alba

Aluminium
for the world

The **Launch** of a new **Era**

Annual Report **2018**

His Royal Highness
Prince Khalifa
bin Salman Al Khalifa

The Prime Minister
of the Kingdom of Bahrain

His Majesty
King Hamad
bin Isa Al Khalifa

The King
of the Kingdom of Bahrain

His Royal Highness
Prince Salman
bin Hamad Al Khalifa

The Crown Prince
Deputy Supreme Commander
and First Deputy Prime Minister

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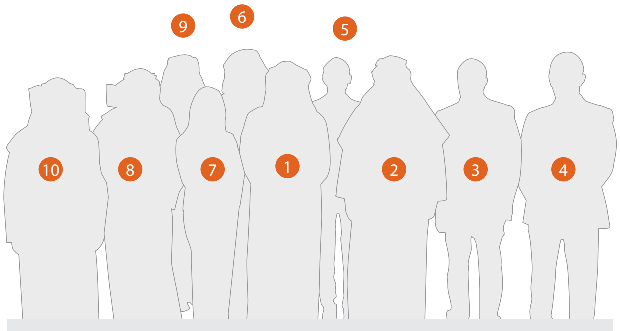
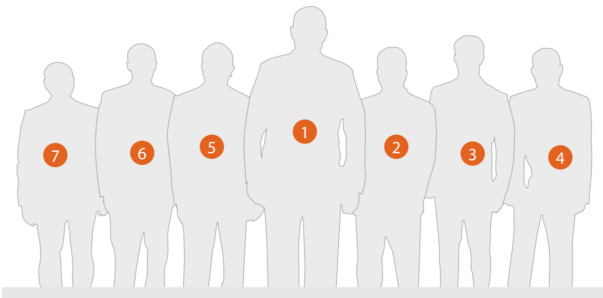
Board of Directors



1. **Shaikh Daij bin Salman bin Daij Al Khalifa**
   Chairman
2. **Uwaidh K. Al-Harethi**
   Director
3. **Yaser Humaidan**
   Director
4. **Dr. Mohamed Kameshki**
   Director
5. **Osama M. Al Arrayedh**
   Director
6. **Mutlaq H. Al Morished**
   Director
7. **Suha Karzoon**
   Director
8. **Yousif A. Taqi**
   Director
9. **Ahmed Al Jabr**
   Director
10. **Ali Al Shamrani**
    Director

Executive Management



1. **Tim Murray**
   Chief Executive Officer
2. **Khalid A. Latif**
   Chief Marketing Officer
3. **Bryan Harris**
   Acting Chief Financial Officer
4. **Abdulla Habib Ahmed Ali**
   Chief Operations Officer
5. **Ali Al Baqali**
   Deputy Chief Executive Officer & Chief Supply Chain Officer
6. **Waleed Tamimi**
   Chief Administration Officer
7. **Amin Sultan**
   Chief Power Officer

To Our Shareholders

Daij bin Salman bin Daij Al Khalifa
Chairman of the Board

Highlights

Expansion Line 6 Project	**OBJECTIVES** The best way to foresee our future is to plan it. Line 6 Expansion Project will transform Alba to become the world's largest smelter.
Improvement Yearly Targets	**OBJECTIVES** Going Above & Beyond with our Cost Improvement initiatives – that's how we stay ahead of competition.

My Dear Shareholders,
On behalf of the Board of Directors, it gives me great pleasure to present the Annual report of Aluminium Bahrain B.S.C. (Alba) for 2018.

2018 in Focus

2018 will be one of the most remarkable years in Alba's history as we achieved two of our biggest milestones since inception -- Line 6 Expansion Project achieved First Hot Metal (FHM) and Alba became part of the 1 Million metric tonnes smelters-club in the world.

It is notable to add that Line 6 achieved FHM two weeks ahead of schedule while the 1 million-plus metric tonne production from Potlines 1 to 5 was reached without significant additional capital expenditure . . . both these accomplishments prove that Alba has the ability to go above and beyond to deliver results.

On Alba's performance in 2018, I am proud to say that despite many headwinds, Alba was successful on many fronts with the most significant one being the progress made by our landmark Line 6 Expansion Project.

Alba's Evolution with Line 6 Expansion Project

The Line 6 Expansion Project will change the course of Alba and Bahrain's history as it will make the Company the world's largest aluminium producer. Furthermore, it will further strengthen the Kingdom's economic growth by increasing its contribution to GDP; create job opportunities for nationals within Alba and local downstream industry; and increase the Kingdom's regional and international competitiveness.

Over 2018, the Line 6 Expansion Project witnessed many significant moments, with the most important one being the visit of His Royal Highness Prince Salman bin Hamad Al Khalifa, the Crown Prince, Deputy Supreme Commander and First Deputy Prime Minister of the Kingdom of Bahrain, which validated the support of Bahrain's Leadership.

Many more achievements were attained for both Line 6 Smelter and Power Station 5 (PS5) -- the First Cathode Sealing Operation was achieved; started the biggest furnace in Alba history with the First Cold Charge of Furnace 3 in its new Casthouse 4; successfully conducted the First Fire of the First H-class General Electric (GE) 9HA Gas Turbine (GT) GE Unit 1 at Power Station 5 (PS 5); received the Largest Rectiformer in the world for Line 6 Expansion Project; and completion of Pot Shells' Fabrication amongst others. Alba also set the benchmark for sustainable power generation in the aluminium industry by becoming the first aluminium smelter in the world to use the largest and most efficient gas turbine produced at Power Station 5.

All of these achievements have set the stage for the successful completion of Line 6 Expansion Project in 2019 and will position Alba to take advantage of the growing demand in the aluminium metal.

Financial Performance at a Glance

(Year-ended 31 December 2018)

Despite the volatility in the financial markets coupled with fluctuating LME prices, Alba had a strong finish in terms of Production - we have exceeded the 1-million metric tonnes production mark for the 1st time in history. Against all odds, our operational and financial discipline have helped us to deliver strong results on the back of Project Titan Cost Improvement Program. Our EBITDA stood at BD 124.5 million (US$ 331 million) - down by 24% Year-over-Year while Net Income reached BD 59.8 million (US$ 158.9 million) - down by 35% Year-over-Year.

Safety First and Always

The momentous occasion of Line 6 FHM was heightened as it was achieved safely. I commend everyone, especially the Line 6 Expansion Project teams, on their dedication to Safety as well as focus on maintaining an injury-free workplace.

Our Safety culture today is the result of the long-term investments we made in our Safety practices that are on par with international levels. Our commitment to Safety will remain the foundation of everything we do and will give us the competitive advantage over our peers.

I thank all our employees and contractors who have raised the bar in our Safety performance. Through commitment and dedication to best practices in Safety, I am confident of the safe and on-time completion of Line 6 Expansion Project as well as for taking our Safety culture to a higher realm.

Brighter Future with Alba's Transformation into the Largest Smelter in the World

Everyone in Alba had a role to play in our successes in the past year.

I express my sincere thanks and gratitude to the wise Leadership of the Kingdom of Bahrain and the Government of the Kingdom of Bahrain for their valuable guidance and generous support. I would also like to express my thanks to the Government of the Custodian of the Two Holy Mosques for its most valuable support to the Company over the years.

I am grateful to my fellow Directors on Alba Board and the Executive Management for their active support and guidance, which have positioned the Company as a true global leader in the industry. I would like to thank too all employees and contractors for their commitment and hard work that have helped us realise many of our goals.

The best way to foresee our future is to plan it. We will continue our focus on Safety, Cost Competitiveness, Operational Efficiency and Investing in our Future Growth all of which will create long-term benefits for our shareholders and the generations to come.

Daij bin Salman bin Daij Al Khalifa
Chairman of the Board
Aluminium Bahrain B.S.C.

CEO Message

Tim Murray
Chief Executive Officer

Highlights

Expansion
Line 6 Project

OBJECTIVES
2019 will witness Alba's evolution to become the largest smelter in the world with Line 6.

Improvement
Yearly Targets

OBJECTIVES
Our Extreme Ownership will always be on Safety, Production and Cost.

Dawn of a New Era

2018 was a challenging year with tremendous price volatility in both Aluminium and Alumina. However, Alba's focus on Safety, Production and Cost resulted in major achievements. On our 1st priority 'Safety', we reduced Lost Time Injuries (LTIs) by 50% and Total Recordable Injuries were the lowest on the Company's record. On our 2nd priority 'Production', we achieved 1 million metric tonne for the 1st time in the Company's history without Line 6. In addition, we started the commissioning of Line 6 two weeks ahead of schedule which upon full ramp-up will make Alba the largest aluminium smelter in the world. In terms of Cost Reduction, we exceeded our Project Titan - Phase III target as a result of our constant push to make decisions as if it is our own personal money. On this note, I extend my sincere thanks to all employees and contractors for taking Extreme Ownership on Safety and for making the Line 6 Expansion Project a reality.

We take pride in Alba being a leader in Safety and for extending this culture beyond the workplace. Our efforts in 2018 met with excellent results as we dropped the number of LTIs by 50% Year-over-Year (YoY). Our track record for Safety also won us prestigious accolades such as the 2018 Occupational Excellence Achievement Award by the National Safety Council (NSC) – USA and International Safety Award for 2018 performance from the British Safety Council, UK. Two of our employees were also honoured with the 2018 RoSPA Guardian Angel Award and 2018 National Safety Council (NSC) Rising Stars of Safety for their Safety performance and contribution to Alba's Safety initiatives.

Professional Development and Continuous Learning were also amongst the acmes in 2018. Alba continued to focus on creating and delivering generic and customized training courses for its employees. Alba also strengthened its partnerships with reputed international universities to deliver tailor-made leadership workshops based on best-selling management and leadership books. These initiatives coupled with Alba's training programmes have enhanced the leadership proficiency of our Management and yielded excellent results for the Company.

Our exciting journey through 2018 is also attributable to creating a culture of Extreme Ownership in everything we do. We continue to invest in our people with a major emphasis on coaching and mentoring to ensure our employees are prepared to face the global challenges of the aluminium industry.

2018 Financial Performance

2018 proved to be a challenging year for our industry: London Metal Exchange (LME) prices continued to be very volatile with LME price averaging US$ 2,111/metric tonne while Alumina prices soared to unprecedented levels to reach a peak of US$ 700/metric tonne. This volatility was partially driven by the sanctions imposed on UC Rusal by the US Government as well as supply concerns from major Alumina producers.

On Alba's front, our operational performance continues to be strong with production topping 1,011,101 metric tonnes (+3% Year-over-Year); our top-line and bottom-line were attributable to higher Sales' volume (+3.5% Year-over-Year), higher LME prices (a mere 7% increase Year-over-Year) and partially offset by higher Alumina prices (+34% Year-over-Year). Total Revenues totalled BD 911.3 million (US$ 2.4 billion) - up by 6% Year-over-Year, EBITDA stood at BD 124.5 million (US$ 331 million) - down by 24% Year-over-Year while Net Income reached BD 59.8 million (US$ 158.9 million) - down by 35% Year-over-Year.

2019: Evolution Towards the Largest Smelter in the World

Every year, Alba sets its path for the year ahead with its Expectations. This year, we are preparing ourselves for the mega transformation 'to become the world's largest smelter' through our Expectations for 2019.

Safety Gateway

In Alba, everything begins and ends with Safety. We have transformed our culture by making Safety a priority inside and outside the Company. The Safety Gateway represents Alba taking the next step in the evolution of Safety to help us achieve our ultimate objective of Zero Injuries.

Birth of Line 6

Starting Line 6 safely was a turning point for Alba and for Bahrain. Today, we are one of the biggest 5 smelters in the world . . . big enough to affect the world production figures. We have started Line 6 ahead of time but there are still many challenges in completing it safely and on time. To prepare for the successes laying ahead, we need to seize the opportunities and perfect our fundamentals to become the world's largest aluminium smelter.

Extreme Ownership

To safely become the largest smelter in the world, we will have to take Extreme Ownership in every aspect of our jobs. We must embrace the mission, empower team members, be responsible and accountable, as well as become more productive and cost effective . . . all of these will be essential to sustain our success in the coming years.

Growth Mind-set

The only easy day was yesterday. As we grow, we need to shift our mind-set to accept feedback, which will help us improve and learn something new. While Line 6 is the ultimate evolution for Alba, we must also embrace the challenges amidst the significant market volatility and headwinds faced by the aluminium industry. By getting-out of the comfort zone and by shifting to Growth Mind-set, we will keep Alba at the forefront of the Aluminium industry for the generations to come.

We Are After All in the People's Business

I am a firm believer that Alba is good as its people. Achieving the plus-1 million metric tonne production in less than 50-year since Alba's inception speaks volumes about our human assets 'Our People'. I cannot thank our employees and contractors enough for their commitment and passion to achieve a 'One Family Mind-set'.

We are thankful to the Chairman and the Board of Directors for their unending support and strategic guidance throughout the years. I would also like to thank Alba's entire Management Team for steering Alba towards achieving our goals.

As we look ahead into 2019, we will continue to build upon the achievements of 2018 and harness opportunities to go beyond our expectations. As we become the largest smelter in the world, we must remember that what made us successful in 2018 will not make us successful in the coming year. We must continue to embrace both Extreme Ownership and Growth Mind-set if we are to achieve our full potential.

Tim Murray
Chief Executive Officer
Aluminium Bahrain B.S.C.

