

Aluminium Bahrain B.S.C.

**REPORT OF THE BOARD OF DIRECTORS AND
CONSOLIDATED FINANCIAL STATEMENTS**

31 DECEMBER 2021

Aluminium Bahrain B.S.C.
Consolidated Financial Statements
For the year ended 31 December 2021

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Aluminium
for the world

Aluminium Bahrain B.S.C. (Alba)
CR. No. 999



ألمنيوم
للعالم

ألمنيوم البحرين ش.م.ب. (البا)
سجل تجاري رقم: ٩٩٩

Aluminium Bahrain B.S.C. (Alba) REPORT OF THE BOARD OF DIRECTORS

The Directors have the pleasure to submit their report together with the Audited Consolidated Financial Statements for the year-ended 31 December 2021.

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 Theaterstrasse 17, 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.

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.

The Company, based on a Board resolution dated 30 December 2021, have approved the Management's recommendation to transfer the registration of Alba Club WLL, currently registered under Commercial Registration No. 99789-1, and to register it as a branch of Aluminium Bahrain BSC (Public) under Commercial Registration No. 999. The Company is in the process of filing the necessary documentation with the Ministry of Industry, Commerce and Tourism.



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سجل تجاري رقم: ٩٩٩

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. 1175 Peachtree Road NE, Suite 1475, Atlanta, GA 30361.

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.

Singapore Branch

On 27 September 2020, the Board approved the establishment of Alba's branch in Singapore with address at Level 35, The Gateway West, 150 Beach Road, #35-38 the Gateway West, Singapore 189720.

Share Capital Structure

Shareholders	2020 (%)	2021 (%)
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, Chief Executive Officer
Dr. Abdulla Habib, Chief Operations Officer
Mr. Amin Sultan, Chief Power Officer
Mr. Khalid Abdul Latif, Chief Marketing Officer
Mr. Waleed Tamimi, Chief Supply Officer
Mr. Bryan Harris, Chief Financial Officer



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سجل تجاري رقم: ٩٩٩

Alba Executives' Remuneration

Executive Management	Total Paid Salaries & Allowances	Total Paid Remuneration (Bonus)	Any Other Cash-in- Kind Remuneration	BD
				Aggregate Amount
Chief Executive Officer, Chief Marketing Officer, Chief Power Officer, Chief Supply Officer, Chief Operations Officer and Chief Financial Officer	1,036,248	300,373	156,196	1,492,817

Results and Retained Earnings

The Company made a Profit of **BD451.87 Million** for the financial year of 2021 versus a Profit of **BD9.755 Million** for the financial year of 2020.

The Movements in Retained Earnings of the Company were:

	BD '000
Balance as at 31 December 2020	877,193
Profit for the year 2021	451,870
Loss on resale of treasury shares	1,120
Interim Dividend for 2021 approved and paid	(37,614)
Balance as at 31 December 2021	1,292,569

Appropriations

- On Thursday 04 November 2021, the Board of Directors of Aluminium Bahrain B.S.C. (Alba) recommended an interim dividend of Fils 26.57 per share (excluding treasury shares) totalling BD37,614,936 which was subsequently paid from 23 November 2021.
- At the Board meeting held on Thursday 10 February 2022, the Company's Board of Directors proposed to pay final dividend of Fils 53.14 per share (excluding Treasury Shares) totalling BD75,197,888.

The above appropriations are subject to the approvals of the Company's shareholders at the Annual General Meeting which will be held in March 2022.



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ألمنيوم البحرين ش.م.ب (البا)
سجل تجاري رقم: ٩٩٩

Directors of the Company

The following Directors served on the Board of Alba from 08 March 2020 to-date:

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

Shaikh Daij Bin Salman Bin Daij Al Khalifa, Chairman
Mr. Yousif A. Taqi, Director
Shaikh Isa bin Khalid Al Khalifa, Director
Mrs. Suha S. Karzoon, Director
Mrs. Rasha Sabkar, Director
Mr. Tim Murray, Director

Sabir Industrial Investments Company

Mr. Iyad Al Garawi, Director
Mr. Ahmed Al Duriaan, Director
Mr. Omar Al Amoudi, Director

Elected Director

Mr. Mutlaq H. Al Morished, Director

Alba Directors' Remuneration

The Board of Directors' Remuneration for the year-ended 31 December 2021 is as follows:

- Attendance Fees of BD117,000 were paid over the course of 2021 [2020:BD140,000].
- Sitting Fees of BD84,000 will be paid after the Board's meeting on 10 February 2022 [2020: BD84,000].
- The proposed Remuneration Fees of BD420,000 will be paid post the Annual General Meeting scheduled in March 2022 [2020: BD210,000].

The breakdown of Alba Directors' Remuneration is as per the below table:

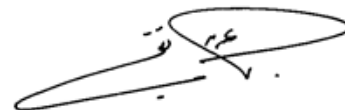
BD'000s

Name	Fixed Remunerations						Variable Remunerations					End of Service Award	Aggregate Amount	Expense Allowances
	Remunerations	Sitting Fees	Attendance Fees	Salaries	Others	Total	Remunerations	Bonus	Incentive Plans	Others	Total			
Independent Directors														
Shaikh Daij bin Salman bin Daij Al Khalifa	60	16	13	-	-	89	-	-	-	-	-	-	89	0.75
Yousif Taqi	40	8	12	-	-	60	-	-	-	-	-	-	60	0.75
Shaikh Isa bin Khalid Al Khalifa	40	6	12	-	-	58	-	-	-	-	-	-	58	0.75
Mutlaq Al Morished	40	6	9	-	-	55	-	-	-	-	-	-	55	1.65
Non-Executive Directors														
Suha Karzoon	40	6	12	-	-	58	-	-	-	-	-	-	58	0.75
Tim Murray	40	6	9	-	-	55	-	-	-	-	-	-	55	1.95
Rasha Sabkar	40	6	9	-	-	55	-	-	-	-	-	-	55	0.75
Omar Al Amoudi	40	6	9	-	-	55	-	-	-	-	-	-	55	2.55
Iyad Al Garawi	40	6	9	-	-	55	-	-	-	-	-	-	55	2.55
Ahmed Alduriaan	40	6	9	-	-	55	-	-	-	-	-	-	55	1.65
Expert Members of the Board Audit Committee														
Ahmed Al Balooshi	-	6	7	-	-	13	-	-	-	-	-	-	13	-
Ahmad Khamis	-	6	7	-	-	13	-	-	-	-	-	-	13	-
Total	420	84	117	-	-	621	-	-	-	-	-	-	621	14.1

By order of the Board,



Daij Bin Salman Bin Daij Al Khalifa
Chairman



Yousif A. Taqi
Director

10 February 2022



KPMG Fakhro
Audit
12th Floor, Fakhro Tower
P O Box 710, Manama
Kingdom of Bahrain

Telephone +973 17 224807
Fax +973 17 227443
Website: home.kpmg/bh
CR No. 6220

Independent auditors' report

To the Shareholders of

ALUMINIUM BAHRAIN B.S.C.
PO Box: 570, Kingdom of Bahrain

Opinion

We have audited the 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 2021, the consolidated statements of profit or loss, 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 2021, 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 International Code of Ethics for Professional Accountants (including International Independence Standards) (IESBA Code), together with the ethical requirements that are relevant to our audit of the consolidated financial statements in the Kingdom of Bahrain, and we have fulfilled our other ethical responsibilities in accordance with these requirements and 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 of the current period. 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.

The key audit matter

As at 31 December 2021, the Group held property, plant and equipment (PPE) of BD 1,907,682 thousand in the consolidated statement of financial position.

How the matter was addressed in our audit

Our audit procedures in this area included, amongst others:

- Evaluating the Group's basis of developing forecasts and cash flow projections on the basis of management's expectation

This area was important to our audit due to the size of the carrying value of the PPE (72% of the total assets as at 31 December 2021) as well as the judgement involved in the assessment of the recoverability of the carrying value of the assets. The recoverability of the carrying value of the PPE is in part dependent on the Group's ability to generate sufficient future profits. 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, product margins, input prices and overall market and economic conditions.	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 specialist to assist us in: ○ evaluating the appropriateness of the methodology used by the Group to assess impairment of PPE; and ○ 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 revenue forecasts based on forward estimates of LME prices, margins on value added products, discount rates and expected long term growth rates; — Agreeing the relevant financial and quantitative data used in the model to the latest production plans and approved budgets; and Assessed whether the consolidated financial statements disclosures relating key inputs and assumptions for impairment where appropriate.
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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 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.

As part of an audit in accordance with ISAs, we exercise professional judgement and maintain professional scepticism 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, actions taken to eliminate threats or safeguards applied.

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 of the current period 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 Directors' 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 Fakhro
Partner registration number 137
10 February 2022

Aluminium Bahrain B.S.C.

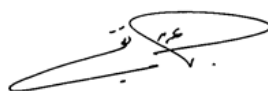
CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2021

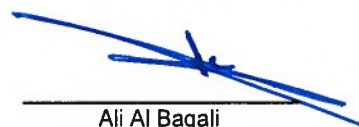
	Note	2021 BD '000	2020 BD '000
ASSETS			
Non-current assets			
Property, plant and equipment	5	1,907,682	1,950,584
Derivative financial instruments	20	2,238	5
Deferred tax assets	18	99	64
		<u>1,910,019</u>	<u>1,950,653</u>
Current assets			
Inventories	6	302,835	239,505
Trade and other receivables	7	318,438	119,105
Bank balances and cash	8	93,311	44,438
		<u>714,584</u>	<u>403,048</u>
TOTAL ASSETS		<u>2,624,603</u>	<u>2,353,701</u>
EQUITY AND LIABILITIES			
Equity			
Share capital	9	142,000	142,000
Treasury shares	10	(3,742)	(2,589)
Statutory reserve	12	71,000	71,000
Capital reserve	13	249	249
Cash flow hedge reserve	20	944	(8,300)
Retained earnings		1,292,569	877,193
Total equity		<u>1,503,020</u>	<u>1,079,553</u>
Non-current liabilities			
Loans and borrowings	15	703,559	800,745
Lease liabilities	21	4,864	5,561
Employees' end of service benefits	17	1,704	1,619
Derivative financial instruments	20	-	5,680
		<u>710,127</u>	<u>813,605</u>
Current liabilities			
Loans and borrowings	15	223,591	223,389
Lease liabilities	21	686	993
Trade and other payables	19	185,806	233,541
Derivative financial instruments	20	1,373	2,620
		<u>411,456</u>	<u>460,543</u>
Total liabilities		<u>1,121,583</u>	<u>1,274,148</u>
TOTAL EQUITY AND LIABILITIES		<u>2,624,603</u>	<u>2,353,701</u>



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.

Aluminium Bahrain B.S.C.

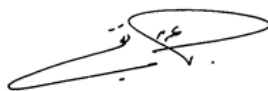
CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the year ended 31 December 2021

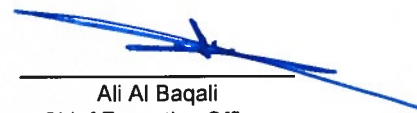
	Note	2021 BD '000	2020 BD '000
Revenue	26(a)	1,584,838	1,061,423
Cost of sales	23	(1,007,802)	(920,411)
GROSS PROFIT		577,036	141,012
Other income - net	22	2,340	2,739
Gain / (loss) on foreign exchange		10,061	(16,800)
General and administrative expenses	23	(48,933)	(41,590)
Selling and distribution expenses	23	(44,884)	(29,277)
Impairment loss on trade and other receivables - net	7	(3,036)	(2,994)
Finance costs	24	(39,136)	(40,108)
Directors' fees	27	(420)	(210)
Changes in fair value of derivative financial instrument	20	(85)	(2,734)
PROFIT FOR THE YEAR BEFORE TAX		452,943	10,038
Tax	18	(1,073)	(283)
PROFIT FOR THE YEAR AFTER TAX		451,870	9,755
Basic and diluted earnings per share (fils)	11	319	7



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.

