

**Aluminium Bahrain B.S.C.**  
**INTERIM CONDENSED CONSOLIDATED**  
**FINANCIAL STATEMENTS**  
**31 MARCH 2017 (REVIEWED)**



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

### ***Introduction***

We have reviewed the accompanying interim consolidated statement of financial position of Aluminium Bahrain B.S.C. ('the Company') and its subsidiary (together "the Group") as at 31 March 2017, and the related interim consolidated statements of comprehensive income, changes in equity and cash flows for the three-month period then ended and explanatory notes. The Company's Board of Directors is responsible for the preparation and presentation of these interim condensed consolidated financial statements in accordance with International Accounting Standard 34 ("IAS 34") "Interim Financial Reporting". Our responsibility is to express a conclusion on these interim condensed consolidated financial statements based on our review.

### ***Scope of review***

We conducted our review in accordance with the International Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity". A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing. Consequently, it does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

### ***Conclusion***

Based on our review, nothing has come to our attention that causes us to believe that the accompanying interim condensed consolidated financial statements are not prepared, in all material respects, in accordance with IAS 34.

23 April 2017  
Manama, Kingdom of Bahrain

Aluminium Bahrain B.S.C.

**INTERIM CONSOLIDATED STATEMENT OF FINANCIAL POSITION**

At 31 March 2017

	<b>31 March 2017 Reviewed BD '000</b>	<b>31 December 2016 Audited BD '000</b>
<b>ASSETS</b>		
<b>Non-current assets</b>		
Property, plant and equipment	904,977	847,500
Other asset	4,272	4,320
Deferred tax asset	10	10
	<b>909,259</b>	<b>851,830</b>
<b>Current assets</b>		
Inventories	170,480	163,422
Trade and other receivables	127,979	92,065
Bank balances and cash	89,885	66,413
	<b>388,344</b>	<b>321,900</b>
<b>TOTAL ASSETS</b>	<b>1,297,603</b>	<b>1,173,730</b>
<b>EQUITY AND LIABILITIES</b>		
<b>Equity</b>		
Share capital	142,000	142,000
Treasury shares	(1,305)	(4,965)
Statutory reserve	71,000	71,000
Capital reserve	249	249
Retained earnings	774,704	779,813
<b>Total equity</b>	<b>986,648</b>	<b>988,097</b>
<b>Non-current liabilities</b>		
Borrowings	116,165	6,489
Employees' end of service benefits	1,693	1,554
Derivative financial instruments	231	-
	<b>118,089</b>	<b>8,043</b>
<b>Current liabilities</b>		
Borrowings	35,338	45,235
Trade and other payables	157,488	132,355
Derivative financial instruments	40	-
	<b>192,866</b>	<b>177,590</b>
<b>Total liabilities</b>	<b>310,955</b>	<b>185,633</b>
<b>TOTAL EQUITY AND LIABILITIES</b>	<b>1,297,603</b>	<b>1,173,730</b>

  
Daij Bin Salman Bin Daij Al Khalifa  
Chairman

  
Tim Murray  
Chief Executive Officer

  
Yousif Taqi  
Director

The attached notes 1 to 9 form part of these interim condensed consolidated financial statements.



Aluminium Bahrain B.S.C.

**INTERIM CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME**

For the three months ended 31 March 2017 (Reviewed)

	Note	Three months ended	
		31 March	31 March
		2017	2016
		BD '000	BD '000
Sales revenue	5	190,415	156,454
Cost of sales		(154,064)	(143,183)
<b>GROSS PROFIT</b>		<b>36,351</b>	<b>13,271</b>
Other income		733	653
Gain on foreign exchange		86	475
Selling and distribution expenses		(4,227)	(3,022)
General and administrative expenses		(6,487)	(6,500)
Finance costs		(577)	(649)
Changes in fair value of derivative financial instruments		(271)	-
<b>PROFIT FOR THE PERIOD BEFORE TAX</b>		<b>25,608</b>	<b>4,228</b>
Tax		(7)	-
<b>PROFIT AND TOTAL COMPREHENSIVE INCOME FOR THE PERIOD</b>		<b>25,601</b>	<b>4,228</b>
Basic and diluted earnings per share (fils)	3	18	3



Daij Bin Salman Bin Daij Al Khalifa  
Chairman



Tim Murray  
Chief Executive Officer



Yousif Taqi  
Director

The attached notes 1 to 9 form part of these interim condensed consolidated financial statements.



