not entered into any contract for sales of goods that include volume discount.

Estimates and assumptions

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are described below. The Group based its assumptions and estimates on parameters available when the consolidated financial statements were prepared. Existing circumstances and assumptions about future developments, however, may change due to market changes or circumstances arising that are beyond the control of the Group. Such changes are reflected in the assumptions when they occur.

Provision for expected credit losses of trade receivables

The Group uses a provision matrix to calculate ECLs for trade receivables. The provision rates are based on days past due for groupings of various customer segments that have similar loss patterns (i.e., by customer types).

The provision matrix is initially based on the Group's historical observed loss rates. The Group will calibrate the matrix to adjust the historical credit loss experience with forward-looking information. For instance, if forecast economic conditions (i.e. Gross domestic product) are expected to deteriorate over the next year which can lead to an increased number of defaults in the consumer sector, the historical loss rates are adjusted. At every reporting date, the historical observed loss rates are updated and changes in the forward-looking estimates are analysed.

4. SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS (continued)

Estimates and assumptions (continued)

The assessment of the correlation between historical observed loss rates, forecast economic conditions and ECLs is a significant estimate. The amount of ECLs is sensitive to changes in circumstances and of forecast economic conditions. The Group's historical credit loss experience and forecast of economic conditions may also not be representative of customer's actual loss in the future.

At 31 December 2019, gross trade receivables were BD 127,579 thousand (2018: BD 106,408 thousand), and the allowance for impairment was BD 3,677 thousand (2018: BD 6,614 thousand) and gross other receivables were BD 7,616 thousand (2018: BD 9,699 thousand), and the allowance for impairment was BD 147 thousand (2018: BD 195 thousand). Any difference between the amounts actually collected in future periods and the amounts expected will be recognised in the consolidated statement of comprehensive income.

Impairment of inventories

Inventories are held at the lower of cost and net realisable value. When inventories of spares become old or obsolete or if their selling prices have declined, an estimate is made of their net realisable values. For individually significant amounts this estimation is performed on an individual basis. Amounts which are not individually significant, but which are old or obsolete, are assessed collectively and a provision applied according to the inventory type and the degree of ageing or obsolescence, based on anticipated selling prices.

At 31 December 2019, gross inventories of spares was BD 32,831 thousand (2018: BD 25,081 thousand) with provisions for slow moving spares of BD 1,773 thousand (2018: BD 1,681 thousand). Any difference between the amounts actually realised in future periods and the amounts expected will be recognised in the consolidated statement of comprehensive income.

Capitalisation date and useful lives of property, plant and equipment

The Group's Board of Directors determines the estimated useful lives and capitalisation dates of its property, plant and equipment for calculating depreciation. These estimates are determined after considering the stage of completion of assets, whether is asset is ready for use, expected usage of the asset or physical wear and tear. The Board of Directors reviews the residual values and useful lives annually and the future depreciation charges would be adjusted where the management believes the useful lives differ from previous estimates.

Impairment of property, plant and equipment

The Group assesses at each reporting date whether there is any indication that an asset may be impaired. If any such indication exists, or when annual impairment testing for an asset is required, the Group makes an estimate of the asset's recoverable amount. An asset's recoverable amount is higher of an asset's or cash-generating unit's (CGU) fair value less costs to sell and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or group of assets. Where the carrying amount of an asset exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount.

In assessing value in use, the estimated future cash flows are discounted to their present value using a discount rate that reflects a current market assessment of the time value of money and the risks specific to the assets. The cash flows are prepared for the next five years and do not include restructuring activities that the Group is not yet committed to. A long term growth rate is calculated and applied to future cash flows after the fifth year. The Board of Directors do not believe that there is any impairment of property, plant and equipment as at 31 December 2019 and 31 December 2018 respectively.

Taxes

Deferred tax assets are recognised for all unused tax losses to the extent that it is probable that taxable profit will be available against which the losses can be utilised. Significant management judgement is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and the level of future taxable profits together with future tax planning strategies.

Leases

Determination of lease term, whether the Group is reasonably certain to exercise extension options. For details, refer to note 21.

5. PROPERTY, PLANT AND EQUIPMENT

	Land and buildings BD '000	Power generating plant BD '000	Plant, machinery and other equipment BD '000	Assets in process of completion BD '000	**Total BD '000**
Cost:					
At 1 January 2019	290,725	439,939	1,301,204	1,022,604	**3,054,472**
Recognition of right-of-use asset on initial application of IFRS 16	2,494	-	2,785	-	**5,279**
Adjusted balance at 1 January 2019	293,219	439,939	1,303,989	1,022,604	**3,059,751**
Additions	1,035	126	21,656	312,687	**335,504**
Transfers	164,867	344,159	727,443	(1,236,469)	**-**
Disposals	-	(9,103)	(7,650)	-	**(16,753)**
At 31 December 2019	459,121	775,121	2,045,438	98,822	**3,378,502**
Depreciation and amortization:					
At 1 January 2019	132,746	299,114	916,559	-	**1,348,419**
Charge for the year	8,468	12,113	59,764	-	**80,345**
Relating to disposals	-	(5,231)	(7,181)	-	**(12,412)**
At 31 December 2019	141,214	305,996	969,142	-	**1,416,352**
Net carrying value:					
At 31 December 2019	**317,907**	**469,125**	**1,076,296**	**98,822**	**1,962,150**

	Land and buildings BD '000	Power generating plant BD '000	Plant, machinery and other equipment BD '000	Assets in process of completion BD '000	Total BD '000
Cost:					
At 1 January 2018	289,419	433,272	1,264,855	550,956	2,538,502
Additions	615	2,168	15,382	507,680	525,845
Transfers	738	6,771	28,523	(36,032)	-
Disposals	(47)	(2,272)	(7,556)	-	(9,875)
At 31 December 2018	290,725	439,939	1,301,204	1,022,604	3,054,472
Depreciation and amortization:					
At 1 January 2018	126,239	288,508	877,554	-	1,292,301
Charge for the year	6,539	12,146	46,140	-	64,825
Relating to disposals	(32)	(1,540)	(7,135)	-	(8,707)
At 31 December 2018	132,746	299,114	916,559	-	1,348,419
Net carrying value:					
At 31 December 2018	157,979	140,825	384,645	1,022,604	1,706,053

As at 31 December 2019, net carrying value of land and buildings includes right-of-use assets of BD 3,345 thousand related to leased properties that do not meet the definiton of investment property.

5. PROPERTY, PLANT AND EQUIPMENT (continued)

Land and buildings

Land and buildings include freehold land at a cost of BD 453 thousand as at 31 December 2019 (2018: BD 453 thousand).

Right-of-use assets

As at 31 December 2019, the net carrying values of land and buildings and plant, machinery and other equipment include right-of-use assets amounting to BD 3,345 thousand and BD 2,709 thousand, respectively.

