

2 MATERIAL ACCOUNTING POLICIES (continued)

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.

Foreign currencies

The Group's consolidated financial statements are presented in Bahraini Dinars (BD) which is also the Company's functional currency. For each entity, the Group determines the functional currency and items included in the financial statements of each entity are measured using that functional currency. The Group uses the direct method of consolidation and has elected to recycle to profit or loss the gain or loss that arises from using this method.

Transactions and balances

Transactions in foreign currencies are initially recorded at their respective functional currency spot rates at the date the transaction first qualifies for recognition.

Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency spot rate of exchange at the reporting date.

All differences arising on settlement or translation of monetary items are taken to the 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. The gain or loss arising on retranslation of non-monetary items is treated in line with the recognition of gain or loss on change in fair value of the item (i.e., translation differences on items whose fair value gain or loss is recognised in other comprehensive income or profit or loss is also recognised in other comprehensive income or profit or loss, respectively).

Group companies

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

3 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:

3 SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS (continued)

Judgements (continued)

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.

Determining the lease term of contracts with renewal and termination options – the Group as lessee

The Group determines the lease term as the non-cancellable term of the lease, together with any periods covered by an option to extend the lease if it is reasonably certain to be exercised, or any periods covered by an option to terminate the lease, if it is reasonably certain not to be exercised.

The Group has entered into commercial leases in respect of plots of land on which its plants, buildings and staff accommodation are located. The Group's lease contracts include extension and termination options. The Group applies judgement in evaluating whether it is reasonably certain whether or not to exercise the option to renew or terminate the lease. That is, it considers all relevant factors that create an economic incentive for it to exercise either the renewal or termination. After the commencement date, the Group reassesses the lease term if there is a significant event or change in circumstances that is within its control and affects its ability to exercise or not to exercise the option to renew or to terminate.

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.

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 2023, 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.

Useful lives of property, plant and equipment

The Group's Board of Directors determines the estimated useful lives of its property, plant and equipment for calculating depreciation. This estimate is determined after considering the expected usage of the asset or physical wear and tear. Management reviews the residual value and useful lives annually and future depreciation charge would be adjusted where the management believes the useful lives differ from previous estimates.

3 SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS (continued)

Estimates and assumptions (continued)

Impairment of property, plant and equipment and right of use assets

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

In assessing value in use, the estimated future cash flows are discounted to their present value using a discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

Key assumptions used in value in use calculations

The calculation of value in use is most sensitive to the following assumptions:

- Estimated use of the plant by annual MT of finished goods produced;
- LME prices and premium;
- Amount and timing of revenue relating to capacity of the plant and inflation rate used to extrapolate cash flows;
- Capital expenditure;
- Discount rate;
- Growth rate; and
- Terminal value of property, plant and equipment.

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 7.02% (702 basis point) (31 December 2022: 13.80% (1380 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 6.02% (31 December 2022: 9.65%) (with all other variables remain unchanged) throughout the forecast period and a reduction in LME price by USD 502/MT (31 December 2022: USD 810/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.

Although the LME price assumption has decreased slightly compared to the previous year, however, the net carrying value of CGU is greater than its recoverable amount even with the assumption of premium considered zero (31 December 2022: zero) (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 2023.

Allowance for expected credit losses of trade receivables

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

3 SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS (continued)

Estimates and assumptions (continued)

Allowance for expected credit losses of trade receivables (continued)

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

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

At 31 December 2023, gross trade and other receivables were BD 240,503 thousand (2022: BD 249,217 thousand), and the allowance for impairment was BD 11,277 thousand (2022: BD 8,761 thousand). Any difference between the amounts actually collected in future periods and the amounts expected will be recognised in the consolidated statement of comprehensive income.

Impairment of inventories

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

At 31 December 2023, gross inventories were BD 354,549 thousand (2022: BD 364,186 thousand) with provisions for slow moving spares of BD 4,752 thousand (2022: BD 4,910 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.

Deferred taxes

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

Leases - estimating the incremental borrowing rate

The Group cannot readily determine the interest rate implicit in the lease, therefore, it uses its incremental borrowing rate (IBR) to measure lease liabilities. The IBR is the rate of interest that the Group would have to pay to borrow over a similar term, and with a similar security, the funds necessary to obtain an asset of a similar value to the right-of-use asset in a similar economic environment. The IBR therefore reflects what the Group 'would have to pay', which requires estimation when no observable rates are available or when they need to be adjusted to reflect the terms and conditions of the lease. The Group estimates the IBR using observable inputs (such as market interest rates) when available and is required to make certain entity-specific estimates.

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.

Aluminium Bahrain B.S.C.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

At 31 December 2023

4 PROPERTY, PLANT AND EQUIPMENT

	<i>Land and buildings BD '000</i>	<i>Power generating plant BD '000</i>	<i>Plant, machinery and other equipment BD '000</i>	<i>Assets in process of completion BD '000</i>	<i>Total BD '000</i>
Cost:					
At 1 January 2023	669,585	811,489	2,010,886	120,445	3,612,405
Additions	1,571	67	18,309	116,611	136,558
Transfers	4,535	2,943	62,590	(70,068)	-
Written off	(58)	(51)	(1,133)	(112)	(1,354)
Disposal	(10)	(637)	(9,072)	-	(9,719)
Reclassification*	22,060	(13,688)	(8,372)	-	-
At 31 December 2023	697,683	800,123	2,073,208	166,876	3,737,890
Depreciation and amortization:					
At 1 January 2023	169,627	376,564	1,169,068	-	1,715,259
Charge for the year	16,243	26,665	90,977	-	133,885
Relating to written off assets	(35)	(21)	(967)	-	(1,023)
Relating to disposals	(7)	(465)	(8,790)	-	(9,262)
Reclassification*	1,716	(1,065)	(651)	-	-
At 31 December 2023	187,544	401,678	1,249,637	-	1,838,859
Net carrying value:					
At 31 December 2023	510,139	398,445	823,571	166,876	1,899,031