6 Operational Highlights

January

Operational: Alba CEO kicks-off 2018 Town Hall Meetings and unveils 2018 Expectations "Safety Selfie; Rise of Line 6; Return of Titan; Road to Resilience"

Award: Alba wins the Syndicated Loan of the Year category at the Bonds -- Loans and Sukuk Middle East Awards of 2017

Operational: Alba Launches Project Titan - Phase III of its company-wide, cost reduction programme, with the aim to reduce cash-cost by US$ 60/ MT and step-up its production capacity to 1,000,000 MTPA by end of 2018

February

Line 6: First Sealed Cathode Achieved for Alba's Line 6 Smelter

Historical: HRH Crown Prince Visits Aluminium Bahrain

March

Financial: Alba approves US$ 97.9 Million cash dividend at AGM

Award: Alba was the proud winner of the 2018 International Safety Award with Merit from the British Safety Council

Safety: Alba launched new Safety campaign 'Safety ABC'

Award: Alba was the proud recipient of the Human Resources (HR) Excellence Award by the Fifth Arab Gulf Forum for the HR Development

April

Award: Alba CEO Tim Murray was awarded with the Top CEO Awards 2018 at the Top CEO Conference and Awards

Line 6: Alba receives the Largest Rectiformer in the world for Line 6 Expansion Project

Line 6: Alba successfully completes hiring for Line 6 Expansion Project

Financial: Alba announces the financial close of EUR 204.5 million in Export Credit Financing

Award: Alba was the proud recipient of the Gulf Safety Forum Award

May

Community: Alba relaunches 'Code of Conduct'

Community: Alba holds Stakeholder Exhibitions Meeting for Line 6 Expansion Project

Award: Alba becomes the First Company to Achieve IATF 16949:2016 Automotive Quality Certification in Bahrain

Line 6: Alba Line 6 reaches Major Milestone with Pot Shells' Fabrication Complete

June

Line 6: Alba PDS Achieves Energisation of New Switch House 7

Award: Alba was the recipient of TXF Middle-Eastern ECA finance deal of 2017 at the TXF Prague Conference

Improvement: Alba Casthouse 3 Inaugurates Batch Homogenizing Extension Project

Safety: Alba launches its main Safety Campaign for 2018 'Safety Selfie'

July

Line 6: First Line 6 Sealed Anodes

Award: Alba wins two prestigious Safety Awards from RoSPA

Operational: CMO Inaugurates Alba's New Asian Office

Operational: R&D Carbon –Switzerland certificate for Alba Lab

Community: Alba increases community awareness about Pool Safety

August

September

Line 6: Alba Line 6 Smelter records 20 Million Man-Hours Without LTI

Award: Alba wins the prestigious 2018 Brandon Hall Human Capital Management Excellence Silver Award

Line 6: Line 6 Rectiformers Installed

October

Operational: Alba signs long-term agreement with Fluorsid

Line 6: Switch House SH9 Energisation

Line 6: Alba Power Expansion Project achieves First Fire Milestone

November

Line 6: Alba Launches Line 6 Safety Pledge

December

Appointment: Alba appoints Abdulla Habib as New Chief Operations Officer

Appointment: Alba appoints Bryan Harris as acting Chief Financial Officer

Award: Alba employee receives 2018 NSC Rising Stars of Safety

Line 6: Alba starts Casthouse 4 - the biggest furnace in its history

Line 6: Alba commissions Line 6

For further information, please refer to the link: Albasmelter.com

Metal Sales

Metal Revenues up by 22% YoY, on the back of higher metal sales, higher LME and premiums

2,366
US$ million
(2017: US$ 2,083 million**)**

EBITDA

EBITDA down by 24% YoY maily due to higher Alumina prices (+34% YoY)

331
US$ million
(2017: US$ 433 million**)**

Cash Payback to Share-holders

Cash Payback to Shareholders up by 24% YoY on the back of higher dividend paid in March 2018

98
US$ million
(2017: US$ 79 million**)**

Equity Ratio stood at 49% due to an appreciation in Total Assets (+31% YoY) on the back of Line 6 Expansion Project

49%
(2017: US$ 62 %**)**

Equity Ratio

Net Debt

Net Debt rose by 90% YoY attributed to drawdown of loans for Line 6 Expansion Project

2,012
US$ million
(2017: US$ 1,059 million**)**

EBITDA = Profit for the year before tax + Finance cost - Change in fair value of derivative financial Instruments + Depreciation + Amortisation
Net Debt = Total Borrowings - bank balances and cash
Equity Ratio = Total Equity / Total Assets
Leverage Ratio = Total Liabilities / Total Assets

Shareholders' Equity

Shareholders' Equity at US$ 2,855 million, up by 2% YoY, thanks to higher Retained Earnings

2,855
US$ million
(2017: US$ 2,799 million)

Free Cash-Flow

Free-Cash Flow up by 362% YoY due to favourable Cash Flow management

* Excluding Line 6 CAPEX

404
US$ million
(2017: US$ 88 million)

Leverage Ratio

Leverage Ratio reached 51% as a result of higher Debt versus 2017

51%
(2017: 38%)

Higher Net Debt to EBITDA on the back of lower EBITDA & Line 6 Project Financing

6.08x
(2017: 2.44x)

Net Debt to EBITDA

Net Profit

Net Profit totalled US$ 159 million - down by 35% YoY on the back of unprecendeted spikes in Alumina Price

159
US$ million
(2017: US$ 246 million)

For further information, please refer to Alba's Audited Financial Statements in the last section of the 2018 Annual Report

6 Corporate Governance

Description of the Company's management and supervisory bodies

Alba's Board of Directors maintains effective oversight of the Company by regularly monitoring key business activities and providing directives to Management. The Board has ten directors, all of whom are external to the company's management. The Board operates in accordance with the laws of the Kingdom of Bahrain, including the Commercial Companies Law (as amended), the Memorandum and Articles of Association of the Company, its own Board Charter, and the Company's 'Levels of Authority' document.

The Board of Directors has three sub-committees:

1. **The Board Audit Committee (BAC)** carries-out the Board's audit functions in accordance with the BAC Charter to include overseeing the integrity of the Company's financial statements, financial reporting and its systems of internal accounting and financial controls, the annual independent audit of the Company's financial statements, the engagement of external auditors and the evaluation of the external auditors' performance, the appointment of an internal auditor and the regular review of the internal audit function and the Company's compliance with the legal and regulatory requirements as well as assess and review the risk management systems. BAC has six members each of whom has a financial and/or audit background.

2. **The Nomination, Remuneration and Corporate Governance Committee (NRCGC)** carries-out the Board's nominating and remuneration functions in accordance with the NRCGC Charter and is also responsible to develop the Company's Corporate Governance Policy Framework. The NRCGC has three members all of whom are non-executive directors and where the majority is independent.

3. **The Board Executive Committee** is responsible to assist the Board in fulfilling its oversight responsibility with respect to strategic initiatives and projects, business and operational plans in accordance with its Charter.

Relevant members of management attend Board and sub-committee meetings.

The Company is headed by a Chief Executive Officer (CEO), who has six Executive roles reporting to him (Deputy CEO/ Chief Supply Chain Officer, Chief Financial Officer, Chief Marketing Officer, Chief Operations Officer, Chief Power Officer, and Chief Administration Officer). Each Executive oversees a number of Managers. The Company has a Corporate Secretary and a Chief Internal Auditor and Risk Officer, who report independently to the Chairman of the Board/ Chairman of the Board Audit Committee respectively.

Corporate governance practices applied by the Company

Alba has adopted, and is committed to implementing, both the Corporate Governance Code of the Kingdom of Bahrain (the Code) issued in March 2010 by the Ministry of Industry and Commerce, and the Corporate Governance Module (the Module) of the Central Bank of Bahrain (issued in July 2011, as amended). The principles governing these frameworks are:

- The Company shall be headed by an effective, collegial and informed Board;
- The directors and officers shall have full loyalty to the Company;
- The Board shall have rigorous controls for financial audit and reporting, internal control, and compliance with law;
- The Company shall have rigorous procedures for appointment, training and evaluation of the Board;
- The Company shall remunerate directors fairly and responsibly;
- The Board shall establish a clear and efficient management structure;
- The Company shall communicate with shareholders, encourage their participation, and respect their rights; and
- The Company shall disclose its corporate governance practices.

The Company seeks, where applicable, to exceed the minimum requirements of the Code and Module, and to implement the additional recommendations and guidance of the Code, as well as other international best practice in Corporate Governance.

The following are some of the key improvements in corporate governance instituted by the Company in recent years:

Corporate Governance Guidelines - The Company operates in line with a set of Board approved 'Corporate Governance Guidelines'. This document is fully aligned with the above Code, and is published on Alba's website.

Corporate Governance Report - The Board has presented a comprehensive annual 'Corporate Governance Report' at each Shareholders Meeting since March 2011. This report, (also available on Alba's website), sets out Alba's compliance with the Code and with the additional guidelines, along with explanations for areas of non-application and required disclosures.

Code of Conduct - A Board approved 'Code of Conduct', on par with leading international codes of ethics, sets out required ethical conduct for all employees and representatives of the Company. It was re-launched during 2018 by the Board and Executive team through a comprehensive communication and training program. Compliance with the Code of Conduct is monitored by Alba's Integrity Task Force, which comprises the Chief Internal Auditor, the Chief Administration Officer and the Legal Manager, and reports directly to the Board Audit Committee. Monitoring tools include 'IntegrityLine' an independently operated confidential hotline and reporting system that provides for reporting in multiple languages by phone, internet, and intranet 24 hours a day, every day.

Evaluation and assessment of the Board and its Committees – The Board and its three standing sub-committees: the Board Audit Committee (BAC), the Nomination, Remuneration and Corporate Governance Committee (NRCGC) and the Board Executive Committee conduct annual self-evaluations and assessments using questionnaires and a discussion of gaps and areas of improvement. The results of the assessments by the sub-committees are reported to the Board.

Directors' orientation/ handbook - A Director's handbook consisting of key documents and other content on directors' responsibilities serves as a reference guide for incumbent directors and to facilitate orientation of new directors.

Directors' independence – The Board conducts an annual review of directors' independence, applying the classification criteria and guidance from the Central Bank of Bahrain and from the Code.

Conflicts of Interest – Policies are in place to prohibit a member of the Board of Directors from voting in any meeting, or participating in any business operation or activity, in which the member has a conflict of interest with the Company. Abstentions are required to be minuted. Directors are required to list directorships of all Bahraini companies, and any potential conflicts of interest through an annual declaration process.

6 Corporate Governance

CEO and CFO Certification of financial statements – The CEO and CFO produce a memorandum certifying each quarter's financial statements, as well as the year-end financials.

Ownership and trading of company shares – Following the company's dual listing on the Bahrain Bourse and the London Stock Exchange in November 2010, a process was implemented to identify and report Directors' and Executives' ownership and trading of company shares. The Company has issued policies on Key Persons Dealing/ Insider Trading and circulated these to all directors, officers, and other key employees identified by the Company, and has established, for all directors and officers, quarantine periods for trading in Alba shares.

Levels of Authority – In September 2018, the Board approved an updated Levels of Authority document for the Company. This document defines the limits of approvals and decision-making authority designated to specified positions of responsibility within the Company, including the Board and Executives.

Succession plans – An annual review of succession plans for executives is now built into the Board agenda.

Main features of the internal control and risk management systems in relation to the financial reporting process

The Board, through the Board Audit Committee (BAC), is responsible for ensuring a sound and effective control environment. Monitoring of internal controls is provided through a number of internal and external assurance providers, including:

- Statutory Audit by our External Auditors, and discussion by the BAC of the results of the statutory audit, including a review of the financial performance, any changes to disclosure, a subsequent events review, important accounting matters and other internal control matters;
- Review and formal approval of financial results by the CFO, CEO, BAC and Board;
- Co-ordination and review by Public Relations and Investor Relations department of all releases of financial results and other market-sensitive information to the market and to regulators;
- Monitoring of progress against agreed actions for financial and other risks identified through the application of Alba's Board approved Enterprise Risk Management Framework, and with regard to the Risk Appetite set by the Board. The BAC reviews changes to the risk profile, together with progress on actions for key risks, on a quarterly basis;

- An independent Internal Audit function, working from a risk-based annual internal audit plan covering key controls. The audit plan, budget, and methodologies are approved and monitored by the BAC. On a quarterly basis, the BAC reviews and discusses the internal audit findings, recommendations and agreed management actions, as well as progress made against prior audit findings. Additional private meetings are held between the BAC Chairman and the Chief Internal Auditor and Risk Officer;
- Audits carried out by the National Audit Office;
- Board and sub-committee approvals and monitoring of Operating, Financial, Manpower and other Plans;
- Executive and management monitoring activities (including the monitoring of Key Performance Indicators).

Assurance is also provided through application of the Levels of Authority document for financial transactions, through financial reporting policies and procedures, and through IT controls in the financial reporting system. Alba's Code of Conduct also sets out clear and specific requirements for accurate financial reporting.

Principal risks and uncertainties faced by the business

The following risks described below need to be carefully considered as their occurrence could have a material adverse impact on our business, financial condition and results of operations, and could result in a decline in the trading price and liquidity of our securities. Our systems of governance, internal control and risk management identify and provide responses to key risks through the establishment of standards and other controls. Any failure of these systems could lead to the occurrence, or re-occurrence, of any of the risks described below:

- The cyclical nature of the Company's industry has historically meant that there is significant aluminium price and demand volatility, and a general production overcapacity in the industry. The Company has no control over a number of factors that affect the price of aluminium;
- The Company operates in an industry that gives rise to health, safety, security and environmental risks;
- Fire, equipment breakdown, attack on the physical or IT infrastructure, civil strike or unrest, or loss of gas, power or other utilities may result in loss of operational capability or shutdowns for significant periods, resulting in a significant adverse impact on the Company's financial condition and results of operations;
- The loss of either of the Company's two largest customers, or its inability to recover the receivables due from either of them, may have a material adverse effect on its financial condition and future prospects;
- The Company relies on third-party suppliers for certain raw materials, and any disruption in its supply chain or failure to renew these contracts at competitive prices may have an adverse impact on the Company's financial condition, results of operations and future prospects;

- The Company's competitive position in the global aluminium industry is highly dependent on continued access to competitively priced and uninterrupted natural gas supply. An increase in the price of natural gas, or interruption in its supply, could have a material adverse effect on the Company's business, financial condition, results of operations and future prospects;
- The Company's business may be affected by shortages of skilled employees (including management), labour cost inflation and increased rates of attrition;
- The Company depends on the provision of uninterrupted transportation of raw materials and finished products across significant distances. Interruption of these activities could have a material adverse impact on the company. Prices for such services (particularly for sea transport) could increase;
- The Company has a number of hedging contracts, and has historically experienced significant mark-to-market and realised losses from certain of the Company's derivative positions;
- The Company is exposed to foreign currency fluctuations, which may affect its financial condition;
- There is a high level of competition in the GCC aluminium market, and the Company may lose its market share in the GCC as its competitors increase their production levels;
- The Company's strategy includes growth and expansion of its operations, as well as cost savings initiatives, which may not be achieved on time or on budget;
- The Company does not insure against certain risks, and some of its insurance coverage may be insufficient to cover actual losses incurred; and
- Changes in laws or regulations, or a failure to comply with any laws or regulations, may adversely affect the Company's business.

6 Products & Markets

2018 Metal Sales at	Metal Sales topped	Value-Added Sales at
US$ 2.366	**1,012,548**	**604,307**
Billion	Metric Tonnes	Metric Tonnes

2018 Global Market - in Focus

A slow economic growth has played a key role in driving the world's markets: Europe has slowed the most on the back of Italy's debt crisis, France 'yellow vests' uproar and the lack of uncertainty surrounding Brexit; Emerging Markets (EM) have suffered significant losses amidst geopolitical crisis while fiscal stimulus boosted the activity in United States with the Fed hiking its policy by 25bp four times last year.

All in all, diverse factors have contributed to this overall slowdown: volatility, inflation, trade-tension, weaker growth in China along with the tightening of its financial conditions.

2018 Aluminium Market – Fundamental Headwinds

- By sanctioning UC RUSAL the world's second largest aluminium producer, the US administration shocked commodity exchanges, caused trade-tensions and increased the volatility in LME prices. Alumina prices have also soared to record levels [thanks to the Force Majeure at Hydro's Alunorte refinery coupled with the strikes by Alcoa workers in Western Australia], thus further squeezing the smelters' margins.

- World Consumption hit a new record of ~66 million metric tonnes, up by 3% YoY while World Production stood at ~64 million metric tonnes, up by 1.4% YoY → world market in deficit with China (-1.8 million MT) and in deficit without China (-2.2 million MT).

- China's growth in the last quarter of 2018 was the worst in a decade.

- Aluminium demand in MENA hit double-digit growth for another year in a row (+13% YoY) backed by major infrastructure spending in Saudi Arabia (+28% YoY).

- Higher alumina and power prices drove Chinese smelters' closure translating into flat production growth.

- 40% of the Rest of the World (ROW) smelters have lost money with LME prices in 2018.

2019 Industry Outlook – More Volatility?

Softer demand in China coupled with stronger US$ and challenging equity markets have given rise to a rough start in 2019 for Aluminium prices. The macro outlook worldwide suggests growth moderation but not a recession.

