Aluminium Bahrain B.S.C.

REPORT OF THE BOARD OF DIRECTORS, INDEPENDENT AUDITOR'S REPORT AND CONSOLIDATED FINANCIAL STATEMENTS

31 DECEMBER 2023

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 2023.

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 and Commerce 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
in Q1 2023, the Company closed its Hong Kong Sales Office (formerly located at 2210, Windsor House, 311 Gloucester Road, Causeway Bay, Hong Kong).

Bahrain Subsidiary (Alba Club WLL)
Following the Board's resolution on 30 December 2021, Alba Club WLL (formerly registered under CR 99789-1) has transitioned to become a branch of the Company (CR 999) effective 22 November 2023 (Application No. CR2022-3948).

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	2023 (%)	2022 (%)
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 has been 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. Ahmed A. Qader, Acting Chief Financial Officer

Alba Executives' Remuneration

BD

Executive Management	Total Paid Salaries & Allowances	Total Paid Remuneration (Bonus)	Any Other Cash-in-Kind Remuneration	Aggregate Amount
Chief Executive Officer, Chief Marketing Officer, Chief Power Officer, Chief Operations Officer, Chief Supply Officer and Chief Financial Officer	1,126,034	780,792	136,070	2,042,896

Results and Retained Earnings
The Company made a Profit of **BD118.025 million** for the financial year of 2023 versus a Profit of **BD416.167 million** for the financial year of 2022.

The Movements in Retained Earnings of the Company were:

	BD '000
Balance as at 31 December 2022	**1,588,831**
Profit for the year 2023	**118,025**
Loss on resale of treasury shares	**(33)**
Final Dividend for 2022 approved and paid	**(121,345)**

ألبا، مبنى ١٥٠، طريق ٩٤، عسكر، مجمع ٩٥١، مملكة البحرين ص.ب. ٥٧٠، تليفون: ١٧٨٣٠٠٠٠ (+٩٧٣) فاكس: ١٧٨٣٠٠٨٣ (+٩٧٣)
Alba, Building: 150, Road: 94, Town: Askar, Block: 951, Bahrain, P.O Box 570. Tel : (+973)17830000, Fax : (+973) 17830083, e-mail : alba@alba.com.bh

Interim Dividend for 2023 approved and paid	**(18,805)**
Balance as at 31 December 2023	**1,566,673**

Appropriations

- On 09 August 2023, the Board of Directors of Aluminium Bahrain B.S.C. (Alba) recommended an interim dividend of Fils 13.28 per share (excluding treasury shares) totalling BD18,805,356 which was subsequently paid from 31 August 2023.

- At the Board meeting held on 14 February 2024, the Company's Board of Directors proposed to pay final dividend of Fils 15.9 per share (excluding Treasury Shares) totalling BD22,508,803.

The above appropriations are subject to the approvals of the Company's shareholders at the Annual General Meeting which will be held on 07 March 2024.

Directors of the Company [to note: all disclosures have been filed with Bahrain Bourse and MOIC]

The following Directors served on the Board of Alba from 26 February 2023 to-date:

Bahrain Mumtalakat Holding Company B.S.C. (c)
Mr. Khalid Al Rumaihi, Chairman from 09 October 2023
Shaikh Daij Bin Salman Bin Daij Al Khalifa, Chairman until 08 October 2023
Shaikh Isa bin Khalid Al Khalifa, Director
Mr. Tim Murray, Director
Mrs. Roselyne Renel, Director
Mr. Bruce Cox
Mr. Omar Syed

Sabic Industrial Investments Company
Mr. Ahmed Al Duriaan, Director
Mr. Omar Al Amoudi, Director
Mr. Alwaleed AlSenani

Elected Director
Mrs. Hala Mufeez

Alba Directors' Remuneration
The Board of Directors' Remuneration for the year-ended 31 December 2023 is as follows:

- Attendance Fees of BD113,000 were paid over the course of 2023 [2022: BD107,000].
- Sitting Fees of BD70,800 will be paid after the Board's meeting on 14 February 2024 [2022: BD72,000].
- The proposed Remuneration Fees of BD420,000 will be paid post the Annual General Meeting scheduled on 07 March 2024 [2022: BD412,000].