The Group is using land leased from the Government of Bahrain for the operations of lines 3, 4, 5 and land leased from The Bahrain Petroleum Company B.S.C. (c) (BAPCO) for its calciner operations. These leases are free of rent. The land used for the construction of Line 6 is also leased from the Government of Bahrain for 25 years effective 1 July 2014 at an annual rent of BD 62,905 (2018: BD 31,452). This rate is subject to change every five years based on the circular issued by the Government. This lease has been presented as part of a right-of-use asset - property, plant and equipment.

Depreciation and amortization

The depreciation and amortisation charge is allocated to cost of sales, administration expenses and selling and distribution expenses in the consolidated statement of comprehensive income, as follows:

	2019 BD'000	2018 BD'000
Cost of sales	**78,217**	64,822
General and administrative expenses	**2,096**	3
Selling and distribution expenses	**32**	-
	80,345	64,825

Capitalisation of Expansion Project

The construction of Line 6 expansion project was substantially completed in December 2019. During the year, carrying amounts relating to Line 6 expansion project were transferred to land & buildings, power generating plant and plant, machinery and other equipment amounting to BD 162,381 thousand, BD 342,269 thousand and BD 704,658 thousand respectively. The assets in process of completion includes BD 55,195 thousand at 31 December 2019 (2018: BD 973,505 thousand) related to Line 6 expansion project. The expansion project is financed by a syndicated term loan facility as well as a consortium of export credit facilities. The amount of borrowing costs capitalised during the year ended 31 December 2019 was BD 34,401 thousand (2018: BD 28,259 thousand). The effective interest rates used to determine the amount of borrowing costs eligible for capitalisation were from 0.55% to 6.05% (2018: 0.55% to 6.17%) for specific borrowings and from 2.20% to 3.50% (2018: nil) for general borrowings.

Property, plant and other equipment under construction

During the year, the Group has started the construction of Spent Pot Lining (SPL) Plant for safe disposal of spent pot lining as agreed with Supreme Council of Environment (SCE) Bahrain. Costs incurred up to 31 December 2019 totalled BD 2,891 thousand.

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AT 31 DECEMBER 2019

6. INVENTORIES

	2019 BD'000	2018 BD'000
Raw materials	**19,794**	73,820
Work-in-process	**68,158**	66,459
Goods in transit	**46,771**	42,781
Finished goods	**55,374**	59,769
Spares [net of provision of BD 1,773 thousand (2018: BD 1,681 thousand)]	**31,058**	23,400
	221,155	266,229

Movements in the provision for slow moving spares were as follows:

	2019 BD'000	2018 BD'000
At 1 January	**1,681**	1,629
Charge for the year in cost of sales	**92**	91
Write off against provision	**-**	(39)
At 31 December	**1,773**	1,681

7. TRADE AND OTHER RECEIVABLES

	2019 BD'000	2018 BD'000
Trade receivables - others [net of allowance for ECL of BD 264 thousand (2018: BD 3,201 thousand)]	**115,229**	85,856
Trade receivables - related parties [net of allowance for ECL of BD 3,413 thousand (2018: BD 3,413)] (note 27)	**8,673**	13,938
	123,902	99,794
Advances to suppliers	**1,106**	12,926
Prepayments	**1,320**	8,298
Other receivables [net of provision of BD 147 thousand (2018: BD 195 thousand)]	**7,469**	9,504
VAT receivable	**21,658**	-
	155,455	130,522

7. TRADE AND OTHER RECEIVABLES (continued)

Movements in the provision for doubtful trade and other receivables were as follows:

	Trade receivables		Other receivables	
	2019 BD '000	2018 BD '000	**2019 BD '000**	2018 BD '000
At 1 January	**6,614**	2,702	**195**	45
Provision during the year	**-**	3,931	**-**	150
Reversal during the year	**(253)**	-	**-**	-
Write off against provision	**(2,684)**	(19)	**(48)**	-
At 31 December	**3,677**	6,614	**147**	195

Subsequent to the year end, unimpaired trade receivables of BD 89,637 thousand (2018: BD 50,753 thousand) were collected and the balance is expected, on the basis of past experience, to be fully recoverable.

8. BANK BALANCES AND CASH

	2019 BD'000	2018 BD'000
Cash at bank:		
- Current accounts	**29,968**	22,448
- Call accounts	**41,191**	24,944
- Short term deposits	**10,085**	56,400
Cash in hand	**85**	65
	81,329	103,857

A major portion of the bank balances is held with financial institutions in the Kingdom of Bahrain and these balances are denominated in Bahraini Dinars, US Dollars and Euros. The call accounts earn interest and the effective interest rate as of 31 December 2019 is 0.3% to 2.5% (2018: 0.077%). Short term deposits earn interest between 2.5% to 4.1% p.a. (2018: 2.5% to 4.5% p.a.) and have maturities less than three months.

9. SHARE CAPITAL

	2019 BD'000	2018 BD'000
Authorised		
2,000,000,000 shares of 100 fills each	**200,000**	200,000
Issued and fully paid		
1,420,000,000 shares of 100 fills each	**142,000**	142,000

9. SHARE CAPITAL (continued)

i) The distribution of shareholdings (excluding treasury shares) is as follows:

	2019			2018		
Categories	Number of shares	Number of shareholders	% of total outstanding share capital	Number of shares	Number of shareholders	% of total outstanding share capital
Less than 1%	**62,822,832**	**3,195**	**4.45**	65,168,949	3,254	4.61
1% up to less than 5%	**71,376,905**	**3**	**5.05**	69,434,051	3	4.92
5% up to less than 20%	-	-	-	-	-	-
20% up to less than 50%	**292,804,000**	**1**	**20.73**	292,804,000	1	20.73
50% and above	**985,196,000**	**1**	**69.76**	985,196,000	1	69.74
	1,412,199,737	**3,200**	**100.00**	1,412,603,000	3,259	100.00

i) The Company has only one class of equity shares and the holders of these shares have equal voting rights.

ii) Total number of shares owned by the director of the Company as at 31 December 2019 was 1,250,000 shares (2018: 1,200,000).

iii) As at 31 December 2019 , Sabic Industrial Investment Co. held 20.62% (31 December 2018: 20.62%) of the total share capital of the Company.

10. TREASURY SHARES

Treasury shares held by the Group as of 31 December were:

	2019		2018	
	No of shares	BD '000	No of shares	BD '000
	7,800,263	**3,994**	7,397,000	4,800

i) Included in treasury shares are 697,000 shares (2018: 697,000) that were an excess in the Employees' Stock Incentive Plan [note 17 (c)].

ii) The transactions with value date post 31 December 2019 totalling 31,300 shares, were not accounted in the Treasury Shares for the year (2018: 16,000).

iii) The Board of Directors authorised the Company to purchase its own shares for a total cost amounting to BD 10,000 thousand (2018: BD 10,000 thousand). As of 31 December 2019, the Group has a remaining commitment of BD 2,250 thousand (2018: BD 2,250 thousand) towards the purchase of its own shares.