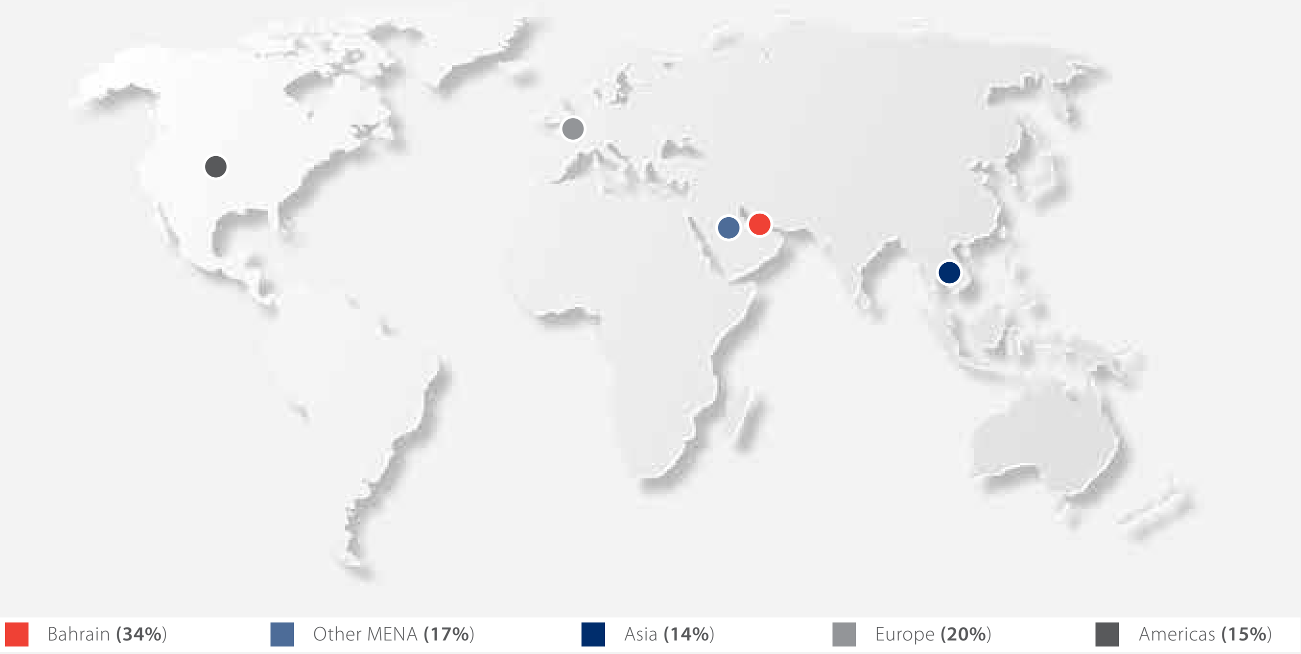
- LME price is set to fluctuate on the back of UC Rusal sanction's relief, stronger US$ and shaky global economic outlook.

- The Chinese supply-reform and pollution controls coupled with the mounting trade-barriers to exports into US will lead rebalancing in the Aluminium market.

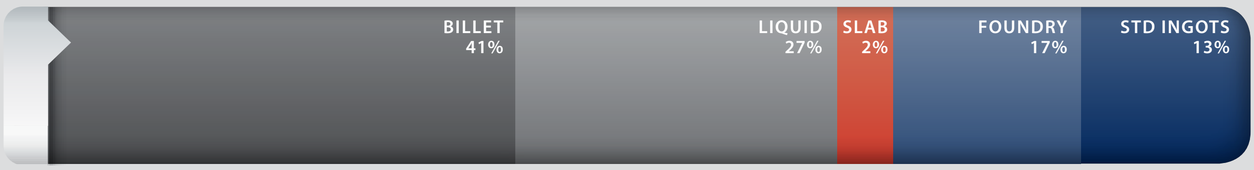
- China will unveil stimulus to boost Aluminium demand.

Products and Sales

Alba exports to more than 25 countries around the world.



By Product Line



- Aluminium remains a key driver for the automotive sector. Environmental legislation and fuel efficiency standards will continue to push automakers towards lightweight vehicles.

- Booming infrastructure and construction activities will drive demand for aluminum in Asia Pacific and Middle East.

Alba's Casthouse 2018 Performance

- Billet production topped 415,633 metric tonnes (mt), up by 16% YoY.

- Foundry alloys volumes reached 175,570 mt, up by 45% YoY.

Alba closed 2018 Value-Added Sales with an average of 60% versus 57% in 2017.

Bahrain Downstream Markets

Our downstream markets are steady.

- Billets were supplied to aluminium extruders which are then transformed into standard and high strength applications for varied markets like building and construction, transportation or consumer durables.

- Molten metal is sold primarily to Midal Group - one of the world's leading cable and rod manufacturers.

Clientele Profile

ALUMINIUM PRODUCTS COMPANY (ALUPCO)

Founded in 1975

Established in 1975, Aluminium Products Company (ALUPCO) is the largest extrusion company in the Middle East and North Africa (MENA Region).

RONAL WHEELS

Founded in 1962

RONAL Company is the pioneer of light alloy wheels in the world market. Karl Wirth Born founded the Company in 1962. Since then, Ronal has been applying a high technology, innovative design and quality without compromise for all its products.

CORTIZO

Founded in 1972

Founded in 1972 Cortizo is known for being the first manufacturer and distributor of aluminium and PVC system for the architecture and industry sector in Spain, as well as one of the sector's leading companies in Europe.

BORBET

Founded in 1962

Founded in 1962 BORBET stands for perfect quality, innovative technologies and pioneering design - valuable work that has made us a sought-after partner for the automobile industry and speciality retail.

HANDS CORPORATION KOREA
Founded in 1972
HANDS has been consistently growing and leading the industry in alloy wheel manufacturing in Korea.

WISPECO
Founded in 1972
Founded in 1972, Wispeco Aluminium is the largest aluminium extruder and supplier in Africa.

SUNGWOO
Founded in 1995
Founded in 1995, Hyundai sungwoo metal is specialising in automobile components equipped with global level technology and high quality.

MAXION WHEELS
Founded in 1972
Maxion Wheels and its subsidiaries have been supplying OEMs with the highest quality wheels and most innovative technologies for over 100 years.

6 Clientele Profile

MENA

ALUMINIUM PRODUCTS COMPANY (ALUPCO)
(a Saudi Joint Stock Company)

Established in 1975, Aluminium Products Company (ALUPCO) is the largest extrusion company in the Middle East and North Africa (MENA Region). ALUPCO Headquarters and it's first ever extrusion plant is located in Dammam. There are a total of 9 presses now that are located in between Dammam and Jeddah with a total capacity exceeding 85,000 MT per year with plans to expand to over 100,000 MT per year.

ALUPCO maintains very high quality standards that are confirmed and complying with European (EN), German (DIN), British (BS), American (ASTM) and the Saudi (SASO) standards in every step of its operations.

ALUPCO is well known for its variety of Aluminium extruded profiles in different shapes and surface treatment like mill finish, powder coated, anodized, wood finish and polished.

Towards energy sustainability especially in the construction sector and to provide advanced solutions, ALUPCO has formed strategic partnerships with International companies like ALUK (Italian Architectural Systems Company) and ALUBOND (American Brand of Aluminium Composite Panels). ALUPCO has also developed its own Architectural Thermal Break Systems for doors, windows and curtain walls to minimize heat transfer in the buildings from outside to inside.

ALUPCO operates sales offices in Saudi Arabia; Dammam, Jeddah, Riyadh, UAE (Dubai) & Egypt (Cairo) to ensure best services towards customer in ME, GCC, North Africa and Europe.

AFRICA

WISPECO
www.wispeco.co.za

Wispeco Aluminium is the largest aluminium extruder and supplier in Africa. The company encompasses factories and distribution centres nationally. Wispeco (Pty) Ltd is a wholly owned subsidiary of Remgro (Pty) Ltd, listed on the JSE.

Alba supplies alloyed aluminium Billet to weispeco that are used to make various applications in transportation industry (truck, bus and train bodies), Due to its light weight and strength it has several advantages for use in the transport industry.

Wispeco extruded the window and door extrusions for the Gautrain train coach units. Extrudes specialised engineering profiles which include cooling fins, electrical bus bar, ladders, scaffolding, irrigation equipment, sport and camping equipment, tile edges and carpet trims, safety security doors, curtain tracks, signage sections, conveyor system sections. An extensive range of standard engineering profiles such as round tubes, round bars, flat bars, angles and t-sections are available. It strives to offer quality products, excellent service, technical support and to be responsive to any customer queries.

EUROPE

RONAL WHEELS
www.capral.com.au

RONAL Company is the pioneer of light alloy wheels in the world market. Karl Wirth Born founded the Company in 1962. Since then, Ronal has been applying a high technology, innovative design and quality without compromise for all its products. The lasting growth was achieved thanks to the customers' service, continuing innovations and a high standard of quality. For ensuring the highest quality RONAL develops and manufactures its own manufacturing tools, which originate both in Cantanhede Portugal and Härkingen Switzerland.

RONAL Company serves customers in Germany, France, Italy, Mexico, Poland, Spain, the Czech Republic and the USA. Light alloy wheels with own RONAL & SPEEDLINE brands are the lasting leaders on the demanding aftermarket. Both brands are distinguished for their quality and in-commutable design. Presence on particular markets; a high technology and a product design; and a state-of-the-art manufacturing equipment help the company to satisfy the customer needs all over the world.

CORTIZO
www.cortizo.com

Cortizo is known for being the first manufacturer and distributor of aluminium and PVC system for the architecture and industry sector in Spain, as well as one of the sector's leading companies in Europe.

Based in La Coruña, Spain. Established in 1972. Aluminios Cortizo SA is a producer of aluminium extrusions. The company is known to be the principal manufacturer and distributor of industrial aluminium profiles in Spain.

Cortizo stands out for completing the whole manufacturing cycle of aluminium: foundry, extrusion, powder coating, anodizing, chemical brightening, CNC machining, packaging, storage and distribution.

Cortizo has nine Production centres with production capacity of 96,000 tonnes per annum, employees 2,510 workers and sales network over 31 countries.

BORBET
www.borbet.de

It's a Family business and traditional company. Since 1962, their heritage company from Germany's Sauerland region has become a worldwide leader in the manufacture of light alloy wheels. The reason for this: BORBET stands for perfect quality, innovative technologies and pioneering design - valuable work that has made us a sought-after partner for the automobile industry and speciality retail. At the same time, we still consider ourselves a family with unbounded passion for our craft, deep affinity to our roots that stretch back to 1881, and the lofty objective of always giving our best for you, our customers.

We want to excite people: our customers, our partners, and our employees - everyone with whom BORBET is connected. For this reason, we develop, produce and sell our high-quality light alloy wheels, which fulfil the highest standards in every regard. They unite design and safety, longevity and functionality. Elements of an unmistakeable signature: a BORBET wheel can be identified by aficionados even without a logo!

In order to ensure that this uniqueness endures, we invest in sustainable, value-orientated and international growth with a focus on quality and innovation. The highest possible degree of profitability, productivity and efficiency coupled with optimum use of resources at all levels of production are decisive factors for success in the face of stiff competition on the global market. This is also anchored in the BORBET management policy.

FAR EAST

HANDS
www.handscorp.co.kr

HANDS is the largest alloy wheel manufacturer in Korea. Since the establishment in 1972, HANDS has been consistently growing and leading the industry in alloy wheel manufacturing. Alba supplies alloyed aluminium ingots to HANDS that are used to make wheels for top car makers in Korea and rest of the world.

Over the years, HANDS has won several industry and national awards. In 2015, HANDS was awarded grand prize of Korea Sejong-Daewang Sharing Volunteer Service. In the same year, it was selected as an Outstanding Enterprise of Company Renovation and of Competitive Power for Quality.

Management philosophy of HANDS is:

- Faithful to basic, think different and do different
- Enjoy happiness and richness of mind
- Pride to be members of HANDS Corporation and enjoy work

Five fingers of a hand can be used to describe five key elements of HANDS' management philosophy:

1. Trust – HANDS builds credit with its customers
2. Happiness – HANDS cares that small things make a better world
3. Center – HANDS stands on the top and at the center of the world
4. Direction – HANDS pursues to benefit customers and humanity
5. No. 1 – HANDS thinks creatively as the top of the world

Sungwoo
www.hdswholdings.co.kr

Hyundai Sungwoo Metal is seeking the path for pioneering of the future visions that can be continued onto the next generations by firmly establishing substantiality while other companies are focusing on external growth. They put utmost priority on sustainable values by considering the environment and the society simultaneously, while at the same time, pursuing enhancement of capabilities for advancement of new technologies without being content with the accomplishments they have achieved.

In addition, they are striving to become a powerful company that creates new values by learning new things and taking up the challenging of themselves with the attitude of learning from the past without being content with the fulfilment of the simple and realistic needs and uses under a diversified environments. Alba supplies alloyed aluminium ingots to Hyundai sungwoo metal that are used to make automobile components for top car makers in Korea and rest of the world.

AMERICAS

Maxion Wheels
www.maxionwheels.com

Maxion Wheels and its subsidiaries have been supplying OEMs with the highest quality wheels and most innovative technologies for over 100 years. During that time, They acquired some of the most recognizable names in the industry, including Kelsey Hayes, Lemmerz and Fumagalli. Today, they put their combined expertise to work for nearly every OEM and vehicle market in the world.

They are also backed by the strength and security of their parent company, Iochpe-Maxion, which ensures that their customers can count on them for the long-term growth, infrastructure and stability they need.

With an international network of strategically located engineering, technology and production facilities, Maxion is one of the only wheel manufacturers who can deliver on a truly global platform. This allows them to not only reduce logistical costs — it also allows them to eliminate duplicate processes, and to streamline the complexities that come from managing variation in a single vehicle platform. As They are able to implement the same design, technology and controls across multiple production lines, and to ensure a consistent and quality product whenever and wherever its need.

Line 6 Expansion Project

A Vision Yesterday, Today's Reality

KEY FACTS

PROJECT TYPE
Brownfield

CAPACITY
540k MT
Construction Date 2017

FIRST HOT METAL
13-12-2018

FULL PRODUCTION
Q3 2019

LINE 6 SMELTER SPECS

POT TECHNOLOGY
DX+ Ultra (440 kA)

TECHNOLOGY SUPPLIER
EGA

NUMBER OF POTLINES
424

LENGTH
1.35 Km

POWER STATION 5 SPECS

POWER PLANT OUTPUT
1,792 MW

POWER SOURCE
Natural Gas

EFFICIENCY
54%

SAFETY MILESTONES
(December 31, 2018)

LINE 6 SMELTER
> 30 million working-hours
without LTIs

POWER EXPANSION PROJECT
> 8.8 million working-hours
without LTIs

POWER EXPANSION PROJECT MILESTONES

ENERGISATION OF 33 KV SUBSTATION
30 May

ENERGISATION OF 220 KV SUBSTATION
30 September

ALBA GAS STATION HANDOVER
15 October

FIRST FIRE OF GAS TURBINE - UNIT 1
30 October

POWER STATION 5 OVERALL PROGRESS*
83%

POWER DISTRIBUTION SYSTEM OVERALL PROGRESS *
96%

LINE 6 SMELTER MILESTONES

RECTIFIER ENERGISATION
25 October

COMPLETE RECTIFIER SHORT CIRCUIT TEST
03 November

HANDOVER OF FIRST 36 POTS IN POTROOM F TO OPERATIONS
25 November

HANDOVER OF FIRST 36 POTS IN POTROOM E TO OPERATIONS
25 November

START SHORT CIRCUIT TEST (SCT)
26 November

START ANODE BAKE FURNACE DRY-OUT
28 November

LINE 6 COMMISSIONED WITH FIRST POT ENERGISATION
13 December

FIRST GREEN ANODE
15 December

CASTHOUSE 4 STARTS WITH FIRST COLD CHARGE OF FURNACE 3
26 December

LINE 6 EXPANSION PROJECT OVERALL PROGRESS*
> 80%

* As of December 31, 2018

6 Safety, Health & Environment

Safety with Extreme Ownership

Safety is a core value at Alba. We believe that the Safety culture of a Company defines the way it operates and views its people. As an employee-centric business, Alba has the responsibility of ensuring that its employees are safe and have a healthy environment to work in.