**Aluminium Bahrain B.S.C.**

**INTERIM CONSOLIDATED STATEMENT OF CHANGES IN EQUITY**

For the three months ended 31 March 2017 (Reviewed)

	Share capital BD '000	Treasury shares BD '000	Statutory reserve BD '000	Capital reserve BD '000	Retained earnings BD '000	Proposed dividend BD '000	Total BD '000
Balance at 1 January 2017	142,000	(4,965)	71,000	249	779,813	-	988,097
Total comprehensive income for the period	-	-	-	-	25,601	-	25,601
Net movement in treasury shares	-	3,660	-	-	-	-	3,660
Loss on resale of treasury shares	-	-	-	-	(1,110)	-	(1,110)
Dividend (note 7)	-	-	-	-	(29,600)	-	(29,600)
<b>Balance at 31 March 2017</b>	<b>142,000</b>	<b>(1,305)</b>	<b>71,000</b>	<b>249</b>	<b>774,704</b>	<b>-</b>	<b>986,648</b>

	Share capital BD '000	Treasury shares BD '000	Statutory reserve BD '000	Capital reserve BD '000	Retained earnings BD '000	Proposed dividend BD '000	Total BD '000
Balance at 1 January 2016	142,000	(4,905)	71,000	249	731,698	7,768	947,810
Total comprehensive income for the period	-	-	-	-	4,228	-	4,228
Net movement in treasury shares	-	(51)	-	-	-	-	(51)
Loss on resale of treasury shares	-	-	-	-	(65)	-	(65)
<b>Balance at 31 March 2016</b>	<b>142,000</b>	<b>(4,956)</b>	<b>71,000</b>	<b>249</b>	<b>735,861</b>	<b>7,768</b>	<b>951,922</b>

The attached notes 1 to 9 form part of these interim condensed consolidated financial statements.

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## Aluminium Bahrain B.S.C.

### INTERIM CONSOLIDATED STATEMENT OF CASH FLOWS

For the three months ended 31 March 2017 (Reviewed)

	<i>Three months ended</i>	
	<b>31 March 2017 BD '000</b>	<b>31 March 2016 BD '000</b>
<b>OPERATING ACTIVITIES</b>		
Profit for the period before tax	25,608	4,228
Adjustments for:		
Depreciation	16,700	17,897
Amortisation of other asset	48	48
Provision for employees' end of service benefits	338	466
Reversal of provision for slow moving inventories	(19)	(4)
Reversal of provision for impairment of trade receivables - net	(4)	(20)
Loss on disposal of property, plant and equipment	25	62
Changes in fair value of derivative financial instruments	271	-
Interest income	(31)	(4)
Finance costs	654	613
	<b>43,590</b>	<b>23,286</b>
Working capital changes:		
Inventories	(7,039)	12,339
Trade and other receivables	(35,910)	10,331
Trade and other payables	(4,291)	(35,053)
Cash (used in) from operations	<b>(3,650)</b>	<b>10,903</b>
Employees' end of service benefits paid	(199)	(334)
Tax paid	(7)	-
Net cash flows (used in) from operating activities	<b>(3,856)</b>	<b>10,589</b>
<b>INVESTING ACTIVITIES</b>		
Purchase of property, plant and equipment	(74,213)	(7,522)
Proceeds from disposal of property, plant and equipment	11	101
Interest income received	31	4
Net cash flows used in investing activities	<b>(74,171)</b>	<b>(7,417)</b>
<b>FINANCING ACTIVITIES</b>		
Borrowings availed	154,160	33,840
Borrowings repaid	(54,381)	(37,832)
Finance costs paid	(830)	(706)
Purchase of treasury shares	(601)	(217)
Proceeds from resale of treasury shares	3,151	101
Net cash flows from (used in) financing activities	<b>101,499</b>	<b>(4,814)</b>
<b>INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>	<b>23,472</b>	<b>(1,662)</b>
Cash and cash equivalents at 1 January	66,413	116,009
<b>CASH AND CASH EQUIVALENTS AT 31 MARCH</b>	<b>89,885</b>	<b>114,347</b>

