Aluminium Bahrain B.S.C.

REPORT OF THE BOARD OF DIRECTORS AND CONSOLIDATED FINANCIAL STATEMENTS

31 DECEMBER 2017

Aluminium Bahrain B.S.C.
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 2017.

Principal Activity

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

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 carryon 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., Manama, Bahrain, Winterthur Branch in Zurich, Switzerland, with office address at Merkustrsse 25, CH-8400 Winterthur, Switzerland.

Hong Kong Branch

On 30 November 2011, the Board approved the establishment of a Sales Office in Hong Kong, with address at 2210, Windsor House, 311 Gloucester Road, Causeway Bay, Hong Kong.

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. 400 Colony Square, Suite 1001, 1201 Peachtree St. NE, Atlanta, GA 30361.

ألبا ، ص.ب.: ٥٧٠ ، المنامة ، مملكة البحرين ، تليفون : ١٧٨٣٠٠٠٠ (٩٧٣+) ، فاكس : ١٧٨٣٠٠٨٣ (٩٧٣+)
Alba, P.O. Box : 570, Manama, Kingdom of Bahrain, Tel. : (+973) 17830000, Fax : (+973) 17830083, e-mail : alba@alba.com.bh

Bahrain Subsidiary

On 21 October 2014, the Board approved the formation of Alba Club S.P.C., a subsidiary entity of Aluminium Bahrain B.S.C. in relation to the Bahraini Commercial Registration for Alba Social Club which is located at Building 23, Road 43, Block 937, Riffa /Al Bhair, Kingdom of Bahrain.

Share Capital Structure

Shareholders	2017 (%)	2016 (%)
Bahrain Mumtalakat Holding Company B.S.C. (c)	69.38	69.38
SABIC Industrial Investments Company	20.62	20.62
Others – Public	10.00	10.00
	100.00	**100.00**

Corporate Secretary

Ms. Eline Hilal, is the Corporate Secretary since February 2015.

Chief Executive Officers

Mr. Tim Murray, Chief Executive Officer
Mr. Ali Al Baqali, Deputy Chief Executive Officer and Chief Supply Chain Officer. He was previously the Chief Financial Officer and was appointed as the Deputy Chief Executive Officer & Chief Supply Chain Officer in September 2017)
Mr. Hassan Noor, acting Chief Operations Officer (appointed as the acting Chief Operations Officer in May 2017)
Mr. Amin Sultan, Chief Power Officer (was the Chief Operations Officer from December 2016 and was appointed as the Chief Power Officer in May 2017)
Mr. Khalid Abdul Latif, Chief Marketing Officer
Mr. Waleed Tamimi, Chief Administration Officer (appointed as the Chief Administration Officer in September 2017)

Results and Retained Earnings

The Company made a profit of **BD 92.5 Million** for the financial year of 2017 as compared to a profit of **BD 48.4 Million** for the financial year of 2016.

The Movements in Retained Earnings of the Company were:

	BD '000
Balance as at 31 December 2016	779,813
Profit for the year 2017	92,457
Loss on resale of treasury shares	(777)
2016 dividend approved and paid	(29,658)
Proposed dividend for 2017	(36,806)
Balance as at 31 December 2017	805,029

ألبا ، ص.ب.: ٥٧٠ ، المنامة ، مملكة البحرين ، تليفون : ١٧٨٣٠٠٠٠ (+٩٧٣) ، فاكس : ١٧٨٣٠٠٨٣ (+٩٧٣)
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Appropriations

(1) On 21st March 2017, the Company's Shareholders approved the Board of Directors' recommendation to distribute cash dividends of BD 0.021 per share (excluding treasury shares) totalling BD 29,658 Thousand to Shareholders for the year 2016.

(2) On 08th February 2018, the Board of Directors recommended a dividend of BD 0.026 per share (excluding treasury shares) totalling BD 36,806 Thousand.

The above-noted appropriations per point (2) are subject to the approval of the shareholders of the Company at the Annual General Meeting which will be held on Wednesday March 07, 2018.

Directors of the Company

The following Directors served on the Board of Alba from 01 January 2017 to 21 March 2017:

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

Shaikh Daij Bin Salman Bin Daij Al Khalifa, Chairman
Yousif A. Taqi, Director
Osama M. Al Arrayedh, Director
Suha S. Karzoon, Director
Fahad N. Al Hazzani, Director
Dr. Mohammed S. Kameshki, Director

Sabic Industrial Investments Company

Fahad S. Al Sheaibi, Director
Khalid Ali Al Garni, Director

Elected Directors

Mr. Abdulaziz S. Al Humaid, Director
Mr. Mutlaq H. Al Morished, Director

The following Directors served on the Board of Alba from 22 March 2017 to date:

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

Shaikh Daij Bin Salman Bin Daij Al Khalifa, Chairman
Yousif A. Taqi, Director
Osama M. Al Arrayedh, Director
Suha S. Karzoon, Director
Yaser E. Humaidan, Director
Dr. Mohammed S. Kameshki, Director

ألبا، ص.ب.: ٥٧٠، المنامة، مملكة البحرين، تليفون: ١٧٨٣٠٠٠٠ (٩٧٣+)، فاكس: ١٧٨٣٠٠٨٣ (٩٧٣+)
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Aluminium
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Aluminium Bahrain B.S.C.
C.R. No.999

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المنيوم البحرين ش.م.ب
سجل تجاري رقم: ٩٩٩

Sabic Industrial Investments Company

Ali Al Shamrani, Director
Ahmed Al Jabr, Director

Elected Directors

Mr. Uwaidh Al Harethi, Director
Mr. Mutlaq H. Al Morished, Director

Directors' Remuneration

Directors' remuneration charged during the year ended 31 December 2017 was BD 210,000 (2016: BD 210,000).

Auditors

Ernst & Young have expressed their willingness to continue in office and a resolution proposing their appointment as auditors of the Company for the year ending 31 December 2018 will be submitted to the Annual General Meeting of shareholders which will be held on Wednesday March 07, 2018.

By order of the Board,

Daij Bin Salman Bin Daij Al Khalifa
Chairman

08 February 2018

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Ernst & Young
P.O. Box 140
10th Floor, East Tower
Bahrain World Trade Center
Manama
Kingdom of Bahrain

Tel: +973 1753 5455
Fax: +973 1753 5405
manama@bh.ey.com
ey.com/mena
C.R. No. 6700 / 29977

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 accompanying consolidated financial statements of Aluminium Bahrain B.S.C. ('the Company') and its subsidiaries ('the Group'), which comprise the consolidated statement of financial position as at 31 December 2017, and the consolidated statements of comprehensive income, changes in equity and cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

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 2017 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' Code of Ethics for Professional Accountants (IESBA Code), and we have fulfilled our other ethical responsibilities in accordance with the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements for the year ended 31 December 2017. 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.

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 matter below, provide the basis for our audit opinion on the accompanying consolidated financial statements.

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

Key audit matters (continued)

1. Impairment testing of property, plant and equipment
Refer to note 4 to the consolidated financial statements

Key audit matter / risk	How the key audit matter was addressed in the audit
As at 31 December 2017, the Group held property, plant and equipment of BD 1,242 million in the consolidated statement of financial position. This area was important to our audit due to the size of the carrying value of the property, plant and equipment (74% of the total assets as at 31 December 2017) as well as the judgement involved in the assessment of the recoverability of the carrying value of the assets. This assessment requires the management to make assumptions to be used in the underlying cash flow forecasts in respect of factors such as future production levels, LME prices, raw material prices and overall market and economic conditions.	We examined the cash flow projections that have been determined 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. Revenue forecasts from metal sales are based on forward estimates of LME prices and premium published by independent market consultants on metal prices and the management has considered a growth rate from year 5 into perpetuity in line with the long term average growth rates of the business in which the Group operates. The discount rate used for discounting the cash flows was assessed against external benchmarks and risks specific to the assets. Management's accounting policy and assessment relating to impairment of property, plant and equipment is disclosed under significant accounting judgements and estimates in note 3 to the consolidated financial statements.

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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)

Other information included in the Group's 2017 annual report

Other information consists of the Board of Directors' report and information included in the Group's 2017 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 Board of Directors' report set out on pages 1 to 4 which forms part of the consolidated financial statements, 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 these 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 the 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.

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.

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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)

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

As part of an audit in accordance with ISAs, we exercise professional judgment 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, related safeguards.