At Alba, the Executives and Senior Management are directly involved in attaining Alba's overarching Safety principles: 1) Ownership of Safety is everyone's responsibility'; 2) Working safely is a condition of employment; and 3) All work-related injuries and illnesses are preventable.

Numerous Safety, Health and Environment campaigns were held throughout 2018, all of which were aligned with the CEO's 2018 Expectations. The major highlight was the "Safety Selfie" Campaign during which, the Chairman of Alba's Board of Directors Shaikh Daij Bin Salman Bin Daij Al Khalifa reiterated the Board's determination of putting Safety and Health first alongside closer involvement in the sustainability aspects of the Company.

Some of the other significant Safety campaigns that continued throughout the year included the 'Safety ABC' and 'Safety and Titan Wake-up Alert' campaigns, which focused on the importance of linking Safety to the organizational financial performance; the 'Think Safety in Ramadan' campaign and 'The Three Controllable Factors' campaign that stressed on the capabilities of each individual in controlling Safety, Cost and Productivity.
Alba extended its campaigns outside the Company to the public and the community with the 'The Child Seat' campaign that focussed on the significance of car seat in saving children's lives. Alba also held wellness sessions to mark Breast Cancer Awareness Month for Alba's female employees as well as the family members of Alba employees. Alba supported many Safety conferences in Bahrain such as the 'World Civil Day' event and the 'Gulf Safety Forum' to extend and promote its commitment towards the Safety in daily lives.

Alba became the first industrial facility in the region to be granted the status of an approved Institution of Occupational safety and Health (IOSH) Training provider. This certified Alba to become a Safety and Health training hub for the IOSH Managing Safely course to its employees and employees from industries around at no cost.

Meeting the worldwide best practices in Safety, Health and Environment is the secret of Alba success. With the building of the world's longest potline as well as the most modern power station in the region at the Line 6 Expansion Project, the SHE department successfully aligned its Safety, Health and Environment procedures with the International Financial Corporation (IFC). The IFC prescribes an organisation's Safety, Health and Environment commitments as well as obligations towards the lenders or lending organisations. Additionally, Alba was recently certified to the newest Health and Safety standard ISO 45001:2018 in addition to the upgrade of its Environmental Management System standard ISO 14001:2015. Our commitment to Safety remains unchanged as the Company maintained zero fatality in 2018, Lost Time Injuries (LTIs) reduced significantly by 50% to stand at 3 versus 6 in 2017 while Total Injuries dropped around 44% from 57 in 2017 to 31 injuries in 2018.

Occupational Health

The Company continues to place great emphasis on the Occupational Health of its employees and contractors on premises.

Alba is a pioneer in Heat Stress Management as it strictly follows the prescribed international standards and best practices including the use of Wet Bulb Globe Temperature (WBGT) index. The WBGT index is measured 4 times a day and communicated to all supervisors via different communication channels such as emails, display screens around the organization and WhatsApp application. It was applaudable that Alba's Industrial Hygiene (IH) section achieved Zero Heat Exhaustion case in 2018.

In addition, the 'Hydration Survey' results of 2018 were by far better than in 2017, which implied that the level of awareness amongst employees on work preparedness had largely improved.

Environment

As a corporate citizen, Alba takes its responsibility to protect the env vironment very seriously. Alba constantly seeks innovative solutions for its operations that will benefit the environment.

Efforts to reduce solid waste generation and disposed waste footprint have been boosted this year. Management has endorsed a five-year Waste Management Strategic plan for the reduction of the major solid waste streams destined to the landfill. This strategy is based on the hierarchy of waste management for the conservation of resources, reuse, recycle and proper disposal as well as on waste generator involvement in assuming more responsibility and accountability for the generated waste.

Following a high-level agreement between Bahrain's Supreme Council for Environment and Alba, we at Alba have endeavoured on finding a sustainable solution for the most significant solid waste stream, which is the Spent Pot Lining (SPL). SPL is the major waste for any aluminium smelter qualitatively and quantitatively, and hence addressing SPL issues should have the best environmental return to Alba and the Kingdom of Bahrain.

A team, comprising representatives of Alba's operations, Environment along with a consultant, was formulated to study and compare options for the treatment and export of SPL. A joint visit was conducted for the Best Available Technology providers in Australia and Thailand as part of the due diligence assessment. Work is also underway with several government entities in Bahrain for establishing this environmental project that is expected to be in operation by 2020.

6 Safety, Health & Environment

Environmental monitoring activities are carried-out periodically to cover the requirements for routine and non-routine statutory reporting of environmental data to include source emissions from around 30 major stacks and three pot room roofs fugitive emission as well as ambient air quality monitoring stations distributed over four points in and around Alba plant. Manual sampling is also done each quarter for each stack as a confirmation of the emission results' reliability. The total fluoride emissions from reduction areas as well as roof fugitive emissions for the last 12 months show that it was within legal limits.

Alba also collaborates with various Safety and Health bodies in Bahrain such as the Supreme Council for Environment and internationally such as Gulf Aluminium Council and the International Aluminium Institute (IAI) to ensure that it adopts the best international standards in its adopted environmental practices at Alba premises.

International Awards

In 2018, Alba won many international Health and Safety awards that recognised its Safety performance -- the 2018 Occupational Excellence Achievement Award by the National Safety Council (NSC) – USA; the Gold Medal Award for Occupational Health and Safety 2018 from the Royal Society for the Prevention of Accidents (RoSPA); and International Safety Award for 2018 performance from the British Safety Council, UK.

Two of Alba employees were also honoured for their Safety performance and contribution to Alba's Safety initiatives -- Cast House Director Abdulrasool Ahmed won the 2018 RoSPA Guardian Angel Award while the SHE Projects Superintendent Ali Hassan Radhi was awarded with the 2018 National Safety Council (NSC) Rising Stars of Safety.

Alba is proud to be a leader in employee Safety and Health. We believe in Extreme Ownership on Safety and our constant endeavour will be to ensure that all our employees and contractors uphold Safety as a top priority.


alba
Batch No.
0004065057
ALLOY
LENGTH
SIZE
THICKNESS
DATE Time
MADE IN BAHRAIN

6 Training and Development

Fostering a Productive Environment

Alba believes that by doing our best Today, we can prepare for a better Tomorrow. Our primary focus is to enhance the leadership proficiency of our management and nurture leaders who will be able to turn challenges into opportunities as we progress on the path of becoming the world's largest aluminium smelter.

Over forty decades, Alba has set precedent in employee training and development and fostering an environment for them to grow and prosper. As Alba believes that there is nothing more valuable than education, we believe that a strong learning culture helps build a productive workforce.

Alba's Training Department plays a major role in developing its employees to take-up leadership positions. Alba has an intensive training and development programme that focusses on finding the right development paths for its employees as well as providing them with the right tools for success. These comprehensive training programmes are rooted in Alba's goals of operational excellence and social commitment towards developing the community. As a leading employer of Bahrainis, Alba realizes that the proficient development of its staff is key to the successful nationalization initiatives as laid out in Bahrain Vision 2030.

It is a matter of great pride that Alba achieved 6.9% Training Hours above the industry benchmark (5% Training Hours) for five years in a row.

In 2018, Alba continued to focus on creating and delivering generic and specialized training courses for its employees, which included a wide range of competencies from technical, safety, health, and environment to management, leadership, language, communication, business and professional education. Alba also continued to partner with organisations such as inJaz Bahrain and Crown Prince International Scholarship Program (CPISP) to provide education, training and career opportunities to its employees.

Executive Development Series: Executive development is a critical part of Alba's leadership strategy. The programmes under this Series are designed to provide management candidates with the necessary skills for future growth within the Company. In 2018, teamwork, synergy, team alignment, coaching and leadership continued to be the key focus areas of the Executive Development Series. Some of the programmes were further tailored for middle-management and supervisors as well as shop-floor staff.

Alba further strengthened its partnerships with reputed international universities such as University of Vanderbilt, The College of William & Mary, Darden School of Business (University of Virginia) in the US and ESSEC France (French Arabian Business School - Bahrain) as well as reputed business consultants to deliver tailor-made leadership workshops to suit the capabilities of all levels of management in Alba.

Alba continued to hold workshops of best-selling management and leadership books, where the key concepts of the books were discussed. These workshops provided a unique opportunity for the employees to get updated on modern management practices as well as discuss experiences with the experts.

Soft Skills Courses: Soft skills -- ability to communicate, problem-solving, delegating, motivating, and team building -- are an important part of employee training and development at Alba. Courses such as Supervisory Management Development Programme; Industrial and Employee Relationship programme; High Performance Leadership Training; Leadership & Change Management Programme for Management; Problem Solving & Decision Making for Management and Team Building Programme were conducted for the employees.

Technical Trainings: Specialized technical training programmes are a crucial part of smelter operations, and Alba has continuously designed and delivered such trainings through specialised instructors and specialists from Operation departments to its employees.

The operation and maintenance staff in Alba are regularly given refresher courses on 'Craft Job-Skills Training' to keep-up craft job skills and apprise them with the upgradations and modifications as well as enhance their knowledge and skills. In this major initiative, a training need analysis is carried-out every year for each department then the training is delivered on equipment and processes.

In 2018, Alba continued to provide skills set training programmes to plant operators on the skills required for each activity to operate the plant. The programmes include classroom theories, practical training and on-the-job experience development; such programmes were designed and delivered by training instructors as well as plant operation specialists.

Safety, Health & Environment Trainings: In line with Alba's Extreme Ownership of Safety, numerous Safety, Health and Environment (SHE) programmes and trainings were held to strengthen Aba's Safety culture and achieve a zero accident work environment.

Amongst other standard SHE courses, various subjects were also covered such as Accident Investigation, JSP and Planned Job Observation, Risk Assessment, Permit to Work, Working at Height, Be a Leader in Safety and a week-long in-house movie festivals.

Also, in collaboration with the SHE department, Alba became the first industrial facility in the region to be granted the status of an approved Institution of Occupational Safety and Health (IOSH)'s Training "Managing Safely' course. This course was delivered to more than 200 employees of the management staff in 2018.

All training courses were delivered to both management and non-management employees to ensure that every employee takes-up extreme ownership on Safety and promotes working safely at all times.

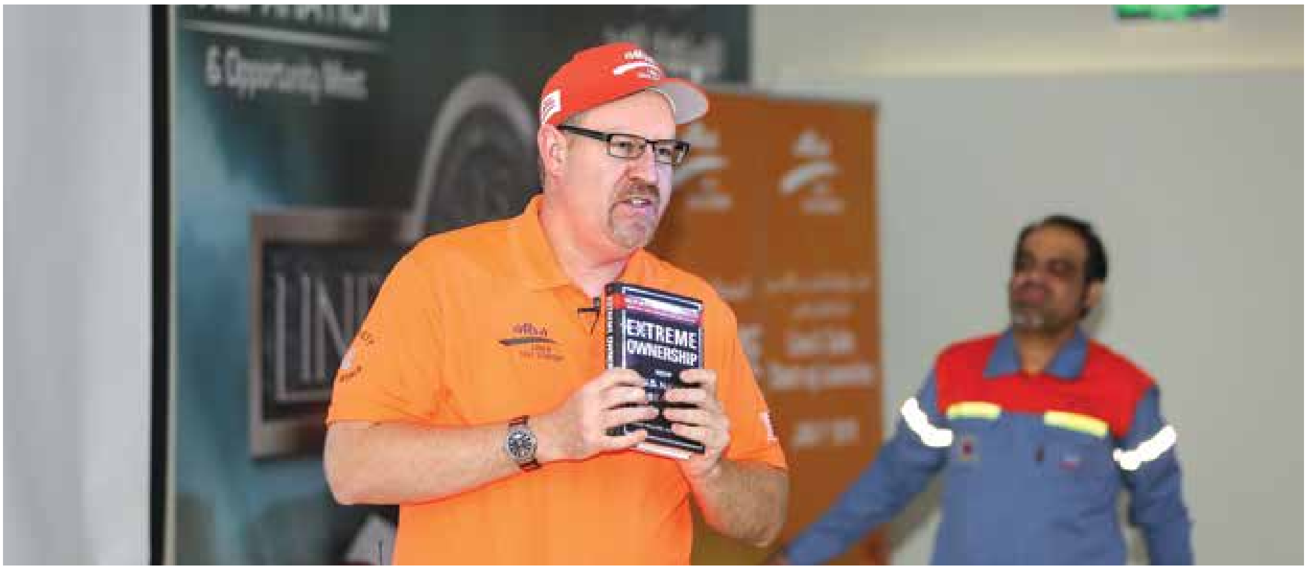
Commitment to Development Programmes

Academic Education

Alba places strong emphasis on higher education, which is a key element of training and development for succession at management positions. Since 2013, around 130 employees were sponsored for BS degree and enrolled in reputed local and overseas universities. A total of 70 employees have been enrolled into MBA programs since 2012 and 55 have graduated from ESSEC's MBA Programme at French Arabian Business School, Bahrain and other reputed universities in the UK and the USA.

As Alba has been placing great importance on succession planning, candidates who have graduated in Bachelor and MBA programmes have been assigned higher roles. Alba intends to continue with this endeavour till its succession requirements in the middle and top management are adequately met.

6 Training and Development



Line 6 Training initiatives in 2018

As Alba continues on its journey to become the world's largest aluminium smelter with Line 6 Expansion Project, it is imperative that specialized and tailored-courses are held for employees to meet the various requirements.

- Induction Programs for all new joiners (507 trainees) were completed successfully.
- New Operator Training Programs for different batches of Operation areas were completed.
- Technician Trainee Training Program for Maintenance was completed.
- Job-Skills (Craft) Training Programs for inter-plant Transferees and new Expats are ongoing.
- Training programs for Contractors are underway.
- Vendor (OEM) Training for employees for operation and maintenance in connection to Line 6 equipment and plants is ongoing.
- Train-the-Trainer Programs for selected bulk training areas like ROCKWELL training, MES training, etc. were completed.
- Range of Safety and Health Programs like PTW, LOTO, and First Aid courses were conducted.
- Supervisory Management Development Programs were organized for Line 6 employees.
- Team Building Programs for individual Line 6 Teams were organized.
- The MJ Preparation and Extreme Ownership workshops were conducted to Line 6 Owners' Team as well as Line 6 Smelter and Power Expansion Projects major contractors

Training & Development Program (TDP)

One of the most successful and promising employee programs is Alba's TDP wherein Bahraini employees are selected to take-up higher responsibilities and/or middle and senior level management roles based on their knowledge, abilities, initiatives and demonstration of potential growth. They are then given wholesome development in educational, functional as well as management and leadership areas, which enable them to satisfy the criteria for the position they will take-up.

In 2018, 78 candidates were selected for TDP at the completion of which they will be promoted to higher positions mainly to replace the national retirees and expatriates.

Training Centre

Alba's Training Centre is a state-of-the-art building, which focusses on strengthening core skills of existing employees and train new joiners with skills as required in the smelting industry. The Training Centre consists of Training Administration Building and Training Workshops Building, which houses smart classrooms, and workshops dedicated to each of the five maintenance disciplines -- Automotive, Mechanical, Electrical, Instrumentation and Hydraulics & Pneumatics.

The workshops focus on practical training and have state-of-the-art equipment that are currently being used within the Alba plant as well as simulators, both of which will ensure that trainees are competent to work within designated areas of the smelter.