11. EARNINGS PER SHARE

Basic earnings per share is calculated by dividing the profit or loss for the year attributable to ordinary equity holders of the Group by the weighted average number of ordinary shares outstanding during the year, excluding the average number of ordinary shares purchased by the Group and held as treasury shares and is as follows:

	2019	2018
Profit for the year - BD'000	**5,379**	59,755
Weighted average number of shares, net of treasury shares - thousands of shares	**1,412,904**	1,415,636
Basic and diluted earnings per share (fils)	**4**	42

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 these consolidated financial statements.

12. STATUTORY RESERVE

The Bahrain Commercial Companies Law requires companies to transfer 10% of their annual profit to a statutory reserve, until such time the reserve equals 50% of the paid up share capital. A statutory reserve equal to 50% of the paid-up capital has been created by transfer of prior years' profits. Therefore no further transfers have been made for the year ended 31 December 2019. This reserve cannot be utilised for the purpose of distribution, except in such circumstances as stipulated in the Bahrain Commercial Companies Law.

13. CAPITAL RESERVE

This reserve was created from the surplus on disposal of property, plant and equipment in prior years. This reserve is distributable subject to the approval of the shareholders.

14. DIVIDEND PROPOSED AND PAID

At the Board Meeting held on 13 February 2020, the Company's Board of Directors' proposed to pay a final dividend of BD 0.001 per share (excluding treasury shares) totalling BD 1,412 thousand relating to 2019.

At the Annual General Meeting held on 7 March 2018, the Company's shareholders approved the Board of Directors' proposal to pay a final dividend of BD 0.026 per share (excluding treasury shares) totalling BD 36,806 thousand relating to 2017, out of which BD 36,720 thousand was paid as of 31 December 2018 and an excess of BD 86 thousand was reversed.

15. LOANS AND BORROWINGS

	2019 Non-Current BD '000	2019 Current BD '000	2019 Total BD '000	2018 Total BD '000
Unsecured loans and borrowings				
Line 6 Term Loan Facility [1]	-	-	-	488,800
Line 6 Refinancing Term Loan Facility [2]	**530,160**	**33,840**	**564,000**	-
Line 6 Euro SERV Loan [3]	**113,901**	**10,848**	**124,749**	114,521
Line 6 USD SERV Loan [3]	**101,351**	**9,653**	**111,004**	98,316
Line 6 Hermes 1 Covered Facility [4]	**14,975**	**1,426**	**16,401**	16,542
Line 6 Hermes 2 Covered Facility [5]	**16,932**	**1,992**	**18,924**	17,695
Line 6 BPAI Covered Facility [6]	**45,016**	**5,176**	**50,192**	40,085
Line 6 EDC Covered Facility [7]	**40,515**	**5,064**	**45,579**	35,805
Line 6 JBIC / NEXI 2 Covered Facility [8]	**26,382**	**3,826**	**30,208**	33,078
Working capital revolving credit [9]	-	**84,862**	**84,862**	63,901
Total loans and borrowings	**889,232**	**156,687**	**1,045,919**	908,743
Less: unamortised transaction costs	**(38,695)**	**(4,743)**	**(43,438)**	(48,362)
Net loans and borrowings	**850,537**	**151,944**	**1,002,481**	860,381
Payable after one year			**850,537**	785,877
Payable within one year			**151,944**	74,504
			1,002,481	860,381

[1] Line 6 Term Loan Facility
In 2016, the Group entered into a term loan facility with a syndicate of financial institutions for USD 1.5 billion comprising two tranches; USD 882 million as a conventional credit facility and USD 618 million as an Islamic Ijara facility. National Bank of Abu Dhabi PJSC was the global facility agent for this facility and Riyad Bank was the investment agent. This loan was obtained to finance capital expenditure requirements for Line 6 Expansion Project. The loan was fully repaid in November 2019 from the proceeds of new term loan facility as disclosed in Note 15[2] below. The term loan facility carried interest at LIBOR plus 3.25% (2018: LIBOR plus 3.25%).

[2] Line 6 Refinancing Term Loan Facility
On 29 October 2019, the Group entered into a new term loan facility with a syndicate of financial institutions for USD 1.5 billion comprising two tranches; USD 590 million as a conventional credit facility and USD 910 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 is obtained to repay all amounts borrowed by the Group under the term loan facility as disclosed in Note 15[1] above. The loan is repayable in sixteen semi-annual instalments starting from April 2020. The new term loan facility carries interest at LIBOR plus 3.00% (2018: nil).

[3] Euro and USD Serv loan
On 25 April 2017, the Group entered into an Export Credit Financing (SERV-covered facilities) with a syndicate of financial institutions for Euro 314 million and USD 310 million. Commerzbank Finance & Covered Bond S.A. is the agent for this facility. This loan was obtained to finance capital expenditure requirements for Line 6 Expansion Project. The loan is repayable in twenty-four semi-annual instalments started from December 2019. Euro SERV loan and USD SERV loan carry interest at EURIBOR plus 0.65% (2018: EURIBOR plus 0.65%) and LIBOR plus 0.90% (2018: LIBOR plus 0.90%) respectively.

15. LOANS AND BORROWINGS (continued)

[4] Line 6 Hermes 1 Covered Facility

On 30 April 2017, the Group entered into an Export Credit Financing (Euler Hermes covered facilities) with Citibank N.A London for Euro 50 million. Commerzbank Finance & Covered Bond S.A. is the agent for this facility. This loan was obtained to finance capital expenditure requirements for Line 6 Expansion Project. The loan is repayable in twenty-four semi-annual instalments which started from October 2019. Hermes 1 Covered Facility carries interest at EURIBOR plus 0.55% (2018: EURIBOR plus 0.55%).

[5] Line 6 Hermes 2 Covered Facility

On 24 October 2017, the Group entered into an Export Credit Financing (Euler Hermes covered facilities) with Commerzbank for Euro 47 million. Commerzbank Finance & Covered Bond S.A. is the agent for this facility. This loan was obtained to finance capital expenditure requirements for Line 6 Expansion Project. The loan is repayable in twenty semi-annual instalments which started from July 2019. Hermes 2 Covered Facility carries interest at EURIBOR plus 0.55% (2018: EURIBOR plus 0.55%).

[6] Line 6 BPAI Covered Facility

On 2 January 2018, the Group entered into an Export Credit Financing agreement amounting to Euro 156 million. Standard Chartered Bank is the agent for this facility and the lenders are Citibank N.A London, Credit Agricole Corporate Investment Bank and Standard Chartered Bank. This loan was obtained to finance capital expenditure requirements for Line 6 Expansion Project. The loan is repayable in twenty semi-annual instalments which started from July 2019. BPAI Covered Facility carries interest at EURIBOR plus 0.60% (2018: EURIBOR plus 0.60%).