Aluminium Bahrain B.S.C.

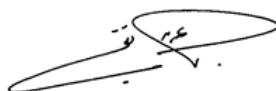
CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2021

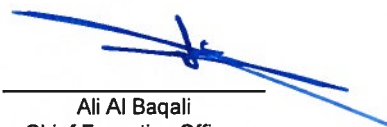
	Note	2021 BD '000	2020 BD '000
PROFIT FOR THE YEAR		451,870	9,755
Other comprehensive income			
<i>Items that are or may be reclassified subsequently to profit or loss</i>			
Effective portion of changes in fair value of cash flow hedge	20	6,647	(8,300)
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		458,517	1,455



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.

Aluminium Bahrain B.S.C.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2021

	Note	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 Equity BD '000
Balance at 31 December 2019		142,000	(3,994)	71,000	249	-	869,316	1,078,571
Profit for the year		-	-	-	-	-	9,755	9,755
Other comprehensive income:								
Effective portion of changes in fair value of cash flow hedge	20	-	-	-	-	(8,300)	-	(8,300)
Total comprehensive income for the year		-	-	-	-	(8,300)	9,755	1,455
Net movement in treasury shares		-	1,405	-	-	-	(466)	939
Final dividend for 2019 approved and paid	14	-	-	-	-	-	(1,412)	(1,412)
Balance at 31 December 2020		142,000	(2,589)	71,000	249	(8,300)	877,193	1,079,553
Profit for the year		-	-	-	-	-	451,870	451,870
Other comprehensive income:								
Effective portion of changes in fair value of cash flow hedge	20	-	-	-	-	6,647	-	6,647
Total comprehensive income for the year		-	-	-	-	6,647	451,870	458,517
Reclassification adjustment of realised loss on settlement of cash flow hedge to profit or loss	20	-	-	-	-	2,597	-	2,597
Net movement in treasury shares		-	(1,153)	-	-	-	1,120	(33)
Interim dividend for 2021 approved and paid	14	-	-	-	-	-	(37,614)	(37,614)
Balance at 31 December 2021		142,000	(3,742)	71,000	249	944	1,292,569	1,503,020

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

Aluminium Bahrain B.S.C.

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2021

		2021	2020
	Note	BD '000	BD '000
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit for the year before tax		452,943	10,038
Adjustments for:			
Depreciation and amortisation	5	122,912	118,158
Provision for employees' end of service benefits	17(a)	1,734	1,766
(Reversal) of / provision for slow moving inventories	6	(22)	59
Provision for impairment of trade receivables - net	7	3,036	2,994
Changes in fair value of derivative financial instruments	20	85	2,734
Loss on disposal of property, plant and equipment	22	361	1,014
Interest income	22	(346)	(768)
Forex (gain) / loss on revaluation of borrowings and bank balances		(14,581)	19,707
Finance costs	24	39,136	40,108
Operating profit before working capital changes		605,258	195,810
Working capital changes:			
Inventories		(63,308)	(18,409)
Trade and other receivables		(202,369)	21,325
Trade and other payables		(44,173)	(69,035)
Cash generated from operations		295,408	129,691
Employees' end of service benefits paid	17(a)	(1,649)	(1,774)
Income tax paid		(924)	(263)
Net cash flows generated from operating activities		292,835	127,654
CASH FLOWS FROM INVESTING ACTIVITIES			
Acquisition of property, plant and equipment		(83,158)	(118,894)
Proceeds from disposal of property, plant and equipment		210	74
Interest received	22	346	768
Net cash flows used in investing activities		(82,602)	(118,052)
CASH FLOWS FROM FINANCING ACTIVITIES			
Loans and borrowings availed		787,243	674,318
Loans and borrowings repaid		(880,787)	(677,916)
Interest on loans and borrowings and leases		(26,899)	(35,196)
Leases liabilities paid		(1,004)	(1,009)
Dividends paid	14	(37,614)	(1,412)
Settlement of derivatives		(2,598)	(6,871)
Purchase of treasury shares		(6,501)	(4,265)
Proceeds from resale of treasury shares		6,468	5,204
Net cash flows used in financing activities		(161,692)	(47,147)
NET INCREASE / (DECREASE) IN CASH AND CASH EQUIVALENTS		48,541	(37,545)
Bank balances and cash at 1 January		44,438	81,329
Effect of movement in exchange rates on cash held		332	654
Restricted cash (Deposit pledged against short term borrowings)	8	(9,392)	(13,778)
CASH AND CASH EQUIVALENTS AT 31 DECEMBER	8	83,919	30,660

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

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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") 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 and National Economy, 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 the Company and the following significant subsidiaries:

Name	Effective ownership		Country of incorporation	Principal activity
	2021	2020		
Aluminium Bahrain US, Inc.	100%	100%	United States of America (USA)	Selling and distribution of aluminium throughout the South and North America
ALBA Club W.L.L.*	-	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 Company based on Board resolution dated 30 December 2021, have proposed to cancel the ALBA Club W.L.L. and convert into the Branch of the Company. The Company is in the process of cancelling the Commercial Registration by filing the necessary document with Ministry of Industry, Commerce and Tourism.

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

The consolidated financial statements of the Group were authorised for issue in accordance with a resolution of the Directors on 10 February 2022.

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.

(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 and certain trade receivables subject to provisional pricing arrangements.

2 BASIS OF PREPARATION (continued)

(d) Basis of consolidation

The consolidated financial statements comprise the financial statements of the Group and its subsidiaries as at 31 December 2021. 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 Group using consistent accounting policies. Adjustments are made to ensure the financial statements of the subsidiaries conform to the accounting policies of the Group.

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 profit or loss; 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.

Intra-group balances and transactions, and any un-realised income and expenses (except for foreign currency transactions, gains or losses) arising from intra-group transactions, are eliminated.

(e) New and amended standards and interpretations effective from 1 January 2021

The Group has initially adopted Interest Rate Benchmark Reform Phase 2 - Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 (the Phase 2 amendments) from 1 January 2021 as disclosed in note 3(a). Following amendments to existing standards and framework are also effective from 1 January 2021:

2 BASIS OF PREPARATION (continued)

(e) New and amended standards and interpretations effective from 1 January 2021 (continued)

(i) COVID-19 Related Rent Concessions (Amendment to IFRS 16)

The IASB (International Accounting Standards Board) in response to the COVID-19 coronavirus pandemic, has issued amendments to IFRS 16 Leases to allow lessees not to account for rent concessions as lease modifications if they are a direct consequence of COVID-19 and meet certain conditions. The rent concessions could be in various forms and may include one-off rent reductions, rent waivers or deferrals of lease payments. If the concession is in the form of a one-off reduction in rent, it will be accounted for as a variable lease payment and be recognized in profit or loss.

The practical expedient will only apply if:

- (i) the revised consideration is substantially the same or less than the original consideration
- (ii) the reduction in lease payments relates to payments due on or before 30 June 2021; and
- (iii) no other substantive changes have been made to the terms of the lease.

Lessees applying the practical expedient are required to disclose:

- (i) that fact, if they have applied the practical expedient to all eligible rent concessions and, if not, the nature of the contracts to which they have applied the practical expedient; and
- (ii) the amount recognized in profit or loss for the reporting period arising from application of the practical expedient.

No practical expedient is provided for lessors. Lessors are required to continue to assess if the rent concessions are lease modifications and account for them accordingly.

The amendments are effective for annual reporting periods beginning on or after 1 June 2020, with earlier application permitted.

The adoption of this amendment had no significant impact on the consolidated financial statements.

(f) New standards, amendments and interpretations effective for future periods available for early adoption

A number of new standards, amendments to standards and interpretations that are relevant to the Group's consolidated financial statements are effective for annual periods beginning on or after 1 January 2022 and earlier application is permitted. However, the Group has not early adopted the new or amended standards, or interpretations 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.

(i) Onerous Contracts – Cost of Fulfilling a Contract (Amendments to IAS 37):

The amendments specify which costs an entity includes in determining the cost of fulfilling a contract for the purpose of assessing whether the contract is onerous. The amendments apply for annual reporting periods beginning on or after 1 January 2022 to contracts existing at the date when the amendments are first applied. At the date of initial application, the cumulative effect of applying the amendments is recognized as an opening balance adjustment to retained earnings or other components of equity, as appropriate. The comparatives are not restated.

The Group does not expect to have a significant impact on its consolidated financial statements.

(ii) Property, Plant and Equipment (PPE): Proceeds before Intended Use (Amendments to IAS 16):

In the process of making an item of PPE available for its intended use, a company may produce and sell items before starting production. Under the amendments, proceeds from selling items before the related item of PPE is available for use should be recognized in profit or loss, together with the costs of producing those items. IAS 2 Inventories should be applied in identifying and measuring these production costs.

Companies will therefore need to distinguish between:

- costs associated with producing and selling items before the item of PPE is available for use; and
- costs associated with making the item of PPE available for its intended use.

The amendments clarify that testing whether an item of PPE is functioning properly means assessing its technical and physical performance rather than assessing its financial performance – e.g. assessing whether the PPE has achieved a certain level of operating margin.

2 BASIS OF PREPARATION (continued)

(f) *New standards, amendments and interpretations effective for future periods available for early adoption (continued)*

The amendments are effective for annual reporting periods beginning on or after 1 January 2022, with earlier application permitted. The amendments apply retrospectively, but only to items of PPE made available for use on or after the beginning of the earliest period presented in the financial statements in which the company first applies the amendments.

The Group does not expect to have a significant impact on its consolidated financial statements.

(III) Classification of liabilities as current or non-current (Amendments to IAS 1)

Under existing IAS 1 requirements, companies classify a liability as current when they do not have an unconditional 'right to defer' settlement of the liability for at least twelve months after the end of the reporting period. As part of its amendments, the requirement for a right to be unconditional has been removed and instead, now requires that a right to defer settlement must have substance and exist at the end of the reporting period. This assessment may require management to exercise interpretive judgement.

The amendments apply retrospectively for annual reporting periods beginning on or after 1 January 2023, with early application permitted.

The Group could expect to have a significant impact on its classification of current liabilities in the consolidated financial statements and is currently assessing the likely impact on its arrangements with lenders including recent discussions of the IFRIC on this matter.

(IV) COVID-19-Related Rent Concessions beyond 30 June 2021 (Amendment to IFRS 16)

A one-year extension to the practical expedient for COVID-19 related rent concessions under IFRS 16 Leases has been published by the International Accounting Standards Board (the Board). COVID-19-Related Rent Concessions beyond 30 June 2021 (the 2021 amendment) is a response to the ongoing economic challenges resulting from the COVID-19 coronavirus pandemic.

The 2021 amendments are effective for annual reporting periods beginning on or after 1 April 2021, with early application permitted. Lessees are permitted to apply it early, including in financial statements not authorised for issue. In effect, it is available to be applied now, subject to any local endorsement requirements.

Adoption of this amendments are not expected to have significant impact on the consolidated financial statements of the Group.