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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 (Does not Include Expense allowance)	Expenses Allowance
	Remunerations[1] of Chairman & BOD	Total Allowance for Board & Committee Meetings	Others[2]	Total	Remunerations of Chairman & BOD	Incentive Plans	Others[3]	Total			
First: Independent Directors											
Shaikh Daij bin Salman bin Daij Al Khalifa	48	24	-	72	-	-	-	-	-	72	-
Shaikh Isa bin Khalid Al Khalifa	40	18.6	-	58.6	-	-	-	-	-	58.6	
Tim Murray	40	16	-	56	-	-	-	-	-	56	3.600
Bruce Cox	32	12.5	-	44.5	-	-	-	-	-	44.5	2.304
Roselyne Renel	32	11.6	-	43.6	-	-	-	-	-	43.6	0.900
Yousif Taqi	8	4.6	-	12.6	-	-	-	-	-	12.6	-
Mutlaq Al Morished	8	4.5	-	12.5	-	-	-	-	-	12.5	0.900
Second: Non-Executive Directors											
Khalid Al Rumaihi	12	7	-	19	-	-	-	-	-	19	-
Omar Syed	32	12.5	-	44.5	-	-	-	-	-	44.5	-

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Omar Al Amoudi	40	16	-	56	-	-	-	-	-	56	3.600
Ahmed Alduriaan	40	16	-	56	-	-	-	-	-	56	4.373
Alwaleed AlSenani	32	13.8	-	45.8	-	-	-	-	-	45.8	1.800
Hala Mufeez	32	13.8	-	45.8	-	-	-	-	-	45.8	-
Iyad Al Garawi	8	4.2	-	12.2	-	-	-	-	-	12.2	0.900
Suha Karzoon	8	4.2	-	12.2	-	-	-	-	-	12.2	-
Rasha Sabkar	8	4.5	-	12.5	-	-	-	-	-	12.5	-
Third: Executive Directors (not Applicable)											
Total	**420**	**183.8**	-	**603.8**	-	-	-	-		**603.8**	**18.377**

[1] As per Policy for the Board Directors and Board Committee Members' Remuneration Fees, Attendance Fees and Per Diem Allowance

(Other remunerations):
[2] It includes in-kind benefits – specific amount - remuneration for technical, administrative, and advisory works (if any).
[3] It includes the board member's share of the profits - Granted shares (insert the value) (if any).

By order of the Board,

Khalid Al Rumaihi
Chairman

Isa Al Khalifa
Director

14 February 2024

البا ، مبنى ١٥٠ ، طريق ٩٤ ، عسكر ، مجمع ٩٥١ ، مملكة البحرين ص.ب. ٥٧٠ ، تليفون: ١٧٨٣٠٠٠٠ (٩٧٣+) فاكس: ١٧٨٣٠٠٨٣ (٩٧٣+)
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INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF ALUMINIUM BAHRAIN B.S.C.

Report on the Audit of the Consolidated Financial Statements

Opinion
We have audited the 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 2023, and the consolidated statement of profit or loss and other comprehensive income, consolidated statement of cash flows and consolidated statement of changes in equity for the year then ended, and notes to the consolidated financial statements, including material accounting policy 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 2023 and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs).

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 *Auditor's 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.

Other matter
The consolidated financial statements of the Group for the year ended 31 December 2022 were audited by another auditor, who expressed an unmodified audit opinion on those consolidated financial statements on 2 February 2023.

Key audit matters
Key audit matters are those matters that, in our professional judgement, were of most significance in audit of the consolidated financial statements for the year ended 31 December 2023. 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. For each matter below, our description of how our audit addressed the matter is provided in that context.

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

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

Key audit matters (continued)

We have fulfilled the responsibilities described in the *Auditor's responsibilities for the audit of the consolidated financial statements* section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the consolidated financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying consolidated financial statements.

Impairment assessment of property, plant and equipment

Refer to note 2 for impairment policy, note 3 for estimate and judgment and note 4 on disclosure of property, plant and equipment in the consolidated financial statements.

Key audit matter	***How our audit addressed the key audit matter***
As at 31 December 2023, the Group held property, plant and equipment (PPE) of BD 1,899,031 thousand in the consolidated statement of financial position. This area was important to our audit due to the size of the carrying value of the PPE (74% of the total assets as at 31 December 2023) 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, input prices and overall market and economic conditions.	Our audit procedures in this area included, among others: i) We evaluated the Group's basis of developing forecasts and cashflow projections on the basis of management's expectation of the performance of the Group's business considering the prevailing economic conditions in general and the aluminium industry in particular; ii) With the support of our specialist, we: - evaluated the appropriateness of the methodology used by the Group to assess impairment of PPE; and - evaluated management assumptions used in cash flow models used by the Group against external data including adjustments for risks specific to the Group, in particular its revenue forecasts based on forward estimates of LME prices, discount rates and expected long-term growth rates; iii) We agreed the relevant financial and quantitative data used in the Discount Cash Flow (DCF) model to the production plans and approved budgets; and iv) We assessed whether the consolidated financial statements disclosures relating to key inputs and assumptions for impairment were appropriate.