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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)

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

iii) satisfactory explanations and other 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 2017 that might have had a material adverse effect on the business of the Company or on its consolidated financial position.

The partner in charge of the audit resulting in this independent auditor's report is Essa Al-Jowder.

Ernst + Young

Partner's Registration No. 45
8 February 2018
Manama, Kingdom of Bahrain

Aluminium Bahrain B.S.C.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2017

	Note	*2017* *BD '000*	*2016* *BD '000*
ASSETS			
Non-current assets			
Property, plant and equipment	4	**1,242,073**	847,500
Other asset	5	**4,128**	4,320
Deferred tax asset	17	**19**	10
		1,246,220	851,830
Current assets			
Inventories	6	**198,577**	163,422
Trade and other receivables	7	**163,924**	92,065
Bank balances and cash	8	**77,459**	66,413
		439,960	321,900
TOTAL ASSETS		**1,686,180**	1,173,730
EQUITY AND LIABILITIES			
Equity			
Share capital	9	**142,000**	142,000
Treasury shares	10	**(2,690)**	(4,965)
Statutory reserve	12	**71,000**	71,000
Capital reserve	13	**249**	249
Retained earnings		**805,029**	779,813
Proposed dividend	14	**36,806**	-
Total equity		**1,052,394**	988,097
Non-current liabilities			
Borrowings	15	**453,611**	6,489
Employees' end of service benefits	16 (a)	**1,564**	1,554
Derivative financial instruments	19	**412**	-
		455,587	8,043
Current liabilities			
Borrowings	15	**22,050**	45,235
Trade and other payables	18	**156,058**	132,355
Derivative financial instruments	19	**91**	-
		178,199	177,590
Total liabilities		**633,786**	185,633
TOTAL EQUITY AND LIABILITIES		**1,686,180**	1,173,730

Daij Bin Salman Bin Daij Al Khalifa Chairman	Yousif Taqi Director	Tim Murray Chief Executive Officer

The attached notes 1 to 27 form part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
Year ended 31 December 2017

	Note	**2017 BD '000**	2016 BD '000
Sales	23(a)	**857,762**	669,760
Cost of sales		**(723,114)**	(587,381)
GROSS PROFIT		**134,648**	82,379
Other income (net)	20	**7,451**	2,989
Loss on foreign exchange		**(1,837)**	(19)
Administrative expenses		**(27,120)**	(22,548)
Selling and distribution expenses		**(16,908)**	(11,259)
Finance costs	21	**(2,149)**	(2,504)
Directors' fees	24	**(210)**	(210)
Loss on revaluation/settlement of derivative financial instruments (net)	19	**(503)**	-
PROFIT FOR THE YEAR BEFORE TAX	21	**93,372**	48,828
Tax expense	17	**(915)**	(438)
PROFIT FOR THE YEAR		**92,457**	48,390
Other comprehensive income for the year		**-**	-
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		**92,457**	48,390
Basic and diluted earnings per share (fils)	11	**65**	34

Daij Bin Salman Bin Daij Al Khalifa	Yousif Taqi	Tim Murray
Chairman	Director	Chief Executive Officer

The attached notes 1 to 27 form part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Year ended 31 December 2017

	Note	*Share capital BD '000*	*Treasury shares BD '000*	*Statutory reserve BD '000*	*Capital reserve BD '000*	*Retained earnings BD '000*	*Proposed dividend BD '000*	*Total BD '000*
Balance at 31 December 2015		142,000	(4,905)	71,000	249	731,698	7,768	947,810
Total comprehensive income for the year		-	-	-	-	48,390	-	48,390
Net movement in treasury shares		-	(60)	-	-	-	-	(60)
Loss on resale of treasury shares		-	-	-	-	(287)	-	(287)
Final dividend for 2015 approved and paid	14	-	-	-	-	-	(7,756)	(7,756)
Excess of final dividend for 2015 reversed		-	-	-	-	12	(12)	-
Balance at 31 December 2016		142,000	(4,965)	71,000	249	779,813	-	988,097
Total comprehensive income for the year		-	-	-	-	92,457	-	92,457
Net movement in treasury shares		-	2,275	-	-	-	-	2,275
Loss on resale of treasury shares		-	-	-	-	(777)	-	(777)
Final dividend for 2016 approved and paid	14	-	-	-	-	(29,658)		(29,658)
Proposed dividend for 2017	14	-	-	-	-	(36,806)	36,806	-
Balance at 31 December 2017		**142,000**	**(2,690)**	**71,000**	**249**	**805,029**	**36,806**	**1,052,394**

The attached notes 1 to 27 form part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS

Year ended 31 December 2017

	Note	2017 BD '000	2016 BD '000
OPERATING ACTIVITIES			
Profit for the year before tax		**93,372**	48,828
Adjustments for:			
Depreciation	4	**67,654**	71,380
Amortisation of other asset	5	**192**	192
Provision for employees' end of service benefits	16 (a)	**1,420**	1,521
Provision for slow moving inventories	6	**28**	53
Provision for impairment of receivables - net	7	**(164)**	(197)
Loss on revaluation of derivative financial instruments	19	**503**	-
Loss on disposal of property, plant and equipment	20	**2,519**	239
Interest income	20	**(573)**	(171)
Interest on borrowings	21	**1,927**	2,306
		166,878	124,151
Working capital changes:			
Inventories		**(35,183)**	(17,071)
Trade and other receivables		**(71,704)**	8,820
Trade and other payables (refer note below)		**18,677**	(11,820)
Cash from operations		**78,668**	104,080
Employees' end of service benefits paid	16 (a)	**(1,410)**	(1,316)
Income tax paid		**(915)**	(217)
Net cash flows from operating activities		**76,343**	102,547
INVESTING ACTIVITIES			
Purchase of property, plant and equipment	4	**(464,835)**	(108,122)
Proceeds from disposal of property, plant and equipment		**89**	380
Interest received	20	**573**	171
Net cash flows used in investing activities		**(464,173)**	(107,571)
FINANCING ACTIVITIES			
Borrowings availed		**615,290**	105,280
Borrowings repaid		**(191,353)**	(142,953)
Interest on borrowings (refer note below)		**3,099**	(2,235)
Dividends paid	14	**(29,658)**	(7,756)
Purchase of treasury shares		**(5,281)**	(818)
Proceeds from resale of treasury shares		**6,779**	471
Repayment of long term receivable		**-**	3,439
Net cash flows from (used in) financing activities		**398,876**	(44,572)
INCREASE (DECREASE) IN BANK BALANCES AND CASH		**11,046**	(49,596)
Bank balances and cash at 1 January		**66,413**	116,009
BANK BALANCES AND CASH AT 31 DECEMBER	8	**77,459**	66,413

Non-cash item:

The Group had movements in unpaid interest on borrowings amounting to BD 5,026 thousand which were excluded from the movement in trade and other payables (2016: BD 71 thousand)

1 ACTIVITIES

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

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

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

The Company is engaged in 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 of the Company and the following subsidiaries:

Name	***Effective ownership***		***Country of incorporation***	***Principal activity***
	2017	*2016*		
Aluminium Bahrain US, Inc.	**100%**	100%	United States of America (USA)	Selling and distribution of aluminium throughout the Americas
ALBA Club S.P.C.	**100%**	100%	Kingdom of Bahrain	Provider of recreational and sports facilities

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

The consolidated financial statements of the Group were authorised for issue in accordance with a resolution of the Directors on 8 February 2018.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of preparation

The consolidated financial statements of the Group have been prepared in accordance with International Financial Reporting Standards ("IFRS") issued by the International Accounting Standards Board ("IASB") and in conformity with the Bahrain Commercial Companies Law, applicable requirements of the Central Bank of Bahrain Rule Book and associated resolutions, rules and procedures of the Bahrain Bourse.

The consolidated financial statements have been presented in Bahraini Dinars (BD). However, the Group's functional currency is US Dollars (USD) in respect of sales and raw material purchases. The Group uses the pegged exchange rate of 0.376 to translate USD into BD equivalent.

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Basis of consolidation

The consolidated financial statements comprise the financial statements of the Company and its subsidiaries as at 31 December 2017. 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:

a) Power over the investee (i.e. existing rights that give it the current ability to direct the relevant activities of the investee);
b) Exposure, or rights, to variable returns from its involvement with the investee; and
c) The ability to use its power over the investee to affect its returns.