(V) Disclosure of Accounting Policies (Amendments to IAS 1 and IFRS Practice Statement 2)

The IASB amended IAS 1 to require entities to disclose their material rather than their significant accounting policies. The amendments define what is 'material accounting policy information' and explain how to identify when accounting policy information is material. They further clarify that immaterial accounting policy information does not need to be disclosed. If it is disclosed, it should not obscure material accounting information. To support this amendment, the IASB also amended IFRS Practice Statement 2 Making Materiality Judgements to provide guidance on how to apply the concept of materiality to accounting policy disclosures.

The amendments are effective for annual reporting periods beginning on or after 1 January 2023, with early application permitted.

The Group does not expect to have a significant impact on its consolidated financial statements.

(VI) Definition of Accounting Estimates (Amendments to IAS 8)

The amendments introduce a new definition for accounting estimates: clarifying that they are monetary amounts in the financial statements that are subject to measurement uncertainty. The amendments also clarify the relationship between accounting policies and accounting estimates by specifying that a company develops an accounting estimate to achieve the objective set out by an accounting policy.

Developing an accounting estimate includes both (i) selecting a measurement technique and (ii) choosing the inputs to be used when applying the chosen measurement technique. The effects of changes in such inputs or measurement techniques are changes in accounting estimates. The definition of accounting policies remains unchanged.

The amendments are effective for annual reporting periods beginning on or after 1 January 2023, with early application permitted.

The Group does not expect to have a significant impact on its consolidated financial statements.

2 BASIS OF PREPARATION (continued)

(f) *New standards, amendments and interpretations effective for future periods available for early adoption (continued)*

(VII) Deferred tax related to assets and liabilities arising from a single transaction (Amendments to IAS 12)

Amendments to IAS 12 Income Taxes clarify how companies should account for deferred tax on certain transactions – e.g. leases and decommissioning provisions. The amendments narrow the scope of the initial recognition exemption (IRE) so that it does not apply to transactions that give rise to equal and offsetting temporary differences. As a result, companies will need to recognise a deferred tax asset and a deferred tax liability for temporary differences arising on initial recognition of a lease and a decommissioning provision.

The amendments apply for annual reporting periods beginning on or after 1 January 2023. Earlier application is permitted.

The Group does not expect to have a significant impact on its consolidated financial statements.

(VIII) IFRS 17 Insurance Contracts and amendments to IFRS 17 Insurance Contracts)

IFRS 17 'Insurance Contracts' supersedes IFRS 4 Insurance Contracts and related interpretations and is effective for period beginning on or after 1 January 2023, with earlier adoption permitted. The new standard requires insurance liabilities to be measured at a current fulfilment value and provide a more uniform measurement and presentation approach. The Group is currently considering the impact.

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 initial adoption of Interest Rate Benchmark Reform Phase 2 - Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 as set below.

(a) Changes in accounting policies

The Group has initially adopted of Interest Rate Benchmark Reform Phase 2 - Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 from 1 January 2021.

The Group applied the Phase 2 amendments retrospectively. However, in accordance with the exceptions permitted in the Phase 2 amendments, the Group has elected not to restate comparatives for the prior periods to reflect the application of these amendments. Since the Group had no transactions for which the benchmark rate had been replaced with an alternative benchmark rate as at 31 December 2020, there is no impact on opening equity balances as a result of retrospective application.

Specific policies applicable from 1 January 2021 for interest rate benchmark reform

The Phase 2 amendments provide practical relief from certain requirements in IFRS Standards. These reliefs relate to modifications of financial instruments and lease contracts or hedging relationships triggered by a replacement of a benchmark interest rate in a contract with a new alternative benchmark rate.

If the basis for determining the contractual cash flows of a financial asset or financial liability measured at amortised cost changed as a result of interest rate benchmark reform, then the Group updated the effective interest rate of the financial asset or financial liability to reflect the change that is required by the reform. A change in the basis for determining the contractual cash flows is required by interest rate benchmark reform if the following conditions are met.

- the change is necessary as direct consequence of the reform; and
- the new basis for determining the contractual cash flows is economically equivalent to the previous basis - i.e. the basis immediately before the change.

When changes were made to a financial asset or financial liability in addition to changes to the basis for determining the contractual cash flows required by interest rate benchmark reform, the Group first updated the effective interest rate of the financial asset or financial liability to reflect the change that is required by interest rate benchmark reform. After that, the Group applied the policies on the accounting for modifications to the additional changes.

The amendments also provide an exception to use a revised discount rate that reflects the change in interest rate when remeasuring a lease liability because of lease modification that is required by interest rate benchmark reform.

3 SIGNIFICANT ACCOUNTING POLICIES (continued)

(a) Changes in accounting policies (continued)

Finally, the Phase 2 amendments provide a series of temporary exceptions from certain hedge accounting requirements when a change required by interest rate benchmark reform occurs to a hedged item and/or hedging instrument that permits the hedging relationship to be a continued without interruption. The Group applied the following reliefs as when uncertainty arising from interest rate benchmark reform was no longer present with respect to the timing and amount of the interest rate benchmark-based cash flows of the hedged item or hedged instrument.

- the Group amended the designation of a hedging relationship to reflect changes that were required by the reform without discontinuing the hedging relationship; and
- when a hedged item in a cash flow hedge was amended to reflect changes that were required by the reform, the amount accumulated in the cashflow hedge reserve was deemed to be based on the alternative benchmark rate on which the hedged future cash flows were determined.

The details of accounting policies and related disclosures about risks and hedge accounting are set out in note 3(g)(v),(vii) and note 28 respectively.

b) 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.

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.

3 SIGNIFICANT ACCOUNTING POLICIES (continued)

c) 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 profit or loss.

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 profit or loss.

d) Revenue

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 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.

(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.

(iii) Provisional pricing arrangement

Some of the Group's sales incorporate provisional pricing that allows for a market price benchmark based adjustment at a date set by contract terms.

3 SIGNIFICANT ACCOUNTING POLICIES (continued)

d) Revenue (continued)

Adjustments to the sales price normally occur based on movements in LME market prices up to the end of the period agreed with customer. The period between provisional invoicing and the end of the final sale price can be between one to two months. For these provisional pricing arrangements, any future changes that occur over the final price are embedded within the provisionally priced trade receivables and are, therefore, within the scope of IFRS 9 and not within the scope of IFRS 15.

Where the Group records a 'trade receivable' for the preliminary price, subsequent changes in the estimated final price shall not be recorded as revenue from contract with customers until such point in time at which the actual final price is determined (as long as these changes result from changes in the market price/market price index of the products). They may however be considered in subsequent re-measurement as a financial asset at fair value. Such re-measurement are recorded as a separate component within total revenue as price adjustments. All other updates to the preliminary price is recorded against revenue with the additional receivable amount recorded under a contract asset or contract liability. Such contract asset or liability is de-recognised against the 'trade receivable (subject to provisional pricing)' at the point in time at which the actual final price is determined.

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 profit or loss as incurred.

Capital Spares

The Group capitalises the spare parts of machines that are high in value, critical to the plant operations and have a life equal to the life of the machine. These spare parts are depreciated over the life of the related machine.

Capital work-in-progress

The Capital work-in-progress comprises expenditure incurred on the acquisition and installation of property, plant and equipment which is transferred to the appropriate category of asset and depreciated after it is put to commercial use. These include assets that are periodically refurbished.

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. If subsequent expenditure is related to a previously capitalised project, it is depreciated over the remaining useful life.

Depreciation

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

Freehold buildings	3-45 years
Power generating plant	3-40 years
Plant, machinery and other equipment	3-30 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 consolidated 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.

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

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 profit or loss.

f) 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.

g) Financial Instruments

Financial instruments in these consolidated financial statements include financial assets and financial liabilities that are recognized and measured under the requirements of IFRS 9: Financial Instruments. Financial assets of the Group mainly comprise of bank balances (including deposits), trade and other receivables and derivative financial assets. Financial liabilities comprise loans and borrowings, trade and other payables and derivative financial liabilities. Advance to and from customers that would be settled by transfer of non-financial items are not considered financial instruments. Liabilities and assets that are not contractual (such as those that are created as a result of statutory requirements imposed by the government) are not financial assets or liabilities under IFRS 9.

i. Classification**Financial assets**

Financial assets are classified into one of the following three categories:

- Financial assets at amortised cost;
- Financial assets at fair value through other comprehensive income (FVTOCI); and
- Financial assets at fair value through the profit or loss (FVTPL).

Financial liabilities

Financial liabilities are classified into one of the following two categories

- Financial liabilities at amortised cost; and
- Financial liabilities at fair value through the profit or loss (FVTPL).

ii. Initial recognition and measurement

Trade receivables are initially recognised when they are originated. All other financial assets and financial liabilities are initially recognised when the Group becomes a party to the contractual provisions of the instrument.

Financial assets (other than trade receivables) are initially recognised at fair value, including transaction costs that are directly attributable to the acquisition of the financial asset except transaction costs on financial instruments measured at FVTPL which are expensed in profit or loss. A trade receivable without a significant financing component is initially measured at the transaction price (i.e. invoiced amounts).

Financial liabilities are initially recognised at fair value, representing the proceeds received net of premiums, discounts and transaction costs that are directly attributable to the financial liability.

Purchases or sales of financial assets that require delivery of assets within a time frame established by regulation or convention in the marketplace (regular way trades) are recognised on the trade date, i.e., the date that the Group commits to purchase or sell the asset.

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3 SIGNIFICANT ACCOUNTING POLICIES (continued)

g) Financial Instruments (continued)

iii. Subsequent measurement

Financial assets

Subsequent to initial measurement, financial assets are measured at either amortised cost or fair value. The classification and the basis for measurement are subject to the Group's business model for managing the financial assets and the contractual cash flow characteristics of the financial assets, as detailed below:

Financial assets are measured at amortised cost using the effective interest rate method if:

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

If either of these two classification criteria is not met, the financial assets are classified and measured at fair value, either through the profit or loss (FVTPL) or through other comprehensive income (FVTOCI).

If the objective of the business model is to both hold to collect and sell debt instrument, it is classified at FVTOCI. The Group currently does not hold such instruments.

Additionally, even if a financial asset meets the amortised cost criteria, the entity may choose to designate the financial asset at FVTPL. Such an election is irrevocable and applicable only if the FVTPL classification significantly reduces a measurement or recognition inconsistency.

The Group's financial assets measured at amortised cost comprises 'trade receivables (not subject to provisional pricing), bank balances and other receivables on the consolidated statement of the financial position.

'Trade receivables (subject to provisional pricing)' include embedded derivatives and hence are accounted for as FVTPL instruments (refer note 3 (g) and 26(a) – Revenue recognition). FVTPL assets also include derivative financial assets.

Financial liabilities

All financial liabilities, other than those classified and measured as financial liabilities at FVTPL, are classified as financial liabilities at amortised cost and are measured at amortised cost using the effective interest rate method.

Financial liabilities classified as financial liabilities at FVTPL includes derivatives.

iv. Derecognition of financial assets and liabilities

Financial assets are derecognised and removed from the consolidated statement of financial position when the right to receive cash flows from the assets has expired; the Group has transferred its contractual right to receive the cash flows from the assets, and substantially all the risks and rewards of ownership; or where control is not retained.