	<i>Land and buildings BD '000</i>	<i>Power generating plant BD '000</i>	<i>Plant, machinery and other equipment BD '000</i>	<i>Assets in process of completion BD '000</i>	<i>Total BD '000</i>
Cost:					
At 1 January 2022	508,820	798,472	2,127,837	74,962	3,510,091
Additions	4,166	2,473	5,669	98,132	110,440
Transfers	13,577	13,612	25,460	(52,649)	-
Written off	-	-	(3,158)	-	(3,158)
Disposals	(2,143)	(248)	(2,577)	-	(4,968)
Reclassification*	145,165	(2,820)	(142,345)	-	-
At 31 December 2022	669,585	811,489	2,010,886	120,445	3,612,405
Depreciation and amortization:					
At 1 January 2022	160,061	350,163	1,084,893	-	1,595,117
Charge for the year	15,816	25,754	85,125	-	126,695
Relating to written off assets	-	-	(2,407)	-	(2,407)
Relating to disposals	(1,420)	(197)	(2,529)	-	(4,146)
Reclassification*	(4,830)	844	3,986	-	-
At 31 December 2022	169,627	376,564	1,169,068	-	1,715,259
Net carrying value:					
At 31 December 2022	499,958	434,925	841,818	120,445	1,897,146

*Property, plant and equipment reclassified under same captions with no impact on depreciation.

4 PROPERTY, PLANT AND EQUIPMENT (continued)*Land and buildings*

Land and buildings include freehold land at a cost of BD 453 thousand as at 31 December 2023 (2022: BD 453 thousand).

Right-of-use assets

As at 31 December 2023, the net carrying value of land and buildings include right-of-use assets of BD 4,246 thousand (2022: BD 4,178 thousand) and amortisation of BD 176 thousand (2022: BD 176 thousand).

As at 31 December 2023, the net carrying value of plant, machinery and other equipment include right-of-use assets of BD 3,493 thousand (2022: BD 587 thousand) and amortisation of BD 881 thousand (2022: BD 711 thousand).

The Group is using land leased from the Government of Bahrain for the operations of lines 3, 4, 5 and land leased from BAPCO Refining B.S.C. (c) (BAPCO) for its calciner operations. These leases are free of rent. The land used for 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.

Assets in process of completion

This mainly includes Power Station 5 (PS5) Block 4 relating to combined cycle power plant and an expansion of the existing PS5 and hot gas path project.

Capitalised borrowing cost

The construction of power generation facility PS5 project is expected to be completed in January 2025. The carrying amount of the PS5 project at 31 December 2023 included under assets in process of completion was BD 80,962 thousand (2022: BD 37,630). The project is financed by a syndicated term loan facility and short term loan. The amount of borrowing costs capitalised during the year ended 31 December 2023 was BD 3,054 thousand (2022: BD nil). The rate used to determine the amount of borrowing costs eligible for capitalisation was 5.65% which is the Effective Interest Rate (EIR) of the specific borrowing.

Depreciation and amortisation

The depreciation and amortisation charge including write offs has been included in the consolidated statement of profit or loss (note 21) as follows:

	2023	2022
	BD '000	BD '000
Cost of revenue	131,771	124,049
General and administrative expenses	2,083	2,621
Selling and distribution expenses	31	25
	<u>133,885</u>	<u>126,695</u>

Aluminium Bahrain B.S.C.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

At 31 December 2023

5 INVENTORIES

	2023 BD '000	2022 BD '000
Raw materials	57,507	65,955
Work-in-process	91,422	109,492
Goods in transit	53,053	50,237
Finished goods	111,277	99,701
Spares (net of provision of BD 4,752 thousand (2022: BD 4,910 thousand))	36,538	33,891
Total inventories at the lower of cost and net realisable value	349,797	359,276

Set out below is the movement in the provision for slow moving inventories:

	2023 BD '000	2022 BD '000
At 1 January	4,910	1,810
Charged for the year in cost of revenue	532	3,100
Write off during the year	(690)	-
At 31 December	4,752	4,910

6 TRADE AND OTHER RECEIVABLES

	2023 BD '000	2022 BD '000
Trade receivables - others [net of allowance for ECL of BD 4,218 thousand (2022: BD 1,846 thousand)] (note 26)	176,615	186,155
Trade receivables (subject to provisional pricing) - fair value (note 27)	18,940	25,649
Trade receivables - related parties [net of allowance for ECL of BD Nil (2022: Nil)] (note 25)	6,566	6,396
	202,121	218,200
Advances to suppliers	5,519	287
Prepayments	1,884	1,393
Other receivables [net of allowance for ECL of BD 819 thousand (2022: BD 118 thousand)]	3,984	7,250
Other receivables - related parties [net of allowance for expected credit losses of BD 6,240 thousand (2022: BD 6,797 thousand)] (i)	2,674	3,473
VAT receivable	14,928	11,246
	231,110	241,849
Less: Non-current portion	(5,422)	(7,619)
	225,688	234,230

6 TRADE AND OTHER RECEIVABLES (continued)

Set out below are the movements in the allowances for expected credit losses of trade receivables and other receivables:

	<i>Trade receivables</i>		<i>Other receivables</i>	
	<i>2023</i>	<i>2022</i>	<i>2023</i>	<i>2022</i>
	<i>BD '000</i>	<i>BD '000</i>	<i>BD '000</i>	<i>BD '000</i>
At 1 January	1,846	8,251	6,915	118
Transfer of provision of trade receivables to Other receivables	-	(7,944)	-	7,944
Reversal / write off of other receivables	-	-	(557)	(1,147)
Provision during the year	2,372	1,552	701	-
Write off against provision	-	(13)	-	-
At 31 December	4,218	1,846	7,059	6,915

During 2022, the Group had transferred the old trade receivable from a related party based on the restructuring plan approved by the Court, to other receivables along with the associated provision.

- (i) As part of restructuring plan, the existing receivable have been restructured to (i) Interest free debt of BD 2,127 thousand, (ii) Interest bearing debt of BD 6,270 thousand and (iii) subordinate debt of BD 3,020 thousand with a semi-annual repayment schedule up to 31 December 2033, commenced from 31 December 2022.

