

Aluminium Bahrain B.S.C.
INTERIM CONDENSED FINANCIAL STATEMENTS
31 MARCH 2013 (UNAUDITED)

REPORT ON THE REVIEW OF INTERIM CONDENSED FINANCIAL STATEMENTS TO THE BOARD OF DIRECTORS OF ALUMINIUM BAHRAIN B.S.C.

Introduction

We have reviewed the accompanying interim condensed financial statements of Aluminium Bahrain B.S.C. ('the Company') as at 31 March 2013, comprising of the interim statement of financial position as at 31 March 2013 and the related interim statements of comprehensive income, cash flows and changes in equity for the three month period then ended and explanatory notes. The Company's Board of Directors is responsible for the preparation and presentation of these interim condensed financial statements in accordance with International Accounting Standard 34 "Interim Financial Reporting" ("IAS 34"). Our responsibility is to express a conclusion on these interim condensed financial statements based on our review.

Scope of review

We conducted our review in accordance with the International Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity". A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing. Consequently, it does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying interim condensed financial statements are not prepared, in all material respects, in accordance with IAS 34.



7 May 2013


Manama, Kingdom of Bahrain

Aluminium Bahrain B.S.C.

INTERIM STATEMENT OF FINANCIAL POSITION

At 31 March 2013

	Note	31 March 2013 Unaudited BD '000	31 December 2012 Audited BD '000
ASSETS			
Non-current assets			
Property, plant and equipment		886,108	901,779
Long term receivable		10,314	10,314
		<u>896,422</u>	<u>912,093</u>
Current assets			
Inventories		160,719	143,564
Current portion of long term receivable		3,438	3,438
Accounts receivable and prepayments		120,791	108,299
Derivative financial instruments	4	-	104
Bank balances and cash		52,409	61,605
		<u>337,357</u>	<u>317,010</u>
TOTAL ASSETS		<u><u>1,233,779</u></u>	<u><u>1,229,103</u></u>
EQUITY AND LIABILITIES			
Equity			
Share capital		142,000	142,000
Treasury shares		(3,935)	(4,087)
Statutory reserve		71,000	71,000
Capital reserve		249	249
Retained earnings		641,118	600,683
Proposed dividend	8	-	19,773
Total equity		<u>850,432</u>	<u>829,618</u>
Non-current liabilities			
Borrowings		114,925	77,096
Derivative financial instruments	4	13,948	23,996
Employees' end of service benefits		1,046	915
		<u>129,919</u>	<u>102,007</u>
Current liabilities			
Borrowings		108,002	160,303
Short term loans		17,747	17,160
Accounts payable and accruals		118,049	106,585
Derivative financial instruments	4	9,630	13,430
		<u>253,428</u>	<u>297,478</u>
Total liabilities		<u>383,347</u>	<u>399,485</u>
TOTAL EQUITY AND LIABILITIES		<u><u>1,233,779</u></u>	<u><u>1,229,103</u></u>


Chairman


Director

The attached notes 1 to 8 form part of these interim condensed financial statements.

Aluminium Bahrain B.S.C.

INTERIM STATEMENT OF COMPREHENSIVE INCOME

For the three months ended 31 March 2013 (Unaudited)

	<i>Notes</i>	31 March 2013 BD '000	31 March 2012 BD '000
Sales revenue	6	187,085	186,402
Cost of sales		(144,874)	(146,624)
GROSS PROFIT		42,211	39,778
Other income		1,011	1,571
Selling and distribution expenses		(3,997)	(3,952)
General and administrative expenses		(7,723)	(6,486)
Gain on exchange		333	8
Finance costs		(1,514)	(1,857)
PROFIT FOR THE PERIOD BEFORE DERIVATIVE FINANCIAL INSTRUMENTS		30,321	29,062
Gain (loss) on revaluation/settlement of derivative financial instruments (net)	4	10,182	(7,726)
PROFIT AND OTHER COMPREHENSIVE INCOME FOR THE PERIOD		40,503	21,336
Basic and diluted earnings per share (fils)	3	29	15

The attached notes 1 to 8 form part of these interim condensed financial statements.

Aluminium Bahrain B.S.C.

