

Aluminium Bahrain B.S.C.
INTERIM CONDENSED FINANCIAL STATEMENTS
31 MARCH 2012 (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 2012, comprising of the interim statement of financial position as at 31 March 2012 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.



6 May 2012

Manama, Kingdom of Bahrain

Aluminium Bahrain B.S.C.

INTERIM STATEMENT OF FINANCIAL POSITION

At 31 March 2012

	Note	31 March 2012 Unaudited BD '000	31 December 2011 Audited BD '000
ASSETS			
Non-current assets			
Property, plant and equipment		930,929	946,807
Long term receivable		13,753	13,753
		<u>944,682</u>	<u>960,560</u>
Current assets			
Inventories		179,925	158,020
Current portion of long term receivable		3,438	3,438
Accounts receivable and prepayments		93,819	83,285
Bank balances and cash		50,690	99,487
		<u>327,872</u>	<u>344,230</u>
TOTAL ASSETS		<u><u>1,272,554</u></u>	<u><u>1,304,790</u></u>
EQUITY AND LIABILITIES			
Equity			
Share capital		142,000	142,000
Treasury shares		(4,936)	(5,029)
Statutory reserve		71,000	71,000
Capital reserve		249	249
Retained earnings		565,379	544,064
Proposed dividend		-	56,509
Total equity		<u>773,692</u>	<u>808,793</u>
Non-current liabilities			
Borrowings		100,198	167,140
Derivative financial instruments	3	47,538	34,324
Employees' end of service benefits		893	940
		<u>148,629</u>	<u>202,404</u>
Current liabilities			
Borrowings		209,836	149,733
Short term loans		15,585	13,084
Accounts payable and accruals		106,279	100,130
Derivative financial instruments	3	18,533	30,646
		<u>350,233</u>	<u>293,593</u>
Total liabilities		<u>498,862</u>	<u>495,997</u>
TOTAL EQUITY AND LIABILITIES		<u><u>1,272,554</u></u>	<u><u>1,304,790</u></u>

The interim condensed financial statements were authorised for issue by the Board of Directors on 6 May 2012.



Chairman



Director

The attached notes 1 to 6 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 2012 (Unaudited)

		31 March 2012 BD '000	31 March 2011 BD '000
	<i>Notes</i>		
Sales revenue	4	186,402	217,237
Cost of sales		(146,624)	(146,049)
GROSS PROFIT		39,778	71,188
Other income		1,571	1,626
Selling and distribution expenses		(3,952)	(6,508)
General and administrative expenses		(6,486)	(6,723)
Gain (loss) on exchange		8	(822)
Finance costs		(1,857)	(1,756)
PROFIT FOR THE PERIOD BEFORE DERIVATIVE FINANCIAL INSTRUMENTS		29,062	57,005
Loss on revaluation/settlement of derivative financial instruments (net)	3	(7,726)	(23,782)
PROFIT AND OTHER COMPREHENSIVE INCOME FOR THE PERIOD		21,336	33,223
Basic and diluted earnings per share (fils)		15	23

The attached notes 1 to 6 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 2012 (Unaudited)

	Notes	31 March 2012 BD '000	31 March 2011 BD '000
OPERATING ACTIVITIES			
Profit for the period		21,336	33,223
Adjustments for:			
Depreciation		19,052	18,595
Loss on disposal of property, plant and equipment		44	-
Provision for employees' end of service benefits		191	71
Unrealised loss on revaluation of derivative financial instruments	3	1,101	12,133
Interest income		(125)	(101)
Finance costs		1,857	1,756
Amortisation of the cost of treasury shares held for Employees Stock Incentive Plan		269	195
		43,725	65,872
Working capital changes:			
Inventories		(21,905)	(26,899)
Accounts receivable and prepayments		(10,534)	(10,888)
Accounts payable and accruals		5,962	6,412
Cash from operations		17,248	34,497
Employees' end of service benefits paid		(238)	-
Net cash from operating activities		17,010	34,497
INVESTING ACTIVITIES			
Purchase of property, plant and equipment		(3,260)	(11,214)
Proceeds from disposal of property, plant and equipment		42	-
Term deposits		-	3,011
Interest received		125	101
Net cash used in investing activities		(3,093)	(8,102)
FINANCING ACTIVITIES			
Borrowings availed		63,920	16,405
Borrowings repaid		(70,759)	(7,404)
Movement in short term loans		2,501	5,435
Finance costs paid		(1,670)	(1,625)
Margin deposits		-	(685)
Dividends paid	6	(56,495)	-
Purchase of treasury shares - net		(277)	(1,408)
Proceeds from resale of treasury shares		66	897
Net cash (used in) from financing activities		(62,714)	11,615
(DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS		(48,797)	38,010
Cash and cash equivalents at 1 January		99,487	55,869
CASH AND CASH EQUIVALENTS AT 31 MARCH		50,690	93,879