#### Non-cash item

Movements in unpaid finance costs of BD 176 thousand (2016: BD 93 thousand) have been excluded from the movement of trade and other payables.

The attached notes 1 to 9 form part of these interim condensed consolidated financial statements.

# Aluminium Bahrain B.S.C.

## NOTES TO THE INTERIM CONDENSED CONSOLIDATED

### FINANCIAL STATEMENTS

31 March 2017 (Reviewed)

#### 1 ACTIVITIES

Aluminium Bahrain B.S.C. ("the Company") was incorporated as a Bahrain Joint Stock Company (closed) in the Kingdom of Bahrain and registered with the Ministry of Industry, Commerce and Tourism under commercial registration (CR) number 999.

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

The majority shareholder of the Company is Bahrain Mumtalakat Holding Company B.S.C. (c) (Mumtalakat), a company wholly owned by the Government of the Kingdom of Bahrain through the Ministry of Finance, which holds 69.38% of the Company's share capital.

The Company is engaged in manufacturing aluminium and aluminium related products. The Company owns and operates a primary aluminium smelter and the related infrastructure in the Kingdom of Bahrain. The Company also has representative sales branch offices in Zurich, Switzerland and Hong Kong and a subsidiary incorporated in the United States of America.

The Group comprises of the Company and the following subsidiary:

<i>Name</i>	<i>Effective ownership</i>		<i>Country of incorporation</i>	<i>Principal activity</i>
	<i>2017</i>	<i>2016</i>		
Aluminium Bahrain US, Inc.	100%	100%	United States of America (USA)	Selling and distribution of aluminium throughout USA

The interim condensed consolidated financial statements were authorised for issue by the Board of Directors on 23 April 2017.

#### 2 SIGNIFICANT ACCOUNTING POLICIES

##### **Basis of preparation**

The interim condensed consolidated financial statements of the Group for the three month period ended 31 March 2017 have been prepared in accordance with International Accounting Standard 34 ("IAS 34"), "Interim Financial Reporting".

The interim condensed consolidated financial statements do not contain all the information and disclosures required in the annual consolidated financial statements, and should be read in conjunction with the Group's annual consolidated financial statements as at 31 December 2016. In addition, the results for the three month period ended 31 March 2017 are not necessarily indicative of the results that may be expected for the financial year ending 31 December 2017.

##### **New and amended standards and interpretations**

The accounting policies used in the preparation of the interim condensed consolidated financial statements are consistent with those used in the preparation of the annual consolidated financial statements for the year ended 31 December 2016 except for the adoption of new standards and interpretations effective as of 1 January 2017. The Group has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective.

The nature and the effect of these changes are disclosed below. Although these new standards and amendments apply for the first time in 2017, they do not have a material impact on the annual consolidated financial statements of the Group or the interim condensed consolidated financial statements of the Group. The nature and the impact of each new standard or amendment is described below:

**Aluminium Bahrain B.S.C.**  
**NOTES TO THE INTERIM CONDENSED CONSOLIDATED**  
**FINANCIAL STATEMENTS**

31 March 2017 (Reviewed)

**2 SIGNIFICANT ACCOUNTING POLICIES (continued)**

**New and amended standards and interpretations (continued)**

*IAS 7 Statement of Cash Flows (Amendments)*

The amendments require an entity to provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both changes arising from cash flows and non-cash changes (effective for annual periods beginning on or after 1 January 2017). Earlier application is permitted.