For the interest bearing debt, the interest rate will be calculated based on screen rate along with Credit Adjustment Spread (CAS) plus margin of 2% per annum on the outstanding amount. If the related party fails to pay any amount payable by it as per restructuring plan, the interest will be calculated at a rate of Screen Rate along with CAS plus margin of 3% per annum on the overdue instalment for the period starting 1 month from the payment due date until the date of full payment of the overdue instalment.

The Group has a gross amount of other receivable from a related party of BD 8,914 thousand (2022: BD 10,270 thousand) against which the Group is carrying a provision of BD 6,240 thousand (2022: BD 6,797 thousand).

7 CASH AND CASH EQUIVALENTS

	<i>2023</i>	<i>2022</i>
	<i>BD '000</i>	<i>BD '000</i>
Cash at banks (i):		
- Current accounts	33,574	25,786
- Call accounts (ii)	23,105	32,986
- Short-term deposits (iii)	2,919	34,793
Cash in hand	34	52
Cash and cash equivalents	59,632	93,617

- (i) Cash at banks are held with financial institutions in the Kingdom of Bahrain, Hong Kong, Switzerland and Singapore. These balances are denominated in Bahraini Dinars, US Dollars, Euros, Hong Kong Dollars, Swiss Franc and Singapore Dollars.
- (ii) The call accounts earn interest and the effective interest rate as of 31 December 2023 is 0.1% to 5.07% (2022: 0.1% to 3.5%).

Aluminium Bahrain B.S.C.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

At 31 December 2023

7 CASH AND CASH EQUIVALENTS (continued)

- (iii) Short-term deposits are placed with commercial banks in the Kingdom of Bahrain. The deposits have an original maturity of less than three months. The deposits are denominated in US Dollars and Euros and earn interest at 5.59% and 3.16% per annum respectively (2022: 5.68% and 1.7% per annum).

8 SHARE CAPITAL

	2023 BD '000	2022 BD '000
Authorised shares		
2,000,000,000 shares of 100 fils each		
(2022: 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		
(2022: 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	2023			2022		
	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%	123,472,034	2,863	8.72%	86,024,079	2,864	6.08%
1% up to less than 5%	14,175,966	1	1%	51,448,921	2	3.63%
5% up to less than 20%	-	-	-	-	-	-
20% up to less than 50%	292,804,000	1	20.68%	292,804,000	1	20.69%
50% and above	985,196,000	1	69.60%	985,196,000	1	69.60%
	1,415,648,000	2,866	100%	1,415,473,000	2,868	100%

- ii) The Company has only one class of equity shares and the holders of these shares have equal voting rights.
- iii) There are no shares owned by the directors of the Company as at 31 December 2023 (2022: 1,281,000 shares).
- iv) As at 31 December 2023, Bahrain Mumtalakat Holding Company B.S.C. (c) held 69.38% (31 December 2022: 69.38%) of the total share capital of the Company.
- v) As at 31 December 2023, Sabic Industrial Investment Co. held 20.62% (31 December 2022: 20.62%) of the total share capital of the Company.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

At 31 December 2023

9 TREASURY SHARES

	2023		2022	
	Number of shares	BD '000	Number of shares	BD '000
Treasury shares	4,352,000	4,591	4,527,000	4,831

- i) Included in treasury shares are 697,000 shares (2022: 697,000) that were an excess in the Employees' Stock Incentive Plan [note 15 (c)].
- ii) The Board of Directors authorised the Company to purchase its own shares for a total cost amounting to BD 10,000 thousand (2022: BD 10,000 thousand).

10 STATUTORY RESERVE

As required by the Bahrain Commercial Companies Law and the Company's articles of association, 10% of the profit for the year is to be transferred to statutory reserve every year. The Company may resolve to discontinue such annual transfers when the reserve totals 50% of the issued and paid-up share capital. The Company discontinued further transfer of profit to statutory reserve as the reserve equals 50% of the paid-up capital of the Company.

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.

11 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.

12 DIVIDEND

At the Annual General Meeting held on 26 February 2023, the Company's shareholders approved the final dividend of BD 0.0857 per share, excluding treasury shares, totaling to BD 121,345,267 for the year ended 31 December 2022 which has been fully paid during the year (31 December 2022: final dividend of BD 0.05314 per share, excluding treasury shares, totaling BD 75,316,440 for the year ended 31 December 2021 and interim dividend of BD 0.03188 per share, excluding treasury shares, totaling BD 45,122,697 for the year ended 31 December 2022 approved and paid during the year).

The Board of Directors of Aluminium Bahrain B.S.C at the meeting held on 9 August 2023 approved to pay an interim dividend of BD 0.01328 per share excluding treasury shares amounting to BD 18,801,617. Based on the outstanding shares at the 'Record Date' of 17 August 2023, a total of BD 18,805,356 has been paid as of 31 December 2023.

The Board of Directors of Aluminium Bahrain B.S.C at the meeting held on 14 February 2024 recommended a final dividend of BD 0.01590 per share excluding treasury shares amounting to BD 22,508,803. Final dividend payment would be based on outstanding shares at record date. The final dividend is subject to the approval of the Company's shareholders at the Annual General Meeting to be held on 7 March 2024.

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Aluminium Bahrain B.S.C.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

At 31 December 2023

13 LOANS AND BORROWINGS

	2023 BD '000	2022 BD '000
<i>Unsecured loans and borrowings</i>		
Line 6 Refinancing Term Loan Facility (i)	318,727	351,560
Line 6 Euro SERV Loan (ii)	-	87,510
Line 6 USD SERV Loan (ii)	72,268	81,920
Line 6 Hermes 1 Covered Facility (iii)	-	11,216
Line 6 Hermes 2 Covered Facility (iv)	10,826	12,287
Line 6 BPAI Covered Facility (v)	6,260	32,993
Line 6 EDC Covered Facility (vi)	25,322	30,386
Sinosure USD ECA Facility (vii)	31,207	3,303
Working capital revolving credit (viii)	149,673	63,920
Total loans and borrowings	614,283	675,095
Less: unamortised transaction costs	(20,899)	(34,341)
Less: Deferred cost of IRS	(7,546)	(11,541)
Net loans and borrowings	585,838	629,213
	2023 BD '000	2022 BD '000
Current	202,654	124,115
Non-current	383,184	505,098
	585,838	629,213

(i) Line 6 Refinancing Term Loan Facility

On 26 April 2022, the Group entered into a term loan agreement with a syndicate of financial institutions for BD 469.05 million (USD 1,247.48 million) comprising two tranches; BD 202.09 million (USD 537.475 million) as a conventional credit facility and BD 266.96 million (USD 710 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 was utilized 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 October 2022. The new term loan facility carries interest linked to secured overnight financing rate (SOFR).