Non-cash item

Finance costs of BD 187 thousand (2011: BD 131 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 6 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 2012 (Unaudited)

	Share capital BD '000	Treasury shares BD '000	Statutory reserve BD '000	Capital reserve BD '000	Treasury shares reserve BD '000	Retained earnings BD '000	Proposed dividend BD '000	Total BD '000
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 and paid (note 6)	-	-	-	-	-	-	(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

	Share capital BD '000	Treasury shares BD '000	Statutory reserve BD '000	Capital reserve BD '000	Treasury shares reserve BD '000	Retained earnings BD '000	Proposed dividend BD '000	Total BD '000
Balance at 1 January 2011	142,000	(3,735)	68,629	249	-	429,245	62,294	698,682
Total comprehensive income for the period	-	-	-	-	-	33,223	-	33,223
Net movement in treasury shares	-	(522)	-	-	-	-	-	(522)
Amortisation of the cost of treasury shares held for Employees Stock Incentive Plan	-	195	-	-	-	-	-	195
Gain on resale of treasury shares	-	-	-	-	11	-	-	11
Final dividend for 2010 approved (note 6)	-	-	-	-	-	-	(62,268)	(62,268)
Excess of final dividend for 2010 reversed	-	-	-	-	-	26	(26)	-
Balance at 31 March 2011	142,000	(4,062)	68,629	249	11	462,494	-	669,321

The attached notes 1 to 6 form part of these interim condensed financial statements.

Aluminium Bahrain B.S.C.

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS

At 31 March 2012

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.

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, which holds 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 has branch offices in Zurich, Switzerland 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.

2 SIGNIFICANT ACCOUNTING POLICIES

Basis of preparation

The interim condensed financial statements of the Company for the three month period ended 31 March 2012 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 2011. In addition, results for the three month period ended 31 March 2012 are not necessarily indicative of the results that may be expected for the financial year ending 31 December 2012.

The accounting policies used in the preparation of the interim condensed financial statements are consistent with those used in the preparation of the annual financial statements for the year ended 31 December 2011.

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS

At 31 March 2012

3 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 2012 are as follows:

	31 March 2012	<i>31 December 2011</i>
	Liabilities BD '000	<i>Liabilities BD '000</i>
Commodity options	58,483	55,599
Commodity futures	56	715
Interest rate collars and knockout swaps	7,327	8,318
Forward foreign exchange contracts	205	338
Total	66,071	64,970

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

	31 March 2012	<i>31 December 2011</i>
	Liabilities BD '000	<i>Liabilities BD '000</i>
Non-current portion:		
Commodity options	43,635	29,911
Interest rate collars and knockout swaps	3,903	4,366
Forward foreign exchange contracts	-	47
	47,538	34,324
Current portion:		
Commodity options	14,848	25,688
Commodity futures	56	715
Interest rate collars and knockout swaps	3,424	3,952
Forward foreign exchange contracts	205	291
	18,533	30,646

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NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS

At 31 March 2012

3 DERIVATIVE FINANCIAL INSTRUMENTS (continued)

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 2012.

	<i>Three month period ended</i>	
	<i>31 March</i>	
	2012	2011
	BD '000	BD '000
Revaluation:		
Commodity options and futures	(2,225)	(14,653)
Interest rate collars and knockout swaps	991	1,475
Forward foreign exchange contracts	133	1,045
Unrealised losses on derivative financial instruments	(1,101)	(12,133)
Realised:		
Commodity options and futures	(5,225)	(9,738)
Interest rate collars and knockout swaps	(1,400)	(1,911)
Realised losses on derivatives	(6,625)	(11,649)
Net loss on fair valuation taken to interim statement of comprehensive income	(7,726)	(23,782)

4 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>	
	2012	2011
	BD '000	BD '000
Aluminium	186,402	211,587
Calcined coke	-	5,650
Total sales revenue	186,402	217,237

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>	
	2012	2011
	BD '000	BD '000
Kingdom of Bahrain	78,551	114,350
Asia	37,104	26,255
Rest of the Middle East and North Africa	44,788	33,279
Europe	25,959	43,353
Total sales revenue	186,402	217,237

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS

At 31 March 2012

4 OPERATING SEGMENT INFORMATION (continued)

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 56,587 thousand (2011: BD 72,898 thousand), each being more than 10% of the total sales revenue for the period.

5 COMMITMENTS AND CONTINGENCIES

As of 31 March 2012, there have been no significant changes to outstanding commitments and contingencies compared to 31 December 2011.

6 DIVIDEND

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.

On 30 March 2011, the Company's shareholders approved the Board of Directors' proposal to pay a final dividend of BD 0.044 per share (excluding treasury shares) totalling BD 62,294 thousand relating to 2010 from which BD 62,268 thousand was paid subsequent to 31 March 2011.