[7] Line 6 EDC Covered Facility

On 17 October 2018, the Group entered into an Export Credit Financing with Citibank N.A., Canadian branch for USD 136 million. Citibank N.A. is the agent for this facility. This loan was obtained to finance capital expenditure requirements for Line 6 Expansion Project. The loan is repayable in twenty semi-annual instalments which started from October 2019. EDC Covered Facility carries interest at LIBOR plus 0.725% (2018: LIBOR plus 0.725%).

[8] Line 6 JBIC / NEXI 2 Covered Facility

On 31 October 2018, the Group entered into an Export Credit Financing agreement amounting to Euro 90 million. BNP Paribas, Tokyo branch is the agent and lender for this facility and the other lender is Japan Bank For International Cooperation. This loan was obtained to finance capital expenditure requirements for Line 6 Expansion Project. The loan is repayable in twenty semi-annual instalments which started from March 2019. JBIC / NEXI 2 Covered Facility carries interest at EURIBOR plus 0.60% (2018: EURIBOR plus 0.60%).

[9] Working capital revolving credit

The working capital revolving credit facilities are subject to periodic renewal and repricing. The working capital revolving facilities allow the Group to issue promissory notes for up to 12 month terms. It is the Group's policy to maintain the current level of borrowings under these facilities by issuing new promissory notes in place of maturing notes. Working capital revolving credit carries interest at rates ranging from 2.20% to 3.50% (2018: 2.52 % to 3.41 %).

All loans and borrowing have requirements to meet certain financial and non-financial covenants and there is no instance of non compliance at the reporting date (2018: nil). At 31 December 2019, the Group had available BD nil (2018: BD 171,058 thousand) of undrawn committed borrowing facilities.

16. RECONCILIATION OF MOVEMENT OF LIABILITIES TO CASH FLOWS ARISING FROM FINANCING ACTIVITIES:

	liabilities				Derivative (assets) liabilities held to hedge long term borrowings	Equity				Total
2019	Short term borrowings used for cash management purposes BHD '000	Other loans and borrowings BHD '000	Accrued Interest BHD '000	Lease liabilities BHD '000	Interest rate swap BHD '000	Share capital BHD '000	Treasury shares BHD '000	Reserve BHD '000	Retained Earnings BHD '000	BHD '000
Balance as at 01 January 2019	63,901	796,480	10,271	-	(1,338)	142,000	(4,800)	71,249	865,021	**1,942,784**
Change from financing cash flows										
Proceeds from short term borrowings	754,573	-	-	-	-	-	-	-	-	**754,573**
Proceeds from loans and borrowings	-	705,683	-	-	-	-	-	-	-	**705,683**
Proceeds from sale of treasury sales	-	-	-	-	-	-	2,252	-	-	**2,252**
Proceeds from settlement of derivatives	-	-	-	-	-	-	-	-	-	-
Repayments of short term borrowings	(733,612)	-	-	-	-	-	-	-	-	**(733,612)**
Repayments of loans and borrowings	-	(586,032)	-	-	-	-	-	-	-	**(586,032)**
Purchase of treasury shares	-	-	-	-	-	-	(2,530)	-	-	**(2,530)**
Payment lease liabilities	-	-	-	(831)	-	-	-	-	-	**(831)**
(Settlement)/payment of interest and other costs	-	-	(53,002)	(164)	44	-	-	-	-	**(53,122)**
Total changes from financing cashflows	**20,961**	**119,651**	**(53,002)**	**(995)**	**44**	**-**	**(278)**	**-**	**-**	**86,381**
The effect of change in foreign exchange rates	-	(5,822)	-	-	-	-	-	-	-	**(5,822)**
Changes in fair value	-	-	-	-	5,426	-	-	-	-	**5,426**
	20,961	113,829	(53,002)	(995)	5,470	-	(278)	-	-	**85,985**
Other changes - liability related										
New leases	-	-	-	6,952	-	-	-	-	-	**6,952**
Capitalised borrowing and other costs	-	6,458	27,943	-	-	-	-	-	-	**34,401**
Interest expense and other costs	-	852	21,442	164	-	-	-	-	-	**22,458**
Total liability related changes	-	7,310	49,385	7,116	-	-	-	-	-	**63,811**
Total equity related changes	-	-	-	-	-	-	1,084	-	4,295	**5,379**
Total changes	20,961	121,139	(3,617)	6,121	5,470	-	806	-	4,295	**155,175**
Balance as at 31 December 2019	**84,862**	**917,619**	**6,654**	**6,121**	**4,132**	**142,000**	**(3,994)**	**71,249**	**869,316**	**2,097,959**

Notes to the Consolidated Financial Statements

AT 31 DECEMBER 2019

17. EMPLOYEE BENEFITS

(a) Defined benefit scheme - leaving indemnity

Movements in the provision recognised in the consolidated statement of financial position are as follows:

	2019 BD'000	2018 BD'000
Provision as at 1 January	1,677	1,564
Provided during the year (note 23)	1,581	1,556
Employees' end of service benefits paid	(1,631)	(1,443)
Provision as at 31 December	1,627	1,677

(b) Defined contribution schemes

Movements in liabilities recognised in the consolidated statement of financial position are as follows:

	Alba Savings Benefit Scheme		Social Insurance Organisation	
	2019 BD '000	2018 BD '000	2019 BD '000	2018 BD '000
Provision as at 1 January	1,800	1,927	379	596
Expense recognised in the consolidated statement of comprehensive income (note 23)	5,405	5,199	6,880	6,163
Contributions paid	(5,111)	(5,326)	(7,111)	(6,380)
Provision as at 31 December (note 19)	2,094	1,800	148	379

(c) Employees' Stock Incentive Plan

In accordance with an Employees' Stock Incentive Plan approved by the Board of Directors, the Group purchased 3,000,000 of its shares to be allocated to all of its employees on the Group's payroll as of 1 December 2010. The Group allocated 1,000 shares each to its 2,714 employees as of 1 December 2010 and these shares vested after a period of three years. In 2015, the shares allocated to the employees had been fully vested and the excess of 697,000 shares is held as Treasury Shares as of 31 December 2019 (2018: 697,000 shares).

18. TAXATION

Taxation pertains to the Group's subsidiary in the United States of America and the standard tax rate was 21.00% as of 31 December 2019 (2018 : 21.00%). The actual provision for income taxes differs from the amounts computed by applying statutory income taxes primarily due to state income taxes and non-deductible items.:

	2019 BD'000	2018 BD'000
Current liability / (asset)		
Current year	31	(266)
Income statement		
Current year expense	330	543
Deferred tax benefit	(128)	(15)
	202	528

18. TAXATION (continued)

Deferred income taxes reflect the net tax effects of temporary differences between the carrying amounts of taxes and liabilities for financial reporting purposes and the amounts used for income tax purposes.