(ii) 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% (2022: EURIBOR plus 0.65%) and SOFR plus 0.90% (2022: SOFR plus 0.90%) respectively. During current year, the Group has fully repaid the Euro SERV loan.

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

At 31 December 2023

13 LOANS AND BORROWINGS (continued)

(iii) 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 was repayable in twenty-four semi-annual instalments which started from October 2019. Hermes 1 Covered Facility carried interest at EURIBOR plus 0.55% (2022: EURIBOR plus 0.55%). During the current year, the Group has fully repaid the loan.

(iv) 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% (2022: EURIBOR plus 0.55%).

(v) Line 6 BPAL 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. BPAL Covered Facility carries interest at EURIBOR plus 0.60% (2022: EURIBOR plus 0.60%).

(vi) 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 SOFR plus 0.725% (2022: SOFR plus 0.725%).

(vii) Sinasure USD ECA Facility

On 10 August 2022, the Group entered into an Export Credit Financing agreement amounting to USD 225 million. BNP PARIBAS S.A. is the agent for this facility and the lenders are BNP Paribas S.A., HSBC Bank Middle East Limited and Citibank, N.A.. This loan was obtained to finance capital expenditure requirements for Power Station 5 block 4 Project. The loan is repayable in twenty four semi-annual instalments which will start from December 2025. Sinasure Covered Facility carries interest at SOFR plus 1.35% (2022: SOFR plus 1.35%). During the year, Group has further availed USD 74.2 million from this facility.

(viii) 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 (0.7% to 0.9%) plus SOFR (2022: (0.9% to 1.2%) plus SOFR). The Group has availed USD 228 million during the year ended 31 December 2023 from these facilities.

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

At 31 December 2023

14 LEASES**The Group as a lessee**

The Group leases industrial land, vehicles and apartments. The leases typically run for a period ranging from 5 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. For certain leases, the Group is restricted from entering into any sub-lease arrangements.

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. Set out below are the movements in right-of-use assets during the year:

	<i>Land and buildings</i>	<i>Plant, machinery and other equipment</i>	<i>Total</i>
	<i>BD '000</i>	<i>BD '000</i>	<i>BD '000</i>
2023			
As at 1 January	4,178	587	4,765
Depreciation charge for the year	(176)	(881)	(1,057)
Additions	244	3,787	4,031
As at 31 December	4,246	3,493	7,739
	<i>Land and buildings</i>	<i>Plant, machinery and other equipment</i>	<i>Total</i>
	<i>BD '000</i>	<i>BD '000</i>	<i>BD '000</i>
2022			
As at 1 January	4,354	775	5,129
Depreciation charge for the year	(176)	(711)	(887)
Additions	-	523	523
As at 31 December	4,178	587	4,765

Lease liabilities

Set out below are the carrying amounts of lease liabilities and the movements during the year:

	2023	2022
	BD '000	BD '000
As at 1 January	5,367	5,550
Additions	4,031	523
Payments	(1,178)	(894)
Accretion of interest	291	188
	8,511	5,367

The Group had total cash outflows for leases of BD 1,178 thousand in 2023 (2022: BD 894 thousand). The Group also had non-cash additions to right-of-use assets and lease liabilities of BD 4,031 thousand (2022: BD 523 thousand).

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

At 31 December 2023

14 LEASES (continued)

	2023	2022
	BD '000	BD '000
Non-current portion	7,607	4,752
Current portion	904	615
	<u>8,511</u>	<u>5,367</u>

Effective interest on lease liabilities ranges from 1.99% to 6.00% (2022: 1.99% to 6.00%).

The following are the amounts recognised in the consolidated statement of profit or loss:

	2023	2022
	BD '000	BD '000
Interest expense	291	188
Depreciation	1,057	887
Short-term leases	945	938
	<u>2,293</u>	<u>2,013</u>

15 EMPLOYEE BENEFITS**(a) Defined benefit scheme - leaving indemnity**

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

	2023	2022
	BD '000	BD '000
Provision as at 1 January	1,401	1,704
Provided during the year (note 21.2)	1,454	1,552
Employees' end of service benefits paid	(1,212)	(1,855)
Provision as at 31 December	<u>1,643</u>	<u>1,401</u>

(b) Defined contribution schemes

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

	Alba Savings Benefit Scheme		Social Insurance Organisation	
	2023	2022	2023	2022
	BD '000	BD '000	BD '000	BD '000
Provision as at 1 January	2,442	1,858	704	902
Expense recognised in the consolidated statement of profit and loss (note 21.2)	5,848	5,549	8,936	7,528
Contributions paid	(3,852)	(4,965)	(9,127)	(7,726)
Provision as at 31 December (note 16)	<u>4,438</u>	<u>2,442</u>	<u>513</u>	<u>704</u>

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

At 31 December 2023

15 EMPLOYEE BENEFITS (continued)**(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 2023 (2022: 697,000 shares).

16 TRADE AND OTHER PAYABLES

	2023 BD '000	2022 BD '000
Trade payables - related parties (note 25)	22,102	21,231
Trade payables - others	81,558	79,985
	103,660	101,216
Employee related accruals (i)	31,617	33,821
Accrued expenses	25,777	16,846
Alba Savings Benefit Scheme [note 15 (b)]	4,438	2,442
Social Insurance Organisation [note 15 (b)]	513	704
Advances from customers	1,224	3,716
	167,229	158,745