INTERIM STATEMENT OF CASH FLOWS

For the three months ended 31 March 2013 (Unaudited)

	Notes	31 March 2013 BD '000	31 March 2012 BD '000
OPERATING ACTIVITIES			
Profit for the period		40,503	21,336
Adjustments for:			
Depreciation		19,271	19,052
Loss on disposal of property, plant and equipment		216	44
Provision for slow moving inventories		15	41
Provision for employees' end of service benefits		192	191
Provision for doubtful debts written back		(40)	(147)
Unrealised (gain) loss on revaluation of derivative financial instruments	4	(13,745)	1,101
Interest income		(65)	(125)
Finance costs		1,514	1,857
Amortisation of the cost of treasury shares held for Employees Stock Incentive Plan		142	269
		48,003	43,619
Working capital changes:			
Inventories		(17,170)	(21,946)
Accounts receivable and prepayments		(12,452)	(10,387)
Accounts payable and accruals		11,568	5,962
Cash from operations		29,949	17,248
Employees' end of service benefits paid		(61)	(238)
Net cash from operating activities		29,888	17,010
INVESTING ACTIVITIES			
Purchase of property, plant and equipment		(3,870)	(3,260)
Proceeds from disposal of property, plant and equipment		54	42
Interest received		65	125
Net cash used in investing activities		(3,751)	(3,093)
FINANCING ACTIVITIES			
Borrowings availed		123,704	63,920
Borrowings repaid		(138,176)	(70,759)
Movement in short term loans		587	2,501
Finance costs paid		(1,617)	(1,670)
Dividends paid	8	(19,773)	(56,495)
Purchase of treasury shares - net		(115)	(277)
Proceeds from resale of treasury shares		57	66
Net cash used in financing activities		(35,333)	(62,714)
DECREASE IN CASH AND CASH EQUIVALENTS		(9,196)	(48,797)
Cash and cash equivalents at 1 January		61,605	99,487
CASH AND CASH EQUIVALENTS AT 31 MARCH		52,409	50,690

Non-cash item

Finance costs of BD 103 thousand (2012: BD 187 thousand) which have been accrued but not yet paid have been excluded from the movement of accounts payable and accruals.

The attached notes 1 to 8 form part of these interim condensed financial statements.

Aluminium Bahrain B.S.C.

INTERIM STATEMENT OF CHANGES IN EQUITY

For the three months ended 31 March 2013 (Unaudited)

	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 1 January 2013	142,000	(4,087)	71,000	249	600,683	19,773	829,618
Total comprehensive income for the period	-	-	-	-	40,503	-	40,503
Net movement in treasury shares	-	10	-	-	-	-	10
Amortisation of the cost of treasury shares held for Employees Stock Incentive Plan	-	142	-	-	-	-	142
Loss on resale of treasury shares	-	-	-	-	(68)	-	(68)
Final dividend for 2012 approved and paid (note 8)	-	-	-	-	-	(19,773)	(19,773)
Balance at 31 March 2013	142,000	(3,935)	71,000	249	641,118	-	850,432
Balance at 1 January 2012	142,000	(5,029)	71,000	249	544,064	56,509	808,793
Total comprehensive income for the period	-	-	-	-	21,336	-	21,336
Net movement in treasury shares	-	(176)	-	-	-	-	(176)
Amortisation of the cost of treasury shares held for Employees Stock Incentive Plan	-	269	-	-	-	-	269
Loss on resale of treasury shares	-	-	-	-	(35)	-	(35)
Final dividend for 2011 approved (note 8)	-	-	-	-	-	(56,495)	(56,495)
Excess of final dividend for 2011 reversed	-	-	-	-	14	(14)	-
Balance at 31 March 2012	142,000	(4,936)	71,000	249	565,379	-	773,692

The attached notes 1 to 8 form part of these interim condensed financial statements.

At 31 March 2013

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 and Commerce under commercial registration (CR) number 999.

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

As of 31 March 2013, the majority shareholder of the Company 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% (31 December 2012: 69.38%) of the Company's share capital.

The Company is engaged in manufacturing aluminium and aluminium related products. The Company owns and operates a primary aluminium smelter and the related infrastructure. The Company also has branch offices in Zurich and Hong Kong.

On 3 September 1990, the Company entered into a Quota Agreement between the Company, the Government of the Kingdom of Bahrain (GB), SABIC Industrial Investments Company (SIIC) and Breton Investments Limited (Breton). The Quota Agreement remains in full force and effect and was not amended with respect to the transfer of GB's shareholding in the Company to Mumtalakat. Consequent to the purchase of shares held by Breton in 2010, Breton ceased to be a shareholder of the Company, thereby revoking its entitlement to rights and obligations under the Quota Agreement, including the right to require the Company to sell the eligible quota of aluminium to Breton at a specified price.