Tim's Book Club

Tim's Book Club was established in 2015 with the sole purpose of developing a reading culture in Alba. Through this Club, employees can access well-known business/management books, which will help them enhance their skills and capabilities. Bringing more value to the reading experience, books with the highest reading rate are converted into workshops, thus giving insights about the author, the book and lessons from it. To emphasize on 'Dreaming with Eyes Wide-Open' and reading, Tim's Book Club was integrated into the TDP and the training programs of the new recruits for Line 6 Expansion Project.

Investing in our Human Capital (People)

Alba has always endeavored to create a positive and nurturing environment within and outside the company where employees can find compelling, rewarding and inspiring experiences.

Alba considers its people as the most valuable assets. We have long recognised the importance of world-class training and development of skills as a primary need to remain a leader in the industry.

Alba also believes in learning and coaching as a continuous process. It is through an enduring commitment to education that Alba employees will continue to grow, thereby improving the productivity of both, the employees as well as the Company.

Corporate Social Responsibility

Our Driving Force for a Better Tomorrow

Alba has been at the forefront in its approach towards community development in the Kingdom of Bahrain. We, at Alba, firmly believe that our role in the society goes far beyond the boundaries of producing world-class primary aluminium products and achieving our immediate business objectives.

Alba's evolution towards becoming the world's largest aluminum smelter is based on the pillars of Safety, Stable Operations, Client Satisfaction, Social & Civic Responsibility, Expertise and Community Involvement. Our firm belief is that Tomorrow will be Different than today will pave the way for more innovative projects and programs that will contribute towards the prosperity of the Kingdom of Bahrain and its people.

2018: CSR-Led Initiatives Focused on People (In & Out)

2018 was exciting in terms of CSR-led initiatives and activities for Alba. Our CSR team was engaged in a number of activities that were inspired by the pillars of our Corporate Citizenship Philosophy all the while focusing on the core values of spreading Safety awareness and knowledge-pooling amongst the members of the Bahraini society.

In the field of Safety, Health and Environment, Alba collaborated with government organizations to arrange awareness sessions that focussed on subjects such as Safety of road-users, importance of using seat-belts, following traffic rules and regulations etc. External instructors and specialists were invited during these tailored-sessions to share the know-how on these topics. In addition, Alba provided the General Directorate of Traffic with complimentary child seat boosters for the latter's awareness campaigns for the public.

Pool Safety was one of the key areas of focus this year. The CSR Committee arranged for a public awareness event at one of the malls which was attended by Alba Senior Management. Members of the public and their children were presented with Safety tips and guidelines to ensure the Safety of the children in and around swimming pools. In addition, Alba Senior Management and CSR volunteers distributed complimentary life jackets to all visitors as part of this campaign.

On the environmental protection field, Alba marked the World Environment Day by collaborating with Bahrain's Supreme Council for Environment and conducting a session on the 'Plastic Pollution'. Beach cleaning was also held to raise the awareness on the importance of a sustainable future for generations to come.

Alba's approach to providing Bahrainis with a lifelong career is one of our key CSR pillars Alba's innovative training and development frameworks has earned it the reputation as an employer of choice in the Kingdom.

Since its establishment, Alba has supported educational development of the Bahraini youth through its strategic participation with organisations and educational institutes such as InJaz Bahrain. This included a variety of activities that are designed to inspire the Bahraini youth and provide them with innovate methods of utilising their skills to face the upcoming challenges in a fast changing world.

Furthermore, volunteers from various departments in Alba participated in training Bahrain's University and High School students through educational and development programmes which are held periodically.

Alba's care for the environment is second to none and we are proud to achieve numerous accolades and achievements. Our future looks brighter as we are set to reap more benefits with the adoption of GE's cutting-edge technology for our Power Station 5, which once fully operational, will be one of the most efficient combined cycle power plants in the world.

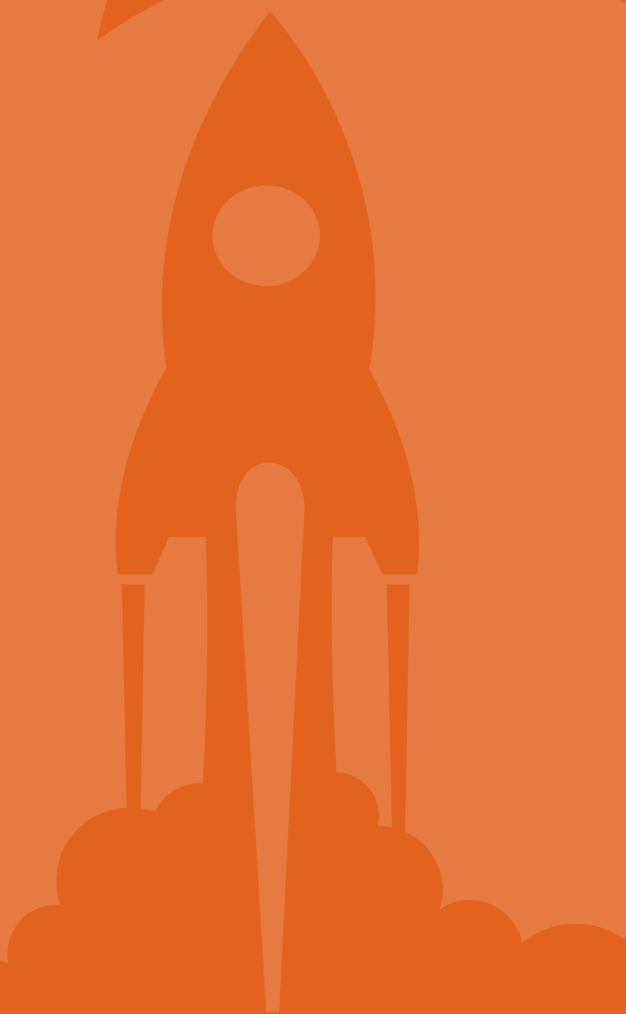
Alba, in line with the Performance Standards of the International Finance Corporation (IFC), a World Bank affiliated lending organisation, has launched its External Grievance Mechanism to receive and facilitate the resolution of the affected communities' concerns and grievances about Alba's Environment and Social (E&S) performance. External grievances about Alba's E&S performance can be logged via the Alba Integrity Line - an independently operated confidential reporting hotline in multiple languages - via a toll-free phone system or via the intranet 24 hours a day, every day.

Our commitment to stakeholders and communities we serve is summarised in Alba's Sustainability Report (3rd edition), to be released along with the 2018 Annual Report in March 2019, will highlight the Company's diligent efforts to integrate business principles with the social & civic responsibility.

In summary, 2018 was another successful year for Alba in terms of demonstrating its corporate & public citizenship spirit and its keenness towards building a sustainable future for the Kingdom of Bahrain. By integrating our values and ethics into our day-to-day activities, we make a positive impact in everything we do, on our stakeholders and society at large.

Financial Statements

31 December 2018



Building a better working world

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

Report on the Audit of the Consolidated Financial Statements

Opinion

We have audited the 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 2018, 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 2018 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 2018. 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. Assessment for impairment 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 2018, the Group held property, plant and equipment of BD 1,702 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 (77% of the total assets as at 31 December 2018) as well as the judgement involved in the assessment of the recoverability of the carrying value of the assets. This assessment requires management to make assumptions in the underlying cash flow forecasts in respect of factors such as future production and sales levels, LME prices, 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 and the management has considered growth rates from year 5 into perpetuity in line with the the long term expected gross domestic product (GDP) growth rate of the Country. The discount rate used for discounting the cash flows was assessed against external benchmarks including market risk and country specific risk as well as risks specific to the Group. Management's accounting policy and assessment relating to the impairment of property, plant and equipment are disclosed under notes 2 and 3 respectively in the consolidated financial statements.

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

Other information included in the Group's 2018 annual report

Other information consists of the Board of Directors' report and information included in the Group's 2018 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.

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.

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 2018 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 Sarah Sanders.

Ernst + Young

Partner's Registration No. 210
7 February 2019
Manama, Kingdom of Bahrain

Consolidated Statement of Financial Position

At 31 December 2018

	Note	2018 BD'000	2017 BD'000
ASSETS			
Non-current assets			
Property, plant and equipment	4	**1,702,117**	1,242,073
Other asset	5	**3,936**	4,128
Derivative financial instruments	19	**1,725**	-
Deferred tax asset	17	**34**	19
		1,707,812	1,246,220
Current assets			
Inventories	6	**266,229**	198,577
Trade and other receivables	7	**130,522**	163,924
Derivative financial instruments	19	**471**	-
Bank balances and cash	8	**103,684**	77,459
		500,906	439,960
TOTAL ASSETS		**2,208,718**	1,686,180
EQUITY AND LIABILITIES			
Equity			
Share capital	9	**142,000**	142,000
Treasury shares	10	**(4,800)**	(2,690)
Statutory reserve	12	**71,000**	71,000
Capital reserve	13	**249**	249
Retained earnings		**865,021**	805,029
Proposed dividend	14	**-**	36,806
Total equity		**1,073,470**	1,052,394
Non-current liabilities			
Borrowings	15	**785,877**	453,611
Employees' end of service benefits	16 (a)	**1,677**	1,564
Trade and other payables	18 (iii)	**47,000**	-
Derivative financial instruments	19	**-**	412
		834,554	455,587
Current liabilities			
Borrowings	15	**74,504**	22,050
Trade and other payables	18	**225,332**	156,058
Derivative financial instruments	19	**858**	91
		300,694	178,199
Total liabilities		**1,135,248**	633,786
TOTAL EQUITY AND LIABILITIES		**2,208,718**	1,686,180

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 2018

	Note	2018 BD'000	2017 BD'000
Revenue from contracts with customers	23(a)	**911,317**	857,762
Cost of sales		**(825,335)**	(723,114)
GROSS PROFIT		**85,982**	134,648
Other income (net)	20	**12,831**	7,451
Gain/(loss) on foreign exchange		**11,665**	(1,837)
General and administrative expenses		**(26,927)**	(27,120)
Selling and distribution expenses		**(23,622)**	(16,908)
Finance costs	21	**(2,135)**	(2,149)
Directors' fees	24	**(210)**	(210)
Changes in fair value of derivative financial instruments	19	**2,699**	(503)
PROFIT FOR THE YEAR BEFORE TAX	21	**60,283**	93,372
Tax expense	17	**(528)**	(915)
PROFIT FOR THE YEAR		**59,755**	92,457
Other comprehensive income for the year		**-**	-
PROFIT AND TOTAL COMPREHENSIVE INCOME FOR THE YEAR		**59,755**	92,457
Basic and diluted earnings per share (fils)	11	**42**	65

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 Changes in Equity

Year ended 31 December 2018

	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 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		-	-	-	-	(36,806)	36,806	-
Balance at 31 December 2017		142,000	(2,690)	71,000	249	805,029	36,806	1,052,394
Total comprehensive income for the year		-	-	-	-	59,755	-	59,755
Net movement in treasury shares		-	(2,110)	-	-	-	-	(2,110)
Gain on resale of treasury shares		-	-	-	-	151	-	151
Final dividend for 2017 approved and paid	14	-	-	-	-	-	(36,720)	(36,720)
Excess of final dividend for 2017 reversed		-	-	-	-	86	(86)	-
Balance at 31 December 2018		**142,000**	**(4,800)**	**71,000**	**249**	**865,021**	**-**	**1,073,470**

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

Consolidated Statement of Cash Flows

Year ended 31 December 2018

	Note	2018 BD'000	2017 BD'000
OPERATING ACTIVITIES			
Profit for the year before tax		**60,283**	93,372
Adjustments for:			
Depreciation	4	**64,633**	67,654
Amortisation of other asset	5	**192**	192
Provision for employees' end of service benefits	16 (a)	**1,556**	1,420
Provision for slow moving inventories	6	**52**	28
Provision for impairment of receivables - net	7	**4,081**	(164)
(Gain) loss on revaluation of derivative financial instruments	19	**(2,699)**	503
Loss on disposal of property, plant and equipment	20	**1,043**	2,519
Interest income	20	**(537)**	(573)
Interest paid on borrowings	21	**2,135**	1,927
		130,739	166,878
Working capital changes:			
Inventories		**(67,704)**	(35,183)
Trade and other receivables		**29,306**	(71,704)
Trade and other payables (refer to note below)		**112,305**	18,677
Cash from operations		**204,646**	78,668
Employees' end of service benefits paid	16 (a)	**(1,443)**	(1,410)
Income tax paid		**(528)**	(915)
Net cash flows from operating activities		**202,675**	76,343
INVESTING ACTIVITIES			
Purchase of property, plant and equipment	4	**(525,845)**	(464,835)
Proceeds from disposal of property, plant and equipment		**125**	89
Interest received	20	**537**	573
Net cash flows used in investing activities		**(525,183)**	(464,173)
FINANCING ACTIVITIES			
Borrowings availed		**506,409**	615,290
Borrowings repaid		**(121,691)**	(191,353)
Interest on borrowings (refer to note below)		**2,694**	3,099
Dividends paid	14	**(36,720)**	(29,658)
Purchase of treasury shares		**(5,769)**	(5,281)
Proceeds from resale of treasury shares		**3,810**	6,779
Net cash flows from financing activities		**348,733**	398,876
INCREASE IN BANK BALANCES AND CASH		**26,225**	11,046
Bank balances and cash at 1 January		**77,459**	66,413
BANK BALANCES AND CASH AT 31 DECEMBER	8	**103,684**	77,459

Non-cash item:

The Group had movements in unpaid interest on borrowings amounting to BD 4,829 thousand which was excluded from the movement in trade and other payables (2017: BD 5,026 thousand).

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

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) on 23 November, 2010, the Company became a Bahrain Public Joint Stock Company with a dual listing on the Bahrain Bourse (primary listing) as well as the Global Depository Receipts on the London Stock Exchange – Alternative Investment Market (AIM). The Company has its registered office at 150 Askar Road, Askar 951, Kingdom of Bahrain.

The Company's majority shareholder is Bahrain Mumtalakat Holding Company B.S.C. (c) (Mumtalakat), a company wholly owned by the Government of the Kingdom of Bahrain through the Ministry of Finance, 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
	2018	2017		
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 7 February 2019.

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).

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

Basis of consolidation

The consolidated financial statements comprise the financial statements of the Company and its subsidiaries as at 31 December 2018. 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 ensure the financial statements of the subsidiaries conform to the accounting policies of the Company.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Basic of consolidation (continued)

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 the consolidated statement of income; and
g) reclassifies the parent's share of components previously recognised in OCI to the consolidated statement of income or retained earnings, as appropriate, as would be required if the Group had directly disposed of the related assets or liabilities.

New and amended standards and interpretations as of 1 January 2018

The accounting 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 2018. The Group has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective.

The Group applies, for the first time, IFRS 15, Revenue from Contracts with Customers and IFRS 9 Financial Instruments.

Several other amendments and interpretations apply for the first time in 2018, but do not have a significant impact on the consolidated financial statements of the Group.

IFRS 15 Revenue from Contracts with Customers

IFRS 15 supersedes IAS 11 Construction Contracts and IAS 18 Revenue and related interpretations and it applies to all revenue arising from contracts with customers, unless those contracts are in the scope of other standards. The new standard establishes a five-step model to account for revenue arising from contracts with customers. Under IFRS 15, revenue is recognised when control of the goods are transferred to the customer at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer.

The standard requires entities to exercise judgement, taking into consideration all of the relevant facts and circumstances when applying each step of the model to contracts with their customers. The standard also specifies the accounting for the incremental costs of obtaining a contract and the costs directly related to fulfilling a contract.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

New and amended standards and interpretations as of 1 January 2018 (continued)

IFRS 15 Revenue from Contracts with Customers (continued)

Sale of goods

The Group's contracts with customers for the sale of goods generally include one performance obligation; to deliver goods to the customer. The Group has concluded that revenue from the sale of goods should be recognised at the point in time when control of the asset is transferred to the customer, generally on delivery of goods. Therefore, the adoption of IFRS 15 did not have an impact on the timing of revenue recognition.