Generally, there is a presumption that a majority of voting rights result in control. To support this presumption and when the Group has less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

a) The contractual arrangement with the other vote holders of the investee;
b) Rights arising from other contractual arrangements; and
c) The Group's voting rights and potential voting rights.

The Group re-assesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control. Consolidation of a subsidiaries begins when the Group obtains control over the subsidiaries and ceases when the Group loses control of the subsidiaries.

Assets, liabilities, income and expenses of a subsidiaries acquired or disposed of during the year are included in the consolidated statement of other comprehensive income from the date the Group gains control until the date the Group ceases to control the subsidiaries.

The financial statements of the subsidiaries are prepared for the same reporting period as the Company, using consistent accounting polices. Adjustments are made to conform the financial statements of the subsidiaries to the accounting policies of the Company.

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 into 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:

a) derecognises the assets (including goodwill) and liabilities of the subsidiary;
b) derecognises the carrying amount of any non-controlling interest;
c) derecognises the cumulative translation differences, recorded in equity;
d) recognises the fair value of the consideration received;
e) recognises the fair value of any investment retained;
f) recognises any surplus or deficit in consolidated statement of income; and
g) reclassifies the parent's share of components previously recognised in OCI to consolidated statement of income or retained earnings, as appropriate, as would be required if the Group had directly disposed of the related assets or liabilities.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

New and amended standards and interpretations as of 1 January 2017

The accounting and reporting policies adopted in the preparation of these consolidated financial statements are consistent with those used in the previous year, except for certain new standards and interpretations and amendments to standards and interpretations adopted by the Group as of 1 January 2017. The Group has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective. The nature and the impact of each new standard or amendment is described below:

IAS 12 — *Income Taxes (Amendments): The amendments, Recognition of Deferred Tax Assets for Unrealised Losses (Amendments to IAS 12), clarify how to account for deferred tax assets related to debt instruments measured at fair value; and*

IAS 7 — *Statement of Cash Flows (Amendments): The amendments require an entity to provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both changes arising from cash flows and non-cash changes.*

Annual Improvements 2014-2016 Cycle

IFRS 12 — *Disclosure of Interests in Other Entities: Clarification of the scope of the disclosure requirements in IFRS 12 apply to an entity's interest in a subsidiaries, a joint venture or an associate that is classified as held for sale.*

Standards issued but not yet effective

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

IAS 40 — *Transfers of Investment Property (effective for annual periods beginning on or after 1 January 2018);*

IFRS 9 — *Financial Instruments: Guidance on classification and measurement, impairment and hedge accounting (effective for annual periods beginning on or after 1 January 2018);*

IFRS 15 — *Revenue from Contracts with Customers: Guidance on performance obligations, variable consideration, warranty obligations, loyalty points program, rendering of services and equipment received from customers (effective for annual periods beginning on or after 1 January 2018);*

IFRS 10 and IAS 28 — *Consolidated Financial Statements and Investment in Associates and Joint Ventures (Amendments): Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (effective date is not decided);*

IFRS 2 — *Share-based Payment Transactions: Classification and Measurement of Share-based Payment (Amendments) (effective for annual periods beginning on or after 1 January 2018). Early application is permitted;*

IFRS 16 — *Leases - Revised guidance on single model accounting for leases (effective for annual periods beginning on or after 1 January 2019, with earlier adoption permitted if IFRS 15 'Revenue from Contracts with Customers' has also been applied;*

IFRS 17 — *Insurance Contracts: The standard covers recognition and measurement, presentation and disclosure. Once effective, IFRS 17 will replace IFRS 4 Insurance Contracts, that was issued in 2005 (effective for annual periods beginning on or after 1 January 2021);*

IFRS 9 and IFRS 4 — *Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts - Amendments to IFRS 4 (effective for annual periods beginning on or after 1 January 2018);*

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Standards issued but not yet effective (continued)

IFRIC 22 *Foreign Currency: Transactions and Advance Consideration (effective for annual periods beginning on or after 1 January 2018); and*

IFRIC23 *Uncertainty over income tax treatment:(effective for annual periods beginning on or after 1 January 2019);*

Annual Improvements 2014-2016 Cycle

IFRS 1 *First-time Adoption of International Financial Reporting Standards: Deletion of short-term exemptions for first-time adopters (effective from 1 January 2018); and*

IAS 28 *Investments in Associates and Joint Ventures: Clarification that measuring investees at fair value through profit or loss is an investment-by-investment choice (the amendments should be applied retrospectively and are effective from 1 January 2018, with earlier application permitted).*

The Group is currently assessing the impact of the following standards on its consolidated financial statements,:

IFRS 9 Financial Instruments

During 2017, the Group performed a preliminary impact assessment of all three aspects of IFRS 9. This assessment is based on currently available information and may be subject to changes arising from further reasonable and supportable information being made available to the Group in 2018 when the Group will adopt IFRS 9. Overall, the Group expects no significant impact on its consolidated financial statements.

IFRS 15 Revenue from Contracts with Customers

The core principle of IFRS 15 is that an entity recognises revenue related to the transfer of promised goods or services when control of the goods or services passes to the customers. The amount of revenue recognised should reflect the consideration to which the entity expects to be entitled in exchange for those goods.

During 2017, the Group performed a preliminary assessment of IFRS 15, which is subject to changes arising from a more detailed analysis. Overall, the Group expects no significant impact on its consolidated financial statements.

Other standards and interpretations that have been issued but not yet effective are not likely to have any significant impact on the consolidated financial statements of the Group in the period of their initial application.

Current versus non-current classification

The Group presents assets and liabilities in consolidated statement of financial position based on current/non-current classification. An asset is presented as current when it is:

- Expected to be realised or intended to be sold or consumed in a normal operating cycle;
- Held primarily for the purpose of trading;
- Expected to be realised within twelve months after the reporting period, or

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Current versus non-current classification (continued)

- Cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period.

All other assets are classified as non-current.

A liability is presented as current when:

- It is expected to be settled in a 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.

Fair value measurement
The Group measures financial instruments at fair value at each reporting date.

The Group measures financial instruments, at fair value at each reporting date. Also, fair values of financial instruments measured at amortised cost are disclosed in note 26.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

- In the principal market for the asset or liability, or
- In the absence of a principal market, in the most advantageous market for the asset or liability.

The principal or the most advantageous market must be accessible by the Group.

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the consolidated financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

- Level 1 – Quoted (unadjusted) market prices in active markets for identical assets or liabilities
- Level 2 – Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable
- Level 3 – Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

For assets and liabilities that are recognised in the consolidated financial statements on a recurring basis, the Group determines whether transfers have occurred between levels in the hierarchy by re-assessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Fair value measurement (continued)

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.

Foreign currencies

Transactions in foreign currencies are recorded at the exchange rate prevailing on the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the rate of exchange prevailing at the reporting date. All exchange differences are taken to the consolidated statement of comprehensive income.

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 assets and liabilities of foreign operations are translated into Bahraini Dinars at the rate of exchange prevailing at the reporting date and their statements of profit or loss are translated at exchange rates prevailing at the dates of the transactions. The exchange differences arising on the translation are recognised in other comprehensive income. On disposal of a foreign operation, the component of other comprehensive income relating to that particular foreign operation is recognised in the consolidated statement of comprehensive income.

Property, plant and equipment

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 comprehensive income as incurred.

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

Freehold buildings	45 years
Power generating plant	23-25 years
Plant, machinery and other equipment	3-23 years

Land and assets in process of completion are not depreciated. An item of property, plant and equipment and any significant part initially recognised is derecognised upon disposal 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 comprehensive income when the asset is derecognised.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of an asset that necessarily takes a substantial period of time to get ready for its intended use or sale are capitalised as part of the cost of the asset. All other borrowing costs are expensed in the period they occur. Borrowing costs consist of interest and other costs that are incurred in connection with the borrowing of funds.

Lease rights

Lease rights for leasehold land are stated at cost, net of accumulated amortisation and accumulated impairment losses, if any. Amortisation is calculated on a straight line basis over the lease term.

Impairment of non-financial assets

The Group assesses at each reporting date whether there is an indication that an asset 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.

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 comprehensive income.

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.
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.

Financial assets

Initial recognition and measurement

Financial assets are classified, at initial recognition, as financial assets at fair value through profit or loss, loans and receivables, held-to-maturity investments, available-for-sale financial assets, or as derivatives designated as hedging instruments in an effective hedge, as appropriate.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial assets (continued)
Initial recognition and measurement (continued)
All financial assets are recognised initially at fair value plus, in the case of financial assets not recorded at fair value through profit or loss, transaction costs that are attributable to the acquisition of the financial asset.