On 25 May 2010, Mumtalakat provided a letter to the Company whereby it irrevocably and unconditionally waived its rights under the Quota Agreement requiring the Company to sell the eligible quota of aluminium to Mumtalakat. Consequently, as a result of this waiver the Company is no longer under an obligation to sell any part of its production to Mumtalakat. The Company is now free to sell 69.38% of its production to third-party customers on commercial terms. Mumtalakat has also acknowledged that it is under an obligation to purchase its quota of aluminium produced by the Company, should the Company decide to sell Mumtalakat's quota in accordance with the Quota Agreement. SIIC has not given a corresponding written waiver to the Company as at the date of approval of these interim condensed financial statements.

The interim condensed financial statements were authorised for issue by the Board of Directors on 7 May 2013.

2 SIGNIFICANT ACCOUNTING POLICIES

Basis of preparation

The interim condensed financial statements of the Company for the three month period ended 31 March 2013 have been prepared in accordance with International Accounting Standard 34, "Interim Financial Reporting".

The interim condensed financial statements do not contain all the information and disclosures required in the annual financial statements, and should be read in conjunction with the Company's annual financial statements as at 31 December 2012. In addition, results for the three month period ended 31 March 2013 are not necessarily indicative of the results that may be expected for the financial year ending 31 December 2013.

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

New and amended standards and interpretations

The accounting policies adopted in the preparation of the interim condensed financial statements are consistent with those followed in the preparation of the Company's annual financial statements for the year ended 31 December 2012, except for the adoption of new Standards and Interpretation, noted below, which did not have any impact on the accounting policies, financial position or performance of the Company:

IAS 1 Presentation of Items of Other Comprehensive Income – Amendments to IAS 1

The amendments to IAS 1 introduce a grouping of items presented in other comprehensive income (OCI). Items that could be reclassified (or recycled) to profit or loss at a future point in time (e.g., net gain on hedge of net investment, exchange differences on translation of foreign operations, net movement on cash flow hedges and net loss or gain on available-for-sale financial assets) now have to be presented separately from items that will never be reclassified (e.g., actuarial gains and losses on defined benefit plans and revaluation of land and buildings). The amendment affected presentation only and had no impact on the Company's financial position or performance.

IFRS 7 Financial Instruments: Disclosures Offsetting Financial Assets and Financial Liabilities Amendments to IFRS 7

The amendment requires an entity to disclose information about rights to set-off financial instruments and related arrangements (e.g., collateral agreements). The disclosures would provide users with information that is useful in evaluating the effect of netting arrangements on an entity's financial position. The new disclosures are required for all recognised financial instruments that are set off in accordance with IAS 32. The disclosures also apply to recognised financial instruments that are subject to an enforceable master netting arrangement or similar agreement, irrespective of whether the financial instruments are set off in accordance with IAS 32. As the Company is not setting off financial instruments in accordance with IAS 32 and does not have relevant offsetting arrangements, the amendment does not have an impact on the Company.

IFRS 13 Fair Value Measurement

IFRS 13 establishes a single source of guidance under IFRS for all fair value measurements. IFRS 13 does not change when an entity is required to use fair value, but rather provides guidance on how to measure fair value under IFRS when fair value is required or permitted. The application of IFRS 13 has not materially impacted the fair value measurements carried out by the Company.

IFRS 13 also requires specific disclosures on fair values, some of which replace existing disclosure requirements in other standards, including IFRS 7 Financial Instruments: Disclosures. Some of these disclosures are specifically required for financial instruments by IAS 34.16A(j), thereby affecting the interim condensed financial statements for the period. The Company provides these disclosures in note 5.

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS

At 31 March 2013

3 EARNINGS PER SHARE

	<i>Three month period ended</i>	
	<i>31 March</i>	
	2013	2012
	BD '000	BD '000
Profit for the period	40,503	21,336
Weighted average number of shares outstanding	1,412,416,090	1,412,572,666
Basic and diluted earnings per share – fils	29	15

No separate figure for diluted earnings per share has been presented as the Company has issued no financial instruments which may have a dilutive effect.

