Aluminium Bahrain B.S.C.

CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

30 JUNE 2020 (REVIEWED)

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Independent auditors' report on review of condensed consolidated interim financial information

The Board of Directors
Aluminium Bahrain B.S.C.
Kingdom of Bahrain

26 July 2020

Introduction

We have reviewed the accompanying 30 June 2020 condensed consolidated interim financial information of Aluminium Bahrain B.S.C. ("the Company") and its subsidiaries (together "the Group"), which comprises:

- the condensed consolidated interim statement of financial position as at 30 June 2020;
- the condensed consolidated interim statements of profit or loss for the three-month and six-month periods ended 30 June 2020;
- the condensed consolidated interim statements of comprehensive income for the three-month and six-month periods ended 30 June 2020;
- the condensed consolidated interim statements of changes in equity for the six-month period ended 30 June 2020;
- the condensed consolidated interim statements of cash flows for the six-month period ended 30 June 2020; and
- notes to the condensed consolidated interim financial information.

The Board of Directors of the Company is responsible for the preparation and presentation of this condensed consolidated interim financial information in accordance with IAS 34, 'Interim Financial Reporting'. Our responsibility is to express a conclusion on this condensed consolidated interim financial information based on our review.

Scope of Review

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

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying 30 June 2020 condensed consolidated interim financial information is not prepared, in all material respects, in accordance with IAS 34, 'Interim Financial Reporting'.

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Aluminium Bahrain B.S.C.

CONDENSED CONSOLIDATED INTERIM STATEMENT OF FINANCIAL POSITION

At 30 June 2020 (Reviewed)

	30 June 2020 Reviewed BD '000	*31 December 2019 Audited BD '000*
ASSETS		
Non-current assets		
Property, plant and equipment	**1,959,681**	1,962,150
Deferred tax assets	**162**	162
	1,959,843	1,962,312
Current assets		
Inventories	**229,368**	221,155
Trade and other receivables	**126,344**	155,455
Bank balances and cash	**65,157**	81,329
	420,869	457,939
TOTAL ASSETS	**2,380,712**	2,420,251
EQUITY AND LIABILITIES		
Equity		
Share capital	**142,000**	142,000
Treasury shares	**(4,014)**	(3,994)
Statutory reserve	**71,000**	71,000
Capital reserve	**249**	249
Cash flow hedge reserve (note 4)	**(9,178)**	-
Retained earnings	**857,067**	869,316
Total equity	**1,057,124**	1,078,571
Non-current liabilities		
Loans and borrowings	**818,023**	850,537
Lease liabilities	**7,033**	5,160
Employees' end of service benefits	**1,435**	1,627
Other payables	**12,232**	24,466
Derivative financial instruments	**7,741**	2,998
	846,464	884,788
Current liabilities		
Loans and borrowings	**217,024**	151,944
Lease liabilities	**35**	961
Trade and other payables	**258,606**	302,853
Derivative financial instruments	**1,459**	1,134
	477,124	456,892
Total liabilities	**1,323,588**	1,341,680
TOTAL EQUITY AND LIABILITIES	**2,380,712**	2,420,251

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

The attached notes 1 to 11 form part of this condensed consolidated interim financial information.

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Aluminium Bahrain B.S.C.

CONDENSED CONSOLIDATED INTERIM STATEMENT OF PROFIT OR LOSS

For the six months ended 30 June 2020 (Reviewed)