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.

Financial assets consist of bank balances and cash and trade and other receivables.

Subsequent measurement
Trade and other receivables
Trade and other receivables are stated at original invoice amount less a provision for any uncollectible amounts. An estimate for doubtful debts is made when collection of the full amount is no longer probable. Bad debts are written off when there is no possibility of recovery.

Cash and cash equivalents
For the purpose of consolidated statement of cash flows, cash and cash equivalents consist of cash in hand, bank balances and short-term deposits with an original maturity of three months or less.

Derecognition
A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is primarily derecognised (i.e. removed from the Group's consolidated statement of financial position) 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

Impairment of financial assets
The Group assesses, at each reporting date, whether there is objective evidence that a financial asset or a group of financial assets is impaired. An impairment exists if one or more events that has occurred since the initial recognition of the asset (an incurred 'loss event'), has an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated. Evidence of impairment may include indications that the debtors or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganisation and observable data indicating that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

Impairment of financial assets is determined as follows:
- For assets carried at fair value, impairment is the difference between cost and fair value, less any impairment loss previously recognised in the consolidated statement of comprehensive income;
- For assets carried at cost, impairment is the difference between carrying value and the present value of future cash flows discounted at the current market rate of return for a similar financial asset; and
- For assets carried at amortised cost, impairment is the difference between the carrying amount and the present value of future cash flows discounted at the original effective interest rate.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial liabilities

Initial recognition and measurement

Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit or loss, loans and borrowings, trade and other 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 trade and other payables, borrowings and derivative financial instruments.

Subsequent measurement

Trade and other payables

Trade and other payables and accruals are carried at cost which is the fair value of the consideration to be paid in the future for goods and services received whether or not billed to the Group.

Borrowings

subsequent to initial recognition, borrowings are stated at amortised cost, any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the consolidated statement of comprehensive income over the period of the borrowings using the effective interest rate method. Instalments due within one year are classified under current liabilities.

Interest is charged as an expense based on effective yield, with unpaid interest amounts included in 'trade and other payables'.

Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount is reported in the consolidated statement of financial position if, and only if, there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liabilities simultaneously.

Derecognition

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires.

Derivative financial instruments and hedging activities

Derivative financial instruments are initially recognised in the consolidated statement of financial position at cost, including transaction costs, and subsequently re-measured to fair value. The method of recognising the resulting gain or loss depends on whether the derivative is designated as a hedging instrument and, if so, the nature of the item being hedged.

The recognition of changes in the fair values of derivative financial instruments entered into for hedging purposes is determined by the nature of the hedging relationship. For the purposes of hedge accounting, derivative financial instruments are designated as a hedge of either:

i) the fair value of a recognised asset or liability (fair value hedge), or

ii) the future cash flows attributable to a recognised asset or liability or a firm commitment (cash flow hedge).

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Derivative financial instruments and hedging activities (continued)
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;
- 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.

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 comprehensive income.

When a hedging instrument expires or is sold, or when a hedge no longer meets the criteria for hedge accounting, any cumulative gain or loss existing in equity at that time remains in equity and is recognised when the forecast transaction is ultimately recognised in the statement of comprehensive income. When a forecast transaction is no longer expected to occur, the cumulative gain or loss that was reported in equity is immediately transferred to the consolidated statement of comprehensive income.

Changes in the fair value of any derivative instruments that do not qualify for hedge accounting are classified as held for trading and are recognised immediately in the consolidated statement of comprehensive income.

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 the other comprehensive income or equity is recognised in the other comprehensive income or equity and not in the consolidated statement of comprehensive income. Management periodically evaluates positions taken in the tax returns with respect to situations in which applicable tax regulations are subject to interpretation and establishes provisions where appropriate.

Deferred tax
Deferred tax is provided using the liability method on temporary differences between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes at the reporting date.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Taxes (continued)

Deferred tax (continued)

Deferred tax liabilities are recognised for all taxable temporary differences, except:

- When the deferred tax liability arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss.
- In respect of taxable temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, when the timing of the reversal of the temporary differences cannot be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognised for all deductible temporary differences, the carry forward of unused tax credits and any unused tax losses. Deferred tax assets are recognised to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry forward of unused tax credits and unused tax losses can be utilised, except:

- When the deferred tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss.

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Unrecognised deferred tax assets are re-assessed at each reporting date and are recognised to the extent that it has become probable that future taxable profits will allow the deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the year when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the reporting date.

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

Deferred tax assets and deferred tax liabilities are offset if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

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 comprehensive income 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.

2 SUMMARY OF SIGNIFICANT 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 comprehensive income on the purchase, sale, issue or cancellation of the treasury shares. Gains arising from the subsequent resale of treasury shares is treated as non-distributable and included in treasury shares reserve. Any loss arising from the subsequent resale of treasury shares is first adjusted against the treasury shares reserve, if any, and charged to retained earnings if the amounts in treasury shares reserve is not sufficient to cover the loss. Any difference between the carrying amount and the consideration, if reissued, is recognised in share premium. Share options exercised during the reporting period are satisfied with treasury shares.

Leases

The determination of whether an arrangement is (or contains) a lease is based on the substance of the arrangement at the inception of the lease. The arrangement is, or contains, a lease if fulfilment of the arrangement is dependent on the use of a specific asset or assets and the arrangement conveys a right to use the asset or assets, even if that right is not explicitly specified in an arrangement.

Group as a lessee

A lease is classified at the inception date as a finance lease or an operating lease. A lease that transfers substantially all the risks and rewards incidental to ownership to the Group is classified as a finance lease. Finance leases are capitalised at the commencement of the lease at the inception date fair value of the leased property or, if lower, at the present value of the minimum lease payments. Lease payments are apportioned between finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability.

Finance charges are recognised in finance costs in the consolidated statement of comprehensive income. A leased asset is depreciated over the useful life of the asset. However, if there is no reasonable certainty that the Group will obtain ownership by the end of the lease term, the asset is depreciated over the shorter of the estimated useful life of the asset and the lease term. Operating lease payments are recognised as an operating expense in the consolidated statement of comprehensive income on a straight-line basis over the lease term.

Revenue recognition

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured, regardless of when the payment is being made. Revenue is measured at the fair value of the consideration received or receivable, taking into account contractually defined terms of payment and excluding taxes or duty. The Group assesses its revenue arrangements against specific criteria to determine if it is acting as principal or agent. The Group has concluded that it is acting as a principal in all of its revenue arrangements. The specific recognition criteria described below must also be met before revenue is recognised.

Sale of goods

Revenue from the sale of goods is recognised when the significant risks and rewards of ownership of the goods have passed to the buyer and the amount of revenue can be measured reliably normally on delivery to the customer.

Other income

Other income is recognised as the income accrues.

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 comprehensive income in the year to which they relate. The Group's obligations are limited to the amounts contributed to the Scheme.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Employee benefits (continued)

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 leaving and number of years of 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.

3 SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

The preparation of the Group's consolidated financial statements requires the Board of Directors to make judgments, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the disclosure of contingent liabilities, at the reporting date. However, uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of the asset or liability affected in future periods.

Judgements

In the process of applying the Group's accounting policies, the Board of Directors has made the following judgments, which have the most significant effect on the amounts recognised in the consolidated financial statements:

Going concern

The Group's Board of Directors has made an assessment of the Group's ability to continue as a going concern and is satisfied that the Group has the resources to continue in business for the foreseeable future. Furthermore, the Board of Directors is not aware of any material uncertainties that may cast significant doubt upon the Group's ability to continue as a going concern. Therefore, the consolidated financial statements continue to be prepared on the going concern basis.

Operating leases - the Group as lessee

The Group has entered into lease agreements on its land leased and held for use and items of machinery and vehicles leased. The Group has determined, based on an evaluation of the terms and conditions of the arrangements that the lessor retains all the significant risks and rewards of ownership of these assets and so accounts for the contracts as operating leases. Operating lease rentals and amortisation of the lease rights have been charged to administrative expenses in the consolidated statement of comprehensive income.

Estimates

Impairment of trade and other receivables

An estimate of the collectible amount of trade and other receivables is made when collection of the full amount is no longer probable. For individually significant amounts, this estimation is performed on an individual basis. Amounts which are not individually significant, but which are past due, are assessed collectively and a provision applied according to the length of time past due, based on historical recovery rates.