Financial liabilities are derecognised and removed from the consolidated statement of financial position when the obligation is discharged, cancelled, or expires. The Group also derecognises a financial liability when its terms are modified and the cash flows of the modified liability are substantially different, in which case a new financial liability based on the modified terms is recognised at fair value. On derecognition of a financial liability, the difference between the carrying amount extinguished and the consideration paid (including any non-cash assets transferred or liabilities assumed) is recognised in profit or loss.

v. Interest rate benchmark reform

When the basis for determining the contractual cash flows of a financial asset or financial liability measured at amortised cost changed as a result of interest rate benchmark reform, the Group updated the effective interest rate of the financial asset or financial liability to reflect the change that is required by the reform. A change in the basis for determining cash flows required by interest rate benchmark reform if the following conditions are met:

- the change is necessary as a direct consequence of the reform; and
- the new basis for determining the contractual cash flows is economically equivalent to the previous basis i.e. the basis immediately before the change.

When changes were made to a financial asset or financial liability in addition to changes to the basis for determining the contractual cash flows required by the interest rate benchmark reform, the Group first updated the effective interest rate of the financial asset or financial liability to reflect the change that is required by interest rate benchmark reform. After that, the Group applied the policies on accounting for modifications to the additional changes.

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3 SIGNIFICANT ACCOUNTING POLICIES (continued)**g) Financial Instruments (continued)****vi. 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 Effective Interest Rate (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, for purposes of calculating the provision, 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 trade receivables and the economic environment. Further disclosures relating to impairment of trade receivables are provided in note 7 and note 28.

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 assets' original effective interest rate.

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.

vii. Derivative financial instruments and hedging activities

The Group uses derivative financial instruments, such as interest rate swaps and forward commodity contracts, to hedge its interest rate risks and commodity price risks, respectively. In certain circumstances the Group enters into derivative instruments to hedge foreign currency risks.

Derivative financial instruments are initially recognised at fair value on the date on which a derivative contract is entered into and are subsequently remeasured at their fair value. The fair value of a derivative is the equivalent to its prevailing market rates or is based on broker quotes. Derivatives with positive market values are disclosed as assets and derivatives with negative market values are disclosed as liabilities in the statement of financial position.

Changes in the fair value of derivative financial instruments that are designated, and qualify as fair value hedges, are included in the statement of income together with the corresponding change in the fair value of the hedged asset or liability that is attributable to the risk being hedged. Unrealised gains or losses on hedged assets which are attributable to the hedged risk are adjusted against the carrying values of the hedged assets or liabilities. For derivatives that are not designated in a qualifying hedge relationship, all changes in its fair value are recognised immediately in the consolidated statement of profit or loss.

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. The 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.

3 SIGNIFICANT ACCOUNTING POLICIES (continued)

g) Financial Instruments (continued)

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 profit or loss.

The realised loss or gain arising on settlement of IRS at the time of interest payment relating to hedged portion of borrowings is transferred to consolidated statement of profit or loss from cash flow hedge reserve upon settlement.

Hedges directly affected by interest rate Benchmark

The Group has adopted the Phase 2 amendments and retrospectively applied from 1 January 2021 as described in note 3(a).

When the basis for determining the contractual cash flows of the hedged item or hedging instrument changes as a result of IBOR reform and therefore there is no longer uncertainty arising about the cash flows of the hedged item or the hedging instrument, the Group amends the hedge documentation of the hedging relationship to reflect the changes required by IBOR reform, as defined in note 3(g)(v). For this purpose, the hedge designation is amended only to make one or more of the following changes:

- designating an alternative benchmark rate as hedged risk;
- updating the description of the hedged item, including the description of the designated portion of cash flows or fair value being hedged; or
- updating the description of the hedging instrument.

The Group amends the description of the hedging instrument only if the following conditions are met:

- it make a change required by IBOR reform by using an approach other than changing the basis for determining the contractual cash flows of the hedging instrument;
- the chosen approach is economically equivalent to the changing the basis for determining the contractual cash flows of the original hedging instrument; and
- the original hedging instrument is not derecognised.

The Group amends the formal hedge documentation by the end of the reporting period during which a change required by IBOR reform is made to the hedged risk, hedged item or hedging instrument. These amendments in the formal hedge documentation do not constitute the discontinuation of the hedging relationship or the designation of a new hedging relationship.

If the changes are made in addition to those changes required by IBOR reform described above, then the Group first considers whether those additional changes result in the discontinuation of the hedge accounting relationship. If the additional changes do not result in the discontinuation of the hedge accounting relationship, then the Group amends the formal hedge documentation for changes required by IBOR reform as mentioned above.

When interest rate benchmark on which hedged future cash flows had been based is changed as required by IBOR reform, for the purpose of determining whether the hedged future cash flows are expected to occur, the Group deems that the hedging reserve recognised in OCI for that hedging relationship is based on alternative benchmark rate on which the hedged future cash flows will be based.

Discontinuation of hedge accounting

If the hedge no longer meets the criteria for hedge accounting or the hedge instrument is sold, expires, is terminated or is exercised, then hedge accounting is discontinued prospectively. When hedge accounting for cash flow hedges is discontinued, the amount that has been accumulated in the hedge reserve remains in equity until it is reclassified to consolidated statement of profit or loss in the same period or periods as the hedged expected future cash flows affect profit or loss.

If the hedge cash flows are no longer expected to occur, then the amounts that have been accumulated in the hedging reserve and the cost of hedging reserve are immediately reclassified to the consolidated statement of profit or loss.

viii. 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.

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3 SIGNIFICANT ACCOUNTING POLICIES (continued)

h) 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 profit or loss in the year to which they relate. The Group's obligations are limited to the amounts contributed to the Scheme.

For contractual non-Bahraini employees and eligible Bahrain employees the Group provides for end of service benefits in accordance with the Bahrain Labour Law based on their salaries at the time of end of contract period of two years service. Provision for this unfunded commitment, which represents a defined benefit scheme, has been made by calculating the liability for remainder of contract period, 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.

Terminal and other employee's benefits, entitlements to annual leaves, air passage and others are recognised as they accrue to the employees.

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.

i) 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 profit or loss. 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.

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

3 SIGNIFICANT ACCOUNTING POLICIES (continued)**i) Taxes (continued)**

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.

Value added tax (VAT)

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

- When the VAT 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 VAT included.

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

j) 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 profit or loss 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.

k) 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 profit or loss on the purchase, sale, issue or cancellation of the treasury shares. Gain or loss arising from the subsequent resale of treasury shares is included in the retained earnings in the consolidated statement of changes in equity. Net movement from repurchase and resales of treasury shares is booked under the treasury shares.

l) 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.

m) Leases

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.

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.

3 SIGNIFICANT ACCOUNTING POLICIES (continued)

m) Leases (continued)

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.

The lease liability is measured at amortised cost using the effective interest rate 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 consolidated statement of 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 as separate line item on face of the consolidated statement of financial position.

Extension and termination options

In determining the lease term, management considers all facts and circumstances that create an economic incentive to exercise an extension option, or not exercise a termination option. Extension options (or periods after termination options) are only included in the lease term if the lease is reasonably certain to be extended (or not terminated). The lease liability remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or is recorded in consolidated statement of profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

The assessment is reviewed if a significant event or a significant change in circumstances occurs which affects this assessment and that is within the control of the lessee.

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.

n) Interest Income

Interest income is recognised using the effective interest rate method.

o) Government grants

The Group recognises an unconditional government grant in the consolidated statement of profit or loss as other income/ net off against the respective expenses when the grants become receivable.

Government grants related to assets are initially recognised as deferred income at fair value if there is reasonable assurance that they will be received and the Group will comply with the conditions associated with the grant; they are then recognised in consolidated statement of profit or loss as other income on a systematic basis over the useful life of the asset.

Grants that compensate the Group for expenses incurred are recognised in consolidated statement of profit or loss as reduction from respective expenses, on a systematic basis in the periods in which the expenses are recognised unless the conditions for receiving the grant are met after the related expenses have been recognised. In this case, the grant is recognised when it becomes receivable.

p) Contingencies

The Group discloses its contingent liabilities for the pending litigations and claims against the Group based on its judgment and the advice of the legal advisors for the estimated financial outcome. The actual outcome of these litigations and claims can have an effect on the carrying amounts of the liabilities recognised at the balance sheet date.

3 SIGNIFICANT ACCOUNTING POLICIES (continued)**q) Cash and cash equivalents**

For the purpose of statement of cash flows, cash and cash equivalents includes cash on hand, cash at banks, short term bank deposits with original maturities of three months or less and bank overdrafts. Bank overdrafts are shown in current liabilities in the statement of financial position. Restricted deposit are excluded from cash and cash equivalents.

r) Share Capital

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

s) Dividend Distribution

Dividends are recognised as a liability in the period in which they are approved by the shareholders.

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 2021, 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.

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 realisable value.

At 31 December 2021, gross inventories of spares was BD 34,499 thousand (2020: BD 34,906 thousand) with provisions for slow moving spares of BD 1,810 thousand (2020: BD 1,832 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.

4 SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS (continued)

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 an 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.

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 31 December 2021. The recoverable amount of the CGU was based on its value-in-use.

Consistent with its method of impairment assessment as of 31 December 2020, the Group estimated the value-in-use of its CGU by using a discounted cash flow method that considers a 5 year cash-flow projections which do not include restructuring activities that the Group is not yet committed to and a terminal value beyond the forecast period. As compared to 31 December 2020, the weighted average cost of capital used in calculating the CGU's value-in-use as on 31 December 2021 increased from 7.7% to 8.3% to reflect the change in overall market based inputs as at the reporting date including lower risk free rates, cost of funds and use of industry long term leverage ratios. Other key assumptions that impact the forecast include the future London Metal Exchange (LME) cash settlement prices and premium rates for aluminium and market alumina index 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 14.77% (1477 basis point) (31 December 2020: 1.35% (135 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 10.80% (31 December 2020: 1.28%) (with all other variables remain unchanged) throughout the forecast period and a reduction in LME price by USD 819/MT (31 December 2020: USD 85/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.

The LME price has increased significantly compared to the previous year. The net carrying value of CGU is greater than its recoverable amount even with the assumption of premium considered zero (31 December 2020: USD 50/MT) (with all other variables remain unchanged) throughout the forecast period. The sensitivity to changes in assumptions will not impact the net carrying value of CGU for the year ended 31 December 2021.

Provisional pricing adjustments

Adjustments to sale price occur based on the movements in market prices from the date of sale to the end of the period agreed with the customer. The period can range between 1-2 months. Estimates are made on likely price adjustments using available market rates of underlying commodity price benchmarks. Actual results are determined on the date of price confirmation with the customers.