Variable consideration

Some contracts for the sale of goods provide customers with volume discounts. Under IFRS 15, volume discounts give rise to variable consideration. The variable consideration is estimated at contract inception and constrained until it is highly probable that a significant revenue reversal in the amount of cumulative revenue recognized will not occur when the associated uncertainty is subsequently resolved. The application of the constraint on variable consideration increases the amount of revenue that will be deferred.

Volume discounts

The Group provides retrospective volume discounts to certain customers on the products purchased by the customer once the quantity of products purchased during the period exceeds a threshold specified in the contract.

Under IFRS 15, retrospective volume discounts give rise to variable consideration. To estimate the variable consideration, the Group applied the 'expected value method'. The selected method that best predicts the amount of variable consideration was primarily driven by the number of volume thresholds contained in the contract. The Group then applies the requirements on constraining estimates of variable consideration. The Group has not recognised any liabilities for the expected future discounts during the year ended 31 December 2018.

IFRS 9 Financial Instruments

IFRS 9 Financial Instruments replaces IAS 39 Financial Instruments: Recognition and Measurement for annual periods beginning on or after 1 January 2018, bringing together all three aspects of the accounting for financial instruments: classification and measurement, impairment and hedge accounting.

(a) Classification and measurement

Under IFRS 9, the Group initially measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs.

Under IFRS 9, debt financial instruments are subsequently measured at fair value through profit or loss (FVPL), amortised cost or fair value through other comprehensive income (FVOCI). The classification is based on two criteria: the Group's business model for managing the assets; and whether the instruments' contractual cash flows represent 'solely payments of principal and interest' on the principal amount outstanding (the 'SPPI criterion').

The assessment of the Group's business model was made as of the date of initial application, 1 January 2018, and then applied retrospectively to those financial assets that were not derecognised before 1 January 2018. The assessment of whether contractual cash flows on debt instruments are solely comprised of principal and interest was made based on the facts and circumstances as at the initial recognition of the assets.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

New and amended standards and interpretations as of 1 January 2018 (continued)

IFRS 9 Financial Instruments (continued)

a) Classification and measurement (continued)

The new classification and measurement of the Group's debt financial assets are, as follows:

Debt instruments at amortised cost for financial assets that are held within a business model with the objective to hold the financial assets in order to collect contractual cash flows that meet the SPPI criterion. This category includes the Group's trade and other receivables.

The accounting for the Group's financial liabilities remains largely the same as it was under IAS 39. The adoption of the classification and measurement requirements of IFRS 9 did not have any effect on the Group's consolidated financial statements.

(b) Impairment

The adoption of IFRS 9 has changed the Group's accounting for impairment losses for financial assets by replacing IAS 39's incurred loss approach with a forward-looking expected credit loss (ECL) approach.

IFRS 9 requires the Group to record an allowance for ECLs for all debt instruments not held at FVPL.

ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Group expects to receive. The shortfall is then discounted at an approximation to the asset's original effective interest rate.

For trade and other receivables, the Group has applied the standard's simplified approach and has calculated ECLs based on lifetime expected credit losses. The Group has established a provision matrix that is based on the Group's historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

The Group considers a financial asset to be in default when internal or external information indicates that the Group is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Group.

The adoption of the ECL requirements of IFRS 9 did not have any material effect on the Group's consolidated financial statements.

Standards issued but not yet effective

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

IFRS 9	Financial Instruments: Guidance on Prepayment Features with Negative Compensation (the amendments should be applied retrospectively and are effective from 1 January 2019, with earlier application permitted);
IFRS 10 and IAS 28	Consolidated Financial Statements and Investments in Associates and Joint Ventures (Amendments): Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (the IASB has deferred the effective date of these amendments indefinitely);
IAS 28	Investments in Associates and Joint Ventures: Clarification relating to long-term interests in associates and joint ventures (the amendments should be applied retrospectively and are effective from 1 January 2019, with earlier application permitted);

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Standards issued but not yet effective (continued)

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);
IFRIC 23	Uncertainty over income tax treatment (effective for annual periods beginning on or after 1 January 2019); and
IAS 19	The amendments to IAS 19 which address the accounting when a plan amendment, curtailment or settlement occurs during a reporting period (effective for annual periods beginning on or after 1 January 2019).

Annual Improvements 2015-2017 Cycle

IFRS 3	Previously held interests in a joint operation (the amendments should be applied retrospectively and are effective from 1 January 2019, with earlier application permitted);
IFRS 11	Previously held interests in a joint operation (the amendments are effective from 1 January 2019, with earlier application permitted);
IAS 12	Income tax consequences of payments on financial instruments classified as equity (the amendments should be applied retrospectively and are effective from 1 January 2019, with earlier application permitted); and
IAS 23	Borrowing costs eligible for capitalisation (the amendments are effective from 1 January 2019, with earlier application permitted).

The management is currently assessing the impact of the above standards and interpretations on the consolidated financial statements of the Group.

IFRS 16 Leases

IFRS 16 was issued in January 2016 and it replaces IAS 17 Leases, IFRIC 4 Determining Whether an Arrangement Contains a Lease, SIC-15 Operating Leases-Incentives and SIC-27 Evaluating the Substance of Transactions Involving the Legal Form of a Lease. IFRS 16 sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to account for all leases under a single statement of financial position model similar to the accounting for finance leases under IAS 17. The standard includes two recognition exemptions for lessees – leases of 'low-value' assets (e.g., personal computers) and short-term leases (i.e., leases with a lease term of 12 months or less). At the commencement date of a lease, a lessee will recognise a liability to make lease payments (i.e., the lease liability) and an asset representing the right to use the underlying asset during the lease term (i.e., the right-of-use asset). Lessees will be required to separately recognise the interest expense on the lease liability and the depreciation expense on the right-of-use asset.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Standards issued but not yet effective (continued)

IFRS 16 Leases (continued)

Lessees will be also required to remeasure the lease liability upon the occurrence of certain events (e.g., a change in the lease term or a change in future lease payments resulting from a change in an index or rate used to determine those payments). The lessee will generally recognise the amount of the remeasurement of the lease liability as an adjustment to the right-of-use asset.

Lessor accounting under IFRS 16 is substantially unchanged from today's accounting under IAS 17. Lessors will continue to classify all leases using the same classification principle as in IAS 17 and distinguish between two types of leases: operating and finance leases. IFRS 16 also requires lessees and lessors to make more extensive disclosures than under IAS 17.

IFRS 16 is effective for annual periods beginning on or after 1 January 2019. Early application is permitted, but not before an entity applies IFRS 15. A lessee can choose to apply the standard using either a full retrospective or a modified retrospective approach.

The Group has assessed the estimated impact that initial application of IFRS 16 will have on its consolidated financial statements, as described below. The actual impact of adopting the standard on 1 January 2019 may change because the new accounting policies are subject to change until the Group presents its first consolidated financial statements that include the date of initial application.

The Group will elect to use the exemptions proposed by the standard on lease contracts for which the lease terms ends within 12 months as of the date of initial application, and lease contracts for which the underlying asset is of low value.

Transition to IFRS 16

The Group plans to use the modified retrospective approach for the adoption of IFRS 16.

The Group is in the process of finalising their analysis as the date of issuance of the consolidated financial statements as of 31 December 2018. Therefore, the below represents a reasonable estimate of the impact on adoption of IFRS 16 using the modified retrospective approach.

	BD'000
Assets	
Property, plant and equipment (right-of-use assets)	6,788
Liability	
Lease liability	6,788
Net impact on equity	-

Current versus non-current classification

The Group presents assets and liabilities in the consolidated statement of financial position based on current/non-current classification. An asset is 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
- Cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Current versus non-current classification (continued)

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. 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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Fair value measurement (continued)

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

Level 1 – Quoted (unadjusted) market prices in active markets for identical assets or liabilities

Level 2 – Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable

Level 3 – Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

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

At each reporting date, the management analyses the movements in the values of assets and liabilities which are required to be re-measured or re-assessed as per the Group's accounting policies. For this analysis, the management verifies the major inputs applied in the latest valuation by agreeing the information in the valuation computation to contracts and other relevant documents.

For the purpose of fair value disclosures, the Group has determined classes of assets and liabilities on the basis of the nature, characteristics and risks of the asset or liability and the level of the fair value hierarchy as explained above.

Foreign currencies

The Group's 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 the BD equivalent.

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

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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
Steel pot relining	4-5 years

Land and assets in the process of completion are not depreciated. An item of property, plant and equipment and any significant part initially recognised is derecognised upon disposal (i.e., at the date the recipient obtains control) or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the statement of profit or loss when the asset is derecognised.

The residual values, useful lives and methods of depreciation of property, plant and equipment are reviewed at each financial year end and adjusted prospectively, if appropriate.

Change in useful economic life of the relining costs relating to the steel pots used in the aluminium smelting process

In prior years, the Group expensed the costs incurred in relation to the relining of the steel pots that are used in the aluminium smelting process, on the basis that the Useful Economic Life ('UEL") was considered to be less than 12 months. During the six month period ended 31 December 2018, management carried out a detailed analysis of the UEL of these pot relining materials and concluded that a more appropriate UEL is between 1,500 and 2,000 days. The actual number of days in relation to the UEL is reduction line dependent; there are 5 reduction lines in operation as at the year end date. In accordance with International Accounting Standard 8, Accounting Policies, Changes in Accounting Estimates and Errors, the change in UEL is considered to be a change in accounting estimate and the effect of a change in an accounting estimate is recognized prospectively. Therefore the costs incurred for the relining of the steel pots for the six month period ended 31 December 2018 have no longer been expensed but instead have been capitalized and depreciated, with depreciation calculated on a straight-line basis over the new estimated useful lives stated above.

Accordingly, if the Group had not changed the UEL of the relining costs and capitalized the same as property, plant and equipment during the year ended 31 December 2018, the profit for the year ended 31 December would have been lower by BD 8,250 thousand, and the carrying value of property, plant and equipment would have been lower by BD 8,250 thousand net of depreciation of BD 876 thousand as of 31 December 2018.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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.

Sensitivity to changes in assumptions

With regard to the assessment of value in use, management believes that reasonably possible changes in the growth rate and weighted average cost of capital would not cause a material change to the recoverable amount. However, an increase in alumina prices by USD 200/MT (with all other variables remain unchanged) throughout the forecast period would result in in the recoverable amount of the cash generating unit lower than its carrying amount by BD 741,966 thousand (2017: BD 342,700 thousand) and a reduction in LME price by USD 350/MT (with all other variables remain unchanged) throughout the forecast period would result in in the recoverable amount of the cash generating unit lower than its carrying amount by BD 545,272 thousand (2017: BD 154,948 thousand).

Inventories

Inventories are valued at the lower of cost and net realisable value. Costs incurred in bringing each product to its present location and condition are accounted for as follows:

Raw materials	Purchase cost on a weighted average basis.
Finished goods and work in process	Cost of direct materials, labour plus attributable overheads based on normal level of activity, but excluding borrowing costs
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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial assets

Initial recognition and measurement

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

In order for a financial asset to be classified and measured at amortised cost or fair value through OCI, it needs to give rise to cash flows that are 'solely payments of principal and interest (SPPI)' on the principal amount outstanding. This assessment is referred to as the SPPI test and is performed at an instrument level. The Group's business model for managing financial assets refers to how it manages its financial assets in order to generate cash flows. The business model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both. Purchases or sales of financial assets that require delivery of assets within a time frame established by regulation or convention in the market place (regular way trades) are recognised on the trade date, i.e., the date that the Group commits to purchase or sell the asset.

Subsequent measurement

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

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

Financial assets at amortised cost (debt instruments)

This category is the most relevant to the Company. The Company measures financial assets at amortised cost if both of the following conditions are met:

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

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

The Group's financial assets at amortised cost includes bank balances and cash and trade and other receivables.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial assets (continued)

Trade and other receivables

Trade and other receivables represents the Group's right to an amount of consideration that is unconditional (i.e., only the passage of time is required before payment of the consideration is due). Trade and other receivables are stated at original invoice amount, less any impairment allowances provided.

Cash and cash equivalents

For the purpose of the consolidated statement of cash flows, cash and cash equivalents consist of cash in hand, bank balances and short-term deposits with 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 recognises an allowance for expected credit losses (ECLs) for all debt instruments not held at fair value through profit or loss. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Group expects to receive, discounted at an approximation of the original effective interest rate. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

For trade receivables and contract assets, the Group applies a simplified approach in calculating ECLs. Therefore, the Group does not track changes in credit risk, but instead recognises a loss allowance based on lifetime ECLs at each reporting date. The Group has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment. Further disclosures relating to impairment of trade receivables are provided in Note 7 and Note 24.

The Group considers a financial asset in default when internal or external information indicates that the Group is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Group. A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

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

After 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 the effective yield, with unpaid interest amounts included in 'trade and other payables'.

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.

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.

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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)
Financial liabilities (continued)

Derivative financial instruments and hedging activities
The Group uses derivative financial instruments, such as interest rate swaps and forward commodity contracts, to hedge its foreign currency risks, interest rate risks and commodity price risks, respectively. 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).

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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Taxes

Current income tax

Current income tax assets and liabilities are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted, at the reporting date in the countries where the Group operates and generates taxable income.

Current income tax relating to items recognised directly in other comprehensive income or equity is recognised in other comprehensive income or equity and not in the consolidated statement of 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.

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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Taxes (continued)

Sales tax

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

- When the sales tax incurred on a purchase of assets or services is not recoverable from the taxation authority, in which case, the sales tax is recognised as part of the cost of acquisition of the asset or as part of the expense item, as applicable.
- When receivables and payables are stated with the amount of sales tax included

The net amount of sales tax recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the statement of financial position.

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.

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 the 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 the 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.

Borrowing costs

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

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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Leases (continued)

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 from contracts with customers
The Group is in the business of manufacturing and selling aluminium in liquid form as well as in the form of billets, slabs and ingots. Revenue from contracts with customers is recognised when control of the goods or services are transferred to the customer at an amount that reflects the consideration to which the Group expects to be entitled in exchange for those goods or services. The Group has generally concluded that it is the principal in its revenue arrangements because it typically controls the goods or services before transferring them to the customer.

The disclosures of significant accounting judgements relating to revenue from contracts with customers are provided in Note 3.

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

Sale of goods
Revenue from sale of goods is recognised at the point in time when control is transferred to the customer, generally on delivery of the goods. The normal credit term is 30 to 60 days upon delivery. The Group considers whether there are other promises in the contract that are separate performance obligations to which a portion of the transaction price needs to be allocated. In determining the transaction price for the sale of goods, the Group considers the effects of variable consideration, the existence of significant financing components, noncash consideration and consideration payable to the customer (if any).

(i) Variable consideration
If the consideration in a contract includes a variable amount, the Group estimates the amount of consideration to which it will be entitled in exchange for transferring the goods to the customer. The variable consideration is estimated at contract inception and constrained until it is highly probable that a significant revenue reversal in the amount of cumulative revenue recognised will not occur when the associated uncertainty with the variable consideration is subsequently resolved. Certain contracts for the sale of goods provide customers with volume discounts. The volume discounts give rise to variable consideration.