	2019 BD'000	2018 BD'000
Deferred tax asset	167	41
Deferred tax liability	(5)	(7)
Deferred tax asset - net	162	34

	2019 BD'000	2018 BD'000
The deferred tax asset comprises the following temporary differences:		
Deductible temporary differences	728	171
Taxable temporary differences	(23)	(31)
	705	140

19. TRADE AND OTHER PAYABLES

	2019 BD'000	2018 BD'000
Trade payables - others	70,624	87,517
Trade payables - other related parties (note 27)	38,547	25,737
	109,171	113,254
Employee related accruals (i)	26,739	25,163
Accrued expenses	30,344	36,226
Alba Savings Benefit Scheme [note 17(b)]	2,094	1,800
Social Insurance Organisation [(note 17(b)]	148	379
Advances from customers (ii)	146,672	95,510
VAT liability	12,031	-
Unclaimed Dividend	120	173
	327,319	272,505
Less: Non-current portion of advances from customers (ii)	(24,466)	(47,000)
	302,853	225,505

i) Employee related accruals include accruals for wages and salaries, bonus, sick leave, annual leave, medical and other benefits.

ii) Advances from customers includes BD 146,379 thousand (2018: BD 94,000 thousand) received from two customers; settlements against the advance have been started and are in the form of quantities of aluminium. The non-current portion of this advance amounts to BD 24,466 thousand (2018: BD 47,000 thousand).

20. DERIVATIVE FINANCIAL INSTRUMENTS

	2019 BD'000	2018 BD'000
Classified in the consolidated statement of financial position as follows:		
Positive fair values - assets		
Non-current portion	-	1,725
Current portion	-	471
Total	-	2,196

	2019 BD'000	2018 BD'000
Classified in the consolidated statement of financial position as follows (continued):		
Negative fair values - liabilities		
Non-current portion	**2,998**	-
Current portion	**1,134**	858
Total	**4,132**	858
Changes in fair value of derivative financial instruments taken to the consolidated statement of comprehensive income	**(5,426)**	2,699

The Group does not engage in proprietary trading activities in derivatives. However, the Group enters into derivative transactions to hedge economic risks under its risk management guidelines that may not qualify for hedge accounting under IFRS 9. Consequently, gains or losses resulting from the re-measurement to fair value of these derivatives, if any, are taken to the consolidated statement of comprehensive income.

Interest rate swaps
The Group entered into interest rate swap transactions on its floating rate borrowings for financing the line 6 project to manage its overall financing costs. These contracts expire on 20 September 2023. The notional amount outstanding as at 31 December 2019 was BD 282,000 thousand (31 December 2018: BD 282,000 thousand).

Commodity futures
The Group entered into commodity futures contracts to reduce the price risk on behalf of its customers for 480 metric tonnes (2018: 22,975 metric tonnes) and these mature between one to six months from the reporting date.

21. LEASES

Leases as lessee (IFRS 16)
The Group leases industrial land, vehicles and apartments. The leases typically run for a period ranging from 2 years to 25 years, with an option to renew the lease after that date except for vehicles where there are no renewable options. Lease payments are renegotiated every 5 years for industrial land to reflect market rentals whereas lease rentals for apartments and vehicles are fixed with no escalation clauses. No leases provide for additional rent payments that are based on changes in local price indices. For certain leases, the Group is restricted from entering into any sub-lease arrangements.

21. LEASES (continued)

Information about leases for which the Group is a lessee is presented below.

i. Right-of-use assets

Right-of-use assets related to leased properties that do not meet the definition of investment property are presented as property, plant and equipment.

2019	Land and buildings BD '000	Plant, machinery and other equipment BD '000	Total BD '000
Balance at 1 January	2,494	2,785	5,279
Depreciation charge for the year	(45)	(853)	(898)
Additions to right-of-use assets	917	1,820	2,737
Adjustments	(21)	(1,043)	(1,064)
Balance at 31 December	**3,345**	**2,709**	**6,054**

		2019	
	Non-current BD '000	Current BD '000	Total BD '000
ii. Lease liabilities under IFRS 16			
Lease liabilities at 1.99 % to 6.00 % (2018: Nil)	5,160	961	**6,121**

iii. Amounts recognised in profit or loss

	2019 BD '000
Leases under IFRS 16	
Interest on lease liabilities	**164**
Depreciation	**898**
Expenses relating to short-term leases and low-value assets leases	**908**
	1,970

	2018 BD '000
Operating leases under IAS 17	
Lease expense	1,285
Contingent rent expense	-
	1,285

21. LEASES (continued)

iv. Amounts recognised in statement of cash flows

	2019 BD '000
Total cash outflow for lease liabilities	**831**

v. Extension option

Some property leases contain extension options exercisable by the Group up to one year before the end of the non-cancellable contract period. Where practicable, the Group seeks to include extension options in new leases to provide operational flexibility. The extension options held are exercisable only by the Group and not by the lessors. The Group assesses at lease commencement date whether it is reasonably certain to exercise the extension options. The Group reassesses whether it is reasonably certain to exercise the options if there is a significant event or significant changes in circumstances within its control.

22. OTHER (EXPENSE)/INCOME - NET

	2019 BD'000	2018 BD'000
Insurance claim	**-**	10,709
Sale of water	**1,363**	1,177
Interest income	**791**	537
Loss on disposal of property, plant and equipment	**(4,269)**	(1,043)
Miscellaneous	**1,547**	1,451
	(568)	12,831

23. EXPENSES BY NATURE

	2019 BD'000	2018 BD'000
Changes in inventories of finished goods and work in progress	**(4,951)**	(19,739)
Inventories recognised as an expense in cost of sales	**743,203**	660,265
Depreciation and amortization	**80,345**	64,825
Staff costs (i)	**101,276**	94,363
Spares & Consumables	**27,468**	26,535
Contracted Repairs	**13,040**	12,997
Insurance	**10,499**	6,591
Freight	**20,690**	16,447
Other expenses	**8,338**	10,508
Total cost of sales, selling and distribution, General and administrative expenses	**999,908**	872,792

23. EXPENSES BY NATURE (continued)

	2019 BD'000	2018 BD'000
(i) Break-down of staff costs is as follows:		
Wages and salaries	**77,598**	74,247
Social Insurance Organisation [note 17(b)]	**6,880**	6,163
Alba Savings Benefit Scheme [note 17(b)]	**5,405**	5,199
Payments to contractors	**7,001**	5,114
Employees' end of service benefits [note 17(a)]	**1,581**	1,556
Indirect benefits (housing, education)	**440**	448
Others	**2,371**	1,636
	101,276	94,363

The staff costs have been allocated in the consolidated statement of comprehensive income as follows:

	2019 BD'000	2018 BD'000
Cost of sales	**83,186**	78,990
Administrative expenses	**16,421**	13,740
Selling and distribution expenses	**1,669**	1,633
	101,276	94,363

24. FINANCE COSTS

	2019 BD'000	2018 BD'000
Interest on loans and borrowings	**19,952**	873
Interest on advances from customers	**2,082**	-
Interest on lease liabilities	**164**	-
Bank charges	**260**	273
	22,458	1,146

25. COMMITMENTS AND CONTINGENCIES

a) Commitments

	2019 BD'000	2018 BD'000
Physical metal commitments		
Sales commitments :		
1,655 metric tonnes (2018: 22,975 metric tonnes)	**1,094**	16,663

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
Estimated capital expenditure contracted for at the reporting date amounted to BD 27,604 thousand (2018: BD 93,635 thousand). The commitments are expected to be settled within 1 to 5 years from the reporting date.