		Three months ended		*Six months ended*	
		30 June 2020	*30 June 2019*	***30 June 2020***	*30 June 2019*
	Note	***BD '000***	*BD '000*	***BD '000***	*BD '000*
Revenue from contracts with customers	6	**244,043**	245,070	**519,974**	448,584
Cost of sales	7	**(222,394)**	(229,672)	**(464,773)**	(432,336)
GROSS PROFIT		**21,649**	15,398	**55,201**	16,248
Other (expenses) / income		**(313)**	(471)	**1,048**	548
(Loss) / gain on foreign exchange		**(5,780)**	2,272	**(652)**	3,517
Selling and distribution expenses		**(6,795)**	(7,200)	**(14,243)**	(15,031)
General and administrative expenses (note 2b)		**(14,571)**	(8,234)	**(25,544)**	(16,841)
Impairment loss on trade and other receivables		**(2,143)**	-	**(2,810)**	-
Finance costs		**(8,778)**	(728)	**(21,023)**	(1,804)
Changes in fair value of derivative financial instruments		**60**	(4,148)	**(2,893)**	(5,899)
LOSS FOR THE PERIOD BEFORE TAX		**(16,671)**	(3,111)	**(10,916)**	(19,262)
Tax		**282**	(223)	**279**	119
LOSS FOR THE PERIOD		**(16,389)**	(3,334)	**(10,637)**	(19,143)
Basic and diluted loss per share (fils)	3	**(12)**	(2)	**(8)**	(14)

Daij Bin Salman Bin Daij Al Khalifa
Chairman

Yousif Taqi
Director

Ali Al Baqali
Chief Executive Officer

The attached notes 1 to 11 form part of this condensed consolidated interim financial information.

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Aluminium Bahrain B.S.C.

CONDENSED CONSOLIDATED INTERIM STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 June 2020 (Reviewed)

	Note	*Three months ended*		*Six months ended*	
		30 June 2020 BD '000	*30 June 2019 BD '000*	***30 June 2020 BD '000***	*30 June 2019 BD '000*
LOSS FOR THE PERIOD		**(16,389)**	(3,334)	**(10,637)**	(19,143)
Other comprehensive income / (loss)					
Items that are or may be reclassified to profit or loss					
Effective portion of changes in fair value of cash flow hedge	4	**(1,820)**	-	**(9,178)**	-
TOTAL COMPREHENSIVE LOSS FOR THE PERIOD		**(18,209)**	(3,334)	**(19,815)**	(19,143)

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

The attached notes 1 to 11 form part of this condensed consolidated interim financial information.

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Aluminium Bahrain B.S.C.

CONDENSED CONSOLIDATED INTERIM STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2020 (Reviewed)

	Share capital BD '000	*Treasury shares BD '000*	*Statutory reserve BD '000*	*Capital reserve BD '000*	*Cash flow hedge reserve BD '000*	*Retained earnings BD '000*	*Total BD '000*
Balance at 1 January 2020	142,000	(3,994)	71,000	249	-	869,316	1,078,571
Loss for the period	-	-	-	-	-	(10,637)	(10,637)
Other comprehensive income / (loss):							
Effective portion of changes in fair value of cash flow hedge	-	-	-	-	(9,178)	-	(9,178)
Total comprehensive loss for the period	-	-	-	-	(9,178)	(10,637)	(19,815)
Net movement in treasury shares	-	(20)	-	-	-	(296)	(316)
Final dividend for 2019 paid (note 9)	-	-	-	-	-	(1,316)	(1,316)
Balance at 30 June 2020	**142,000**	**(4,014)**	**71,000**	**249**	**(9,178)**	**857,067**	**1,057,124**

	Share capital BD '000	*Treasury shares BD '000*	*Statutory reserve BD '000*	*Capital reserve BD '000*	*Cash flow hedge reserve BD '000*	*Retained earnings BD '000*	*Total BD '000*
Balance at 1 January 2019	142,000	(4,800)	71,000	249	-	865,021	1,073,470
Total comprehensive loss for the period	-	-	-	-	-	(19,143)	(19,143)
Net movement in treasury shares	-	228	-	-	-	(431)	(203)
Balance at 30 June 2019	142,000	(4,572)	71,000	249	-	845,447	1,054,124

The attached notes 1 to 11 form part of this condensed consolidated interim financial information.

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Aluminium Bahrain B.S.C.