Volume discounts
The Group provides retrospective volume discounts to certain customers once the quantity of products purchased during the period exceeds a threshold specified in the contract. Discounts are offset against amounts payable by the customer. To estimate the variable consideration for the expected future discounts, the Group applies the most likely amount method for contracts with a single-volume threshold and the expected value method for contracts with more than one volume threshold. The selected method that best predicts the amount of variable consideration is primarily driven by the number of volume thresholds contained in the contract. The Group then applies the requirements on constraining estimates of variable consideration and recognises a refund liability for the expected future discounts.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Revenue from contracts with customers (continued)

(ii) Significant financing component

Generally, the Group receives short-term advances from its customers. Using the practical expedient in IFRS 15, the Group does not adjust the promised amount of consideration for the effects of a significant financing component if it expects, at contract inception, that the period between the transfer of the promised good or service to the customer and when the customer pays for that good or service will be one year or less.

During the current year, the Group also received a long-term advance from a customer in consideration for the sale of aluminium. All settlements against the advance will be in the form of quantities of aluminium and any adjustments arising due to the fluctuations in price will be adjusted in the quantities delivered over the term of the contract. The transaction price for such contracts is discounted, using the rate that would be reflected in a separate financing transaction between the Group and its customers at contract inception, to take into consideration the significant financing component.

Interest income

Interest income is recognised as the interest is accrued using the effective interest rate method.

Other income

Other income is recognised as the income accrues.

3. SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS

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

Judgements

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

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 agreements for lease of land and items of machinery and vehicles. 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.

3. SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS (continued)

Judgements (continued)

Revenue from contracts with customers

The Group applied the following judgements that significantly affect the determination of the amount and timing of revenue from contracts with customers:

i) Variable consideration

Certain contracts for the sale of goods include volume discounts that give rise to variable consideration. In estimating the variable consideration, the Group is required to use either the expected value method or the most likely amount method based on which method better predicts the amount of consideration to which it will be entitled.

The Group determined that the expected value method is the appropriate method to use in estimating the variable consideration for the sale of goods, given the large number of customer contracts that have similar characteristics. The selected method that better predicts the amount of variable consideration was primarily driven by the number of volume thresholds contained in the contract.

Estimates and assumptions

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are described below. The Group based its assumptions and estimates on parameters available when the consolidated financial statements were prepared. Existing circumstances and assumptions about future developments, however, may change due to market changes or circumstances arising that are beyond the control of the Group. Such changes are reflected in the assumptions when they occur.

Provision for expected credit losses of trade receivables

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

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

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

At 31 December 2018, gross trade receivables were BD 106,408 thousand (2017: BD 111,883 thousand), and the allowance for impairment was BD 6,614 thousand (2017: BD 2,702 thousand) and gross other receivables were BD 9,699 thousand (2017: BD 10,717 thousand), and the allowance for impairment was BD 195 thousand (2017: 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.

3. SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS (continued)

Estimates and assumptions (continued)

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 2018, gross inventories of spares was BD 25,081 thousand (2017: BD 24,511 thousand) with provisions for slow moving spares of BD 1,681 thousand (2017: BD 1,629 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 a 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 2018 and 31 December 2017 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 2018	284,619	433,272	1,264,855	550,956	2,533,702
Additions	615	2,168	15,382	507,680	525,845
Transfers	738	6,771	28,523	(36,032)	-
Disposals	(47)	(2,272)	(7,556)	-	(9,875)
At 31 December 2018	285,925	439,939	1,301,204	1,022,604	3,049,672
Depreciation:					
At 1 January 2018	125,567	288,508	877,554	-	1,291,629
Charge for the year	6,347	12,146	46,140	-	64,633
Relating to disposals	(32)	(1,540)	(7,135)	-	(8,707)
At 31 December 2018	131,882	299,114	916,559	-	1,347,555
Net carrying value:					
At 31 December 2018	**154,043**	**140,825**	**384,645**	**1,022,604**	**1,702,117**

	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

4. PROPERTY, PLANT AND EQUIPMENT (continued)

Land and buildings
Land and buildings include freehold land at a cost of BD 453 thousand as at 31 December 2018 (2017: BD 453 thousand).

Leases
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. The land used for the construction of Line 6 is also leased from the Government of Bahrain for 25 years effective 1 July 2014 at an annual rent as disclosed in note 22 (c).

Depreciation
The depreciation charge is allocated to cost of sales, administration expenses and selling and distribution expenses in the consolidated statement of comprehensive income.

Capitalized borrowing costs
The construction of Line 6 expansion project is expected to be completed in July 2019. The carrying amount of the Line 6 expansion project at 31 December 2018 included under assets in process of completion was BD 973,505 thousand (2017: BD 499,733 thousand). The expansion project is financed by a syndicated term loan facility as well as a consortium of export credit facilities. The amount of borrowing costs capitalised during the year ended 31 December 2018 was BD 28,259 thousand (2017: BD 12,613 thousand). The rate used to determine the amount of borrowing costs eligible for capitalisation was from 0.55% to 6.17%, which is the EIR of the specific borrowing.

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 with an annual charge of BD 192 thousand (2017: BD 192 thousand).

	2018 BD'000	2017 BD'000
At 1 January	**4,128**	4,320
Amortised during the year	**(192)**	(192)
At 31 December	**3,936**	4,128

6. INVENTORIES

	2018 BD'000	2017 BD'000
Raw materials	**73,820**	43,497
Work-in-process	**66,459**	49,009
Goods in transit	**42,781**	38,822
Finished goods	**59,769**	44,367
Spares [net of provision of BD 1,681 thousand (2017: BD 1,629 thousand)]	**23,400**	22,882
	266,229	198,577

6. INVENTORIES (continued)

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

	2018 BD'000	2017 BD'000
At 1 January	**1,629**	1,780
Charge for the year	**91**	28
Write off against provision	**(39)**	(179)
At 31 December	**1,681**	1,629

7. TRADE AND OTHER RECEIVABLES

	2018 BD'000	2017 BD'000
Trade receivables - others [net of allowance for ECL of BD 3,201 thousand (2017: BD 2,702 thousand)]	**85,856**	95,373
Trade receivables - related parties [net of allowance for ECL of BD 3,413 thousand (2017: nil)] (note 24)	**13,938**	13,808
	99,794	109,181
Advances to suppliers	**12,926**	25,182
Prepayments	**8,298**	2,673
Other receivables [net of provision of BD 195 thousand (2017: BD 45 thousand)]	**9,504**	10,672
Insurance claim receivable	**-**	16,216
	130,522	163,924

As at 31 December 2018, trade receivables of BD 6,614 thousand (2017: BD 2,702 thousand) and other receivables of BD 195 thousand (2017: BD 45 thousand) were impaired. Movements in the provision for doubtful trade and other receivables were as follows:

	Trade receivables		Other receivables	
	2018 BD '000	2017 BD '000	2018 BD '000	2017 BD '000
At 1 January	**2,702**	4,547	**45**	45
Provision during the year	**3,931**	-	**150**	-
Reversal during the year	**-**	(164)	**-**	-
Write off against provision	**(19)**	(1,681)	**-**	-
At 31 December	**6,614**	2,702	**195**	45

Subsequent to the year end, unimpaired trade receivables of BD 50,753 thousand (2017: BD 69,469 thousand) were collected and the balance is expected, on the basis of past experience, to be fully recoverable.

8. BANK BALANCES AND CASH

	2018 BD'000	2017 BD'000
Cash at bank:		
- Current accounts	**22,275**	20,062
- Call accounts	**24,944**	16,004
- Short term deposits	**56,400**	41,360
Cash in hand	**65**	33
	103,684	77,459

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 2018 is 0.077% (2017: 0.075%). Short term deposits earn interest between 2.5% to 4.5% p.a. (2017: 2.25% p.a.) and have maturities less than three months.

9. SHARE CAPITAL

	2018 BD'000	2017 BD'000
Authorised		
2,000,000,000 shares of 100 fills each	**200,000**	200,000
Issued and fully paid		
1,420,000,000 shares of 100 fills each	**142,000**	142,000

The distribution of shareholdings is as follows:

	2018			2017		
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%	**72,565,949**	**3,255**	**5.11**	90,023,499	3,379	6.34
1% up to less than 5%	**69,434,051**	**3**	**4.89**	51,976,501	2	3.66
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	**3,260**	**100.00**	1,420,000,000	3,383	100.00

10. TREASURY SHARES

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

	2018		2017	
	No of shares	BD '000	No of shares	BD '000
	7,397,000	4,800	4,381,144	2,690

Included in treasury shares are 697,000 shares (2017: 697,000) that were an excess in the 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:

	2018	2017
Profit for the year - BD' 000	59,755	92,457
Weighted average number of shares, net of treasury shares - thousands of shares	1,415,636	1,414,368
Basic and diluted earnings per share (fils)	42	65

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 2018. 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

At the Annual General Meeting held on 7 March 2018, the Company's shareholders approved the Board of Directors' proposal to pay a final dividend of BD 0.026 per share (excluding treasury shares) totalling BD 36,806 thousand relating to 2017, out of which BD 36,720 thousand was paid as of 31 December 2018 and an excess of BD 86 thousand was reversed.

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.

15. BORROWINGS

	2018 Non-Current BD '000	2018 Current BD '000	2018 Total BD '000	2017 Total BD '000
Line 6 Term Loan Facility at 5.1 % to 6.17% (2017: 5.1 % to 5.6 %) [1]	488,800	-	488,800	282,000
Line 6 Euro SERV Loan at EURIBOR + 0.65 % (2017: EURIBOR + 0.65%) [2]	109,749	4,772	114,521	92,934
Line 6 USD SERV Loan at LIBOR + 0.9 % (2017: LIBOR + 0.9 %) [2]	94,220	4,096	98,316	73,280
Line 6 Hermes 1 Covered Facility at EURIBOR + 0.55 % (2017: EURIBOR + 0.55 %) [3]	15,853	689	16,542	5,397
Line 6 Hermes 2 Covered Facility at EURIBOR + 0.55 % (2017: EURIBOR + 0.55 %) [4]	16,810	885	17,695	-
Line 6 BPAI Covered Facility at EURIBOR + 0.60 % (2017: nil) [5]	38,508	1,577	40,085	-
Line 6 EDC Covered Facility at LIBOR + 0.725 % (2017: nil) [6]	34,015	1,790	35,805	-
Line 6 JBIC / NEXI 2 Covered Facility at EURIBOR + 0.60 % (2017: nil) [7]	3,741	3,741	33,078	-
Working capital revolving credit at 2.52 % to 3.41 % (2017: 1.57 % to 2.44 %) [8]	-	63,901	63,901	15,040
Refinancing loan (2017: 2.65 % to 3.75 %) [9]	-	-	-	3,183
Euro Coface loan (2017: 1.51 % to 1.73 %) [10]	-	-	-	3,827
Total borrowings	827,292	81,451	908,743	475,661
Less: unamortised transaction costs	(41,415)	(6,947)	(48,362)	-
Net borrowings	785,877	74,504	860,381	475,661
Payable after one year			785,877	453,611
Payable within one year			74,504	22,050
			860,381	475,661

[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 a conventional credit facility and USD 618 million as an 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 March 2020.

15. BORROWINGS (continued)

[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 starting from December 2019.

[3] Line 6 Hermes 1 Covered Facility
On 30 April 2017, the Group entered into an Export Credit Financing (Euler Hermes covered facilities) with Citibank N.A London for Euro 50 million. Commerzbank Finance & Covered Bond S.A. is the agent for this facility. This loan was obtained to finance capital expenditure requirements for line 6. The loan is repayable in twenty-four semi-annual instalments starting from October 2019.

[4] Line 6 Hermes 2 Covered Facility
On 24 October 2017, the Group entered into an Export Credit Financing (Euler Hermes covered facilities) with Commerzbank for Euro 47 million. Commerzbank Finance & Covered Bond S.A. is the agent for this facility. This loan was obtained to finance capital expenditure requirements for line 6. The loan is repayable in twenty-four semi-annual instalments starting from July 2019.

[5] Line 6 BPAI Covered Facility
On 2 January 2018, the Group entered into an Export Credit Financing agreement amounting to Euro 156 million. Standard Chartered Bank is the agent for this facility and the lenders are Citibank N.A London, Credit Agricole Corporate Investment Bank and Standard Chartered Bank. This loan was obtained to finance capital expenditure requirements for line 6. The loan is repayable in twenty semi-annual instalments starting from July 2019.

[6] Line 6 EDC Covered Facility
On 17 October 2018, the Group entered into an Export Credit Financing with Citibank N.A., Canadian branch for USD 136 million. Citibank N.A. is the agent for this facility. This loan was obtained to finance capital expenditure requirements for line 6. The loan is repayable in twenty semi-annual instalments starting from November 2019.

[7] Line 6 JBIC / NEXI 2 Covered Facility
On 31 October 2018, the Group entered into an Export Credit Financing agreement amounting to Euro 90 million. BNP Paribas, Tokyo branch is the agent and lender for this facility and the other lender is Japan Bank For International Cooperation. This loan was obtained to finance capital expenditure requirements for line 6. The loan is repayable in twenty semi-annual instalments starting from March 2019.

[8] Working capital revolving credit
The working capital revolving credit facilities are subject to periodic renewal and repricing. The working capital revolving facilities allow the Group to issue promissory notes for up to 12 month terms. It is the Group's policy to maintain the current level of borrowings under these facilities by issuing new promissory notes in place of maturing notes.

[9] 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 and the final instalment was paid in 2018.

[10] 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 and the final instalment was paid in 2018.

All borrowings have requirements to meet certain financial and non-financial covenants and there is no instance of non compliance at the reporting date (2017: nil). At 31 December 2018, the Group had available BD 171,058 thousand (2017: BD 419,017 thousand) of undrawn committed borrowing facilities.

16. EMPLOYEE BENEFITS

a) Defined benefit scheme - leaving indemnity

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

	2018 BD'000	2017 BD'000
Provision as at 1 January	**1,564**	1,554
Provided during the year (note 21)	**1,556**	1,420
Employees' end of service benefits paid	**(1,443)**	(1,410)
Provision as at 31 December	**1,677**	1,564

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	
	2018 BD '000	2017 BD '000	2018 BD '000	2017 BD '000
Provision as at 1 January	**1,927**	1,357	**596**	710
Expense recognised in the consolidated statement of comprehensive income (note 21)	**5,199**	4,963	**6,163**	6,043
Contributions paid	**(5,326)**	(4,393)	**(6,380)**	(6,157)
Provision as at 31 December (note 18)	**1,800**	1,927	**379**	596

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 2018, no employees are eligible for this plan (2017: nil) and the excess of 697,000 shares is held as treasury shares as of 31 December 2018 (2017: 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 21% as of 31 December 2018 (2017 : 37.85%). 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.

	2018 BD'000	2017 BD'000
Current liability		
Current year	-	155
Income statement		
Current year expense	543	923
Deferred tax (benefit) expense	(15)	(8)
	528	915

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.

	2018 BD'000	2017 BD'000
Deferred tax asset	105	106
Deferred tax liability	(71)	(87)
Deferred tax asset - net	34	19

	2018 BD'000	2017 BD'000
The deferred tax asset comprises the following temporary differences:		
Deductible temporary differences	41	25
Taxable temporary differences	(7)	(6)
	34	19

18. TRADE AND OTHER PAYABLES

	2018 BD'000	2017 BD'000
Trade payables - others	**87,517**	74,143
Trade payables - other related parties (note 24)	**25,737**	24,663
	113,254	98,806
Employee related accruals (ii)	**25,163**	29,062
Accrued expenses	**36,226**	25,213
Alba Savings Benefit Scheme [note 16 (b)]	**1,800**	1,927
Social Insurance Organisation [(note 16 (b)]	**379**	596
Advances from customers (iii)	**95,510**	299
Current tax liability	**-**	155
	272,332	156,058
Less: Non-current portion of advances from cutomers (iii)	**(47,000)**	-
	225,332	156,058

i) For terms and conditions with other 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.
iii) Advances from customers includes BD 94,000 thousand (2017: nil) received from one customer; settlements against the advance will start in early 2019, and will be in the form of quantities of aluminium. The non-current portion of this advance amounts to BD 47,000 thousand (2017:nil).