Letters of credit
At 31 December 2019, the Group had outstanding letters of credit to counterparties of BD 6,147 thousand (2018: nil).

b) Contingencies
(i) A third party filed a claim against the Company to determine fault in a pollution claim relating to its business operations and the matter is sub judice. In addition, the Company is also 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. No further disclosures regarding contingent liabilities arising from any such claims are being made by the Company as the Board of Directors of the Company believe that such disclosures may be prejudicial to the Company's legal position.

(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 cummulative balance in the Alba saving scheme. The total value of these letters of guarantee is BD 20,710 thousand (2018: BD 19,453 thousand).

At 31 December 2018, the Group had contingent liabilities in respect of the bank guarantees amounting to BD 11,496 thousand (2018: BD 11,042 thousand) from which is anticipated that no material liabilities will arise.

26. OPERATING SEGMENT INFORMATION

As on 31 December 2019, the Group has a single reportable 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 consolidated statement of comprehensive income and consolidated statement of financial position of the Group.

26. OPERATING SEGMENT INFORMATION (continued)

(a) Product

An analysis of revenue from contracts with customers by product is as follows:

	2019 BD'000	2018 BD'000
Aluminium	1,025,086	889,674
Alumina trading	4,292	19,594
Calcined coke	-	2,049
Total revenue from contracts with customers	1,029,378	911,317

(b) Geographic information

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

	2019 BD'000	2018 BD'000
Kingdom of Bahrain	234,689	292,053
Europe	247,531	205,036
Rest of the Middle East and North Africa	173,189	159,661
Asia	234,037	120,282
Americas	139,932	134,285
Total revenue from contracts with customers	1,029,378	911,317

(c) Customers

Revenue from sale of aluminium to the three major customers of the Group amounted to BD 389,131 thousand with each of the customers accounting for more than 10% of the total revenue from contracts with customers for the year ended 31 December 2019 (three major customers accounted for BD 260,098 thousand with one of the customers accounting for more than 10% of the total revenue from contracts with customers for the year ended 31 December 2018).

27. 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 makes purchases, supplies and services to/from parties related to the Government of the Kingdom of Bahrain, principally natural gas and public utility services, under the ordinary course of business. These are not deemed significant on an individual basis. A royalty, based on production, was also paid to the Government of the Kingdom of Bahrain under concession agreement which had expired in September 2018.

27. RELATED PARTY TRANSACTIONS (continued)

Transactions with other commercial non-government related parties related to the controlling shareholder included in the consolidated statement of comprehensive income are as follows:

	2019 BD'000	2018 BD'000
Other related parties		
Revenue from contracts with customers and interest income		
Sale of metal	**45,281**	48,778
Sale of water	**1,278**	997
Interest on receivable	**788**	580
	47,347	50,355

	2019 BD'000	2018 BD'000
Transactions		
Purchase of natural gas and diesel	**238,677**	150,246
Royalty	**-**	3,162
Interest on loans and borrowings	**1,834**	1,296
Others	**1,314**	-
	241,825	154,704

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

	2019 BD'000	2018 BD'000
Other related parties		
Assets		
Trade receivables net of allowance for ECL of BD 3,413 (2018: BD 3,413 thousand) (note 7)	**8,673**	13,938
Bank balances	**906**	1,556
Other receivable	**710**	-
	10,289	15,494
Liabilities		
Trade payables (note 19)	**38,547**	25,737
Loans and Borrowings	**78,272**	32,595
Interest payable on loans and borrowings	**548**	234
	117,367	58,566

Outstanding balances at year-end arise in the normal course of business are interest free, unsecured and payable on demand. However, the Group charged interest at an agreed rate on an overdue receivable amount from a related party as of 31 December 2019 (2018: same terms). For the year ended 31 December 2019, the Group recorded an impairment of BD: Nil on amounts due from other related parties (2018: BD 3,413 thousand) [note 7].

27. RELATED PARTY TRANSACTIONS (continued)

Compensation of key management personnel (KMP)
The remuneration of members of key management during the year was as follows:

	2019 BD'000	2018 BD'000
Short term benefits	**1,552**	1,850
End of service benefits	**55**	80
Contributions to Alba Savings Benefit Scheme	**119**	115
Other benefits	**-**	69
	1,726	2,114

Directors' fees during the year amounted to BD 210 thousand (2018: BD 210 thousand).

28. RISK MANAGEMENT

The Group's principal financial liabilities, other than derivatives, comprise loans and borrowings and trade and other payables. The main purpose of these financial liabilities is to finance the Group's operations. The Group has trade and other receivables, bank balances and cash and short-term deposits that arise directly from its operations.

The Group is exposed to market risk, credit risk and liquidity risk.

Risk management framework
The Group's executive management oversees the management of these risks. The Group's executive management is supported by a risk management team that advises on financial risks and the appropriate financial risk governance framework for the Group. The risk management team provides assurance to the Group's executive management that the Group's financial risk-taking activities are governed by appropriate policies and procedures and that financial risks are identified, measured and managed in accordance with Group policies and Group risk appetite. The Board of Directors reviews and agrees policies for managing each of these risks which are summarised below:

Market risk
Market risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises three types of risk: interest rate risk, commodity price risk and foreign currency risk. Financial instruments affected by market risk include loans and borrowings, deposits and derivative financial instruments.

Interest rate risk
Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

The Group is exposed to interest rate risk on its interest bearing assets and liabilities (receivable balance, call accounts and loans and borrowings). The Group uses interest rate swap transactions for floating rate borrowings as hedge of the variability in cash flows attributable to movements in interest rates.

The sensitivity of the consolidated statement of comprehensive income is the effect of the assumed changes in interest rates on the Group's result for one year, based on the floating rate financial assets and financial liabilities held at the reporting date.

A fundamental review and reform of major interest rate benchmarks is being undertaken globally. There is uncertainty as to the timing and the methods of transition for replacing existing benchmark interbank offered rates (IBORs) with alternative rates.

28. RISK MANAGEMENT (continued)
Interest rate risk (continued)

At this stage, the Group is in the process of assessing the likely impact fro this transition to new benchmark rates.