CONDENSED CONSOLIDATED INTERIM STATEMENT OF CASH FLOWS

For the six months ended 30 June 2020 (Reviewed)

		Six months ended	
		30 June 2020	*30 June 2019*
	Note	***BD '000***	*BD '000*
CASH FLOWS FROM OPERATING ACTIVITIES			
Loss for the period before tax		**(10,916)**	(19,262)
Adjustments for:			
Depreciation and amortisation		**59,474**	33,986
Provision for employees' end of service benefits		**766**	892
Provision for slow moving inventories		**237**	40
Provision for impairment of trade receivables - *net*		**2,810**	-
Loss on disposal of property, plant and equipment		**186**	1,303
Changes in fair value of derivative financial instruments		**2,893**	5,899
Interest income		**(432)**	(505)
Forex loss/(gain) on revaluation of borrowings		**1,007**	(3,517)
Finance costs		**21,023**	1,804
Operating profit before working capital changes		**77,048**	20,640
Working capital changes:			
Inventories		**(8,450)**	(1,140)
Trade and other receivables		**26,301**	(15,273)
Trade and other payables		**(55,364)**	28,399
Cash generated from operations		**39,535**	32,626
Employees' end of service benefits paid		**(958)**	(753)
Tax benefit		**279**	119
Net cash flows generated from operating activities		**38,856**	31,992
CASH FLOWS FROM INVESTING ACTIVITIES			
Acquisition of property, plant and equipment		**(55,777)**	(181,098)
Proceeds from disposal of property, plant and equipment		**28**	48
Interest received		**432**	505
Net cash flows used in investing activities		**(55,317)**	(180,545)
CASH FLOWS FROM FINANCING ACTIVITIES			
Loans and borrowings availed		**392,337**	641,033
Loans and borrowings paid		**(363,026)**	(489,762)
Interest on loans, borrowings and leases paid		**(19,892)**	(15,004)
Leases liabilities paid		**(495)**	-
Dividends paid	9	**(1,316)**	-
Settlement of derivative		**(7,003)**	-
Purchase of treasury shares		**(2,116)**	(1,095)
Proceeds from resale of treasury shares		**1,800**	892
Net cash flows generated from financing activities		**289**	136,064
NET DECREASE IN CASH AND CASH EQUIVALENTS		**(16,172)**	(12,489)
Cash and cash equivalents at 1 January		**81,329**	103,684
CASH AND CASH EQUIVALENTS AT 30 JUNE		**65,157**	91,195

The attached notes 1 to 11 form part of this condensed consolidated interim financial information

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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), the Company became a Bahrain Public Joint Stock Company effective 23 November 2010 and its shares are listed on Bahrain Bourse and Global Depositary Receipts are listed on the London Stock Exchange. 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 the manufacture and sale of aluminium and aluminium related products. The Company owns and operates a primary aluminium smelter and the related infrastructure in the Kingdom of Bahrain.

The Group comprises of the Company and the following subsidiaries:

Name	*Effective ownership*		*Country of incorporation*	*Principal activity*
	2020	*2019*		
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%**	100%	Guernsey	Captive insurance entity to insure risks of the Group

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

The condensed consolidated interim financial information was authorised for issue in accordance with a resolution of the Directors on 26 July 2020.

2 SIGNIFICANT ACCOUNTING POLICIES

a) Basis of accounting

The condensed consolidated interim financial information of the Group for the three-month and six-month periods ended 30 June 2020 has been prepared in accordance with International Accounting Standard 34 ("IAS 34"), "Interim Financial Reporting".

The condensed consolidated interim financial information does not contain all the information and disclosures required in the annual consolidated financial statements, and should be read in conjunction with the Group's annual consolidated financial statements as at 31 December 2019. In addition, the results for the three-month and six-month periods ended 30 June 2020 are not necessarily indicative of the results that may be expected for the financial year ending 31 December 2020.

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

b) Impact of COVID-19

On 11 March 2020, the COVID 19 outbreak was declared a pandemic by the World Health Organization (WHO) and has rapidly evolved globally. This has resulted in a global economic slowdown with uncertainties in the economic environment. Global equity and commodity markets have also experienced great volatility and a significant drop in prices. Authorities have taken various measures to contain the spread including implementation of travel restrictions and quarantine measures. The pandemic as well as the resulting measures and policies have had some impact on the Group. The Group is actively monitoring the COVID 19 situation, and in response to this outbreak, has activated its business continuity plan and various other risk management practices to manage the potential business disruption on its operations and financial performance. The Group has also made the one-off donation of BD 3,500 thousand to the Government of Kingdom of Bahrain to support COVID-19 related preparations.