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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 2021	474,775	795,986	2,076,587	82,830	3,430,178
Additions	302	536	28,760	50,983	80,581
Transfers	34,309	2,576	29,258	(66,143)	-
Written off	-	-	(5,090)	-	(5,090)
Disposal	(566)	(626)	(1,678)	-	(2,870)
At 31 December 2021	508,820	798,472	2,127,837	67,670	3,502,799
Depreciation and amortization:					
At 1 January 2021	145,848	327,018	1,006,728	-	1,479,594
Charge for the year	14,439	23,685	82,730	-	120,854
Written off during the year	-	-	2,058	-	2,058
Relating to written off assets	-	-	(5,090)	-	(5,090)
Relating to disposals	(226)	(540)	(1,533)	-	(2,299)
At 31 December 2021	160,061	350,163	1,084,893	-	1,595,117
Net carrying value:					
At 31 December 2021	348,759	448,309	1,042,944	67,670	1,907,682

	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 2020	459,121	775,121	2,045,438	98,822	3,378,502
Additions	12,333	311	18,589	76,447	107,680
Transfers	12,937	23,070	56,432	(92,439)	-
Disposals	(9,616)	(2,516)	(43,872)	-	(56,004)
At 31 December 2020	474,775	795,986	2,076,587	82,830	3,430,178
Depreciation and amortization:					
At 1 January 2020	141,214	305,996	969,142	-	1,416,352
Charge for the year	13,845	23,096	81,217	-	118,158
Relating to disposals	(9,211)	(2,074)	(43,631)	-	(54,916)
At 31 December 2020	145,848	327,018	1,006,728	-	1,479,594
Net carrying value:					
At 31 December 2020	328,927	468,968	1,069,859	82,830	1,950,584

As at 31 December 2021, net carrying value of land and buildings includes right-of-use assets of BD 4,354 thousand (2020: BD 4,520 thousand) related to leased properties that do not meet the definition of investment property (refer note 21).

Land and buildings

Land and buildings include freehold land at a cost of BD 453 thousand as at 31 December 2021 (2020: BD 453 thousand).

Right-of-use assets

As at 31 December 2021, the net carrying values of land and buildings and plant, machinery and other equipment include right-of-use assets amounting to BD 4,354 thousand (2020: BD 4,520 thousand) and BD 775 thousand (2020: BD 1,713 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. The 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

At 31 December 2021

5 PROPERTY, PLANT AND EQUIPMENT (continued)

Depreciation and amortisation

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

	2021 BD '000	2020 BD '000
Cost of sales	118,544	115,846
General and administrative expenses	4,342	2,283
Selling and distribution expenses	26	29
	<u>122,912</u>	<u>118,158</u>

Property, plant and other equipment under construction

As at 31 December 2021, the Group incurred capital expenditure of BD 44,779 thousand (2020: BD 40,638 thousand) in respect of its major property, plant and equipment in course of construction.

6 INVENTORIES (LOWER OF COST AND NET REALISABLE VALUE)

	2021 BD '000	2020 BD '000
Raw materials	46,842	40,534
Work-in-process	99,689	70,498
Goods in transit	48,817	37,379
Finished goods	74,798	58,020
Spares [net of provision of BD 1,810 thousand (2020: BD 1,832 thousand)]	32,689	33,074
	<u>302,835</u>	<u>239,505</u>

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

	2021 BD '000	2020 BD '000
At 1 January	1,832	1,773
(Reversed) / charged for the year in cost of sales	(22)	59
At 31 December	<u>1,810</u>	<u>1,832</u>

7 TRADE AND OTHER RECEIVABLES

	2021 BD '000	2020 BD '000
Trade receivables - others [net of allowance for ECL of BD 307 thousand (2020: BD 195 thousand)]	291,836	99,084
Trade receivables (subject to provisional pricing) - fair value	170	135
Trade receivables - related parties [net of impairment allowance of BD 7,944 thousand (2020: BD 5,688)] (note 27)	4,733	5,110
	<u>296,739</u>	<u>104,329</u>
Advances to suppliers	3,885	2,719
Prepayments	3,639	1,285
Other receivables [net of provision of BD 118 thousand (2020: BD 121 thousand)]	6,799	8,867
Other receivables - related parties [net of impairment allowance of BD Nil (2020: BD 787 thousand)] (note 27)	884	125
VAT receivable	6,492	1,780
	<u>318,438</u>	<u>119,105</u>

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

	Trade receivables		Other receivables	
	2021 BD '000	2020 BD '000	2021 BD '000	2020 BD '000
At 1 January	6,670	3,677	121	147
Provision during the year	3,036	2,994	-	-
Write off against provision, net (note 27)	(1,455)	(1)	(3)	(26)
At 31 December	<u>8,251</u>	<u>6,670</u>	<u>118</u>	<u>121</u>

Information about the Company's exposure to credit, market risks and expected credit losses for trade receivables is included in note 28. The fair value changes arising from trade receivables (subject to provisional pricing) as at 31 December 2021 was assessed as not material for recognition purposes.

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

At 31 December 2021

8 CASH AND CASH EQUIVALENT

	2021 BD '000	2020 BD '000
Cash at bank:		
- Current accounts	22,349	17,015
- Call accounts	48,699	13,574
- Short term deposits	22,198	13,778
Cash in hand	65	71
Bank balances and cash in consolidated statement of financial position	93,311	44,438
Restricted cash (Deposit pledged against short term borrowings)	(9,392)	(13,778)
Cash and cash equivalents	83,919	30,660

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 2021 is 0.1% to 2.1% (2020: 0.1% to 2.5%). Short term deposits earn interest between 0.25% to 0.47% p.a. (2020: 0.25% to 0.45% p.a.) and have maturities less than three months.

9 SHARE CAPITAL

	2021 BD '000	2020 BD '000
Authorised 2,000,000,000 shares of 100 fils each	200,000	200,000
Issued and fully paid 1,420,000,000 shares of 100 fils each	142,000	142,000

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

Categories	2021			2020		
	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%	85,141,680	3,029	6.02	82,382,489	3,160	5.82
1% up to less than 5%	51,948,421	2	3.67	54,791,575	2	3.87
5% up to less than 20%	-	-	-	-	-	-
20% up to less than 50%	292,804,000	1	20.69	292,804,000	1	20.69
50% and above	985,196,000	1	69.62	985,196,000	1	69.62
	1,415,090,101	3,033	100.00	1,415,174,064	3,164	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 2021 was 1,281,000 shares (2020: 1,281,000 shares).
- iii) As at 31 December 2021, Bahrain Mumtalakat Holding Company B.S.C. (c) held 69.38% (31 December 2020: 69.38%) of the total share capital of the Company.
- iv) As at 31 December 2021, Sabic Industrial Investment Co. held 20.62% (31 December 2020: 20.62%) of the total share capital of the Company.

10 TREASURY SHARES

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

2021		2020	
No of shares	BD '000	No of shares	BD '000
4,909,899	3,742	4,825,936	2,589

- i) Included in treasury shares are 697,000 shares (2020: 697,000) that were an excess in the Employees' Stock Incentive Plan [note 17 (c)].
- ii) The transactions with value date post 31 December 2021 totalling Nil shares, were not accounted in the Treasury Shares for the year (2020: 22,158 shares).
- iii) The Board of Directors authorised the Company to purchase its own shares for a total cost amounting to BD 10,000 thousand (2020: BD 10,000 thousand).

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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:

	2021	2020
Profit for the year - BD' 000	<u>451,870</u>	<u>9,755</u>
Weighted average number of shares, net of treasury shares - thousands of shares	<u>1,414,759</u>	<u>1,413,396</u>
Basic and diluted earnings per share (fils)	<u>319</u>	<u>7</u>

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

A ten percent (10%) of the net profits shall be deducted every year and set aside to the statutory (legal) reserve, unless the memorandum of association specify a higher percentage. Such deduction may be suspended if the reserve exceeds fifty percent (50%) of the paid-up capital, unless the company's memorandum of association provide for a higher percentage. However, if the statutory reserve falls below the said percentage, deduction shall resume until the reserve reaches the said percentage.

The statutory reserve may not be distributed among shareholders, but may be used to guarantee the distribution of profits among shareholders of not more than five percent (5%) of the paid-up capital in the years when the company's profits do not allow payment of profits of this percentage.

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

The Board of Directors recommended a dividend of BD 0.05314 per share (excluding treasury shares) totaling BD 75,200 thousand. The final dividend is subject to the approval of the Company's shareholders at the Annual General Meeting to be held in March 2022.

On 4 November 2021, the Board of Directors approved to pay an interim dividend BD 0.02657 per share (excluding treasury shares) totaling BD 37,614 thousand which was fully paid on 23 November 2021.

At the Annual General Meeting held on 8 March 2020, the Company's shareholders approved final dividend of BD 0.001 per share (excluding treasury shares) totaling BD 1,412 thousand relating to 2019, which has been fully paid as of 31 December 2020.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

At 31 December 2021

15 LOANS AND BORROWINGS

	2021			2020
	Non-current BD '000	Current BD '000	Total BD '000	Total BD '000
<i>Unsecured loans and borrowings</i>				
Line 6 Refinancing Term Loan Facility [1]	441,781	54,539	496,320	530,160
Line 6 Euro SERV Loan [2]	93,996	11,090	105,086	124,089
Line 6 USD SERV Loan [2]	81,920	9,653	91,573	101,225
Line 6 Hermes 1 Covered Facility [3]	12,047	1,458	13,505	16,352
Line 6 Hermes 2 Covered Facility [4]	13,198	2,036	15,234	18,488
Line 6 BPAI Covered Facility [5]	35,438	5,291	40,729	49,155
Line 6 EDC Covered Facility [6]	30,386	5,064	35,450	40,515
Line 6 JBIC / NEXI 2 Covered Facility [7]	19,149	3,911	23,060	28,808
Working capital revolving credit [8]	-	133,932	133,932	153,890
Total loans and borrowings	727,915	226,974	954,889	1,062,682
Less: unamortised transaction costs	(24,356)	(3,383)	(27,739)	(38,548)
Net loans and borrowings	703,559	223,591	927,150	1,024,134
Payable after one year			703,559	800,745
Payable within one year			223,591	223,389
			927,150	1,024,134

[1] Line 6 Refinancing Term Loan Facility

On 29 October 2019, the Group entered into a 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 old term loan facility. 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% (2020: LIBOR plus 3.00%).

[2] 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% (2020: EURIBOR plus 0.65%) and LIBOR plus 0.90% (2020: LIBOR plus 0.90%) respectively.

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15 LOANS AND BORROWINGS (continued)

[3] 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% (2020: EURIBOR plus 0.55%).

[4] 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% (2020: EURIBOR plus 0.55%).

[5] 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% (2020: EURIBOR plus 0.60%).

[6] 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% (2020: LIBOR plus 0.725%).

[7] 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% (2020: EURIBOR plus 0.60%).

[8] 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 1% to 1.6% (2020: 0.80% to 3.9%).

The Group is required to ensure that the debt covenant of outstanding loans and borrowings should not exceed 300 percent of EBITDA during each period of twelve months ending on or about the last day of each financial half-year of the Group.

The Group has obtained waiver letter from all the banks with respect to debt covenant requirement up to and including 30 June 2021, with additional conditions to be met up to 31 December 2021. These additional covenants among other things include certain restrictions subject to financial conditions being met, on dividend declaration, maintenance of minimum cash balance and restriction on redemption, repurchase, defease, retire or repay any of its share capital.

As at 31 December 2021, the Group is compliant with the covenants clauses relating to Leverage Ratio and Debt Service Cover Ratio.