3 SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES (continued)

Estimates (continued)

Impairment of trade and other receivables (continued)

At 31 December 2017, gross trade receivables were BD 111,883 thousand (2016: BD 87,592 thousand), and the provision for impairment was BD 2,702 thousand (2016: BD 4,547 thousand) and gross other receivables were BD 10,717 thousand (2016: BD 6,428 thousand), and the provision for impairment was BD 45 thousand (2016: BD 45 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 selling prices.

At 31 December 2017, gross inventories of spares was BD 24,511 thousand (2016: BD 25,910 thousand) with provisions for slow moving spares of BD 1,629 thousand (2016: BD 1,780 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.

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. These estimates are determined after considering the expected usage of the asset or physical wear and tear. The Board of Directors reviews the residual values and useful lives annually and the future depreciation charges would be adjusted where the management believes the useful lives differ from previous estimates.

Impairment of property, plant and equipment

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

In assessing value in use, the estimated future cash flows are discounted to their present value using a discount rate that reflects current market assessment of the time value of money and the risks specific to the assets. The cash flows are prepared for the next five years and do not include restructuring activities that the Group is not yet committed to. A long term growth rate is calculated and applied to future cash flows after the fifth year. The Board of Directors do not believe that there is any impairment of property, plant and equipment as at 31 December 2017 and 31 December 2016 respectively.

Taxes

Deferred tax assets are recognised for all 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.

4 PROPERTY, PLANT AND EQUIPMENT

	Land and buildings BD '000	*Power generating plant BD '000*	*Plant, machinery and other equipment BD '000*	*Assets in process of completion BD '000*	*Total BD '000*
Cost:					
At 1 January 2017	278,463	436,691	1,277,369	128,703	2,121,226
Additions	2,519	56	9,151	453,109	464,835
Transfers	9,646	931	20,279	(30,856)	-
Disposals	(6,009)	(4,406)	(41,944)	-	(52,359)
At 31 December 2017	284,619	433,272	1,264,855	550,956	2,533,702
Depreciation:					
At 1 January 2017	124,612	275,048	874,066	-	1,273,726
Charge for the year	6,733	16,343	44,578	-	67,654
Relating to disposals	(5,778)	(2,883)	(41,090)	-	(49,751)
At 31 December 2017	125,567	288,508	877,554	-	1,291,629
Net carrying value:					
At 31 December 2017	**159,052**	**144,764**	**387,301**	**550,956**	**1,242,073**

	Land and buildings BD '000	*Power generating plant BD '000*	*Plant, machinery and other equipment BD '000*	*Assets in process of completion BD '000*	*Total BD '000*
Cost:					
At 1 January 2016	275,845	438,209	1,232,700	74,659	2,021,413
Additions	15	56	1,419	106,632	108,122
Transfers	3,064	1,737	47,787	(52,588)	-
Disposals	(461)	(3,311)	(4,537)	-	(8,309)
At 31 December 2016	278,463	436,691	1,277,369	128,703	2,121,226
Depreciation:					
At 1 January 2016	118,324	261,582	830,130	-	1,210,036
Charge for the year	6,697	16,410	48,273	-	71,380
Relating to disposals	(409)	(2,944)	(4,337)	-	(7,690)
At 31 December 2016	124,612	275,048	874,066	-	1,273,726
Net carrying value:					
At 31 December 2016	153,851	161,643	403,303	128,703	847,500

a) Land and buildings include freehold land at a cost of BD 453 thousand as at 31 December 2017 (2016: BD 453 thousand).

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

c) The depreciation charge is allocated to cost of sales in the consolidated statement of comprehensive income.

5 OTHER ASSET

The Group acquired the lease rights of the land adjacent to the Company in the Kingdom of Bahrain from the Ministry of Industry, Commerce and Tourism on 28 May 2014 for a term of 25 years effective 1 July 2014 and the amount of BD 4,800 thousand is being amortised over the lease period.

	2017	*2016*
	BD '000	*BD '000*
At 1 January	**4,320**	4,512
Amortised during the year	**(192)**	(192)
At 31 December	**4,128**	4,320

6 INVENTORIES

	2017	*2016*
	BD '000	*BD '000*
Raw materials	**43,497**	28,961
Work-in-process	**49,009**	36,888
Goods in transit	**38,822**	39,530
Finished goods	**44,367**	33,913
Spares [net of provision of BD 1,629 thousand (2016: BD 1,780 thousand)]	**22,882**	24,130
	198,577	163,422

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

	2017	*2016*
	BD '000	*BD '000*
At 1 January	**1,780**	1,727
Charge for the year	**28**	53
Write off against provision	**(179)**	-
At 31 December	**1,629**	1,780

7 TRADE AND OTHER RECEIVABLES

	2017	*2016*
	BD '000	*BD '000*
Trade receivables - others [net of provision of BD 2,702 thousand (2016: BD 4,547 thousand)]	**95,373**	74,105
Trade receivables - related parties (note 24)	**13,808**	8,940
	109,181	83,045
Advances to suppliers	**25,182**	-
Insurance claim receivable	**16,216**	-
Other receivables [net of provision of BD 45 thousand (2016: BD 45 thousand)]	**10,672**	6,383
Prepayments	**2,673**	2,637
	163,924	92,065

7 TRADE AND OTHER RECEIVABLES (continued)

As at 31 December 2017, trade receivables of BD 2,702 thousand (2016: BD 4,547 thousand) and other receivables of BD 45 thousand (2016: BD 45 thousand) were impaired. Movements in the provision for doubtful trade and other receivables were as follows:

	Trade receivables		*Other receivables*	
	2017	*2016*	***2017***	*2016*
	BD '000	*BD '000*	***BD '000***	*BD '000*
At 1 January	**4,547**	4,744	**45**	45
Reversal during the year	**(164)**	(197)	**-**	-
Write off against provision	**(1,681)**	-	**-**	-
At 31 December	**2,702**	4,547	**45**	45

As at 31 December, the ageing of unimpaired trade accounts receivable was as follows:

		Neither past due nor	*Past due but not impaired*		
	Total	*impaired*	*Less than 30 days*	*31 to 180 days*	*Over 180 days*
	BD '000	*BD '000*	*BD '000*	*BD '000*	*BD '000*
2017	**109,181**	**96,137**	**10,495**	**2,388**	**161**
2016	83,045	76,440	4,281	1,412	912

Subsequent to the year end, unimpaired trade receivables of BD 69,469 thousand (2016: BD 32,656 thousand) were collected and the balance is expected, on the basis of past experience, to be fully recoverable.

8 BANK BALANCES AND CASH

	2017	*2016*
	BD '000	*BD '000*
Cash at bank:		
- Current accounts	**20,062**	38,817
- Call accounts	**16,004**	8,761
- Short term deposits	**41,360**	18,800
Cash in hand	**33**	35
	77,459	66,413

A major portion of the bank balances is held with financial institutions in the Kingdom of Bahrain and these balances are denominated in Bahraini Dinars, US Dollars and Euros. The call accounts earn interest and the effective interest rate as of 31 December 2017 is 0.075% (2016: 0.044%). Short term deposits earn interest at 2.25% p.a. (2016: 2.5% p.a.) and have maturities less than three months.

9 SHARE CAPITAL

	2017	*2016*
	BD '000	*BD '000*
Authorised		
2,000,000,000 shares of 100 fils each	**200,000**	200,000
Issued and fully paid		
1,420,000,000 shares of 100 fils each	**142,000**	142,000

9 SHARE CAPITAL (continued)

The distribution of shareholdings are as follows:

	2017			*2016*		
Categories	***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%	**90,023,499**	**3,379**	**6.34**	82,611,451	3,520	5.82
1% up to less than 5%	**51,976,501**	**2**	**3.66**	59,388,549	2	4.18
5% up to less than 20%	**-**	**-**	**-**	-	-	-
20% up to less than 50%	**292,804,000**	**1**	**20.62**	292,804,000	1	20.62
50% and above	**985,196,000**	**1**	**69.38**	985,196,000	1	69.38
	1,420,000,000	**3,383**	**100.00**	1,420,000,000	3,524	100.00

10 TREASURY SHARES

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

2017		*2016*	
No of shares	***BD '000***	*No of shares*	*BD '000*
4,381,144	**2,690**	10,490,001	4,965

Included in treasury shares are 697,000 shares (2016: 697,000) that were excess in Employees' Stock Incentive Plan [note 16 (c)].