The Group's products are priced by reference to London Metal Exchange (LME) cash settlement prices for aluminium, which has exhibited a sharp fall during the reporting period. The management expects that the forecasted revenue and net profit for the year 2020 will be affected by this.

Governments and central banks across the world have responded with monetary and fiscal interventions to stabilize economic conditions. The Government of Kingdom of Bahrain has announced various economic stimulus programmes ("Packages") to support businesses in these challenging times. During the period, the Group has received certain benefits from these Packages mainly in the form of partial waiver of Electricity and Water Authority utility bills, reimbursement of salaries of national employees from the Unemployment Fund and exemption of government-owned industrial land rental fees for three months from April 2020 to June 2020. These Packages have been included under cost of sales (note 7).

The management and the Board of Directors (BOD) has been closely monitoring the potential impact of the COVID 19 developments on the Group's operations and financial position; including possible loss of revenue, impact on asset valuations, impairment, review of onerous contracts and debt covenants, outsourcing arrangements etc. The Company has also put in place contingency measures, which include but are not limited to enhancing and testing of business continuity plans including its liquidity requirements. Based on their assessment, the BOD is of the view that the Company will continue as a going concern entity for the next 12 months from the date of this condensed consolidated interim financial information.

In preparing the condensed consolidated interim financial information, judgements made by management in applying the Group's accounting policies and sources of estimation are subject to uncertainty regarding the potential impacts of the current economic volatility and these are considered to represent management's best assessment based on available or observable information.

c) New and amended standards and interpretations

The accounting policies adopted in the preparation of the condensed consolidated interim financial information are consistent with those followed in the preparation of the Group's annual consolidated financial statements for the year ended 31 December 2019 except for the initial adoption of Interest Rate Benchmark Reform by the Group from 01 January 2020 as disclosed in note 2(d).

Following amendments to existing standards and framework are effective from 01 January 2020 but these do not have a material effect on the Group's condensed consolidated interim financial information:

Description	**Effective from**
Definition of Material - Amendments to IAS 1 and IAS 8	1 January 2020
Definition of Business - Amendments to IFRS 3	1 January 2020
Amendments to References to Conceptual Framework in IFRS Standards	1 January 2020

The Group has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective.

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2 SIGNIFICANT ACCOUNTING POLICIES (continued)

d) Change in accounting policy

The Group has initially adopted Interest Rate Benchmark Reform (Amendment to IFRS 9 and IFRS 7) from 01 January 2020. This change in accounting policy is also expected to be reflected in the Group's consolidated financial statements as at and for the year ending 31 December 2020.

The Group applied the interest rate benchmark reform amendments retrospectively to hedging relationships that existed at 01 January 2020 or were designated thereafter and that are directly affected by interest rate benchmark reform. These amendments also apply to the gain or loss recognised in OCI that existed at 01 January 2020.

A. Managing interest rate benchmark reform and any risks arising due to reform:

(i) Overview

A fundamental reform of major interest rate benchmarks is being undertaken globally, including the replacement of interbank offered rates (IBORs) with alternative nearly risk-free rates (referred to as 'IBOR reform'). The Group has exposures to IBORs on its financial instruments that will be replaced or reformed as part of these market-wide initiatives. There is uncertainty over the timing and the methods of transition across the jurisdictions that the Group operates in. The Group anticipates that IBOR reform will impact its risk management and hedge accounting.

(ii) Derivative

The Group holds interest rate swap for risk management purposes, which is designated in cash flow hedging relationships. The interest rate swap has floating leg that is indexed to dollar LIBOR. The Group's derivative instruments are governed by the International Swaps and Derivatives Association (ISDA)'s Master Agreement. ISDA is currently reviewing its standardised contracts in the light of IBOR reform. When ISDA has completed its review, the Group expects to negotiate the inclusion of new fallback clauses with its derivative counterparties. No derivative instruments have been modified as at 30 June 2020.