4 DERIVATIVE FINANCIAL INSTRUMENTS

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

The Company has a number of derivative financial instruments comprising interest rate collars, knockout swaps, forward foreign exchange contracts and commodity options. The fair values of the derivative financial instruments at 31 March 2013 were as follows:

	31 March		31 December	
	2013		2012	
	Assets	Liabilities	Assets	Liabilities
	BD '000	BD '000	BD '000	BD '000
Commodity options	-	20,443	-	34,424
Commodity futures	-	601	104	-
Interest rate collars and knockout swaps	-	2,534	-	2,955
Forward foreign exchange contracts	-	-	-	47
Total	-	23,578	104	37,426

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS

At 31 March 2013

4 DERIVATIVE FINANCIAL INSTRUMENTS (continued)

These are classified in the interim statement of financial position as follows:

	31 March 2013		31 December 2012	
	Assets BD '000	Liabilities BD '000	Assets BD '000	Liabilities BD '000
Non-current portion:				
Commodity options	-	13,050	-	22,799
Interest rate collars and knockout swaps	-	898	-	1,197
	-	13,948	-	23,996
Current portion:				
Commodity options	-	7,393	-	11,625
Commodity futures	-	601	104	-
Interest rate collars and knockout swaps	-	1,636	-	1,758
Forward foreign exchange contracts	-	-	-	47
	-	9,630	104	13,430

The fair valuation of the derivative financial instruments resulted in the following gains (losses) to the interim statement of comprehensive income for the three month period ended 31 March 2013.

	Three month period ended 31 March	
	2013 BD '000	2012 BD '000
Revaluation:		
Commodity options and futures	13,277	(2,225)
Interest rate collars and knockout swaps	421	991
Forward foreign exchange contracts	47	133
Unrealised gains (losses) on derivative financial instruments	13,745	(1,101)
Realised:		
Commodity options and futures	(2,868)	(5,225)
Interest rate collars and knockout swaps	(695)	(1,400)
Realised losses on derivatives	(3,563)	(6,625)
Net gain (loss) on fair valuation taken to interim statement of comprehensive income	10,182	(7,726)

5 FINANCIAL INSTRUMENTS

Fair values

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

Financial assets consist of bank balances and cash and receivables. Financial liabilities consist of borrowings, short term loans and payables. Derivative financial instruments consist of interest rate collars, knockout swaps, forward exchange contracts and commodity options.

Set out below is an overview of financial instruments, other than bank balances and cash, held by the Company as at 31 March 2013:

	<i>Loans and receivables BD '000</i>	<i>Fair value profit or loss BD '000</i>
Financial assets:		
Trade and other receivables	118,496	-
Financial liabilities:		
Borrowings	222,927	-
Short term loans	17,747	-
Accounts payable and accruals	116,366	-
Derivative financial instruments	-	23,578
	357,040	23,578

Fair value hierarchy

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

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

Level 2 : Valuation techniques (for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable); and

Level 3 : Valuation techniques (for which the lowest level input that is significant to the fair value measurement is unobservable).

As at 31 March 2013, the Company's derivative financial instruments are measured at fair value. These are Level 2 as per the hierarchy above for the three months ended 31 March 2013. The Company does not have financial instruments qualifying for Level 1 or Level 3 classification.

During the three month period ended 31 March 2013 and the three month period ended 31 March 2012, 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.

At 31 March 2013

6 OPERATING SEGMENT INFORMATION

For management purposes, the Company 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 interim statement of financial position and interim statement of comprehensive income of the Company.

a) Product

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

	<i>Three month period ended</i>	
	<i>31 March</i>	
	2013	2012
	BD '000	BD '000
Aluminium	187,085	186,402

b) Geographic information

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

	<i>Three month period ended</i>	
	<i>31 March</i>	
	2013	2012
	BD '000	BD '000
Kingdom of Bahrain	91,004	78,551
Asia	21,166	37,104
Rest of the Middle East and North Africa	45,818	44,788
Europe	23,996	25,959
Americas	5,101	-
Total sales revenue	187,085	186,402

The revenue information above is based on the location of the customers.

c) Customers

Revenue from sale of metal from two of the major customers of the Company amounted to BD 71,310 thousand (2012: BD 56,587 thousand), each being more than 10% of the total sales revenue for the period.

7 COMMITMENTS AND CONTINGENCIES

As of 31 March 2013, there have been no significant changes to outstanding commitments and contingencies compared to 31 December 2012.

8 DIVIDEND

On 7 March 2013, the Company's shareholders approved the Board of Director's proposal to pay a final dividend of BD 0.014 per share (excluding treasury shares) totalling BD 19,773 thousand relating to 2012 which was fully paid as of 31 March 2013.

On 8 March 2012, the Company's shareholders approved the Board of Director's proposal to pay a final dividend of BD 0.040 per share (excluding treasury shares) totalling BD 56,509 thousand relating to 2011 from which BD 56,495 thousand was paid.