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

Other information in the Group's 2023 annual report

Other information consists of the information included in the Group's 2023 Annual Report, other than the consolidated financial statements and our auditor's report thereon. The Board of Directors is responsible for the other information. Prior to the date of this auditors' report, we obtained the Report of the Board of Directors which form 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 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 when it becomes available 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 obtained prior to the date of the auditor's report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Board of Directors for the consolidated financial statements

The Board of Directors is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with IFRSs, 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.

The Board of Directors is responsible for overseeing the Group's financial reporting process.

Auditor's 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 auditor's 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.

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

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

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

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Board of Directors.
- Conclude on the appropriateness of the Board of Directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's 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 auditor's 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 to 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.

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

Auditor’s responsibilities for the audit of the consolidated financial statements (continued)

From the matters communicated with the Board of Directors, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor’s 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 Legal and Regulatory Requirements

We report that:

a) As required by the Bahrain Commercial Companies Law,

   i) the Company has maintained proper accounting records and the consolidated financial statements are in agreement therewith;

   ii) the financial information contained in the Report of the Board of Directors is consistent with the consolidated financial statements; and

   ii) satisfactory explanations and information have been provided to us by management in response to all our requests.

b) we are not aware of any violations of the Bahrain Commercial Companies Law, the Central Bank of Bahrain (CBB) Rule Book (applicable provisions of Volume 6) and CBB directives, regulations and associated resolutions, rules and procedures of the Bahrain Bourse or the terms of the Company’s memorandum and articles of association during the year ended 31 December 2023 that might have had a material adverse effect on the business of the Group or on its consolidated financial position.

c) As required by Article 8 of section 2 of Chapter 1 of the Bahrain Corporate Governance Code, we report that the Company:

   i) has appointed a Corporate Governance Officer; and

   ii) has a board approved written guidance and procedures for corporate governance.

The Partner in charge of the audit resulting in this independent auditor’s report is Nader Rahimi.

Ernst + Young

Partner's Registration No. 115
14 February 2024
Manama, Kingdom of Bahrain

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
At 31 December 2023

	Note	2023 BD '000	2022 BD '000
ASSETS			
Non-current assets			
Property, plant and equipment	4	**1,899,031**	1,897,146
Derivative financial instruments	17	**8,526**	18,095
Trade and other receivables	6	**5,422**	7,619
Deferred tax assets	18	**90**	81
		1,913,069	1,922,941
Current assets			
Inventories	5	**349,797**	359,276
Trade and other receivables	6	**225,688**	234,230
Derivative financial instruments	17	**5,375**	7,120
Bank balances and cash	7	**59,632**	93,617
		640,492	694,243
TOTAL ASSETS		**2,553,561**	2,617,184
EQUITY AND LIABILITIES			
Equity			
Share capital	8	**142,000**	142,000
Treasury shares	9	**(4,591)**	(4,831)
Statutory reserve	10	**71,000**	71,000
Capital reserve	11	**249**	249
Cash flow hedge reserve	17	**13,901**	25,209
Retained earnings		**1,566,673**	1,588,831
TOTAL EQUITY		**1,789,232**	1,822,458
Non-current liabilities			
Loans and borrowings	13	**383,184**	505,098
Lease liabilities	14	**7,607**	4,752
Employees' end of service benefits	15	**1,643**	1,401
		392,434	511,251
Current liabilities			
Loans and borrowings	13	**202,654**	124,115
Lease liabilities	14	**904**	615
Trade and other payables	16	**167,229**	158,745
Derivative financial instruments	17	**1,108**	-
		371,895	283,475
TOTAL LIABILITIES		**764,329**	794,726
TOTAL EQUITY AND LIABILITIES		**2,553,561**	2,617,184

Khalid Al Rumaihi	Isa Bin Khalid Bin Abdulla Al Khalifa	Ali Al Baqali
Chairman	Director	Chief Executive Officer

The attached notes 1 to 30 form part of these consolidated financial statements.