Aluminium Bahrain B.S.C.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

At 31 December 2021

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
	Short term borrowings used for cash management purposes	Other loans and borrowings	Accrued interest	Lease liabilities	At Fair through Profit and loss	Cash flow hedge - other comprehensive income	Share capital	Treasury shares	Reserves	Cash Flow Hedge Reserve	Retained Earnings
2021											
Balance as at 01 January 2021	153,890	870,244	6,676	6,554	(5)	8,300	142,000	(2,589)	71,249	(8,300)	877,193
											2,125,212
<i>Change from financing cash flows</i>											
Proceeds from short term borrowings	787,243	-	-	-	-	-	-	-	-	-	-
Proceeds from sale of treasury shares	-	-	-	-	-	-	-	6,468	-	-	-
Repayments of short term borrowings	(807,201)	-	-	-	-	-	-	-	-	-	-
Repayments of loans and borrowings	-	(73,586)	-	-	-	-	-	-	-	-	-
Purchase of treasury shares	-	-	-	-	-	-	-	(6,501)	-	-	-
Payment lease liabilities	-	-	-	(1,004)	-	-	-	-	-	-	-
Settlement of derivatives	-	-	-	-	(1)	(2,597)	-	-	-	-	-
Interim dividend payment	-	-	-	-	-	-	-	-	-	-	-
Payment of interest and other costs	-	-	(26,713)	(186)	-	-	-	-	-	-	-
Total changes from financing cashflows	(19,958)	(73,586)	(26,713)	(1,190)	(1)	(2,597)	-	(33)	-	-	(37,614)
Effect of change in foreign exchange rates	-	(14,249)	-	-	-	-	-	-	-	-	-
Changes in fair value - OCI	-	-	-	-	-	(6,647)	-	-	-	6,647	-
Changes in fair value - P&L	-	-	-	-	85	-	-	-	-	-	85
Other changes - liability related	(19,958)	(87,835)	(26,713)	(1,190)	84	(9,244)	-	(33)	-	6,647	(37,614)
Interest expense and other costs	-	10,809	25,544	186	-	-	-	-	-	2,597	-
Total liability related changes	-	10,809	25,544	186	-	-	-	-	-	2,597	-
Total equity related changes	-	-	-	-	-	-	-	(1,120)	-	-	452,990
Total changes	(19,958)	(77,026)	(1,169)	(1,004)	84	(9,244)	-	(1,153)	-	9,244	415,376
Balance as at 31 December 2021	133,932	793,218	5,507	5,550	79	(944)	142,000	(3,742)	71,249	944	1,292,569
											2,440,362

Aluminium Bahrain B.S.C.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

At 31 December 2020

16 Reconciliation of movement of liabilities to cash flows arising from financing activities:

	BHD '000										Total
	Short term borrowings used for cash management purposes	Other loans and borrowings	Accrued Interest	Lease liabilities	At Fair through Profit and loss	Cash flow hedge - other comprehensive income	Share capital	Treasury shares	Reserves	Cash Flow Hedge Reserve	Retained Earnings
2020											
Balance as at 01 January 2020	84,862	917,619	6,654	6,121	4,132	-	142,000	(3,994)	71,249	-	869,316
Change from financing cash flows											
Proceeds from short term borrowings	674,318	-	-	-	-	-	-	-	-	-	-
Proceeds from loans and borrowings	-	(0)	-	-	-	-	-	-	-	-	-
Proceeds from sale of treasury shares	-	-	-	-	-	-	-	5,204	-	-	-
Repayments of short term borrowings	(605,290)	-	-	-	-	-	-	-	-	-	-
Repayments of loans and borrowings	-	(72,626)	-	-	-	-	-	-	-	-	-
Purchase of treasury shares	-	-	-	-	-	-	-	(4,265)	-	-	-
Payment lease liabilities	-	-	-	(1,009)	-	-	-	-	-	-	-
Settlement of derivatives	-	-	-	-	(6,871)	-	-	-	-	-	-
Interim Dividend Payment	-	-	-	(252)	-	-	-	-	-	-	(1,412)
Payment of interest and other costs	-	-	(34,944)	-	-	-	-	-	-	-	-
Total changes from financing cashflows	69,028	(72,626)	(34,944)	(1,261)	(6,871)	-	-	939	-	-	(1,412)
Effect of change in foreign exchange rates	-	20,361	-	-	-	-	-	-	-	-	-
Changes in fair value - OCI	-	-	-	-	-	8,300	-	-	-	(8,300)	-
Changes in fair value - P&L	-	-	-	-	2,734	-	-	-	-	-	-
Other changes - liability related	69,028	(52,265)	(34,944)	(1,261)	(4,137)	8,300	-	939	-	(8,300)	(1,412)
New leases	-	-	-	1,442	-	-	-	-	-	-	-
Interest expense and other costs	-	4,890	34,966	252	-	-	-	-	-	-	-
Total liability related changes	-	4,890	34,966	1,694	-	-	-	-	-	-	-
Total equity related changes	-	-	-	-	-	-	-	466	-	-	9,289
Total changes	69,028	(47,375)	22	433	(4,137)	8,300	-	1,405	-	(8,300)	7,877
Balance as at 31 December 2020	153,890	870,244	6,676	6,554	(5)	8,300	142,000	(2,589)	71,249	(8,300)	877,193

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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17 EMPLOYEE BENEFITS

(a) Defined benefit scheme - leaving indemnity

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

	2021 BD '000	2020 BD '000
Provision as at 1 January	1,619	1,627
Provided during the year (note 23)	1,734	1,766
Employees' end of service benefits paid	(1,649)	(1,774)
Provision as at 31 December	1,704	1,619

(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	
	2021 BD '000	2020 BD '000	2021 BD '000	2020 BD '000
Provision as at 1 January	1,467	2,094	1,213	148
Expense recognised in the consolidated statement of comprehensive income (note 23)	5,404	5,462	6,799	7,069
Contributions paid	(5,013)	(6,089)	(7,110)	(6,004)
Provision as at 31 December (note 19)	1,858	1,467	902	1,213

(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 2021 (2020: 697,000 shares).

18 TAXATION

Taxation pertains to the Group's subsidiary in the United States of America and the normalised tax rate was 23.30% as of 31 December 2021 (2020: 23.30%). 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.

	2021 BD '000	2020 BD '000
Current (asset) / liability		
Current year	137	(47)
Recognised in consolidated statement of profit or loss		
Current year expense	1,108	185
Deferred tax expense / (benefit)	(35)	98
	1,073	283

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.

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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18 TAXATION (continued)

	2021 BD '000	2020 BD '000
Deferred tax asset	101	69
Deferred tax liability	(2)	(5)
Deferred tax asset - net	99	64
	2021 BD '000	2020 BD '000
The deferred tax asset comprises the following temporary differences:		
Deductible temporary differences	432	297
Taxable temporary differences	(9)	(22)
	423	275

19 TRADE AND OTHER PAYABLES

	2021 BD '000	2020 BD '000
Trade payables - supplier factoring facility (i)	-	50,431
Trade payables - related parties (note 27)	32,834	47,388
Trade payables - others	78,225	59,631
	111,059	157,450
Employee related accruals (ii)	46,504	20,750
Accrued expenses	24,130	27,590
Alba Savings Benefit Scheme [note 17(b)]	1,858	1,467
Social Insurance Organisation [(note 17(b)]	902	1,213
Advances from customers (iii)	1,353	25,071
	185,806	233,541

i) During previous year, the Group entered into supplier factoring arrangement under which certain suppliers may elect to receive early payment of their invoice from a bank by factoring their receivable from the Group. Under the arrangement, the bank agrees to pay amounts to a participating supplier in respect of invoices owed by the Group and receives settlement from the Group at a later date. The principal purpose of this arrangement is to facilitate efficient payment processing and enable the suppliers to sell their receivables due from the Group to a bank before due date.

The Group has not derecognised the original liabilities to which the arrangement applies because neither a legal release was obtained nor the original liability was substantially modified on entering into the arrangement. From the Group perspective, the arrangement does not significantly extend payment terms beyond the normal terms agreed with other suppliers that are not participating. The Group does not incur any additional interest towards the bank on the amounts due to the suppliers. The Group therefore discloses the amount factored by suppliers within trade payables because nature and function of the financial liability remain the same as those of other trade payables but discloses disaggregated amounts in the notes. All payables under this arrangement are classified as current as at 31 December 2021 and 31 December 2020.

The payments to the bank under supplier factoring arrangement, are included within operating cash flows because they continue to be part of the normal operating cycle of the Group and their principal nature remains operating i.e. payments for purchase of goods. The payments to a supplier by bank are considered as non-cash transactions and amounts to BD Nil as at 31 December 2021 (31 December 2020: BD 17,552 thousand).

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

iii) Advances from customers includes BD Nil (2020: BD 24,466 thousand) received from two customers; settlements against the advance are in the form of quantities of aluminium.

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

At 31 December 2021

20 DERIVATIVE FINANCIAL INSTRUMENTS

	2021 BD '000	2020 BD '000
<i>Classified in the consolidated statement of financial position as follows:</i>		
Negative fair values - liabilities arising from interest rate swap (IRS)	-	5,680
Non-current portion	1,294	2,620
Current portion	1,294	8,300
Negative fair values - liabilities current portion arising from commodity futures	79	-
	1,373	8,300
Positive fair values - assets non-current portion arising from IRS	(2,238)	-
Positive fair values - assets current portion arising from commodity futures	-	(5)
Total	(865)	8,295
<i>Recognised in consolidated statements of profit or loss as follows:</i>		
Changes in fair value of derivative financial instruments related to		
- Interest rate swap (FVTPL)	-	(2,884)
- Commodity futures (FVTPL)	(85)	150
Changes in fair value of derivative financial instruments	(85)	(2,734)
- Realised loss on settlement of IRS (note i)	(2,597)	-
	(2,682)	(2,734)
<i>Recognised in other comprehensive income</i>		
- Interest rate swap (note ii)	6,647	(8,300)

(i) This represents the realised loss or gain arising on settlement of IRS at the time of interest payment relating to hedged portion of borrowings, which is transferred to finance costs in consolidated statement of profit or loss from cash flow hedge reserve upon settlement.

(ii) This represents the difference between the Mark-to-Market (MTM) value of IRS as on 31 December 2021 and 31 December 2020 as confirmed by the respective counter party in IRS transaction as disclosed below.

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, to hedge its interest rate risks and commodity futures to meet customer pricing requirements.

Interest rate swaps

On 3 March 2020, the Group entered into amortised interest rate swap transaction to hedge dollar 6 months LIBOR cash flows attributable to the borrowings availed for financing the Line 6 project for the notional amount of BD 248,160 thousand (2020: BD 265,080 thousand) out of total principal amount of BD 496,320 thousand as on 31 December 2021 (2020: BD 530,160 thousand).

The Group has designated this derivative as cash flow hedging instrument and it qualifies for hedge accounting under IFRS 9 and consequently effective portion of the gains or losses resulting from the re-measurement of fair value of derivative are recognised in the consolidated statement of comprehensive income as other comprehensive income / (loss).

The Group settled its previous interest rate swap contracts designated at fair value through profit and loss on 3 March 2020 and related fair value gains or losses were recognised in the consolidated statement of profit or loss.

Existing derivative contracts expire on 29 October 2027. The notional amount outstanding as at 31 December 2021 was BD 248,160 thousand (31 December 2020: BD 265,080 thousand) with fixed rate leg of 1.2125% over the term of the contract.

In the periods during which interest expense relating to hedge borrowings is recognised or paid, the realised gain or loss is reclassified from cash flow hedge reserve to consolidated statement of profit or loss as a reclassification adjustment upon settlement of IRS.

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20 DERIVATIVE FINANCIAL INSTRUMENTS (continued)

Commodity futures

These derivatives are entered into to reduce the price risk on behalf of its customers. These 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 the consolidated statement of profit or loss.

The Group entered into commodity futures contracts to reduce the price risk on behalf of its customers for 7,825 metric tonnes (2020: 3,000 metric tonnes) and these mature between one to six months from the reporting date.

21 LEASES

Leases as lessee

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 index. For certain leases, the Group is restricted from entering into any sub-lease arrangements.

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.