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

17 DERIVATIVE FINANCIAL INSTRUMENTS

	2023 BD '000	2022 BD '000
<i>Classified in the consolidated statement of financial position as follows:</i>		
- Positive fair values - assets arising from IRS	(13,901)	(25,209)
Less: Non-current portion	8,526	18,095
	(5,375)	(7,114)
- Positive fair values - assets current portion arising from commodity derivatives	-	(6)
	(5,375)	(7,120)
- Negative fair values - liabilities current portion arising from commodity derivatives	1,108	-
	1,108	-
<i>Recognised in consolidated statements of profit or loss and other comprehensive income:</i>		
<i>Changes in fair value of derivative financial instruments related to:</i>		
- Commodity derivatives (FVTPL) recognised in consolidated statement of profit or loss (iii)	(1,114)	85
- Interest rate swap cashflow hedge (i)	1,991	36,492
- Realised gain on settlement of IRS (ii)	13,299	12,227

17 DERIVATIVE FINANCIAL INSTRUMENTS (continued)

- (i) This represent the difference between the Mark-to-Market (MTM) value of IRS as at 31 December 2023 and 31 December 2022.

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 and forward swaps to meet customer pricing requirement.

(ii) Interest rate swaps

On 22 February 2023, the Group entered into new amortising interest rate swap contract with National Bank of Bahrain B.S.C., to hedge USD floating interest rate (SOFR) cash flows attributable to term loan, for the notional amount of BD 175,780 thousand out of total refinancing amount of BD 351,560 thousand. Derivative contract expires on 29 April 2030.

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).

There is an economic relationship between the hedged item and the hedging instrument as the terms of the interest rate swap match the terms of the variable rate loan (i.e., notional amount, maturity, payment and reset dates). The Group has established a hedge ratio of 2:1 for the hedging relationships as the underlying risk of the interest rate swap is identical to the hedged risk component. To test the hedge effectiveness, the Group uses the hypothetical derivative method and compares the changes in the fair value of the hedging instrument against the changes in fair value of the hedged item attributable to the hedged risk.

The hedge ineffectiveness can arise from:

- i) Different interest rate curve applied to discount the hedged item and hedging instrument.
- ii) Differences in timing of cash flows of the hedged item and hedging instrument.
- iii) The counterparties' credit risk differently impacting the fair value movements of the hedging instrument and hedged item.

The amortised notional amount outstanding as at 31 December 2023 was BD 159,363 thousand (31 December 2022: BD 232,180 thousand) over the term of the contract.

During the year ended 31 December 2023, certain interest rate swap contract designated as cash flow hedging instrument related to term loan facility has been settled and related realised cumulative fair value gain of BD 13,299 thousand, was reclassified to consolidated statement of profit or loss, from cash flow hedge reserve.

On 28 April 2022, the previous interest rate swap contract designated as cash flow hedging instrument related to old term loan facility has been reclassified to trading instrument and related cumulative fair value gain of BD 14,410 thousand, was reclassified to consolidated statement of profit or loss, from cash flow hedge reserve. The net gain amounting to BD 12,590 thousand as at 26 May 2022 from the old derivative financial instruments is recognised as deferred cost which will be adjusted with cash settlement over the term of new interest rate swap contract.

In addition, this includes realised loss of BD 2,183 thousand arising on settlement of IRS at the time of interest payment relating to hedged portion of borrowings during the year ended 31 December 2022.

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At 31 December 2023

17 DERIVATIVE FINANCIAL INSTRUMENTS (continued)**(ii) Interest rate swaps (continued)**

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.

The table below summarises the maturities of the Group's interest rate swap contract at 31 December, based on notional amount:

	<i>Less than 6 months BD '000</i>	<i>6 to 12 months BD '000</i>	<i>1 to 5 years BD '000</i>	<i>Over 5 years BD '000</i>	<i>Total BD '000</i>
2023					
<i>Notional amount</i>	8,208	8,208	65,667	77,280	159,363
	<i>Less than 6 months BD '000</i>	<i>6 to 12 months BD '000</i>	<i>1 to 5 years BD '000</i>	<i>Over 5 years BD '000</i>	<i>Total BD '000</i>
2022					
<i>Notional amount</i>	64,608	8,208	65,667	93,697	232,180

(iii) Commodity derivatives

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.

During the year, the Group entered into commodity futures and forward swap contracts to reduce the price risk on behalf of its customers for 110,500 metric tonnes (2022: 31,600 metric tonnes). Outstanding contracts of 23,475 metric tonnes (31 December 2022: 4,250 metric tonnes) mature between one to six months from the year ended 31 December 2023.

During the year, Alba entered into derivative transactions as a partial hedge (for a very small percentage of production) against LME price movements. For the current year, these are being measured at fair value. Therefore changes therein are recognised in the consolidated statement of profit or loss. Commodity derivative contracts were entered into for a total volume of 74,000 metric tonnes out of which 38,500 metric tonnes were outstanding as at 31 December 2023 (31 December 2022: 7,500 metric tonnes) and these mature between one to twelve months from the year ended 31 December 2023.

18 TAXATION

Taxation pertains to the Group's subsidiary in the United States of America and the normalised tax rate was 22.80% as of 31 December 2023 (2022: 23.59%). 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.

Aluminium Bahrain B.S.C.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

At 31 December 2023

18 TAXATION (continued)

	2023 BD '000	2022 BD '000
<i>Current liability (asset)</i>		
Current year	(1,395)	(736)
<i>Recognised in consolidated statement of profit or loss</i>		
Current year expense	176	387
Deferred tax (benefit) expense	(9)	18
	167	405

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.