*IAS 12 Income Taxes (Amendments)*

The amendments, Recognition of Deferred Tax Assets for Unrealised Losses (Amendments to IAS 12), clarify how to account for deferred tax assets related to debt instruments measured at fair value (effective for annual periods beginning on or after 1 January 2017). Earlier application is permitted.

**3 EARNINGS PER SHARE**

	<i>Three months ended</i>	
	<i>31 March</i>	
	<i>2017</i>	<i>2016</i>
Profit for the period - BD '000	<u>25,601</u>	<u>4,228</u>
Weighted average number of shares outstanding - thousands of shares	<u>1,410,389</u>	<u>1,410,247</u>
Basic and diluted earnings per share – fils	<u>18</u>	<u>3</u>

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

**4 FINANCIAL INSTRUMENTS**

**Fair values**

Financial Instruments comprise of financial assets, financial liabilities and derivative financial instruments. Financial assets consist of bank balances, cash and trade and other receivables. Financial liabilities consist of borrowings and trade and other payables. Derivative financial instruments consist of interest rate swaps and commodity futures.

The Group assessed that the fair values of cash and bank balances, trade receivables, other receivables, trade payables, other current liabilities and borrowings approximate their carrying amounts, largely due to the short term maturities of these financial instruments. The Group also assessed that the fair value of the non-current portion of borrowings approximate their carrying amounts.

Set out below is an overview of financial instruments, other than bank balances, held by the Company as at 31 March 2017 and 31 December 2016:

	<i>Loans and</i>	
	<i>receivables</i>	
	<i>31 March</i>	<i>31 December</i>
	<i>2017</i>	<i>2016</i>
	<i>BD '000</i>	<i>BD '000</i>
<b>Financial assets</b>		
Trade and other receivables	<u>122,258</u>	<u>89,428</u>



Aluminium Bahrain B.S.C.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED  
FINANCIAL STATEMENTS

31 March 2017 (Reviewed)

4 FINANCIAL INSTRUMENTS (continued)

	<i>Financial liabilities at amortised cost</i>		<i>Derivative financial instruments</i>	
	<i>31 March 2017 BD '000</i>	<i>31 December 2016 BD '000</i>	<i>31 March 2017 BD '000</i>	<i>31 December 2016 BD '000</i>
<b>Financial liabilities</b>				
Borrowings	151,503	51,724	-	-
Trade and other payables	97,789	92,331	-	-
Derivative financial instruments	-	-	271	-
	<b>249,292</b>	<b>144,055</b>	<b>271</b>	<b>-</b>

**Fair value hierarchy**

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

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

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

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

As at 31 March 2017, the Group's derivative financial instruments and borrowings are measured at fair value. These are Level 2 as per the hierarchy above for the three months ended 31 March 2017. The Company does not have financial instruments qualifying for Level 1 or Level 3 classification.

During the three month period ended 31 March 2017, there were no transfers between Level 1 and Level 2 fair value measurements, and no transfers into or out of Level 3 fair value measurements (31 December 2016: same).

5 OPERATING SEGMENT INFORMATION

For management purposes, the Group has a single operating segment which is the ownership and operation of a primary aluminium smelter and related infrastructure. Hence no separate disclosure of profit or loss, assets and liabilities is provided as this disclosure will be identical to the interim consolidated statement of financial position and interim consolidated statement of comprehensive income of the Group.

a) **Product**

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

	<i>Three months ended 31 March</i>	
	<i>2017 BD '000</i>	<i>2016 BD '000</i>
Aluminium	177,959	147,530
Alumina	8,595	6,824
Calcined coke	3,861	2,100
	<b>190,415</b>	<b>156,454</b>