11 EARNINGS PER SHARE

Basic earnings per share is calculated by dividing the profit or loss for the year attributable to ordinary equity holders of the Group by the weighted average number of ordinary shares outstanding during the year, excluding the average number of ordinary shares purchased by the Group and held as treasury shares and is as follows:

	2017	*2016*
Profit for the year - BD' 000	**92,457**	48,390
Weighted average number of shares, net of treasury shares - thousands of shares	**1,414,368**	1,410,097
Basic and diluted earnings per share (fils)	**65**	34

Basic and diluted earnings per share are the same since the Group has not issued any instruments that would have a dilutive effect.

There have been no other transactions involving ordinary shares or potential ordinary shares between the reporting date and the date of completion of these consolidated financial statements.

12 STATUTORY RESERVE

The Bahrain Commercial Companies Law requires companies to transfer 10% of their annual profit to a statutory reserve, until such time the reserve equals 50% of the paid up share capital. A statutory reserve equal to 50% of the paid-up capital has been created by transfer of prior years' profits. Therefore no further transfers have been made for the year ended 31 December 2017. This reserve cannot be utilised for the purpose of distribution, except in such circumstances as stipulated in the Bahrain Commercial Companies Law.

13 CAPITAL RESERVE

This reserve was created from the surplus on disposal of property, plant and equipment in prior years. This reserve is distributable subject to the approval of the shareholders.

14 DIVIDEND PROPOSED AND PAID

The Board of Directors recommended a dividend of BD 0.026 per share (excluding treasury shares) totalling BD 36,806 thousand. The final dividend is subject to the approval of the Company's shareholders at the Annual General Meeting to be held on 7 March 2018.

At the Annual General Meeting held on 21 March 2017, the Company's shareholders approved the Board of Directors' proposal to pay a final dividend of BD 0.021 per share (excluding treasury shares) totalling BD 29,658 thousand relating to 2016, which was fully paid as of 31 December 2017.

At the Annual General Meeting held on 16 March 2016, the Company's shareholders approved the Board of Directors' proposal to pay a final dividend of BD 0.0055 per share (excluding treasury shares) totalling BD 7,768 thousand relating to 2015, out of which BD 7,756 thousand was paid as of 31 December 2016 and excess of BD 12 thousand was reversed.

15 BORROWINGS

	2017			*2016*
	Non-current BD '000	***Current BD '000***	***Total BD '000***	*Total BD '000*
Line 6 Term Loan Facility at 5.1 % to 5.6 % (2016: nil) [1]	**282,000**	**-**	**282,000**	-
Line 6 Euro SERV Loan at EURIBOR + 0.65 % (2016: nil) [2]	**92,934**	**-**	**92,934**	-
Line 6 USD SERV Loan at LIBOR + 0.9 % (2016: nil) [2]	**73,280**		**73,280**	-
Line 6 Hermes Covered Facility at EURIBOR + 0.55 % (2016: nil) [3]	**5,397**	**-**	**5,397**	-
Working capital revolving credit at 1.57 % to 2.44 % (2016: 1.85 % to 2.26 %) [4]	**-**	**15,040**	**15,040**	18,800
Refinancing loan at 2.65 % to 3.75 % (2016: 1.61 % to 2.86 %) [5]		**3,183**	**3,183**	9,545
Euro Coface loan at 1.51 % to 1.73 % (2016: 1.40 % to 1.51 %) [6]	**-**	**3,827**	**3,827**	6,672
Line 5 projects at 0.94 % to 1.31 % (2016: 0.94 % to 1.31 %) [7]	**-**	**-**	**-**	9,111
Working capital term loan at 1.37 % to 1.81 % (2016: 1.37 % to 1.81 %) [8]	**-**	**-**	**-**	6,860
Euro SERV Loan at 1.11 % to 1.24 % (2016: 1.11 % to 1.24 %) [9]	**-**	**-**	**-**	736
Total borrowings	**453,611**	**22,050**	**475,661**	51,724
Payable after one year			**453,611**	6,489
Payable within one year			**22,050**	45,235
			475,661	51,724

15 BORROWINGS (continued)

[1] Line 6 Term Loan Facility
In 2016, the Group entered into a term loan facility with a syndicate of financial institutions for USD 1.5 billion comprising two tranches; USD 882 million as conventional credit facility and USD 618 million as Islamic Ijara facility. National Bank of Abu Dhabi PJSC is the global facility agent for this facility and Riyad Bank is the investment agent. This loan was obtained to finance capital expenditure requirements for line 6. The loan is repayable in eight semi-annual instalments starting from February 2020.

[2] Euro and USD Serv loan
On 25 April 2017, the Group entered into an Export Credit Financing (SERV-covered facilities) with a syndicate of financial institutions for Euro 314 million and USD 310 million. Commerzbank Finance & Covered Bond S.A. is the agent for this facility. This loan was obtained to finance capital expenditure requirements for line 6. The loan is repayable in twenty-four semi-annual instalments and the commencement date of repayment has been agreed with the facility agent at the time of agreement.

[3] Hermes 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. The loan is repayable in twenty-four semi-annual instalments and the repayment dates has been agreed with the facility agent at the time of agreement.

[4] 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.

[5] Refinancing Loan
In 2013, the Group entered into refinancing agreements with two financial institutions for USD 169 million. These loans were obtained to partially repay the line 5 project loans. These loans are repayable in ten semi-annual and twelve quarterly instalments respectively and the repayment dates have been agreed with the facility agent after the last drawdown.

[6] Euro Coface Loan
On 27 April 2010, the Group entered into a Coface facility agreement with a syndicate of financial institutions for Euro 54 million. BNP Paribas, France is the agent for this facility. This loan was obtained to finance the replacement of rectiformers for lines 1 and 2. The loan is repayable in twelve semi-annual instalments and the repayment dates had been agreed with the facility agent after the last drawdown.

[7] Line 5 projects
In 2004, the Group obtained a term loan from a financial institution for USD 300 million. This loan is repayable in twenty four semi-annual instalments and the repayment dates have been agreed with the facility agent after the last drawdown.

[8] Working Capital Term Loan
In 2014, the Group obtained a term loan from HSBC for USD 80 million by converting a portion of the existing short term working capital revolving loans from various financial institutions. This loan is repayable in twelve quarterly instalments after the last drawdown and the repayment dates have been agreed with the facility agent.

15 BORROWINGS (continued)

[9] Euro SERV Loan
On 20 June 2010, the Group entered into a SERV facility agreement with a syndicate of financial institutions for Euro 22.4 million. BNP Paribas (Suisse) SA, Switzerland is the agent for this facility. This loan was obtained to finance the replacement of rectiformers for line 4. The loan is repayable in twelve semi-annual instalments and the repayment dates had been agreed with the facility agent after the last drawdown.

Line 5 projects loans, Coface loan and refinancing loan are secured by the quota agreement entered into between the Group and the shareholders. The loans obtained for Line 6 project are unsecured.

16 EMPLOYEE BENEFITS

a) Defined benefit scheme - leaving indemnity

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

	2017 ***BD '000***	*2016* *BD '000*
Provision as at 1 January	**1,554**	1,349
Provided during the year (note 21)	**1,420**	1,521
Employees' end of service benefits paid	**(1,410)**	(1,316)
Provision as at 31 December	**1,564**	1,554

b) Defined contribution schemes

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

	Alba Savings Benefit Scheme		*Social Insurance Organisation*	
	2017 ***BD '000***	*2016* *BD '000*	***2017*** ***BD '000***	*2016* *BD '000*
Provision as at 1 January	**1,357**	1,054	**710**	1,132
Expense recognised in the consolidated statement of comprehensive income (note 21)	**4,963**	4,817	**6,043**	6,116
Contributions paid	**(4,393)**	(4,514)	**(6,157)**	(6,538)
Provision as at 31 December (note 18)	**1,927**	1,357	**596**	710

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. As of 31 December 2017, no employees are eligible for this plan (2016: nil) and the excess of 697,000 shares is held as treasury shares as of 31 December 2017 (2016: 697,000 shares). In 2015, the shares allocated to the employees had fully vested.

17 TAXATION

Taxation pertains to the Group's subsidiary in the United States of America and the standard tax rate was 37.85% as of 31 December 2017 (2016 : 36.99%). 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.