Aluminium Bahrain B.S.C.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the year ended 31 December 2023

	Note	*2023* *BD '000*	*2022* *BD '000*
Revenue from contracts with customers	19	**1,543,908**	1,840,924
Cost of revenue	21	**(1,290,417)**	(1,295,314)
GROSS PROFIT		**253,491**	545,610
Other income	20	**7,054**	5,030
Gain on foreign exchange		**2,954**	9,378
General and administrative expenses	21	**(39,064)**	(38,555)
Selling and distribution expenses	21	**(55,778)**	(83,788)
Finance costs	22	**(62,230)**	(33,003)
Realised gain on settlement of cash flow hedge for interest rate swap (IRS)	17	**13,299**	12,227
Directors' remuneration	25	**(420)**	(412)
Changes in fair value of derivative financial instruments	17	**(1,114)**	85
PROFIT FOR THE YEAR BEFORE TAX		**118,192**	416,572
Tax	18	**(167)**	(405)
PROFIT FOR THE YEAR		**118,025**	416,167
Basic and diluted earnings per share (fils)	23	**83**	294

Khalid Al Rumaihi	Isa Bin Khalid Bin Abdulla Al Khalifa	Ali Al Baqali
Chairman	Director	Chief Executive Officer

The attached notes 1 to 30 form part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2023

	Note	**2023 BD '000**	*2022 BD '000*
PROFIT FOR THE YEAR		**118,025**	416,167
Other comprehensive income			
Other comprehensive income that may be reclassified to profit or loss in subsequent periods:			
Effective portion of changes in fair value of cash flow hedge	17	**1,991**	36,492
Net gains on interest rate swap (IRS) relcassified to the profit or loss	17	**(13,299)**	(12,227)
		(11,308)	24,265
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		**106,717**	440,432

Khalid Al Romaihi	Isa Bin Khalid Bin Abdulla Al Khalifa	Ali Al Baqali
Chairman	Director	Chief Executive Officer

The attached notes 1 to 30 form part of these consolidated financial statements.

Aluminium Bahrain B.S.C.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2023

	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 2021		142,000	(3,742)	71,000	249	944	1,292,569	1,503,020
Profit for the year		-	-	-	-	-	416,167	416,167
Other comprehensive income	17	-	-	-	-	24,265	-	24,265
Total comprehensive income for the year		-	-	-	-	24,265	416,167	440,432
Net movement in treasury shares		-	(1,089)	-	-	-	534	(555)
Final dividend approved and paid for 2021	12	-	-	-	-	-	(75,316)	(75,316)
Interim dividend approved and paid for 2022	12	-	-	-	-	-	(45,123)	(45,123)
Balance at 31 December 2022		142,000	(4,831)	71,000	249	25,209	1,588,831	1,822,458
Profit for the year		-	-	-	-	-	118,025	118,025
Other comprehensive income	17	-	-	-	-	(11,308)	-	(11,308)
Total comprehensive income for the year		-	-	-	-	(11,308)	118,025	106,717
Net movement in treasury shares		-	240	-	-	-	(33)	207
Final dividend approved and paid for 2022	12	-	-	-	-	-	(121,345)	(121,345)
Interim dividend approved and paid for 2023	12	-	-	-	-	-	(18,805)	(18,805)
Balance at 31 December 2023		**142,000**	**(4,591)**	**71,000**	**249**	**13,901**	**1,566,673**	**1,789,232**

The attached notes 1 to 30 form part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS
For the year ended 31 December 2023

	Note	2023 BD '000	2022 BD '000
OPERATING ACTIVITIES			
Profit for the year before tax		**118,192**	416,572
Adjustments to reconcile profit before tax to net cash flows:			
Depreciation and amortisation	4	**133,885**	126,695
Provision for employees' end of service benefits	15 (a)	**1,454**	1,552
Provision for slow moving inventories	5	**532**	3,100
Allowance for expected credit losses	6	**2,516**	1,552
Changes in fair value of derivative financial instruments	17	**1,114**	(85)
Interest income	20	**(3,383)**	(1,081)
Loss on disposal of property, plant and equipment		**659**	751
Realised gain on settlement of cash flow hedge for interest rate swap (IRS)	17	**(13,299)**	(12,227)
Forex gain on revaluation of loans and borrowings and bank balances - net		**2,171**	(17,887)
Finance costs	22	**62,230**	33,003
Operating profit before working capital changes		**306,071**	551,945
Working capital changes:			
Inventories		**8,947**	(60,117)
Trade and other receivables		**8,680**	73,992
Trade and other payables		**7,022**	(41,376)
Net cash generated from operations		**330,720**	524,444
Employees' end of service benefits paid	15 (a)	**(1,212)**	(1,855)
Income tax paid		**(835)**	(998)
Net cash flows from operating activities		**328,673**	521,591
INVESTING ACTIVITIES			
Acquisition of property, plant and equipment		**(132,527)**	(109,182)
Proceeds from disposal of property, plant and equipment		**129**	820
Interest received		**3,585**	824
Net cash flows used in investing activities		**(128,813)**	(107,538)

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2023 (continued)