(iii) Hedge accounting

The Group evaluated the extent to which its cash flow hedging relationships are subject to uncertainty driven by IBOR reform as at 30 June 2020. The Group's hedged items and hedging instruments continue to be indexed to IBOR benchmark rate which is dollar LIBOR. IBOR benchmark rates are quoted each day and IBOR cash flows are exchanged with its counterparties as usual.

However, the Group's cash flow hedging relationships extend beyond the anticipated cessation date for dollar LIBOR. The Group expects that dollar LIBOR will be discontinued after the end of 2021. The alternative reference rate is Secured Overnight Financing Rate (SOFR). However, there is uncertainty as to when and how replacement may occur with respect to the relevant hedged item and hedging instrument. Such uncertainty may impact the hedging relationship e.g. its effectiveness assessment and highly probable assessment. The Group applies the amendments to IFRS 9 issued in September 2019 to those hedging relationships directly affected by IBOR reform.

Hedging relationships impacted by IBOR reform may experience ineffectiveness attributable to market participants' expectations of when the shift from the existing IBOR benchmark rate to an alternative benchmark interest rate will occur. This transition may occur at different times for the hedged item and hedging instrument, which may lead to hedge ineffectiveness. The Group has measured its hedging instrument indexed to dollar LIBOR using available quoted market rates for LIBOR-based instruments of the same tenor and similar maturity and has measured the cumulative change in present value of hedged cash flows on a similar basis.

The Group's exposure to dollar LIBOR designated in a hedging relationship is USD 727 million nominal amount at 30 June 2020 attributable to the interest rate swap hedging dollar LIBOR cash flows on the principal amount of USD 1,455 million of the Group's dollar-denominated secured bank loan liability maturing in 2027.

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

d) Change in accounting policy (continued)

The Group is actively engaging with lenders to include appropriate fallback provisions in its floating-rate liabilities with maturities after 2021. We expect that the hedging instrument will be modified as outlined under Derivatives above.

(B) Specific policies applicable from 01 January 2020 for hedges directly affected by IBOR reform:

For the purpose of evaluating whether there is an economic relationship between the hedged item and the hedging instrument, the Group assumes that the benchmark interest rate is not altered as a result of IBOR reform.

The Group will cease to apply the amendments to its assessment of the economic relationship between the hedged item and the hedging instrument when the uncertainty arising from IBOR reform is no longer present with respect to the timing and the amount of the interest rate benchmark-based cash flows of the hedged item or hedging instrument, or when the hedging relationship is discontinued.

e) Seasonability

The Group does not have significant income of seasonal nature.

f) Judgements and estimates

In preparing these condensed consolidated interim financial statements, management make judgements, estimates and assumptions that affect the application of accounting policies and reported amounts of assets and liabilities, income and expense. Actual results may differ from these estimates. The significant judgements made by the management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those applied to the consolidated financial statements as at and for the year ended 31 December 2019 except for impacts of Coronavirus (COVID 19) outbreak as explained in Note 2b) and changes in key assumption relating to impairment of property, plant and equipment as described below.

Following the general decline in LME prices due to disruptions of global markets due to COVID-19 and its impact on the Company's performance during the six months ended 30 June 2020, the Management assessed the recoverable amount of the property, plant and equipment considering the Company as a single cash generating unit (CGU). The recoverable amount of the CGU was determined to be higher than its carrying amount and no impairment loss was recognised as on 30 June 2020. The recoverable amount of the CGU was based on its value-in-use.

Consistent with its method of impairment assessment as of 31 December 2019, the Group estimated the value-in-use of its CGU by using a discounted cash flow method that considers a 5 year cash-flow projection and a terminal value beyond the forecast period. As compared to 31 December 2019, the weighed average cost of capital used in calculating the CGU's value-in-use as on 30 June 2020 increased from 8.2% to 9% to reflect the change in overall risk assessment as at the reporting date. Other key assumptions that impact the forecast include the future London Metal Exchange (LME) cash settlement prices for aluminium which were updated using the most recent forecasts from various market sources.