	2023 BD '000	2022 BD '000
Deferred tax asset	147	84
Deferred tax liability	(57)	(3)
Deferred tax asset - net	90	81

	2023 BD '000	2022 BD '000
<i>Reconciliation of deferred tax asset - net</i>		
As of 1 January	81	99
Tax (benefit) expense during the year	9	(18)
As at 31 December	90	81

	2023 BD '000	2022 BD '000
<i>The deferred tax asset comprises the following temporary differences:</i>		
Deductible temporary differences	645	354
Taxable temporary differences	(250)	(13)
	395	341

19 OPERATING SEGMENT INFORMATION

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

At 31 December 2023

19 OPERATING SEGMENT INFORMATION (continued)**Disaggregated revenue information**

Set out below is the disaggregation of the Group's revenue from contracts with customers:

a) Type of goods

	2023 BD '000	2022 BD '000
Billet	520,325	752,213
Slab	133,872	220,482
Foundry	439,511	328,720
Liquid	263,664	290,414
Ingots	188,703	253,036
	<u>1,546,075</u>	<u>1,844,865</u>
Pricing adjustments*	(2,167)	(3,941)
Revenue from contracts with customers	<u>1,543,908</u>	<u>1,840,924</u>

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

b) Geographical markets

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

	2023 BD '000	2022 BD '000
Kingdom of Bahrain	367,707	417,232
Europe	378,980	397,471
Rest of the Middle East and North Africa	322,053	386,394
Asia	228,220	281,888
Americas	246,948	357,939
	<u>1,543,908</u>	<u>1,840,924</u>

(c) Customers

Revenue from sale of aluminium to the three major customer of the Group amounted to BD 364,232 thousand with one customer accounting for more than 10% of the total revenue from contracts with customers for the year ended 31 December 2023 (three major customers of the Group amounted to BD 581,692 thousand with two customers accounting for more than 10% of the total revenue from contracts with customers for the year ended 31 December 2022).

20 OTHER INCOME

	2023 BD '000	2022 BD '000
Sale of water	1,279	1,237
Interest income	3,383	1,081
Recovery from written off bad debts	-	1,422
Miscellaneous income	2,392	1,290
	<u>7,054</u>	<u>5,030</u>

Aluminium Bahrain B.S.C.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

At 31 December 2023

21 EXPENSES BY NATURE

		2023 BD '000	2022 BD '000
Changes in inventories of finished goods and work in progress		13,551	(4,925)
Inventories recognised as an expense in cost of revenue		970,546	1,022,276
Depreciation and amortisation	4	133,885	126,695
Staff costs	21.2	113,406	98,187
Spares and consumables		48,177	41,607
Contracted Repairs		28,824	26,601
Impairment loss on trade and other receivables	6	2,516	1,552
Insurance		15,895	14,024
Freight		48,907	77,276
Other expenses (net of export of electricity)		9,552	14,364
Total cost of revenue, general and administrative expenses and selling and distribution expenses	21.1	1,385,259	1,417,657

21.1 Break-down of expenses is as follows:	2023 BD '000	2022 BD '000
Cost of revenue	1,290,417	1,295,314
General and administrative expenses	39,064	38,555
Selling and distribution expenses	55,778	83,788
	1,385,259	1,417,657

21.2 Break-down of staff costs is as follows:	2023 BD '000	2022 BD '000
Wages and salaries	86,791	73,332
Social Insurance Organisation [note 15(b)]	8,936	7,528
Alba Savings Benefit Scheme [note 15(b)]	5,848	5,549
Payments to contractors	7,926	7,701
Employees' end of service benefits [note 15(a)]	1,454	1,552
Indirect benefits (housing, education)	1,571	2,313
Others	880	212
	113,406	98,187

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

	2023 BD '000	2022 BD '000
Cost of revenue	93,949	80,730
General and administrative expenses	17,065	15,283
Selling and distribution expenses	2,392	2,174
	113,406	98,187

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

At 31 December 2023

22 FINANCE COSTS

	2023 BD '000	2022 BD '000
Interest on loans and borrowings	59,777	32,507
Interest on advances received from customers	-	4
Remeasurement of loan to employees	1,146	-
Interest on lease liabilities	291	188
Bank charges	1,016	304
	<u>62,230</u>	<u>33,003</u>

23 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:

	2023	2022
Profit for the year - BD '000	<u>118,025</u>	<u>416,167</u>
Weighted average number of shares, net of treasury shares - thousands of shares	<u>1,415,747</u>	<u>1,416,113</u>
Basic and diluted earnings per share (fils)	<u>83</u>	<u>294</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.

24 COMMITMENTS AND CONTINGENCIES

a) Commitments

	2023 BD '000	2022 BD '000
<i>Physical metal commitments</i>		
Sales commitments : 23,475 metric tonnes (2022: 4,250 metric tonnes)	<u>19,738</u>	<u>3,821</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 95,826 thousand (2022: BD 115,823 thousand). The commitments are expected to be settled within 1 to 5 years from the reporting date.

Letters of credit

At 31 December 2023, the Group has outstanding letters of credit to counterparties of BD 4,439 thousand (2022: Nil).

24 COMMITMENTS AND CONTINGENCIES (continued)**b) Contingencies**

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 Benefit Scheme. The total value of these letters of guarantee is BD 14,820 thousand (2022: BD 16,346 thousand).

At 31 December 2023, the Group had contingent liabilities in respect of the bank guarantees amounting to BD 15,420 thousand (2022: BD 12,921 thousand) from which it is anticipated that no material liabilities will arise.

25 RELATED PARTY TRANSACTIONS AND BALANCES

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

The Group purchases gas and receives 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:

Transactions with related parties

	2023 BD '000	2022 BD '000
Other related parties		
Revenue and other income		
Sale of aluminium	90,173	116,924
Sale of water	1,183	1,126
Interest income	429	230
Realised gain on settlement of cash flow hedge	13,299	12,227
	105,084	130,507

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At 31 December 2023

25 RELATED PARTY TRANSACTIONS AND BALANCES (continued)

	2023 BD '000	2022 BD '000
Other related parties		
Cost of revenue and expenses		
Purchase of natural gas and diesel	258,871	249,007
Purchase of aluminium scrap	7,887	11,024
Net power exchange import	2,465	4,490
Interest on loans and borrowings	2,850	1,114
Purchase of raw materials	1,544	1,575
Amortisation of deferred cost on IRS	3,995	1,049
Others	512	619
	278,124	268,878

Balances with related parties

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

	2023 BD '000	2022 BD '000
Other related parties		
Assets		
Trade receivables (note 6)	6,566	6,396
Other receivables - net of allowance for expected credit loss of BD 6,240 thousand (2022: BD 6,797 thousand) (note 6)	2,674	3,473
Bank balances	1,195	1,104
Derivative financial instruments - Interest rate swap (note 17)	13,901	25,209
	24,336	36,182
	2023 BD '000	2022 BD '000
Liabilities		
Trade payables (note 16)	22,102	21,231
Loans and Borrowings	34,492	38,045
Interest payable on loans and borrowings	440	426
	57,034	59,702

Except for other receivables from a related party balance as disclosed in note 6, all outstanding balances at year-end arise in the normal course of business are interest free, unsecured and payable on demand. During the year ended 31 December 2023, the Group has recorded a reversal of provision against amounts due from a related party amounting to BHD 557 thousand (2022: BD Nil).