	Note	2023 BD '000	2022 BD '000
FINANCING ACTIVITIES			
Proceeds from loans and borrowings	26	**484,980**	543,303
Repayment of loans and borrowings	26	**(549,352)**	(808,167)
Interest on loans and borrowings and leases paid		**(43,329)**	(31,150)
Transaction costs related to loans and borrowings		**-**	(10,204)
Payment of lease liabilities		**(887)**	(706)
Dividends paid	12	**(140,150)**	(120,439)
Settlement of derivatives	17	**13,299**	12,227
Purchase of treasury shares		**(7,796)**	(10,153)
Proceeds from resale of treasury shares		**8,003**	9,598
Net cash flows used in financing activities		**(235,232)**	(415,691)
NET DECREASE IN CASH AND CASH EQUIVALENTS		**(35,372)**	(1,638)
Cash and cash equivalents at 1 January		**93,617**	93,311
Effect of movement in exchange rates on cash held		**1,387**	1,944
CASH AND CASH EQUIVALENTS AT 31 DECEMBER	7	**59,632**	93,617

Non-cash items:

i) Remeasurement of loan to employees amounting to BD 1,146 (2022: BD Nil) has been excluded from movement in trade and other receivables.

ii) Amortisation of deferred cost amounting to BD 17,439 thousand (2022: BD 4,229 thousand) has been excluded from the movement of finance cost paid.

1 CORPORATE INFORMATION

Aluminium Bahrain B.S.C. ("the Company") was incorporated as a Bahrain Joint Stock Company (closed) in the Kingdom of Bahrain and registered with the Ministry of Industry and Commerce (MOIC) 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") which is also the ultimate parent, 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	*Country of incorporation*	*Effective ownership*		*Principal activities*
		2023	*2022*	
Aluminium Bahrain US, Inc.	United States of America (USA)	**100%**	100%	Selling and distribution of aluminium throughout the South and North America.
AlbaCap Insurance Limited	Guernsey	**100%**	100%	Captive insurance entity to insure risks of the Group.

During the year ended 31 December 2023, Alba Club W.L.L. registered under Commercial Registration No. 99789-1, is converted to branch under Aluminium Bahrain B.S.C. (Alba) Commercial Registration No. 999-1.

The Group also has representative branch offices in Kingdom of Bahrain, Zurich (Switzerland) and Singapore.

The consolidated financial statements of the Group were authorized for issue in accordance with a resolution of the Directors on 14 February 2024.

2 MATERIAL ACCOUNTING POLICIES

Basis of preparation

The consolidated financial statements are prepared on historical cost basis modified to include the measurement at fair value of derivative financial instruments.

Statement of compliance

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.

2 MATERIAL ACCOUNTING POLICIES (continued)

Functional and presentation currency

The consolidated financial statements have been presented in Bahraini Dinars (BD), which is also the Company's functional currency. Unless otherwise stated, all financial information presented has been rounded off to the nearest thousand dinar.

Basis of consolidation

The consolidated financial statements comprise the financial statements of the Company and its subsidiaries as at 31 December 2023. 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.

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 polices. 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: derecognises the related assets, liabilities, non-controlling interest and other components of equity, while any resultant gain or loss is recognised in profit or loss. Any investment retained is recognised at fair value.

2 MATERIAL ACCOUNTING POLICIES (continued)

New and amended standards and interpretations

The accounting policies adopted in the preparation of these consolidated financial statements are consistent with those used in the previous year, except for certain amendments to standards adopted by the Group as of 1 January 2023. The Group has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective.

- *Definition of Accounting Estimates - Amendments to IAS 8: The amendments to IAS 8 clarify the distinction between changes in accounting estimates, and changes in accounting policies and the correction of errors. They also clarify how entities use measurement techniques and inputs to develop accounting estimates;*

- *Disclosure of Accounting Policies - Amendments to IAS 1 and IFRS Practice Statement 2: The amendments to IAS 1 and IFRS Practice Statement 2 Making Materiality Judgements provide guidance and examples to help entities apply materiality judgements to accounting policy disclosures. The amendments aim to help entities provide accounting policy disclosures that are more useful by replacing the requirement for entities to disclose their 'significant' accounting policies with a requirement to disclose their 'material' accounting policies and adding guidance on how entities apply the concept of materiality in making decisions about accounting policy disclosures;*

- *Deferred Tax related to Assets and Liabilities arising from a Single Transaction – Amendments to IAS 12: The amendments to IAS 12 Income Tax narrow the scope of the initial recognition exception, so that it no longer applies to transactions that give rise to equal taxable and deductible temporary differences such as leases and decommissioning liabilities; and*

- *International Tax Reform – Pillar Two Model Rules - Amendments to IAS 12: The amendments clarify that IAS 12 applies to income taxes arising from tax law enacted or substantively enacted to implement the Pillar Two Model Rules published by the Organisation for Economic Cooperation and Development (OECD), including tax law that implements qualified domestic minimum top-up taxes. Such tax legislation, and the income taxes arising from it, are referred to as 'Pillar Two legislation' and 'Pillar Two income taxes', respectively.*

The adoption of these standards and amendments did not have any effect on the Group's consolidated financial statements.