## Aluminium Bahrain B.S.C.

### NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

31 March 2017 (Reviewed)

#### 5 OPERATING SEGMENT INFORMATION (continued)

##### b) Geographic Information

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

	Three months ended	
	31 March	
	2017	2016
	BD '000	BD '000
Kingdom of Bahrain	77,685	64,003
Europe	37,264	23,723
Rest of the Middle East and North Africa	31,738	20,443
Asia	22,992	27,323
Americas	20,736	20,962
<b>Total sales revenue</b>	<b>190,415</b>	<b>156,454</b>

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

##### c) Customers

Revenue from sale of metal to the two major customers of the Group amounted to BD 63,951 thousand (31 March 2016: BD 51,506 thousand), each being more than 10% of the total sales revenue for the period.

#### 6 COMMITMENTS

As of 31 March 2017, the Group had commitments amounting to BD 335,654 thousand relating to the capital expenditure contracted for at the reporting date (31 December 2016: BD 190,505 thousand).

#### 7 DIVIDEND

At the Annual General Meeting held on 21 March 2017, the Company's shareholders approved the Board of Directors' proposal to pay a dividend of BD 0.021 per share (excluding treasury shares) totalling BD 29,600 thousand relating to 2016, which was paid subsequent to the period end.

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

#### 8 RELATED PARTY TRANSACTIONS

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

In the ordinary course of business, the Group purchases supplies and services from parties related to the Government of the Kingdom of Bahrain, principally natural gas and public utility services. A royalty, based on production, is also paid to the Government of the Kingdom of Bahrain.

Aluminium Bahrain B.S.C.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED  
FINANCIAL STATEMENTS

31 March 2017 (Reviewed)

**8 RELATED PARTY TRANSACTIONS (continued)**

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

	<i>Three months ended</i>	
	<i>31 March</i>	
	<i>2017</i>	<i>2016</i>
	<i>BD '000</i>	<i>BD '000</i>
<b>Other related parties</b>		
<b>Revenue and other income</b>		
Sale of metal	23,760	15,449
Sale of water	273	374
Interest on long term receivable	-	16
	<b>24,033</b>	<b>15,839</b>
<b>Cost of sales and expenses</b>		
Purchase of natural gas and diesel	31,270	28,238
Purchase of electricity	2,302	956
Royalty	1,031	976
	<b>34,603</b>	<b>30,170</b>

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

	<i>31 March</i>	<i>31 December</i>
	<i>2017</i>	<i>2016</i>
	<i>Reviewed</i>	<i>Audited</i>
	<i>BD '000</i>	<i>BD '000</i>
<b>Other related parties</b>		
<b>Assets</b>		
Trade receivables	17,343	8,940
Bank balances	6,560	2,650
	<b>23,903</b>	<b>11,590</b>
<b>Liabilities</b>		
Trade payables	21,380	27,536
Borrowings	7,520	-
Other payables	212	161
	<b>29,112</b>	<b>27,697</b>

Outstanding balances at the end of the period arise in the normal course of business. For the three-month period ended 31 March 2017, the Group has not recorded any impairment on amounts due from related parties (31 December 2016: nil).

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**Aluminium Bahrain B.S.C.**

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

31 March 2017 (Reviewed)

**8 RELATED PARTY TRANSACTIONS (continued)**

**Compensation of key management personnel**

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

	<i>Three months ended</i>	
	<i>31 March</i>	
	<b>2017</b>	<b>2016</b>
	<b>BD '000</b>	<b>BD '000</b>
Short term benefits	333	272
End of service benefits	13	10
Contributions to Alba Savings Benefit Scheme	18	23
	<b>364</b>	<b>305</b>

**9 SUBSEQUENT EVENT**

On 5 April 2017, a power outage in the Company's power station temporarily disrupted the production. The Company subsequently restored all the power operations and the Group's management is currently assessing the financial impact for the insurance claim.