Compensation of key management personnel

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

	2023 BD '000	2022 BD '000
Short term benefits	2,063	1,697
End of service benefits	144	143
Contributions to Alba Savings Benefit Scheme	102	99
	2,309	1,939

At 31 December 2023

25 RELATED PARTY TRANSACTIONS (continued)**Compensation of key management personnel (continued)**

Director compensation during the year included Directors' remuneration of BD 420 thousand (2022: BD 412 thousand), attendance fees of BD 113 thousand (2022: BD 107 thousand), sitting fees of BD 71 thousand (2022: BD 72 thousand) and other reimbursement of BD 18 thousand (2022: BD 8 thousand).

26 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's principal financial liabilities, other than derivative financial instruments, comprise loans and borrowings and certain portion of trade and other payables. 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. The Group's financial assets include certain portion of trade and other receivables, cash and cash equivalents that arise directly from its operations. The Group also holds balances with related parties and derivative financial instruments.

The Group'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's 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.

The Board of Directors reviews and agrees policies for managing each of these risks which are summarised below:

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 other financial institutions, 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:

	2023 BD '000	2022 BD '000
Cash at bank (note 7)	59,598	93,565
Trade receivables (note 6)	202,121	218,200
Other receivables (note 6)	6,658	10,723
	<u>268,377</u>	<u>322,488</u>

At 31 December 2023

26 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)**Credit risk (continued)***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. The credit risk on receivables from related parties is considered to be low by the Group based on historical trends as previously there have been no or minimal write-offs.

31 December 2023	Current	Past due			Total
		Less than 30 days	31 to 360 days	Over 360 days	
Expected credit loss rate (%)	0.01%	0.08%	4.92%	100.00%	
Carrying amount of trade receivable at default (BD'000)	136,961	43,419	11,576	3,599	195,555
Expected credit losses (BD'000)	14	36	569	3,599	4,218

31 December 2022	Current	Past due			Total
		Less than 30 days	31 to 360 days	Over 360 days	
Expected credit loss rate (%)	0.01%	0.08%	12.11%	100.00%	
Carrying amount of trade receivable at default (BD'000)	146,302	55,990	8,787	725	211,804
Expected credit losses (BD'000)	15	42	1,064	725	1,846

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.

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

At 31 December 2023

26 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)**Credit risk (continued)***Credit risk concentration*

The maximum credit risk exposure at the reporting date is equal to the carrying value of the financial assets shown in the consolidated statement of financial position, which are net of provisions for impairment.

The Group sells its products to a large number of customers. Its five largest customers, account for 30% of the outstanding trade receivables at 31 December 2023 (2022: 27%).

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 Group'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 financial liabilities at 31 December, based on undiscounted contractual payment dates.

	<i>Less than 3 months BD '000</i>	<i>3 to 12 months BD '000</i>	<i>1 to 5 years BD '000</i>	<i>Over 5 years BD '000</i>	<i>Total BD '000</i>
31 December 2023					
Loans and borrowings (including interest payable)	169,827	64,429	305,601	189,263	729,120
Derivative financial instruments	1,108	-	-	-	1,108
Trade and other payables	166,005	-	-	-	166,005
Lease liabilities	292	924	4,162	5,013	10,391
Total	337,232	65,353	309,763	194,276	906,624
	<i>Less than 3 months BD '000</i>	<i>3 to 12 months BD '000</i>	<i>1 to 5 years BD '000</i>	<i>Over 5 years BD '000</i>	<i>Total BD '000</i>
31 December 2022					
Loans and borrowings (including interest payable)	80,439	85,344	352,498	300,545	818,826
Trade and other payables	155,029	-	-	-	155,029
Lease liabilities	165	541	1,175	5,282	7,163
Total	235,633	85,885	353,673	305,827	981,018

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

At 31 December 2023

26 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)**Liquidity risk (continued)**

Changes in liabilities arising from financing activities

	As at 1 January 2023 BD '000	Cash flows			As at 31 December 2023 BD '000
		Receipts BD '000	Payments BD '000	Others BD '000	
Loans and borrowings	629,215	484,980	(549,352)	20,997	585,840
Lease liabilities	5,367	4,031	(1,178)	291	8,511
Derivative financial instruments	-	-	-	1,108	1,108
	634,582	489,011	(550,530)	22,396	595,459

	As at 1 January 2022 BD '000	Cash flows			As at 31 December 2022 BD '000
		Receipts BD '000	Payments BD '000	Others BD '000	
Loans and borrowings	927,150	543,303	(808,167)	(33,071)	629,215
Lease liabilities	5,550	523	(894)	188	5,367
	932,700	543,826	(809,061)	(32,883)	634,582

Others include the effect of foreign exchange movement, transactional and related costs on loans and borrowings and impact on new leases during the year.

Capital management

Capital includes share capital, treasury shares, statutory reserve, capital reserve, cash flow hedge reserve and retained earnings.

The primary objective of the Group's capital management is to ensure that it maintains healthy capital ratios in order to support its business and maximise shareholders' value.

In order to achieve this overall objective, the Group's capital management, amongst other things, aims to ensure that it meets financial covenants attached to the interest-bearing loans and borrowings that define capital structure requirements. Breaches in meeting the financial covenants would permit the bank to immediately call loans and borrowings. There have been no breaches in the financial covenants of any interest-bearing loans and borrowings in the current year.