Sensitivity to changes in assumptions

With regard to the assessment of value in use, management believes that reasonably possible changes in the weighted average cost of capital would cause a material change to the recoverable amount. An increase in weighted average cost of capital by 30 basis point (with all other variables remain unchanged) throughout the forecast period could result in the recoverable amount of the CGU to be lower than its carrying value.

Similarly, an increase in alumina index by 0.3% (with all other variables remain unchanged) throughout the forecast period and a reduction in LME price by USD 17/MT (with all other variables remain unchanged) throughout the forecast period could result in the recoverable amount of the CGU to be lower than its carrying value.

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3 EARNINGS PER SHARE

	Three months ended 30 June (Reviewed)		*Six months ended 30 June (Reviewed)*	
	2020	*2019*	***2020***	*2019*
Loss for the period - BD '000	**(16,389)**	(3,334)	**(10,637)**	(19,143)
Weighted average number of shares outstanding - thousands of shares	**1,412,057**	1,412,806	**1,413,371**	1,412,731
Basic and diluted loss per share – fils	**(12)**	(2)	**(8)**	(14)

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

4 DERIVATIVE FINANCIAL INSTRUMENTS

The Group does not engage in proprietary trading activities in derivatives. However, the Group enters into derivative transactions under its risk management guidelines and holds derivative financial instruments, such as interest rate swaps and forward commodity contracts, to hedge its interest rate risks and commodity price risks, respectively.

Interest rate swaps
In March 2020, the Group has designated these derivatives as cash flow hedging instruments to hedge the variability in cash flows arising from changes in interest rates. These derivatives qualify for hedge accounting under IFRS 9 and consequently effective portion gains or losses resulting from the re-measurement of fair value of these derivatives are recognised in the condensed consolidated interim statement of comprehensive income as other comprehensive income / (loss).

Prior to March 2020 and in comparative period, fair value gains or losses relating to these derivatives were recognised in the condensed consolidated interim statement of profit or loss.

The Group entered into interest rate swap transactions for BD 282,000 thousand floating rate borrowings for financing the line 6 project to manage overall financing costs. These contracts expire on 29 October 2027. The notional amount outstanding as at 30 June 2020 was BD 273,540 thousand (31 December 2019: BD 282,000 thousand).

Commodity futures
These derivatives are initially measured at fair value and do not qualify for hedge accounting. Subsequent to initial recognition, these derivatives are measured at fair value, and the changes therein are recognised in condensed consolidated interim statement of profit or loss.

The Group entered into commodity futures contracts to reduce the price risk on behalf of its customers for 5,160 metric tonnes (31 December 2019: 480 metric tonnes).

5 FINANCIAL INSTRUMENTS

Fair values
The Group's derivative financial instruments are measured at fair value using Level 2 inputs. The Group enters into derivative financial instruments with various counterparties, principally financial institutions. Derivatives valued using valuation techniques with market observable inputs are mainly interest rate swaps and commodity forward contracts. The most frequently applied valuation techniques include forward pricing and swap models, using present value calculations. The models incorporate various inputs including the credit quality of counterparties and forward rates, interest rate curves and forward rate curves of the underlying commodity. All derivative contracts are fully cash collateralised, thereby eliminating both counterparty and the Group's own non-performance risk.

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5 FINANCIAL INSTRUMENTS (continued)

The fair values of other financial instruments are not materially different from their carrying values as of the reporting date largely due to the short term maturities and floating rate of borrowings which are similar to observed market rate of the group's liabilities.

The Group does not have financial instruments qualifying for Level 1 or Level 3 classification. During the six month period ended 30 June 2020, 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 2019: none).