	2017	*2016*
	BD '000	*BD '000*
Current liability		
Current year	**155**	140
Income statement		
Current year expense	**923**	357
Deferred tax (benefit) expense	**(8)**	81
	915	438

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.

	2017	*2016*
	BD '000	*BD '000*
Deferred tax asset	**106**	91
Deferred tax liability	**(87)**	(81)
Deferred tax asset - net	**19**	10

	2017	*2016*
	BD '000	*BD '000*
The deferred tax asset comprises the following temporary differences:		
Deductible temporary differences	**25**	16
Taxable temporary differences	**(6)**	(6)
	19	10

18 TRADE AND OTHER PAYABLES

	2017	*2016*
	BD '000	*BD '000*
Trade payables - others	**74,143**	62,588
Trade payables - related parties (note 24)	**24,663**	27,536
	98,806	90,124
Employee related accruals	**29,062**	25,376
Accrued expenses	**25,213**	13,611
Alba Savings Benefit Scheme [note 16 (b)]	**1,927**	1,357
Social Insurance Organisation [(note 16 (b)]	**596**	710
Advances from customers	**299**	1,037
Current tax liability	**155**	140
	156,058	132,355

i) For terms and conditions with related parties, refer to note 24.

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

19 DERIVATIVE FINANCIAL INSTRUMENTS

	2017 BD '000	*2016 BD '000*
Negative fair values - liabilities	**503**	-
Classified in the consolidated statement of financial position as follows:		
Non-current portion	**412**	-
Current portion	**91**	-
Total	**503**	-

	2017 BD '000	*2016 BD '000*
Changes in fair value of derivative financial instruments taken to the consolidated statement of comprehensive income	**503**	-

The Group does not engage in proprietary trading activities in derivatives. However, the Group enters into derivative transactions to hedge economic risks under its risk management guidelines that may not qualify for hedge accounting under IAS 39. Consequently, gains or losses resulting from the re-measurement to fair value of these derivatives, if any, are taken to the consolidated statement of comprehensive income.

Interest rate swaps
The Group entered into interest rate swap transactions for US$ 0.5 billion floating rate borrowings for financing the line 6 project to manage overall financing costs. These contracts expire on 20 September 2023. The notional amount outstanding as at 31 December 2017 was US$ 550,000 thousand (2016: Nil).

Commodity futures
The Group entered into commodity futures contracts to reduce the price risk on behalf of its customers for 32,400 metric tonnes (2016: 10,165 metric tonnes).

20 OTHER INCOME (NET)

	2017 BD '000	*2016 BD '000*
Insurance claim	**6,400**	-
Sale of water	**1,325**	1,347
Interest income	**573**	171
Loss on disposal of property, plant and equipment	**(2,519)**	(239)
Settlement from legal case	**-**	340
Miscellaneous	**1,672**	1,370
	7,451	2,989

21 PROFIT FOR THE YEAR

Profit for the year is stated after charging:

	2017 BD '000	2016 BD '000
Inventories recognised as an expense in cost of sales	**533,589**	407,939
Staff costs:		
Wages and salaries	**78,704**	70,122
Social Insurance Organisation [note 16 (b)]	**6,043**	6,116
Alba Savings Benefit Scheme [note 16 (b)]	**4,963**	4,817
Payments to contractors	**4,642**	3,047
Employees' end of service benefits [note 16 (a)]	**1,420**	1,521
Indirect benefits (housing, education)	**352**	358
Others	**341**	545
	96,465	86,526

The staff costs have been allocated in the consolidated statement of comprehensive income as follows:

	2017 BD '000	2016 BD '000
Cost of sales	**80,028**	73,411
Administrative expenses	**14,639**	11,554
Selling and distribution expenses	**1,798**	1,561
	96,465	86,526
Finance costs		
Interest on borrowings	**1,927**	2,306
Bank charges	**222**	198
	2,149	2,504

22 COMMITMENTS AND CONTINGENCIES

a) *Commitments*

	2017 BD '000	2016 BD '000
Physical metal commitments		
Sales commitments :		
32,400 metric tonnes (2016: 10,165 metric tonnes)	**25,580**	6,553

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.

Treasury shares
The Board of Directors authorised the Company to purchase its own shares for a total cost amounting to BD 10,000 thousand (2016: BD 10,000 thousand). As of 31 December 2017, the Group has a remaining commitment of BD 3,500 thousand (2016: BD 3,500 thousand) towards the purchase of its own shares.

Capital expenditure
Estimated capital expenditure contracted for at the reporting date amounted to BD 157,076 thousand (2016: BD 190,505 thousand). The commitments are expected to be settled within 1 to 5 years from the reporting date.

22 COMMITMENTS AND CONTINGENCIES (continued)

a) Commitments (continued)

Letters of credit

At 31 December 2017, the Group had outstanding letters of credit to counterparties of BD 942 thousand (2016: BD 445 thousand).

b) Contingencies

Under Albaskan Scheme, the Group has issued guarantees to financial institutions in the Kingdom of Bahrain in relation to the mortgage loans of its employees. The total value of these letters of guarantees is BD 17,947 thousand (2016: BD 16,711 thousand).

At 31 December 2017, the Group had contingent liabilities in respect of bank guarantees amounting to BD 18,641 thousand (2016: BD 9,225 thousand) from which is anticipated that no material liabilities will arise.

c) Operating lease commitments

The future minimum rentals payable under operating leases as of the reporting date are given below:

	2017	*2016*
	BD '000	*BD '000*
Within one year	**1,028**	31
After one year but not more than five years	**2,926**	126
After five years	**488**	566
Aggregate operating lease expenditure contracted for at the consolidated statement of financial position date	**4,442**	723

The Group has a lease agreement with the Government of the Kingdom of Bahrain ("the Government") for the lease of an industrial land in Askar, Kingdom of Bahrain for a period of 25 years commencing 1 July 2014. The annual rent for the leased land is BD 31,452 which is negotiable after the first five years. The Group has also entered into operating leases for the rental of equipment and vehicles.

23 OPERATING SEGMENT INFORMATION

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

a) Product

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

	2017	*2016*
	BD '000	*BD '000*
Aluminium	**783,332**	640,835
Alumina trading	**66,287**	22,826
Calcined coke	**8,143**	6,099
Total sales revenue	**857,762**	669,760

23 OPERATING SEGMENT INFORMATION (continued)

b) Geographic information

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

	2017	2016
	BD '000	*BD '000*
Kingdom of Bahrain	**316,128**	276,880
Europe	**200,037**	121,116
Rest of the Middle East and North Africa	**149,424**	92,796
Asia	**99,252**	111,552
Americas	**92,921**	67,416
Total sales revenue	**857,762**	669,760

c) Customers

Sales revenue from two customers of the Group amounted to BD 252,914 thousand (2016: BD 227,806 thousand), each being more than 10% of the total sales revenue for the year.

24 RELATED PARTY TRANSACTIONS

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

Transactions with shareholders

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

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

	2017	*2016*
	BD '000	*BD '000*
Other related parties		
Revenue and other income		
Sale of metal	**81,743**	78,759
Sale of water	**1,164**	1,150
Interest on receivable	**228**	94
	83,135	80,003

	2017	*2016*
	BD '000	*BD '000*
Cost of sales and expenses		
Purchase of natural gas and diesel	**132,633**	124,600
Royalty	**4,066**	4,027
Purchase of electricity	**2,134**	2,565
	138,833	131,192

24 RELATED PARTY TRANSACTIONS (continued)

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

	2017	*2016*
	BD '000	*BD '000*
Other related parties		
Assets		
Trade receivables (note 7)	**13,808**	8,940
Bank balances	**1,175**	2,650
	14,983	11,590
Liabilities		
Trade payables (note 18)	**24,663**	27,536
Term loan	**17,709**	-
Other payables	**471**	161
	42,843	27,697

Outstanding balances at year-end arise in the normal course of business are interest free, unsecured and payable on demand. However, the Group charged interest at an agreed rate on overdue receivable amount from a related party as of 31 December 2017 (2016: same terms). For the year ended 31 December 2017, the Group has not recorded any impairment on amounts due from related parties (2016: nil).

Compensation of key management personnel

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

	2017	*2016*
	BD '000	*BD '000*
Short term benefits	**1,637**	1,221
End of service benefits	**72**	47
Contributions to Alba Savings Benefit Scheme	**92**	73
	1,801	1,341

Directors' fees during the year amounted to BD 210 thousand (2016: BD 210 thousand).