As a result of these uncertainties, significant accounting judgement is involved in determining whether certain hedging relationships that hedge the variability of foreign exchange and interest rate risk due to expected changes in IBORs continue to qualify for hedge accounting as at 31 December 2019. IBOR continues to be used as a reference rate in financial markets and is used in the valuation of instruments with maturities that exceed the expected end date for IBOR. Therefore, the Group believes the current market structure supports the continuation of hedge relationships as at 31 December 2019.

The interest earned on overdue receivables is based on floating LIBOR rate plus margin. The call accounts and short term deposits earn interest at commercial rates. The interest rates are disclosed in notes 8 and 15, as applicable.

The following table demonstrates the sensitivity of the consolidated statement of comprehensive income to reasonably possible changes in interest rates, with all other variables held constant.

	Interest on call accounts and short term deposit		Interest on borrowings (after giving effect for derivative financial instruments)	
	Increase/ decrease in basis points	Effect on results for the year BD '000	Increase/ decrease in basis points	Effect on results for the year BD '000
2019	**25**	**128**	**25**	**(1,910)**
	(25)	**(128)**	**(25)**	**1,910**
2018	25	203	25	(1,567)
	(25)	(203)	(25)	1,567

Commodity price risk
Commodity price risk is the risk that future profitability is affected by changes in commodity prices. The Group is exposed to commodity price risk, as the selling prices for aluminium are generally based on aluminium prices quoted on the London Metal Exchange (LME). The Group hedges its selling price using futures commodity contracts, on behalf of customers, if agreed. The forecast is deemed to be highly probable.

The following table demonstrates the sensitivity of the consolidated statement of comprehensive income to reasonably possible changes in the LME price on derivatives outstanding as of 31 December, with all other variables held constant.

	Increase/ decrease in LME price	Effect on results for the year BD '000
2019	**+30%**	**4**
	-30%	**(4)**
2018	+30%	257
	-30%	(257)

28. RISK MANAGEMENT (continued)

Foreign currency risk

Foreign currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The Group's exposure to the risk of changes in foreign exchange rates relates primarily to the Group's operating activities (when revenue or expense is denominated in a different currency from the Group's presentation currency).

The Group's financial instruments are mainly denominated in Bahraini Dinars, US Dollars, Euros, Swiss Francs and Great Britain Pounds. The Group sometimes uses forward foreign exchange contracts to hedge against foreign currency payables. As of 31 December 2019 and 31 December 2018 there were no outstanding forward foreign exchange contracts.

As the Bahraini Dinar is pegged to the US Dollar, balances in US Dollars are not considered to represent significant currency risk.

The table below indicates the Group's unhedged foreign currency exposures at 31 December, as a result of its monetary assets and liabilities. As of 31 December, the following financial instruments are denominated in currencies other than Bahraini Dinars and US Dollars, which were unhedged:

Financial	Currency	2019 BD '000	2018 BD '000
Bank balances	Euro	47,876	33,026
	Swiss Francs	72	44
Receivables	Euro	9,409	14,247
Loans and Borrowings	Euro	240,474	221,921
Payables	Euro	6,928	3,140
	Swiss Francs	966	1,850
	Great Britain Pounds	131	283

The analysis calculates the effect of a reasonably possible movement of the Bahraini Dinar's currency rate against currencies which are exposed to currency risk, with all other variables held constant, on the consolidated statement of comprehensive income (due to the fair value of currency sensitive monetary assets and liabilities).

The effect of decreases in currency rate is expected to be equal and opposite to the effect of the increases shown.

	2019		2018	
Currency	Increase in currency rate to the BD	Effect on results for the year BD '000	Increase in currency rate to the BD	Effect on results for the year BD '000
Euro	+10%	(19,012)	+10%	(17,779)
Swiss Francs	+10%	(89)	+10%	(181)
Great Britain Pounds	+10%	(13)	+10%	(28)
		(19,114)		(17,988)

28. RISK MANAGEMENT (continued)

Credit risk

Credit risk is the risk that a counterparty will not meet its obligations under a financial instrument or customer contract, leading to a financial loss. The Group is exposed to credit risk from its operating activities (primarily for trade receivables) and from its financing activities, including deposits with banks and financial institutions, foreign exchange transactions and derivative financial instruments.

The maximum exposure to credit risk at the reporting date is as follows:

	2019 BD'000	2018 BD'000
Cash at bank	**81,244**	103,792
Trade receivables	**123,902**	99,794
Other receivables	**7,469**	9,504
	212,615	213,090

Bank balances and financial instruments

Credit risk from bank balances and derivative contracts is managed by the Group's treasury department in accordance with the Group's policy. The Group limits credit risk from bank balances and derivatives contracts by only dealing with reputable banks and brokers. Investments of surplus funds are made only with approved counterparties and within credit limits assigned to each counterparty.

Trade and other receivables

The Group manages credit risk with respect to receivables from customers by receiving payments in advance from customers, obtaining letters of credit and other forms of credit insurance, by monitoring the exposure to customers on an ongoing basis. An impairment analysis is performed at each reporting date using a provision matrix to measure expected credit losses on outstanding receivables balances net of advances.

2019	**Exposure BD '000**	**Weighted average loss rate**	**Loss allowance BD '000**
Current	100,640	0.06%	56
0 - 30 days	12,803	0.80%	102
31 - 360 days	1,487	5.78%	86
Over 360 days	20	100.00%	20
	114,950		**264**

2018	Exposure BD '000	Weighted average loss rate	Loss allowance BD '000
Current	76,799	0.05%	39
0 - 30 days	5,120	0.80%	41
31 - 360 days	1,031	20.85%	215
Over 360 days	2,906	100.00%	2,906
	85,856		3,201

28. RISK MANAGEMENT (continued)

Derivative contracts are entered into with approved counterparties and the Group is not subject to significant credit risk on these contracts.

Credit risk concentration
The Group sells its products to a large number of customers. Its five largest customers account for 38% of the outstanding trade receivables at 31 December 2019 (2018: 25%).

Liquidity risk
Liquidity risk, also referred to as funding risk, is the risk that an enterprise will encounter difficulty in raising funds to meet commitments associated with financial instruments. Liquidity risk may result from an inability to sell a financial asset quickly at or close to its fair value.

The Group limits its liquidity risk by ensuring bank facilities are available. The Company's terms of sale require amounts to be paid within 30 to 90 days of the date of sale. Trade payables are non-interest bearing and are normally settled within 45 days terms.

The table below summarises the maturities of the Group's undiscounted financial liabilities at 31 December, based on contractual payment dates and current market interest rates.