The Group manages its capital structure and makes adjustments to it, in light of changes in economic conditions. To maintain or adjust the capital structure, the Group 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 during the years ended 31 December 2023 and 31 December 2022.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

At 31 December 2023

26 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)**Capital management (continued)**

The Group monitors capital on the basis of the debt-to-equity ratio. This ratio is calculated as net debt divided by equity. Net debt is calculated as total debt (i.e. loans and borrowings and trade and other payables) less net cash and cash equivalents. Equity comprises all components of equity (i.e. share capital, treasury shares, statutory reserve, capital reserve, cash flow hedge reserve and retained earnings).

	2023 BD '000	2022 BD '000
Loans and borrowings	585,838	629,213
Trade and other payables	167,229	158,745
Less: cash and cash equivalents	(59,632)	(93,617)
Net debt	693,435	694,341
Total equity	1,789,232	1,822,458
Debt-to-equity ratio	39%	38%

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 following table demonstrates the sensitivity to a reasonably possible change in interest rates on that portion of loans and borrowings affected. With all other variables held constant, the Group's profit before tax is affected through the impact on floating rate borrowings, as follows:

	2023		2022	
	100 basis point increase	100 basis point decrease	100 basis point increase	100 basis point decrease
Variable-rate instrument (BD '000)	(4,234)	4,234	(3,688)	3,688

The assumed movement in basis points for the interest rate sensitivity analysis is based on the currently observable market environment.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

At 31 December 2023

26 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)**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 commodity contracts, on behalf of customers, if agreed and risk management. 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
2023		
	+30%	332.4
	-30%	(332.4)
2022		
	+30%	1.80
	-30%	(1.80)

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 2023 and 31 December 2022 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 2023 and 31 December 2022, 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 instruments	Currency	2023 BD '000	2022 BD '000
Bank balances	Euro	17,733	24,231
	Hong Kong Dollar	10	28
	Singapore Dollar	53	40
Receivables	Euro	34,993	41,179
Loans and Borrowings	Euro	17,086	144,006

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

At 31 December 2023

26 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Foreign currency risk (continued)

Financial instruments	Currency	2023	2022
		BD '000	BD '000
Payables	Euro	1,203	1,514
	Great Britain Pounds	230	278

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	2023		2022	
	Increase in currency rate	Effect on results for the year BD '000	Increase in currency rate	Effect on results for the year BD '000
Euro	+10%	3,444	+10%	(8,011)
Hong Kong Dollar	+10%	1	+10%	3
Singapore Dollar	+10%	(5)	+10%	(4)
Great Britain Pounds	+10%	(23)	+10%	(28)
		<u>3,417</u>		<u>(8,040)</u>

27 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, lease liabilities and trade and other payables. Derivative financial instruments consist of interest rate swaps and futures.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

At 31 December 2023

27 FAIR VALUES OF FINANCIAL INSTRUMENTS (continued)

Set out below is an overview of financial instruments held by the Group as at 31 December 2023:

	<i>Financial assets at amortised cost</i>		<i>Financial assets at fair value through profit or loss</i>	
	2023	2022	2023	2022
	BD '000	BD '000	BD '000	BD '000
Financial assets				
Cash at bank	59,598	93,565	-	-
Trade and other receivables	189,839	203,274	18,940	25,649
Derivative financial instruments	-	-	13,901	25,215
	249,437	296,839	32,841	50,864
	<i>Financial liabilities at amortised cost</i>		<i>Financial liabilities at fair value through profit or loss</i>	
	2023	2022	2023	2022
	BD '000	BD '000	BD '000	BD '000
Financial liabilities				
Loans and borrowings	614,283	675,095	-	-
Trade and other payables	166,005	155,029	-	-
Derivative financial instruments	-	-	1,108	-
	780,288	830,124	1,108	-

The management assessed that bank balances and cash and short-term deposits, trade receivables, other 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:

- Based on this evaluation, allowances are taken into account for the expected losses of these receivables. As at 31 December 2023, 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 option, future and forward swap contracts. The most frequently applied valuation techniques include forward pricing and swap models, using present value calculations. The models incorporate various inputs including the credit quality of counterparties and forward rates, interest rate curves and forward rate curves of the underlying commodity. All derivative contracts are fully cash collateralised, thereby eliminating both counterparty and the Group's own non-performance risk.

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27 FAIR VALUES OF FINANCIAL INSTRUMENTS (continued)

Fair value hierarchy

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

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

As at 31 December 2023 and 31 December 2022, 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 2023 and 31 December 2022, 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 (2022: same).

The fair values of other financial instruments are not materially different from their carrying values as of the reporting date.

28 ALBA SAVINGS BENEFIT SCHEME

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

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

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

29 INTERNATIONAL TAX REFORM – PILLAR TWO MODEL RULES - AMENDMENTS TO IAS 12

In December 2021, the Organisation for Economic Co-operation and Development (OECD) issued model rules for a new global minimum tax framework (Pillar Two), and various Governments around the world have issued, or are in the process of issuing, legislation on this. In Kingdom of Bahrain, the Government has not yet issued any legislation on Pillar Two, announcement is expected to legislation in this regard in due course. The Group is in the process of assessing the impact on the consolidated financial statements.

30 COMPARATIVE INFORMATION

The comparative information for the previous year has been reclassified, where necessary, in order to conform to the current year's presentation. Such reclassification does not affect the reported net profit and equity.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

At 31 December 2023

30 COMPARATIVE INFORMATION (continued)

	31 December 2022		
	As previously reported BD'000	Reclass- ification BD'000	Reclassified BD'000
Consolidated statement of financial position			
Property, plant and equipment	1,880,527	16,619	1,897,146
Inventories	371,542	(12,266)	359,276
Trade and other receivables - Current	243,189	(8,959)	234,230
Trade and other receivables - Non-current	3,013	4,606	7,619
Consolidated statement of profit or loss			
Finance costs	18,956	14,047	33,003
Realised gain on settlement of cash flow hedge for interest rate swap (IRS)	-	12,227	12,227
Trading loss on MTM of derivative financial instruments	1,820	(1,820)	-