	Land and buildings BD '000	Plant, machinery and other equipment BD '000	Total BD '000
2021			
Balance at 1 January	4,520	1,713	6,233
Depreciation charge for the year	(166)	(938)	(1,104)
Balance at 31 December	4,354	775	5,129
	Land and buildings BD '000	Plant, machinery and other equipment BD '000	Total BD '000
2020			
Balance at 1 January	3,345	2,709	6,054
Depreciation charge for the year	(267)	(996)	(1,263)
Additions to right-of-use assets	1,442	-	1,442
Balance at 31 December	4,520	1,713	6,233

ii. Lease liabilities under IFRS 16

	2021 BD '000	2020 BD '000
Non-current portion	4,864	5,561
Current portion	686	993
	5,550	6,554

Effective interest on lease liabilities ranges from 1.99% to 6.00% (2020: 1.99% to 6.00%).

iii. Amounts recognised in profit or loss

	2021 BD '000	2020 BD '000
Leases under IFRS 16		
Interest on lease liabilities	186	252
Depreciation	1,104	1,263
Expenses relating to short-term leases	1,073	670
	2,363	2,185

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21 LEASES (continued)

iv Amounts recognised in statement of cash flows

	2021	2020
	BD '000	BD '000
Total cash outflow for lease liabilities	1,004	1,009

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 INCOME/ (EXPENSE) - NET

	2021	2020
	BD '000	BD '000
Sale of water	1,680	1,390
Interest income	346	768
Loss on disposal of property, plant and equipment	(361)	(1,014)
Miscellaneous	675	1,595
	2,340	2,739

23 EXPENSES BY NATURE

	2021	2020
	BD '000	BD '000
Changes in inventories of finished goods and work in progress	(47,265)	11,285
Inventories recognised as an expense in cost of sales	785,668	653,218
Depreciation and amortisation	122,912	118,158
Staff costs (ii)	122,718	102,033
Spares & Consumables	35,761	32,247
Contracted Repairs	23,252	19,377
Insurance	11,064	16,916
Freight	41,277	25,034
Other expenses (net of sale of electricity of BD 1,560 thousand (2020: Nil) (note 27))	6,232	13,010
Total cost of sales, general and administrative expenses, selling and distribution expenses	1,101,619	991,278

(i) Break-down of expenses is as follows:

	2021	2020
	BD '000	BD '000
Cost of sales	1,007,802	920,411
General and administrative expenses	48,933	41,590
Selling and distribution expenses	44,884	29,277
	1,101,619	991,278

(ii) Break-down of staff costs is as follows:

	2021	2020
	BD '000	BD '000
Wages and salaries	98,573	77,759
Social Insurance Organisation [note 17(b)]	6,799	7,069
Alba Savings Benefit Scheme [note 17(b)]	5,404	5,462
Payments to contractors	7,243	7,860
Employees' end of service benefits [note 17(a)]	1,734	1,766
Indirect benefits (housing, education)	2,774	1,955
Others	191	162
	122,718	102,033

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23 EXPENSES BY NATURE (continued)

The staff costs have been allocated in the consolidated statement of profit or loss as follows:

	2021	2020
	BD '000	BD '000
Cost of sales	94,973	85,209
General and administrative expenses	25,335	14,955
Selling and distribution expenses	2,410	1,869
	<u>122,718</u>	<u>102,033</u>

(i) Cost of sales includes COVID-19 related government grants / assistance of BD Nil (2020: BD 12,740 thousand) 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.

(ii) During previous year, as a consequence of the impact of COVID 19, the Board authorized the Group to approach specific staff, mainly those with medical issues, or staff in excess to department needs or sub-performing staff, and offer an early retirement scheme/ Medical release, if eligible. It was only for staff that the company was targeting. The BD 7,646 thousand represented the total paid out during the previous year as part of this one-off arrangement.

24 FINANCE COSTS

	2021	2020
	BD '000	BD '000
Interest on loans and borrowings	37,405	36,606
Interest on advances received from customers	300	2,538
Interest on lease liabilities	186	252
Bank charges	1,245	712
	<u>39,136</u>	<u>40,108</u>

25 COMMITMENTS AND CONTINGENCIES

a) Commitments

	2021	2020
	BD '000	BD '000
<i>Physical metal commitments</i>		
Sales commitments :		
7,825 metric tonnes (2020: 3,000 metric tonnes)	<u>8,227</u>	<u>2,248</u>

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 20,862 thousand (2020: BD 24,324 thousand). The commitments are expected to be settled within 1 to 5 years from the reporting date.

Letters of credit

At 31 December 2021, the Group has outstanding letters of credit to counterparties of BD 3,818 thousand (2020: 51,233 thousand).

b) Contingencies

(i) The Company is party to ongoing labour 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. The total amount of claims ascertained against the Company amounting to BD 3 thousand (2020: BD 44 thousand). The Management believes that there is no provision required against these claims.

(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 cumulative balance in the Alba saving scheme. The total value of these letters of guarantee is BD 18,036 thousand (2020: BD 19,459 thousand).

At 31 December 2021, the Group had contingent liabilities in respect of the bank guarantees amounting to BD 12,921 thousand (2020: BD 19,875 thousand) from which it is anticipated that no material liabilities will arise.

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26 OPERATING SEGMENT INFORMATION

As on 31 December 2021, 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 profit or loss, consolidated statement of comprehensive income and consolidated statement of financial position of the Group.

(a) Product

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

	2021 BD '000	2020 BD '000
Aluminium	1,564,843	1,057,457
Alumina trading	17,291	3,339
Calcined coke	3	1,469
Revenue from contracts with customers	<u>1,582,137</u>	<u>1,062,265</u>
Pricing adjustments*	2,701	(842)
Total revenue	<u>1,584,838</u>	<u>1,061,423</u>

*Pricing adjustments represent mark-to-market adjustments on initial estimate of provisionally priced sales.

(b) Geographic information

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

	2021 BD '000	2020 BD '000
Kingdom of Bahrain	368,330	216,274
Europe	328,260	246,607
Rest of the Middle East and North Africa	314,776	176,505
Asia	337,130	307,144
Americas	236,342	114,893
Total revenue from contracts with customers	<u>1,584,838</u>	<u>1,061,423</u>

(c) Customers

Revenue from sale of aluminium to the three major customers of the Group amounted to BD 533,090 thousand with two customers accounting for more than 10% of the total revenue from contracts with customers for the year ended 31 December 2021 (three major customers of the Group amounted to BD 526,968 thousand with all three customers accounting for more than 10% of the total revenue from contracts with customers for the year ended 31 December 2020)

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 purchases gas and receives services from various Government and semi-government organisation and companies in the Kingdom of Bahrain. Other than purchase of natural gas, such other transactions are in the normal course of business and are not considered to be individually significant in terms of size.

Transactions with other commercial non-government related parties related to the controlling shareholder and significant transaction with government related entities included in the consolidated statement of profit or loss are as follows:

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27 RELATED PARTY TRANSACTIONS (continued)

	2021 BD '000	2020 BD '000
Other related parties		
Sales of goods and interest income		
Sale of metal	108,241	43,881
Sale of water	1,596	1,302
Sale of electricity (netted against other expenses in note 23)	1,560	-
Interest on receivable (net of write off)	-	787
	<u>111,397</u>	<u>45,970</u>
	2021 BD '000	2020 BD '000
Cost of sales and expenses		
Purchase of natural gas and diesel	235,448	230,664
Purchase of electricity	3,289	3,560
Interest on loans and borrowings	2,137	2,823
Others	190	1,483
	<u>241,064</u>	<u>238,530</u>

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

	2021 BD '000	2020 BD '000
Other related parties		
Assets		
Trade receivables net of impairment allowance of BD 7,944 thousand (2020: BD 5,688 thousand) (note 7)	4,733	5,110
Bank balances	1,243	1,065
Other receivables - net of impairment of BD Nil (2020: BD 787 thousand)	884	125
	<u>6,860</u>	<u>6,300</u>
Liabilities		
Trade payables (note 19)	32,834	47,388
Loans and Borrowings	54,595	65,001
Interest payable on loans and borrowings	492	346
	<u>87,921</u>	<u>112,735</u>

Outstanding balances at year-end arise in the normal course of business are interest free, unsecured and payable on demand. For the year ended 31 December 2021, the Group recorded a specific impairment of BD 2,256 thousand (net of adjustment against other receivable balance amounting to BD 710 thousand) on amounts due from related parties, based on the management best expectation [2020: BD 2,275 thousand (net of adjustment against other receivable balance amounting to BD 787 thousand)] [note 7].

Compensation of key management personnel (KMP)

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

	2021 BD '000	2020 BD '000
Short term benefits	1,336	1,395
End of service benefits	40	40
Contributions to Alba Savings Benefit Scheme	87	86
Other benefits	29	29
	<u>1,492</u>	<u>1,550</u>

Director compensation during the year included Directors' Fee of BD 420 thousand (2020: BD 210 thousand), attendance fees of BD 117 thousand (2020: BD 140 thousand), sitting fees of BD 84 thousand (2020: BD 84 thousand) and other reimbursement of BD 14 thousand.

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28 RISK MANAGEMENT

The Group is exposed to credit risk, liquidity risk and market risk from its financial instruments. The Group is also exposed to commodity price risk and operational risk as part of its business activities.

Risk management framework

The Company's board of directors has overall responsibility for the establishment and oversight of the Group's 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 Group audit committee oversees how management monitors compliance with the Group's risk management policies and procedures and reviews the adequacy of the risk management framework in relation to the risks faced by the Group. The Group audit committee is assisted in its oversight role by internal audit. Internal audit undertakes both regular and ad hoc reviews of risk management controls and procedures, the results of which are reported to the audit committee.

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 and from its financing activities, including from its trade receivables, deposits with banks and financial institutions, foreign exchange transactions and derivative financial instruments.

The maximum exposure to credit risk at the reporting date is the carrying amount of financial assets and is as follows:

	2021 BD '000	2020 BD '000
Cash at bank	93,246	44,367
Trade receivables	296,739	104,329
Other receivables	6,799	8,867
	<u>396,784</u>	<u>157,563</u>

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. For trade receivables (other than those from related parties), 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. For receivable from a related party, a specific cash shortfall assessment is performed using inputs that are specific to the discussions being held with the related party (refer note 27).

	Exposure BD '000	Weighted average loss rate	Loss allowance BD '000
2021			
Current	288,210	0.02%	46
0 - 30 days	3,335	2.16%	72
31 - 360 days	421	35.39%	149
Over 360 days	40	100.00%	40
	<u>292,006</u>		<u>307</u>
2020			
Current	84,281	0.03%	24
0 - 30 days	14,516	0.38%	59
31 - 360 days	422	26.54%	112
	<u>99,219</u>		<u>195</u>

All exports are backed by letter of credits, insurance or cash against documents, which constitute 99% of the trade receivables balance (excluding related parties). The Group has been transacting with most of its export customers for a long period of time and none of these customer balances have been credit impaired or written off.

Derivative contracts are entered into with approved counterparties and the Group is not subject to significant credit risk on these contracts. Also since derivative assets and trade receivables with provisional pricing arrangements are classified as assets measured fair value through profit or loss, no separate ECL is required to be recognized for such contracts.

Credit risk concentration

The Group sells its products to a large number of customers. Its five largest customers, which account for 33% of the outstanding trade receivables at 31 December 2021 (2020: 39%).