19. DERIVATIVE FINANCIAL INSTRUMENTS

	2018 BD'000	2017 BD'000
Classified in the consolidated statement of financial position as follows:		
Positive fair values - assets		
Non-current portion	**1,725**	-
Current portion	**471**	-
Total	**2,196**	-
Negative fair values - liabilities		
Non-current portion	**-**	412
Current portion	**858**	91
Total	**858**	503
Changes in fair value of derivative financial instruments taken to the consolidated statement of comprehensive income	**2,699**	(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 IFRS 9. 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.

19. DERIVATIVE FINANCIAL INSTRUMENTS (continued)

Interest rate swaps

The Group entered into interest rate swap transactions for US$ 0.75 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 2018 was US$ 750,000 thousand (2017: US$ 550,000 thousand).

Commodity futures

The Group entered into commodity futures contracts to reduce the price risk on behalf of its customers for 22,975 metric tonnes (2017: 32,400 metric tonnes) and these mature between one to six months from the reporting date.

20. OTHER INCOME (NET)

	2018 BD'000	2017 BD'000
Insurance claim	10,709	6,400
Sale of water	1,177	1,325
Interest income	537	573
Loss on disposal of property, plant and equipment	(1,043)	(2,519)
Miscellaneous	1,451	1,672
	12,831	7,451

21. PROFIT FOR THE YEAR

Profit for the year is stated after charging:

	2018 BD'000	2017 BD'000
Inventories recognised as an expense in cost of sales	**637,393**	533,589
Staff costs:		
Wages and salaries	**74,033**	78,704
Social Insurance Organisation [note 16 (b)]	**6,163**	6,043
Alba Savings Benefit Scheme [note 16 (b)]	**5,199**	4,963
Payments to contractors	**5,114**	4,642
Employees' end of service benefits [note 16 (a)]	**1,556**	1,420
Indirect benefits (housing, education)	**448**	352
Others	**530**	341
	93,043	96,465

21. PROFIT FOR THE YEAR (continued)

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

	2018 BD'000	2017 BD'000
Cost of sales	**78,001**	80,028
Administrative expenses	**13,409**	14,639
Selling and distribution expenses	**1,633**	1,798
	93,043	96,465
Finance costs		
Interest on borrowings	**1,862**	1,927
Bank charges	**273**	222
	2,135	2,149

22. COMMITMENTS AND CONTINGENCIES

a) Commitments

	2018 BD'000	2017 BD'000
Physical metal commitments		
Sales commitments :		
22,975 metric tonnes (2017: 32,400 metric tonnes)	**16,663**	25,580

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 (2017: BD 10,000 thousand). As of 31 December 2018, the Group has a remaining commitment of BD 2,250 thousand (2017: 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 93,635 thousand (2017: BD 157,076 thousand). The commitments are expected to be settled within 1 to 5 years from the reporting date.

Letters of credit
At 31 December 2018, the Group had outstanding letters of credit to counterparties of nil (2017: BD 942 thousand).

22. COMMITMENTS AND CONTINGENCIES (continued)

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 guarantee is BD 19,453 thousand (2017: BD 17,947 thousand).

At 31 December 2018, the Group had contingent liabilities in respect of bank guarantees amounting to BD 11,042 thousand (2017: BD 18,641 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:

	2018 BD'000	2017 BD'000
Within one year	**1,650**	1,028
After one year but not more than five years	**2,131**	2,926
After five years	**944**	488
Aggregate operating lease expenditure contracted for at the consolidated statement of financial position date	**4,725**	4,442

The Group has a lease agreement with the Government of the Kingdom of Bahrain ("the Government") for the lease of 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 (2017: 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 revenue from contracts with customers by product is as follows:

	2018 BD'000	2017 BD'000
Aluminium	**889,674**	783,332
Alumina trading	**19,594**	66,287
Calcined coke	**2,049**	8,143
Total revenue from contracts with customers	**911,317**	857,762

23. OPERATING SEGMENT INFORMATION (continued)

b) Geographic information

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

	2018 BD'000	2017 BD'000
Kingdom of Bahrain	**292,053**	316,128
Europe	**205,036**	200,037
Rest of the Middle East and North Africa	**159,661**	149,424
Asia	**120,282**	99,252
Americas	**134,285**	92,921
Revenue from contracts with customers	**911,317**	857,762

c) Customers

Revenue from contracts with the two largest customers of the Group amounted to BD 229,073 thousand (2017: BD 252,914 thousand).

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:

	2018 BD'000	2017 BD'000
Other related parties		
Revenue from contracts with customers and interest income		
Sale of metal	**48,778**	81,743
Sale of water	**997**	1,164
Interest on receivable	**580**	228
	50,355	83,135

24. RELATED PARTY TRANSACTIONS (continued)

	2018 BD'000	2017 BD'000
Cost of sales and expenses		
Purchase of natural gas and diesel	**150,246**	132,633
Royalty	**3,162**	4,066
Purchase of electricity	**3,211**	2,134
	156,619	138,833

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

	2018 BD'000	2017 BD'000
Other related parties		
Assets		
Trade receivables net of allowance for ECL of BD 3,413 thousand (2017: nil) (note 7)	**13,938**	13,808
Bank balances	**1,556**	1,175
	15,494	14,983
Liabilities		
Trade payables (note 18)	**25,737**	24,663
Term loan	**32,595**	17,709
Other payables	**234**	471
	58,566	42,843

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 an overdue receivable amount from a related party as of 31 December 2018 (2017: same terms). For the year ended 31 December 2018, the Group recorded an impairment of BD 3,413 thousand on amounts due from other related parties (2017: nil) [note 7].

Compensation of key management personnel

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

	2018 BD'000	2017 BD'000
Short term benefits	**1,850**	1,637
End of service benefits	**80**	72
Contributions to Alba Savings Benefit Scheme	**115**	92
Other benefits	**69**	-
	2,114	1,801

Directors' fees during the year amounted to BD 210 thousand (2017: BD 210 thousand).

25. RISK MANAGEMENT

The Group's principal financial liabilities, other than derivatives, comprise borrowings and 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.

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 receivables is based on floating LIBOR rate plus margin. The call accounts and short term deposits earn interest at commercial rates. The interest rates are disclosed in notes 8 and 15, as applicable.

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
2018	**25**	**213**	**25**	**783**
	(25)	**(213)**	**(25)**	**(783)**
2017	25	143	25	55
	(25)	(143)	(25)	(55)

25. RISK MANAGEMENT (continued)

Commodity price risk

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

The following table demonstrates the sensitivity of the consolidated statement of 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
2018	+30%	**257**
	-30%	**(257)**
2017	+30%	115
	-30%	(115)

Foreign currency risk

Foreign currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The Group's exposure to the risk of changes in foreign exchange rates relates primarily to the Group's operating activities (when revenue or expense is denominated in a different currency from the Group's presentation currency).

The Group's financial instruments are mainly denominated in Bahraini Dinars, US Dollars, Euros, Swiss Francs and Great Britain Pounds. The Group sometimes uses forward foreign exchange contracts to hedge against foreign currency payables. As of 31 December 2018 and 31 December 2017 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	2018 BD '000	2017 BD '000
Bank balances	Euro	**33,026**	7,996
	Swiss Francs	**44**	70
Receivables	Euro	**14,247**	11,701
Borrowings	Euro	**221,921**	102,158
Payables	Euro	**3,140**	7,635
	Swiss Francs	**1,850**	410
	Great Britain Pounds	**283**	334

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.

	2018		2017	
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%**	**(17,779)**	+10%	(9,010)
Swiss Francs	**+10%**	**(181)**	+10%	(34)
Great Britain Pounds	**+10%**	**(28)**	+10%	(33)
		(17,988)		(9,077)

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. An impairment analysis is performed at each reporting date using a provision matrix to measure expected credit losses.

2018	**Exposure BD '000**	**Weighted average loss rate**	**Loss allowance BD '000**
Current	77,799	0.05%	39
0 - 30 days	5,120	0.80%	41
31 - 360 days	1,031	20.85%	215
Over 360 days	2,906	100.00%	2,906
	86,856		**3,201**

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.

25. RISK MANAGEMENT (continued)
Credit risk (continued)

Credit risk concentration (continued)
The Group sells its products to a large number of customers. Its five largest customers account for 25% of the outstanding trade receivables at 31 December 2018 (2017: 43%).

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 payables are non-interest bearing and are normally settled within 45 days terms.

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

31 December 2018	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)	64,134	13,635	671,099	209,281	958,149
Derivative financial instruments	858	-	-	-	858
Trade and other payables	115,433	-	-	-	115,433
Total	180,425	13,635	671,099	209,281	1,074,440

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

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 2018 and 31 December 2017.

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 1,073,470 thousand as at 31 December 2018 (2017: BD 1,052,394 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.

Set out below is an overview of financial instruments, other than bank balances and cash, held by the Group as at 31 December 2018:

	Loans and receivables at amortised cost		Financial assets at fair value	
	2018	2017	**2018**	2017
	BD '000	BD '000	**BD '000**	BD '000
Financial assets				
Trade and other receivables	**109,298**	119,853	**-**	-
Derivative financial instruments	**-**	-	**2,196**	-
	109,298	119,853	**2,196**	-

	Financial liabilities at amortised cost		Financial liabilities at fair value	
	2018	2017	**2018**	2017
	BD '000	BD '000	**BD '000**	BD '000
Financial liabilities				
Borrowings	**860,381**	475,661	**-**	-
Trade and other payables	**115,433**	101,484	**-**	-
Derivative financial instruments	**-**	-	**858**	503
	975,814	577,145	**858**	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 in truments.

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.

26. FAIR VALUES OF FINANCIAL INSTRUMENTS (continued)

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 2018, 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 valued using valuation techniques with market observable inputs are mainly interest rate swaps and commodity forward contracts. The most frequently applied valuation techniques include forward pricing and swap models, using present value calculations. The models incorporate various inputs including the credit quality of counterparties and forward rates, interest rate curves and forward rate curves of the underlying commodity. All derivative contracts are fully cash collateralised, thereby eliminating both counterparty and the Group's own non-performance risk.

Fair value hierarchy
As at 31 December 2018 and 31 December 2017, 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 2018 and 31 December 2017, 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 (2017: 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 consolidated financial statements, consist principally of deposits with banks, equity shares and bonds.

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

6 Alba Shareholder's Structure

Alba is listed on both the Bahrain Bourse and London Stock Exchange, and the Company's shareholders are:

Mumtalakat
INVESTING FOR BAHRAIN

Bahrain Mumtalakat Holding Company

69.38%

سابك
sabic

SABIC Industrial Investment Company

20.62%

General Public

10%

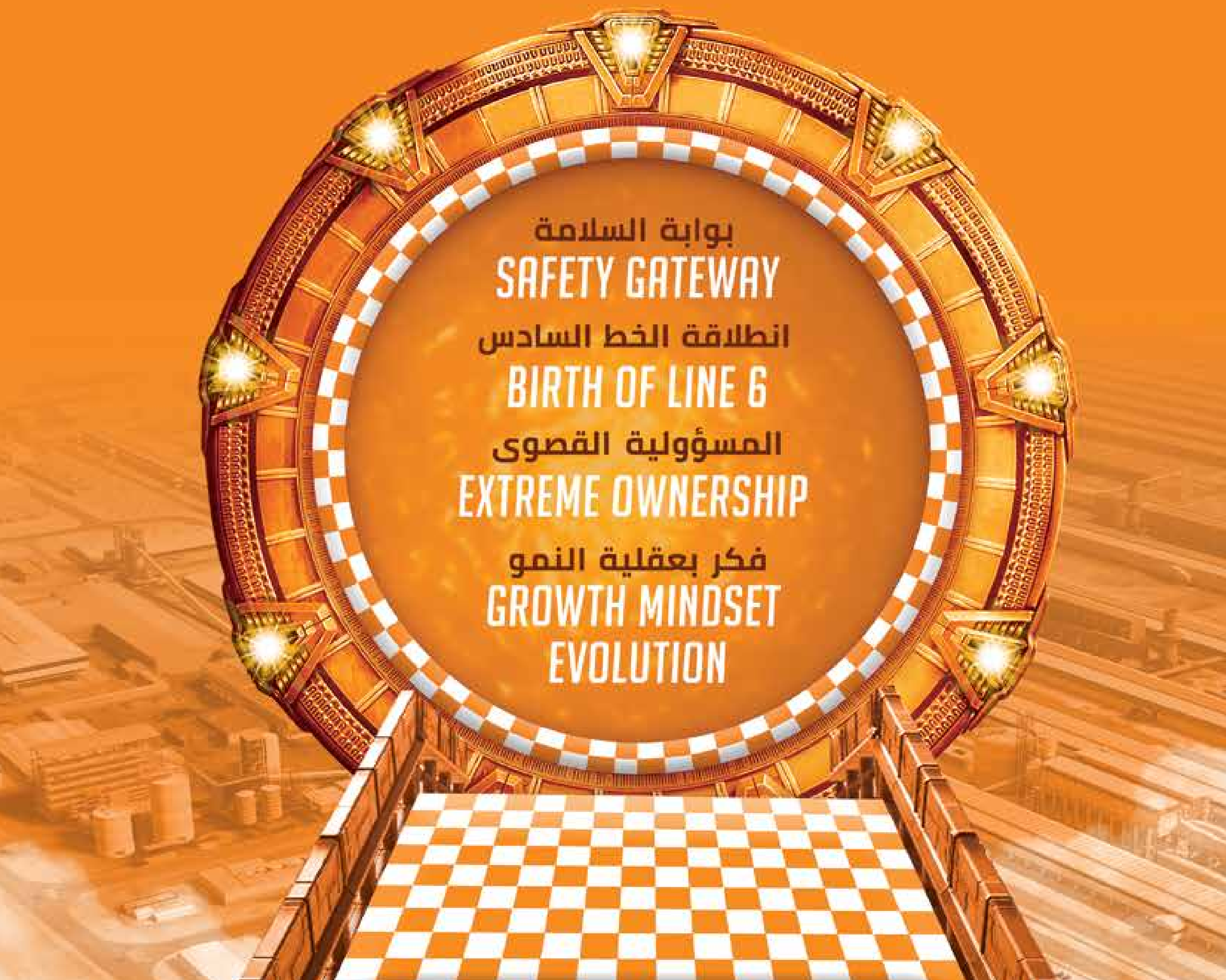
Investor Relations

In the Financial Year of 2018, Aluminium Bahrain B.S.C. (Alba) continued its focused-dialogue with institutional/retail investors as well as financial analysts. Investor Relations (IR) activities concentrated on individual one-one-one meetings during the Company's official non-deal roadshows in London and Dubai (Half Year 2018 and Full Year 2018) as well as One-on-One Conference in Dubai and One-on-One Conference in London. The annual and quarterly earnings were presented to the public via conference calls.

The IR team provides shareholders, investors and financial analysts (buy-side and sell-side) with a direct point of contact on +973 17835100 or via email (IR@alba.com.bh) for any questions related to Alba or its share (ALBH).

- For information on Alba's Footprint, please go to the clientele section in 2018 AR
- For information on Alba's Line 6 Expansion Project, please go to the Line 6 section in 2018 AR
- For more information on Alba's Audited Financials, please go to the last section in 2018 AR

2019 EXPECTATIONS
توقعات ٢٠١٩



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