6 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 condensed consolidated interim statement of financial position and condensed consolidated interim statement of comprehensive income of the Group.

a) Product

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

	Three months ended 30 June (Reviewed)		*Six months ended 30 June (Reviewed)*	
	2020	*2019*	**2020**	*2019*
	BD '000	*BD '000*	**BD '000**	*BD '000*
Sale of aluminium	**244,043**	245,022	**515,235**	448,152
Sale of alumina	**-**	48	**3,273**	432
Sale of calcined coke	**-**	-	**1,466**	-
Total revenue from contracts with customers	**244,043**	245,070	**519,974**	448,584

b) Geographic information

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

	Three months ended 30 June (Reviewed)		*Six months ended 30 June (Reviewed)*	
	2020	*2019*	**2020**	*2019*
	BD '000	*BD '000*	**BD '000**	*BD '000*
Kingdom of Bahrain	**43,397**	61,567	**99,162**	120,884
Europe	**57,847**	54,490	**128,413**	95,613
Rest of the Middle East and North Africa	**27,582**	43,844	**75,277**	77,897
Asia	**96,735**	46,548	**170,086**	80,530
Americas	**18,482**	38,621	**47,036**	73,660
Total revenue from contracts with customers	**244,043**	245,070	**519,974**	448,584

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

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6 OPERATING SEGMENT INFORMATION (continued)

c) Customers

Revenue from sale of aluminium to the three major customers of the Group amounted to BD 284,326 thousand with all three customers accounting for more than 10% of total revenue from contracts with customers for the six months period ended 30 June 2020 (30 June 2019: three major customers of the Group amounted to BD 149,128 thousand with one of the customers accounting for more than 10% of total revenue from contracts with customers for the six months period).

7 Cost of sales

It also includes COVID-19 related government grants / assistance of BHD 12.74 million received from the Government of Kingdom of Bahrain, for the reimbursement of salaries of the national employees, partial waiver of Electricity and Water Authority utility bills and exemption of government-owned industrial land rental fees from April 2020 to June 2020. In accordance with IAS 20, the Group has recognised these grants in profit or loss on a systematic basis in the periods in which compensated expenses are recognised. These government grants have been deducted from the related expenses in cost of sales.

8 COMMITMENTS

As of 30 June 2020, the Group had commitments amounting to BD 50,880 thousand relating to the capital expenditure contracted for at the reporting date (31 December 2019: BD 27,604 thousand).

9 DIVIDEND

At the Annual General Meeting held on 8 March 2020, the Company's shareholders approved the Board of Directors' proposal to pay a final dividend of BD 0.001 per share (excluding treasury shares) totalling BD 1,318 thousand relating to the year 2019, out of which BD 1,316 thousand has been paid as of 30 June 2020.

At the Annual General Meeting held on 7 March 2019, the Company's shareholders approved the Board of Directors' proposal for not distributing any cash dividends to shareholders for the year 2018.

10 RELATED PARTY TRANSACTIONS

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

Transactions with shareholders

The Company qualifies as a government related entity under the definitions provided in IAS 24. The Company 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.

Transactions with related parties included in the condensed consolidated interim statement of profit or loss are as follows:

	Three months ended 30 June (Reviewed)		*Six months ended 30 June (Reviewed)*	
	2020	*2019*	***2020***	*2019*
	BD '000	*BD '000*	***BD '000***	*BD '000*
Other related parties				
Revenue and other income				
Sale of metal	**3,036**	9,608	**9,884**	18,513
Sale of water	**322**	220	**709**	449
Interest on receivable	**163**	148	**479**	370
	3,521	9,976	**11,072**	19,332

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10 RELATED PARTY TRANSACTIONS (continued)

	Three months ended 30 June (Reviewed)		*Six months ended 30 June (Reviewed)*	
	2020	*2019*	***2020***	*2019*
	BD '000	*BD '000*	***BD '000***	*BD '000*
Cost of sales and expenses				
Purchase of natural gas and diesel	**59,326**	50,201	**131,816**	102,334
Interest on loans and borrowings	**20**	-	**85**	-
Others	**66**	513	**453**	1,707
	59,412	50,714	**132,354**	104,041

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

	30 June 2020 Reviewed BD '000	*31 December 2019 Audited BD '000*
Other related parties		
Assets		
Trade receivables (net of impairment)	**6,057**	8,673
Bank balances	**3,386**	906
Other receivable	**710**	710
	10,153	10,289
Liabilities		
Trade payables	**61,472**	38,547
Loans and borrowings	**66,071**	78,272
Interest payable on loans and borrowings	**1,279**	548
	128,822	117,367

Outstanding balances at the end of the period arise in the normal course of business are interest free, unsecured and payable on demand. For the six-month period ended 30 June 2020, the Group has recorded an additional impairment of BD 2,755 thousand on amounts due from related parties (31 December 2019: BD nil).