Standards and interpretations issued but not yet effective

Standards and interpretations issued but not yet effective up to the date of issuance of the Group's consolidated financial statements are disclosed below. The Group intends to adopt these standards and interpretations, if applicable, when they become effective:

- *Amendments to IAS 1: Classification of Liabilities as Current or Non-current: In January 2020, the IASB issued amendments to IAS 1 to specify the requirements for classifying liabilities as current or non-current. The amendments are effective for annual reporting periods beginning on or after 1 January 2024 and must be applied retrospectively;*

- *Amendments to IFRS 16 – Lease Liability in a Sale and Leaseback: In September 2022, the IASB issued amendments to IFSR 16 to specifies the requirements that a seller-lessee uses in measuring the lease liability arising in a sale and leaseback transaction, to ensure the seller-lessee does not recognise any amount of the gain or loss that relates to the right of use it retains. The amendments are effective for annual reporting periods beginning on or after 1 January 2024 and must be applied retrospectively; and*

2 MATERIAL ACCOUNTING POLICIES (continued)

Standards and interpretations issued but not yet effective (continued)

- *Amendments to IAS 7 and IFRS 7 – Disclosures - Supplier Finance Arrangements: In May 2023, the IASB issued these amendments to clarify the characteristics of supplier finance arrangements and require additional disclosure of such arrangements. The disclosure requirements in the amendments are intended to assist users of financial statements in understanding the effects of supplier finance arrangements on an entity's liabilities, cash flows and exposure to liquidity risk. The amendments will be effective for annual reporting periods beginning on or after 1 January 2024.*

Management is currently assessing the impact of the above standards on the consolidated financial statements of the Group.

Current versus non-current classification

The Group presents assets and liabilities in the consolidated statement of financial position based on current/non-current classification.

An asset is classified as current when it is:

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

The Group classifies all other assets as non-current.

A liability is classified as current when:

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

The Group classifies all other liabilities as non-current.

Deferred tax assets and liabilities are classified as non-current assets and liabilities.

Fair value measurement

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 to 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.

2 MATERIAL ACCOUNTING POLICIES (continued)

Fair value measurement (continued)
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 is available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

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

Financial assets comprise of FVTPL investments, loans and receivables, certain portion trade and other receivables, derivative financial instruments and bank balances. Financial liabilities comprise of import loans, certain portion of trade and other payables, lease liabilities and derivative financial instruments.

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; and

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.

Revenue from contracts with customers
The Group is in the business of manufacturing and selling aluminium in liquid form as well as in the form of billets, slabs and ingots. Revenue from contracts with customers is recognised when control of the goods or services are transferred to the customer at an amount that reflects the consideration to which the Group expects to be entitled in exchange for those goods or services. The Group 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 3.

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

2 MATERIAL ACCOUNTING POLICIES (continued)

Revenue from contracts with customers (continued)

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.

Interest income

Interest income is recorded using the effective interest rate (EIR) method, which is the rate that exactly discounts the estimated future cash payments or receipts through the expected life of the financial instrument or a shorter period, where appropriate, to the net carrying amount of the financial asset.

Other income

Other income is recognised on an accrual basis when income is earned.

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.

2 MATERIAL ACCOUNTING POLICIES (continued)

Taxes (continued)

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.
- In respect of deductible temporary differences associated with investments in subsidiaries, associates and interests in joint arrangements, deferred tax assets are recognised only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

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.

In assessing the recoverability of deferred tax assets, the Group relies on the same forecast assumptions used elsewhere in the financial statements and in other management reports, which, among other things, reflect the potential impact of climate-related development on the business, such as increased cost of production as a result of measures to reduce carbon emission.

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.

The Group offsets deferred tax assets and deferred tax liabilities if and only if it has a legally enforceable right to set off current tax assets and current tax liabilities and the deferred tax assets and deferred tax liabilities relate to the same taxation authority and the same taxable entity.

2 MATERIAL ACCOUNTING POLICIES (continued)

Taxes (continued)

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.

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 respective asset. All other borrowing costs are expensed in the period when they are incurred. Borrowing costs consist of interest and other costs that the Group incurs in connection with the borrowing of funds.