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28 RISK MANAGEMENT (continued)

Liquidity risk

Liquidity risk is the risk that the Group will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset. The Group's objective when managing liquidity is to ensure, as far as possible, that it will have sufficient liquidity to meet its liabilities when they are due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Group's reputation.

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.

	Carrying values BD '000	Gross Contractual Cashflows				Total 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	
31 December 2021						
Loans and borrowings (including interest payable)	960,396	(150,796)	(105,546)	(500,750)	(296,641)	(1,053,733)
Derivative financial instruments	1,373	-	(1,373)	-	-	(1,373)
Trade and other payables	184,435	(187,297)	-	-	-	(187,297)
Lease liabilities	5,550	(267)	(541)	(1,185)	(5,410)	(7,403)
Total	1,151,754	(338,360)	(107,460)	(501,935)	(302,051)	(1,249,806)

	Carrying values BD '000	Gross Contractual Cashflows				Total 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	
31 December 2020						
Loans and Borrowings (including interest payable)	1,069,358	(10,672)	(238,744)	(468,028)	(416,042)	(1,133,486)
Derivative financial instruments	8,295	-	(2,615)	(5,680)	-	(8,295)
Trade and other payables	208,470	(207,257)	-	-	-	(207,257)
Lease liabilities	6,555	(339)	(899)	(1,879)	(5,651)	(8,768)
Total	1,292,678	(218,268)	(242,258)	(475,587)	(421,693)	(1,357,806)

The inflows/outflows disclosed in the above table represent the contractual undiscounted cash flows relating to derivative financial liabilities held for risk management purposes and which are not usually closed out before contractual maturity. The disclosure shows net cash flow amounts for derivatives that are net cash-settled and gross cash inflow and outflow amounts for derivatives that have simultaneous gross cash settlement.

As disclosed in Note 15, the Group has bank loans that contains various loan covenants that are regularly reviewed and negotiated with its lenders. A future breach of covenant could require the Group to repay the loan earlier than indicated in the above table. The covenant is monitored on a regular basis by the finance department and regularly reported to management and board of directors to ensure compliance with the agreement.

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, current and fixed deposits and derivative financial instruments.

The Group uses derivatives to manage interest rate market risks. All such transactions are carried out within the guidelines set by the risk management committee. Generally, the Group seeks to apply hedge accounting to manage volatility in profit or loss.

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 transaction for floating rate borrowing as hedge of the variability in cash flows attributable to movements in interest rates.

The Group determines the existence of an economic relationship between hedging instrument and hedged item based on the reference interest rates, tenors, repricing dates and maturities and the notional or par amounts. If a hedging relationship is directly affected by uncertainty arising from IBOR reform, then the Group assumes for this purpose that the benchmark interest rate is not altered as a result of interest rate benchmark reform.

The Group assesses whether the derivatives designated in each hedging relationship is expected to be effective in offsetting changes in cash flows of the hedged item by using the hypothetical derivative method.

In these hedge relationships, the main sources of ineffectiveness are:

- the effect of counterparty's and the Group's own credit risk on the fair value of the swaps, which is not reflected in the change in the fair value of hedged cash flows attributable to the change in interest rates; and
- difference in repricing dates between the swaps and borrowings.

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28 RISK MANAGEMENT (continued)

Hedging relationships that are impacted by IBOR reform Phase 2 amendments, may experience ineffectiveness because of a timing mismatch between the hedged item and hedging instrument regarding IBOR transition. For details please refer to 'Management interest rate benchmark reform and associated risks' below.

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.

Exposure to interest rate risk

The interest rate profile of the Group's interest bearing financial instruments as reported to the management of the Group is as follows:

	2021 BD '000	2020 BD '000
Variable rate instruments		
Financial assets	70,897	27,352
Financial liabilities	(954,889)	(1,062,682)
	(883,992)	(1,035,330)
Effect of interest rate swaps	248,160	265,080
	(635,832)	(770,250)

Cash flow sensitivity analysis for variable-rate instruments

A reasonably possible changes of 100 basis points in interest rates at the reporting date would have increased/(decreased) equity and profit or loss by the amounts shown below. This analysis assumes that all other variables remain constant.

	Profit or loss		Equity	
	100 bp increase	100 bp decrease	100 bp increase	100 bp decrease
31 December 2021				
Variable-rate instrument	(8,840)	8,840	-	-
Interest rate swaps	2,482	(2,482)	8,412	(8,304)
Cash flow sensitivity (net)	(6,358)	6,358	8,412	(8,304)
31 December 2020				
Variable-rate instrument	(10,353)	10,353	-	-
Interest rate swaps	2,651	(2,651)	12,268	(12,323)
Cash flow sensitivity (net)	(7,702)	7,702	12,268	(12,323)

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. The Group's main IBOR exposure at 31 December 2020 was indexed to US dollar LIBOR. The alternative reference rate for US dollar LIBOR is Secured Overnight Financing Rate (SOFR). Although US dollar LIBOR was planned to be discontinued by end of 2021, in November 2020 the ICE Benchmark Administrative (IBA), the FCA-regulated and authorised administrator of LIBOR, announced that it had started to consult on its intention to cease the publication of certain USD LIBORs after June 2023. As at 31 December 2021, it is still unclear when the announcement that will set a date for the termination of the publication of US dollar LIBOR will take place. Nevertheless, the Group had finished the process of implementing appropriate fallback provisions for all US dollar LIBOR indexed exposures by the end 2021.

The Executive Steering Committee monitors and manages the Group's transition to alternative rates. The committee evaluates the extent to which contracts reference IBOR cash flows, whether such contracts will need to be amended as a result of IBOR reform and how to manage communication about IBOR reform with counterparties. The committee's reports to the Company's board of directors quarterly and collaborates with other business functions as needed. It provides periodic reports to management of interest rate risk and risk arising from IBOR reform.

(ii) Non-derivative financial liabilities

The Group's IBOR exposure to non-derivative financial liabilities as at 31 December 2021 were unsecured borrowings indexed to US dollar LIBOR and Euribor. The calculation methodology of Euribor changed during 2019. In July 2019, the Belgian Financial Services and Markets Authority granted authorisation with respect to Euribor under the European Union Benchmarks Regulation. This allow market participants to continue to use Euribor for both existing and new contracts and the Group expects that Euribor will continue to exist as a benchmark rate for the foreseeable future.

(iii) Derivative

The Group holds interest rate swap for risk management purposes that are designated in cash flow hedging relationships. The interest rate swap has floating leg that is indexed to US dollar LIBOR. The Group's derivative instruments are governed by the contract based on the International Swaps and Derivatives Association (ISDA)'s Master Agreement. No derivative instruments have been modified as at 31 December 2021.

(iv) Hedge accounting

The Group's hedged items and hedging instruments as at reporting date are indexed to US dollar IBOR. This benchmark rate is quoted each day and IBOR cash flows are exchanged with its counterparties as usual.

Interest rate risk (continued)

The Group has measured its hedging instrument indexed to US 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.

Total amounts of unreformed contracts, including those with an appropriate fallback clause

The Group monitors the progress of transition from IBORs to new benchmark rates by reviewing the total amounts of contracts that have yet to transition to an alternative benchmark rate and the amounts of such contracts that include an appropriate fallback clause. The Group considers that a contract is not yet transitioned to alternative benchmark rate where interest under the contract is indexed to a benchmark rate that is still subject to IBOR reform, even if it includes a fallback clause that deals with the cessation of the existing IBOR (referred as an 'unreformed contract').

The following table shows the total amounts of unreformed contracts and those with appropriate fallback language at 1 January 2021 and 31 December 2021. The amounts of financial liabilities are shown at their carrying amounts and derivatives are shown at their notional amounts.

	USD LIBOR	
	Total amount of unreformed contracts	Amount with appropriate fallback clause
31 December 2021		
<i>Financial liabilities</i>		
Unsecured borrowings	623,343	623,343
<i>Derivatives</i>		
Interest rate swaps*	(944)	(944)
1 January 2021		
<i>Financial liabilities</i>		
Unsecured borrowings	671,900	671,900
<i>Derivatives</i>		
Interest rate swaps*	8,300	8,300

*The Group's exposure to dollar LIBOR designated in a hedging relationship is BD 248,160 thousand nominal amount at 31 December 2021 attributable to the interest rate swap hedging dollar LIBOR cash flows on the principal amount of BD 496,320 thousand of the Group's dollar-denominated secured bank loan liability maturing in 2027.

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 profit or loss 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
2021	+30%	(23)
	-30%	23
2020	+30%	(2)
	-30%	2

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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 2021 and 31 December 2020 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	2021 BD '000	2020 BD '000
Bank balances	Euro	47,565	17,627
	Swiss Francs	33	25
Receivables	Euro	57,954	12,057
Loans and Borrowings	Euro	197,614	236,892
Payables	Euro	4,630	1,406
	Swiss Francs	42	361
	Great Britain Pounds	63	183

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.

Currency	2021		2020	
	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%	(9,673)	+10%	(20,861)
Swiss Francs	+10%	(1)	+10%	(34)
Great Britain Pounds	+10%	(6)	+10%	(18)
		<u>(9,680)</u>		<u>(20,913)</u>

Operational risk

Operational risk is the risk of direct or indirect loss arising from a wide variety of causes associated with the Group's processes, personnel, technology and infrastructure, and from external factors other than credit, market and liquidity risks such as those arising from legal and regulatory requirements and generally accepted standards of corporate behaviour. Operational risks arise from all of the Group's operations.

The Group's objective is to manage operational risk so as to balance the avoidance of financial losses and damage to the Group's reputation with overall cost effectiveness and to avoid control procedures that restrict initiative and creativity.

The primary responsibility for the development and implementation of controls to address operational risk is assigned to senior management within each business unit. This responsibility is supported by the development of overall Group standards for the management of operational risk in the following areas:

- requirements for appropriate segregation of duties, including the independent authorisation of transactions;
- requirements for the reconciliation and monitoring of transactions;
- compliance with regulatory and other legal requirements; and
- documentation of controls and procedures

Compliance with the Group's standards is supported by a program of periodic reviews undertaken by Internal Audit. The results of Internal Audit reviews are discussed with the management of the business unit to which they relate, with summaries submitted to the Audit Committee and senior management of the Company.

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 2021 and 31 December 2020. 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 Group is not subject to externally imposed capital requirements, except those linked to certain debt covenants (refer note 15).

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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 2021

	Finance assets at amortised cost		Financial assets at fair value through profit or loss	
	2021	2020	2021	2020
	BD '000	BD '000	BD '000	BD '000
Financial assets				
Cash at bank	93,246	44,367	-	-
Trade and other receivables	304,252	113,186	170	135
Derivative financial instruments	-	-	2,238	5
	397,498	157,553	2,408	140
	Financial liabilities at amortised cost		Financial liabilities at fair value	
	2021	2020	2021	2020
	BD '000	BD '000	BD '000	BD '000
Financial liabilities				
Loans and Borrowings	954,889	1,062,682	-	-
Trade and other payables	184,453	208,470	-	-
Derivative financial instruments	-	-	1,373	8,300
	1,139,342	1,271,152	1,373	8,300

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 2021, the carrying amounts of such receivables, net of allowances, were not materially different from their calculated fair values, except for the trade receivable (subject to provisional pricing).
- 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.

Fair value hierarchy

As at 31 December 2021 and 31 December 2020, the Group's derivative financial instruments and trade receivables (subject to provisional pricing) 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 2021 and 31 December 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 (2020: same).

The fair value of loans and 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 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.

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