		Gross Contractual Cashflows				
31 December 2019	**Carrying values BD '000**	**Less than 3 months BD '000**	**3 to 12 months BD '000**	**1 to 5 years BD '000**	**Over 5 years BD '000**	**Total BD '000**
Loans and Borrowings (including interest payable)	**1,009,135**	**(12,610)**	**(86,169)**	**(448,964)**	**(535,759)**	**(1,083,502)**
Derivative financial instruments	**4,132**	**(1,134)**	**-**	**(2,998)**	**-**	**(4,132)**
Trade and other payables	**180,379**	**(180,379)**	**-**	**-**	**-**	**(180,379)**
Lease liabilities	**6,121**	**(380)**	**(904)**	**(2,675)**	**(3,965)**	**(7,924)**
Total	**1,199,767**	**(194,503)**	**(87,073)**	**(454,637)**	**(539,724)**	**(1,275,937)**

		Gross Contractual Cashflows				
31 December 2018	Carrying values BD '000	Less than 3 months BD '000	3 to 12 months BD '000	1 to 5 years BD '000	Over 5 years BD '000	Total BD '000
Loans and Borrowings (including interest payable)	870,652	(64,134)	(13,635)	(671,099)	(209,281)	(958,149)
Derivative financial instruments	858	(858)	-	-	-	(858)
Trade and other payables	176,443	(176,443)	-	-	-	(176,443)
Total	1,047,953	(241,435)	(13,635)	(671,099)	(209,281)	(1,135,450)

28. RISK MANAGEMENT (continued)

Capital management
The Company manages its capital structure and makes adjustments to it in light of changes in economic conditions. To maintain or adjust the capital structure, the Company may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. No changes were made in the objectives, policies or processes for managing capital during the years ended 31 December 2019 and 31 December 2018. The primary objective of the Company's capital management is to ensure that it maintains a healthy capital base in order to support its business and maximise shareholders' value.

The Company is not subject to externally imposed capital requirements, except those, related to maintenance of debt covenants including restriction on dividend declaration, imposed by the providers of debt finance with which the Group is compliant with as at 31 December 2019.

Capital comprises share capital, statutory reserve, capital reserve, retained earnings and proposed dividend less treasury shares, and is measured at BD 1,078,571 thousand as at 31 December 2019 (2018: BD 1,073,470 thousand).

Dividend per share to ordinary shareholders, is proposed by the Board of directors and approved by the Company's shareholders at the Annual General Meeting.

29. FAIR VALUES OF FINANCIAL INSTRUMENTS

Financial instruments comprise of financial assets, financial liabilities and derivative financial instruments.

Financial assets consist of bank balances and cash and trade and other receivables. Financial liabilities consist of loans and borrowings and trade and other payables. Derivative financial instruments consist of interest rate swaps and futures.

Set out below is an overview of financial instruments held by the Group as at 31 December 2019:

	Finance assets at at amortised cost		Financial assets at fair value through profit or loss	
	2019 BD '000	2018 BD '000	**2019 BD '000**	2018 BD '000
Financial assets				
Cash at bank	**81,244**	103,792	**-**	-
Trade and other receivables	**131,371**	109,298	**-**	-
Derivative financial instruments	**-**	-	**-**	2,196
	212,615	213,090	**-**	2,196

	Finance assets at at amortised cost		Financial assets at fair value through profit or loss	
	2019 BD '000	2018 BD '000	**2019 BD '000**	2018 BD '000
Financial liabilities				
Loans and Borrowings	**1,002,481**	860,381	**-**	-
Trade and other payables	**180,379**	176,443	**-**	-
Derivative financial instruments	**-**	-	**4,132**	858
	1,182,860	1,036,824	**4,132**	858

29. FAIR VALUES OF FINANCIAL INSTRUMENTS (continued)

The management assessed that bank balances and cash and short-term deposits, trade receivables, trade payables and other current liabilities approximate their carrying amounts largely due to the short term maturities of these instruments.

The fair values of the financial assets and liabilities are included at the amount at which the instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale.

The following methods and assumptions were used to estimate the fair values:

- Receivables/borrowings are evaluated by the Group based on parameters such as specific country risk factors, individual creditworthiness of the customer and the risk characteristics of the contract terms. Based on this evaluation, allowances are taken into account for the expected losses of these receivables. As at 31 December 2019, the carrying amounts of such receivables, net of allowances, were not materially different from their calculated fair values.

- 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.

Fair value hierarchy

As at 31 December 2019 and 31 December 2018, the Group's derivative financial instruments 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 years ended 31 December 2019 and 31 December 2018, 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 (2018: same).

The fair value of loans & borrowings approximate its carrying values as a significant portion of the liabilities are at variable interest rates which are repriced at short intervals.

The fair values of other financial instruments are not materially different from their carrying values as of the reporting date due to their short term nature.

30. ALBA SAVINGS BENEFIT SCHEME

The Group operates a compulsory savings benefit scheme for its Bahraini employees ('the Scheme').

The Scheme's assets, which are not incorporated in these consolidated financial statements, consist principally of deposits with banks, equity shares and bonds.

The Scheme is managed by a committee of employees called the Board of Representatives (the 'BoR') representing the Group and the employees. The BoR manages the risks relating to the Scheme's assets by approving the entities in which the Scheme can invest and by setting limits for investment in individual entities.

31. 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 year or total equity.

Alba Shareholder's Structure

Alba is listed on both the Bahrain Bourse and London Stock Exchange, and the Company's shareholders are Bahrain Mumtalakat Holding Company (69.38%), SABIC Industrial Investment Company (20.62%) and the General Public (10%).

Bahrain Mumtalakat Holding Company	SABIC Industrial Investment Company	General Public
69.38%	**20.62%**	**10%**

Investor Relations

In the Financial Year of 2019, Aluminium Bahrain B.S.C. (Alba) continued its focused-dialogue with institutional/retail investors as well as financial analysts. Investor Relations (IR) activities concentrated on individual one-on-one meetings during the Company's official Non-Deal Roadshows (NDR) in London and Dubai (Half-Year 2019 and Full-Year 2019) as well as One-on-One Conference in Dubai. The annual and quarterly earnings were presented to the public via conference calls.

The IR team provides shareholders, investors and financial analysts (buy-side and sell-side) with a direct point of contact on +973 17835100 or via email (IR@alba.com.bh) for any questions related to Alba and/or its share (ALBH).

- For information on Alba's Footprint, please go to the clientele section in 2019 AR
- For information on Alba's Line 6 Expansion Project, please go to the Line 6 section in 2019 AR
- For more information on Alba's Audited Financials, please go to the last section in 2019 AR

Aluminium
for the world

CEO 2020 Expectations

المجلس السنوي للرئيس التنفيذي

CEO Annual Majlis 2020

. Safety Globe
. Beyond Line 6
. Legacy of Titan

Aluminium Bahrain B.S.C. (Alba)
P.O. Box 570
Kingdom of Bahrain

Telephone: **+973 1783 0000**
Fax: **+973 1783 0083**

www.albasmelter.com