25 RISK MANAGEMENT

The Group's principal financial liabilities, other than derivatives, comprise borrowings, trade and other payables. The main purpose of these financial liabilities is to finance the Group's operations. The Group has trade and other receivables, bank balances and cash and short-term deposits that arise directly from its operations.

The Group is exposed to market risk, credit risk and liquidity risk.

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

25 RISK MANAGEMENT (continued)

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 borrowings, deposits and derivative financial instruments.

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 borrowings).

The sensitivity of the consolidated statement of comprehensive income is the effect of the assumed changes in interest rates on the Group's result for one year, based on the floating rate financial assets and financial liabilities held at the reporting date.

The interest earned on overdue receivable is based on floating LIBOR rate plus margin. The call accounts and short term deposit earn interest at commercial rates. The interest rates are disclosed in notes 8 and 24.

The following table demonstrates the sensitivity of the consolidated statement of comprehensive income to reasonably possible changes in interest rates, with all other variables held constant.

	Interest on call accounts and short term deposit		*Interest on borrowings (after giving effect for derivative financial instruments)*	
	Increase/ decrease in basis points	*Effect on results for the year BD '000*	*Increase / decrease in basis points*	*Effect on results for the year BD '000*
2017	**25**	**143**	**25**	**55**
	(25)	**(143)**	**(25)**	**(55)**
2016	25	69	25	129
	(25)	(69)	(25)	(129)

Commodity price risk
Commodity price risk is the risk that future profitability is affected by changes in commodity prices. The Group is exposed to commodity price risk, as the selling prices for aluminium are generally based on aluminium prices quoted on the London Metal Exchange (LME). The Group hedges its selling price using futures commodity contracts, based on customers' options. The forecast is deemed to be highly probable.

25 RISK MANAGEMENT (continued)

Commodity price risk (continued)

The following table demonstrates the sensitivity of the consolidated statement of comprehensive income 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*
2017	+30%	**115**
	-30%	**(115)**
2016	+30%	13
	-30%	(13)

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 Company uses forward foreign exchange contracts to hedge against foreign currency payables. As of 31 December 2017 and 31 December 2016 there were no outstanding forward foreign exchange contracts.

As the Bahraini Dinar is pegged to the US Dollar, balances in US Dollars are not considered to represent significant currency risk.

The table below indicates the Group's unhedged foreign currency exposures at 31 December, as a result of its monetary assets and liabilities. As of 31 December, the following financial instruments are denominated in currencies other than Bahraini Dinars and US Dollars, which were unhedged:

Financial	***Currency***	***2017 BD '000***	*2016 BD '000*
Bank balances	Euro	**7,996**	19,596
	Swiss Francs	**70**	77
Receivables	Euro	**11,701**	6,572
Borrowings	Euro	**102,158**	7,408
Payables	Euro	**7,635**	6,786
	Swiss Francs	**410**	1,963
	Great Britain Pounds	**334**	33

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).

25 RISK MANAGEMENT (continued)

Foreign currency risk (continued)
The effect of decreases in currency rate is expected to be equal and opposite to the effect of the increases shown.

	2017		2016	
Currency	***Increase in currency rate to the BD***	***Effect on results for the year BD '000***	*Increase in currency rate to the BD*	*Effect on results for the year BD '000*
Euro	**+10%**	**(9,010)**	+10%	1,197
Swiss Francs	**+10%**	**(34)**	+10%	(189)
Great Britain Pounds	**+10%**	**(33)**	+10%	(3)
		(9,077)		1,005

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

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. Provision for doubtful receivables is made whenever risks of default are identified.

Derivative contracts are entered into with approved counterparties and the Group is not subject to significant credit risk on these contracts.

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 43% of outstanding trade receivables at 31 December 2017 (2016: 52%).

Liquidity risk
Liquidity risk, also referred to as funding risk, is the risk that an enterprise will encounter difficulty in raising funds to meet commitments associated with financial instruments. Liquidity risk may result from an inability to sell a financial asset quickly at or close to its fair value.

The Group limits its liquidity risk by ensuring bank facilities are available. The Company's terms of sale require amounts to be paid within 30 to 60 days of the date of sale. Trade payable are non-interest bearing and are normally settled within 45 days terms.

25 RISK MANAGEMENT (continued)

Liquidity risk (continued)

The table below summarises the maturities of the Group's undiscounted financial liabilities at 31 December, based on contractual payment dates and current market interest rates.

31 December 2017	***Less than 3 months BD '000***	***3 to 12 months BD '000***	***1 to 5 years BD '000***	***Over 5 years BD '000***	***Total BD '000***
Borrowings (including interest payable)	**38,076**	**3,827**	**303,999**	**149,612**	**495,514**
Derivative financial instruments	**91**	**-**	**-**	**412**	**503**
Trade and other payables	**101,484**	**-**	**-**	**-**	**101,484**
Total	**139,651**	**3,827**	**303,999**	**150,024**	**597,501**

31 December 2016	*Less than 3 months BD '000*	*3 to 12 months BD '000*	*1 to 5 years BD '000*	*Over 5 years BD '000*	*Total BD '000*
Borrowings (including interest payable)	24,819	21,046	6,584	-	52,449
Derivative financial instruments	-	-	-	-	-
Trade and other payables	92,331	-	-	-	92,331
Total	117,150	21,046	6,584	-	144,780

Capital management

The Company manages its capital structure and makes adjustments to it in light of changes in economic conditions. To maintain or adjust the capital structure, the Company may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. No changes were made in the objectives, policies or processes for managing capital during the years ended 31 December 2017 and 31 December 2016.

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

Capital comprises share capital, statutory reserve, capital reserve, retained earnings and proposed dividend less treasury shares, and is measured at BD 1,052,394 thousand as at 31 December 2017 (2016: BD 988,097 thousand).

26 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 borrowings and trade and other payables. Derivative financial instruments consist of interest rate swaps and futures.

26 FAIR VALUES OF FINANCIAL INSTRUMENTS (continued)

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

	Loans and receivables	
	2017	*2016*
	BD '000	*BD '000*
Financial assets		
Trade and other receivables	**119,853**	89,428

	Financial liabilities at amortised cost		*Financial liabilities at fair value*	
	2017	*2016*	***2017***	*2016*
	BD '000	*BD '000*	***BD '000***	*BD '000*
Financial liabilities				
Borrowings	**475,661**	51,724	**-**	-
Trade and other payables	**101,484**	92,331	**-**	-
Derivative financial instruments	**-**	-	**503**	-
	577,145	144,055	**503**	-

The management assessed that bank balances and cash and short-term deposits, trade receivables, trade payables and other current liabilities approximate their carrying amounts largely due to the short-term maturities of these instruments.

The fair values of the financial assets and liabilities are included at the amount at which the instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale.

The following methods and assumptions were used to estimate the fair values:

- Long-term fixed-rate and variable-rate receivables/borrowings are evaluated by the Group based on parameters such as interest rates, specific country risk factors, individual creditworthiness of the customer and the risk characteristics of the financed project. Based on this evaluation, allowances are taken into account for the expected losses of these receivables. As at 31 December 2017, the carrying amounts of such receivables, net of allowances, were not materially different from their calculated fair values.

- The Group enters into derivative financial instruments with various counterparties, principally financial institutions. Derivatives are valued using valuation techniques with market observable inputs are mainly interest rate swaps and commodity forward contracts. The most frequently applied valuation techniques include forward pricing and swap models, using present value calculations. The models incorporate various inputs including the credit quality of counterparties and forward rates, interest rate curves and forward rate curves of the underlying commodity. All derivative contracts are fully cash collateralised, thereby eliminating both counterparty and the Group's own non-performance risk. As at 31 December 2017, the Group the outstanding derivative financial instruments amounting to BD 503 thousand (2016: nil).

- Fair values of the Group's interest-bearing borrowings and loans are determined by using DCF method using discount rate that reflects the issuer's borrowing rate as at the end of the reporting period. The own non-performance risk as at 31 December 2017 was assessed to be insignificant.

26 FAIR VALUES OF FINANCIAL INSTRUMENTS (continued)

Fair value hierarchy

As at 31 December 2017 and 31 December 2016, the Group's derivative financial instruments 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 2017 and 31 December 2016, 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 (2016: same).

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

27 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 financial statements, consist principally of deposits with banks, equity shares and bonds.

The Scheme is established as a trust and administered by trustees representing the Group and the employees. The trustees manage 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.