Compensation of key management personnel

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

	Three months ended 30 June (Reviewed)		*Six months ended 30 June (Reviewed)*	
	2020	*2019*	***2020***	*2019*
	BD '000	*BD '000*	***BD '000***	*BD '000*
Short term benefits	**816**	396	**1,235**	826
End of service benefits	**10**	17	**20**	35
Contributions to Alba Savings Benefit Scheme	**30**	26	**60**	52
	856	439	**1,315**	913

11 CORRESPONDING FIGURES

The corresponding's prior year figures have been regrouped, where necessary, in order to conform to current year's presentation. Such regroupings did not affect the previously reported net profit and comprehensive income for the period or total equity.

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(The attached financial information do not form part of the interim condensed consolidated financial statements)

Supplementary Disclosure – Reporting on Financial Impact of COVID-19

Further to the CBB letter dated 14 July 2020 (reference EDFIS/C/069/2020), Aluminium Bahrain B.S.C. (Alba) provides the following information:

A. The Overall Impact on the Financial Statements
The overall impact on the financial statements of Aluminium Bahrain B.S.C. (Alba) as at 30 June 2020 has been assessed by the Management and is described as per the below:

B. The Impact on Income Statement	
Revenues	It's not easy to estimate the impact of COVID-19 outbreak on Alba's revenue; however, COVID-19 has been dragging-down the commodity prices and Aluminium is not an exception. To-date, the entire Aluminium supply-chain has been witnessing shockwaves and disruptions on the back of low Aluminium demand by end-users and LME price has been trading at the lower range in the last couple of months. Global demand is expected to contract in the short-term by about 6% due to COVID-19 disruptions of automotive, engineering and construction sectors – this will put pressure on LME price to be depressed in the short future.
Expenses	We have a positive impact on the expenses mainly due to the Government support provided on Salaries, Utilities and Lease on Gov't owned land (Salaries BD12.4M, Utility BD300K and Lease BD28K). Above expenses were partially offset by the Company's donation in aid to the Government's effort to combat COVID-19 (Donation BD3.5M).

SUPPLEMENTARY FINANCIAL INFORMATION

For the six months ended 30 June 2020 (Reviewed)

C. The Impact on Balance Sheet	
Assets	
(specify sub-categories, ex. Cash and balances with banks)	Certainly the squeezed revenues put pressure on our liquidity position unfavorably. To calculate the real impact is near to impossible due to many factors involved as explained above in revenues section. However, due to better liquidity management, our cash position as of end of Q2 is strong. In addition, we have unused short-term facilities available from Banks, which can be used anytime if needed. We have assessed the impact of COVID-19 on our receivables after incorporating the necessary changes in the ECL model. The resulting provision after the changes in ECL model was BD156K. There is no material impact on any other assets of the Company as at 30 June 2020.

Liabilities	
(specify sub-categories, ex. Loans)	Alba carries on its Balance Sheet several loans both short and long-term. There were no breach or defaults on the loan agreements, and we expect to continue to meet the payment obligations as and when they become due.
Equity	
Net Equity attributable to shareholders	No material change
Other material impact on the Balance Sheet	None other attributable to COVID-19

D. The Impact on the Company’s Ability to Continue as Going Concern
The management and the Board of Directors (BOD) have been closely monitoring the potential impact of the COVID 19 developments on the Company’s operations and its financial position; including possible loss of revenues, impact on asset valuations, impairment, review of onerous contracts and debt covenants, outsourcing arrangements etc. The Company has also put in place contingency measures, which include but are not limited to enhancing and testing of business continuity plans including its liquidity requirements. Based on their assessment, the BOD is of the view that the Company will continue as a going concern entity for the next 12 months from the date of the latest Reviewed condensed consolidated interim financial information 30 June 2020.