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 is stated at cost less any identified impairment loss and comprises expenditure incurred on the acquisition and installation of property, plant and equipment which is transferred to the appropriate category of asset and depreciated as and when assets are available for 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:

2 MATERIAL ACCOUNTING POLICIES (continued)

Property, plant and equipment (continued)

Depreciation (continued)

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.

Leases

The Group assesses at contract inception whether a contract is, or contains, a lease. That is, if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

The Group as a lessee

The Group applies a single recognition and measurement approach for all leases, except for short-term leases and leases of low-value assets. The Group recognises lease liabilities to make lease payments and right-of-use assets representing the right to use the underlying assets.

Right-of-use assets

The Group recognises right-of-use assets at the commencement date of the lease (i.e., the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Right-of-use assets are depreciated on a straight-line basis over the shorter of the lease term and the estimated useful lives of the assets, as follows:

Land and buildings	3-45 years
Plant, machinery and other equipment	3-30 years

If ownership of the leased asset transfers to the Group at the end of the lease term or the cost reflects the exercise of a purchase option, depreciation is calculated using the estimated useful life of the asset.

The right-of-use assets are also subject to impairment assessment using the policies discussed under "impairment of non-financial assets".

Lease liabilities

At the commencement date of the lease, the Group recognises lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in-substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Group and payments of penalties for terminating the lease, if the lease term reflects the Group exercising the option to terminate.

2 MATERIAL ACCOUNTING POLICIES (continued)

Leases (continued)

Lease liabilities (continued)

Variable lease payments that do not depend on an index or a rate are recognised as expenses (unless they are incurred to produce inventories) in the period in which the event or condition that triggers the payment occurs.

In calculating the present value of lease payments, 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 because the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the lease payments (e.g., changes to future payments resulting from a change in an index or rate used to determine such lease payments) or a change in the assessment of an option to purchase the underlying asset.

Short-term leases and leases of low-value assets

The Group applies the short-term lease recognition exemption to its short-term leases of machinery and equipment (i.e., those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). It also applies the lease of low-value assets recognition exemption to leases of office equipment that are considered to be low value. Lease payments on short-term leases and leases of low-value assets are recognised as expense on a straight-line basis over the lease term.

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.

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.

2 MATERIAL ACCOUNTING POLICIES (continued)

Impairment of non-financial assets (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.

Financial Instruments

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

i) Financial assets

Initial recognition and measurement

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

In order for a financial asset to be classified and measured at amortised cost or fair value through OCI, it needs to give rise to cash flows that are 'solely payments of principal and interest (SPPI)' on the principal amount outstanding. This assessment is referred to as the SPPI test and is performed at an instrument level. The Group's business model for managing financial assets refers to how it manages its financial assets in order to generate cash flows. The business model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both.

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

Subsequent measurement

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

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

2 MATERIAL ACCOUNTING POLICIES (continued)

Financial Instruments (continued)

i) Financial assets (continued)

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

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

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

The Group's financial assets at amortised cost include trade receivables (not subject to provisional pricing), other receivables, bank balances and short-term deposits.

Financial assets at fair value through profit or loss
Financial assets at fair value through profit or loss are carried in the consolidated statement of financial position at fair value with net changes in fair value recognised in the consolidated statement of profit or loss.

The Group's financial asset carried at fair value through profit and loss cost include trade receivables (subject to provisional pricing).

Derecognition
A financial asset (or, where applicable a part of a financial asset or part of a group of similar financial assets) is derecognised when:

- the rights to receive cash flows from the asset have expired; or
- the Group has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement; and either;

  (a) the Group has transferred substantially all the risks and rewards of the asset, or

  (b) the Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Group has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if and to what extent it has retained the risks and rewards of ownership. When it has neither transferred nor retained substantially all of the risks and rewards of the asset, nor transferred control of the asset, the Group continues to recognise the transferred asset to the extent of the Group's continuing involvement. In that case, the Group also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Group has retained.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay.

2 MATERIAL ACCOUNTING POLICIES (continued)

Financial Instruments (continued)

i) Financial assets (continued)

Impairment of financial assets

The Group recognises an allowance for expected credit losses (ECLs) for all of its debt instruments. 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. 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.

ECLs are recognised in two stages. For credit exposures for which there have not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next 12-months (a 12-month ECL).

For those credit exposures for which there have been a significant increase in credit risk since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default (a lifetime ECL).

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

The Group considers a financial asset to be 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.

ii) Financial liabilities

Initial recognition and measurement

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

The Group's financial liabilities include loans and borrowings, lease liabilities and trade and other payables.

Subsequent measurement

The measurement of financial liabilities depends on their classification, as described below:

Trade and other payables

Liabilities for trade and other payables are carried at the fair value of the consideration to be paid in the future for goods and services received, whether or not billed to the Group.

Loans and borrowings

In respect of interest bearing loans, after initial recognition, these are subsequently measured at amortised cost using the EIR method. Gains and losses are recognised in profit or loss when the liabilities are derecognised as well as through the EIR amortisation process. Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortisation is included as finance costs in the consolidated statement of profit or loss. This category generally applies to interest-bearing loans.

2 MATERIAL ACCOUNTING POLICIES (continued)

Financial Instruments (continued)

ii) Financial liabilities (continued)

Derecognition of financial liability

A financial liability is derecognised when the obligation under the liability is discharged or cancelled, or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as the derecognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognised in the consolidated statement of profit or loss.

iii) Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount reported in the 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.

Derivative financial instruments and hedging activities

The Group uses derivative financial instruments, such as interest rate swaps and commodity futures, options and swap, to hedge its interest rate risks and commodity price risks, respectively.

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 consolidated statement of financial position.

For the purpose of hedge accounting, hedges are classified as:

- Fair value hedges when hedging the exposure to changes in the fair value of a recognised asset or liability or an unrecognised firm commitment
- Cash flow hedges when hedging the exposure to variability in cash flows that is either attributable to a particular risk associated with a recognised asset or liability or a highly probable forecast transaction or the foreign currency risk in an unrecognised firm commitment
- Hedges of a net investment in a foreign operation

At the inception of a hedge relationship, the Group formally designates and documents the hedge relationship to which it wishes to apply hedge accounting and the risk management objective and strategy for undertaking the hedge.

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

- at the inception of the hedge there is formal documentation of the hedging relationship and the Group's risk management objective and strategy for undertaking the hedge. That documentation should include identification of the hedging instrument, the related hedged item or transaction, the nature of the risk being hedged, and how the Group will assess the hedging instrument's effectiveness in offsetting the exposure to changes in the hedged item's fair value or the hedged transaction's cash flows that is attributable to the hedged risk;
- the hedge is expected to be highly effective in achieving offsetting changes in fair value or cash flows attributable to the hedged risk, consistent with the originally documented risk management strategy for that particular hedging relationship;

2 MATERIAL ACCOUNTING POLICIES (continued)

Financial Instruments (continued)

Derivative financial instruments and hedging activities (continued)

- 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.

The documentation includes identification of the hedging instrument, the hedged item, the nature of the risk being hedged and how the Group will assess whether the hedging relationship meets the hedge effectiveness requirements (including the analysis of sources of hedge ineffectiveness and how the hedge ratio is determined). A hedging relationship qualifies for hedge accounting if it meets all of the following effectiveness requirements:

- There is 'an economic relationship' between the hedged item and the hedging instrument.
- The effect of credit risk does not 'dominate the value changes' that result from that economic relationship.
- The hedge ratio of the hedging relationship is the same as that resulting from the quantity of the hedged item that the Group actually hedges and the quantity of the hedging instrument that the Group actually uses to hedge that quantity of hedged item.

Hedges that meet all the qualifying criteria for hedge accounting are accounted for, as described below:

The change in the fair value of a hedging instrument is recognised in the consolidated statement of profit or loss as other expense. The change in the fair value of the hedged item attributable to the risk hedged is recorded as part of the carrying value of the hedged item and is also recognised in the consolidated statement of profit or loss as other expense.

For fair value hedges relating to items carried at amortised cost, any adjustment to carrying value is amortised through profit or loss over the remaining term of the hedge using the EIR method. The EIR amortisation may begin as soon as an adjustment exists and no later than when the hedged item ceases to be adjusted for changes in its fair value attributable to the risk being hedged.

If the hedged item is derecognised, the unamortised fair value is recognised immediately in profit or loss.

The 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 Group uses interest rate swap as hedges of its exposure to its interest rate on loans. 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.

If the hedged item is derecognised, the unamortised fair value is recognised immediately in profit or loss.

2 MATERIAL ACCOUNTING POLICIES (continued)

Financial Instruments (continued)

Derivative financial instruments and hedging activities (continued)

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.

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 non-Bahraini employees, the Group provides for end of service benefits in accordance with the Bahrain Labour Law based on their salaries at the time of 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 had all employees left at the reporting date.

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

Alba Savings Benefit Scheme

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

Cash and cash equivalents

For the purpose of the consolidated statement of cash flows, cash and cash equivalents consist of cash in hand, bank balances and short term deposits with maturities of three months or less, excluding short term deposits pledged against short term borrowings as they are considered an integral part of the Group's cash management.

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.