Aluminium Bahrain B.S.C.

REPORT OF THE BOARD OF DIRECTORS AND FINANCIAL STATEMENTS

31 DECEMBER 2015

Aluminium Bahrain B.S.C.
REPORT OF THE BOARD OF DIRECTORS

The Directors have the pleasure to submit their report together with the Audited Financial Statements for the year ended 31 December 2015.

Principal Activity

Aluminium Bahrain B.S.C. ("the Company") was incorporated as a Bahrain Joint Stock Company (closed) in the Kingdom of Bahrain and registered with the Ministry of Industry and Commerce under Commercial Registration (CR) Number 999. The Company was converted into a Bahrain Public Joint Stock Company effective 23 November 2010 and its shares were listed on two exchanges: Ordinary Shares on the Bahrain Bourse and Global Depositary Receipts (GDRs) on the London Stock Exchange.

The principal activities of the Company are to build and operate smelters for the production of aluminium, to sell aluminium within and outside the Kingdom of Bahrain and to carry any related business to complement the Company's operations and/ or to enhance the value or profitability of any of the Company's property or rights.

Registered Office

The official business address of the Company is located at Building 150, Road 94, Block 951, Askar, Kingdom of Bahrain.

Winterthur Branch

On 7 July 2011, the Company established and registered Aluminium Bahrain B.S.C., Manama, Bahrain, Winterthur Branch in Zurich, Switzerland, with office address at Merkustrsse 25, CH-8400 Winterthur, Switzerland.

Hong Kong Branch

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

U. S. Branch

On 11th June 2014, the Board approved the incorporation of a U.S. entity and the creation of a sales office with address at Aluminium Bahrain US, Inc. 400 Colony Square, Suite 1001, 1201 Peachtree St. NE, Atlanta, GA 30361.

Alba, P.O. Box : 570, Manama, Kingdom of Bahrain. Tel : (+973) 17830000, Fax : (+973) 17830083, e-mail : alba@alba.com.bh

Share Capital Structure

Shareholders	2015 (%)	2014 (%)
Bahrain Mumtalakat Holding Company B.S.C. (c)	69.38	69.38
SABIC Industrial Investments Company	20.62	20.62
Others – Public	10.00	10.00
	100.00	100.00

Corporate Secretary

Ms. Eline Hilal, who was the Acting Corporate Secretary since February 2015, was appointed as the Corporate Secretary at the Board Meeting held on 30th September 2015.

Chief Officers

Mr. Tim Murray, Chief Executive Officer
Mr. Isa Al Ansari Chief Operations Officer
Mr. Ali Al Baqali, Chief Financial Officer
Mr. Jean Baptiste Lucas, Chief Marketing Officer (resigned on 31st January 2015)
Mr. Khalid Abdul Latif, Chief Marketing Officer (appointed as the Acting Chief Marketing Officer in February 2015 and was confirmed as the Chief Marketing Officer at the Board Meeting held on 30th September 2015.

Results and Retained Earnings

The Company made a profit of BD60.0 Million for the financial of year 2015 as compared to a profit of BD96.5 Million for the financial year of 2014.

The movements in retained earnings of the Company were:

	BD '000
Balance as at 31 December 2014	687,387
Profit for the year 2015	59,961
Excess of final dividend for 2014 reversed	2
Interim dividend paid for 2015	-7,765
Final dividend proposed for 2015	-7,768
Loss on resale of treasury shares	-119
Balance as at 31 December 2015	731,698

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Appropriations

(1) On 01[st] March 2015, the Company's shareholders approved the Board of Directors' recommendation to pay a final dividend for 2014 of BD.015 per share (excluding treasury shares) totalling BD21.2 Million relating to 2014 which was paid in full in 2015.

(2) (a) On 29[th] July 2015, the Board of Directors recommended an interim dividend of BD.0055 per share (excluding treasury shares) totalling BD7.8 Million which was subsequently paid on the 1[st] of September 2015.

(b) On 18[th] February 2016, the Board of Directors recommended a final dividend of BD.0055 per share (excluding treasury shares) totalling BD7.8 Million.

Both of the above noted appropriations per item (2) are subject to the approval of the shareholders of the Company at the Annual General Meeting which will be held on 16 March 2016.

Directors of the Company

The following Directors retired in the year 2015:

Mr. Anthony Lee Robinson, Director, resigned on 4[th] of June 2015 - Bahrain Mumtalakat Holding Company B.S.C. (c).
Mr. Fawaz M. Alfawaz, Director, resigned on 10[th] of May 2015 - Sabic Industrial Investments Company.

The following Directors were appointed/elected in the year 2015:

Suha S. Karzoon, Director, appointed on 10[th] June 2015 - Bahrain Mumtalakat Holding Company B.S.C. (c).
Khalid A. Al Garni, Director, appointed on 10[th] of May 2015 - Sabic Industrial Investments Company.
Mr. Mutlaq H. Al Morished was elected as an Independent Director at the Extraordinary General Meeting of Alba Shareholders that was held on the 10[th] of June 2015.

The following Directors served on the Board of Alba effective the date of the Extraordinary General Meeting that was held on 10[th] June 2015:

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

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

ألبا، ص.ب: ٥٧٠، المنامة، مملكة البحرين، تلفون: ١٧٨٣٠٠٠٠ (٩٧٣+)، فاكس: ١٧٨٣٠٠٨٣ (٩٧٣+)
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Aluminium for the world

Aluminium Bahrain B.S.C
C.R. No.999

ألمنيوم للعالم

ألمنيوم البحرين ش.م.ب
سجل تجاري رقم ٩٩٩

Sabic Industrial Investments Company

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

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

Directors' Remuneration

Directors' remuneration charged during the year ended 31 December 2015 was BD 210,000 (2014: BD 190,000).

Auditors

Ernst & Young have expressed their willingness to continue in office and a resolution proposing their appointment as auditors of the Company for the year ending 31 December 2016 will be submitted to the Annual General Meeting of shareholders which will be held on 16 March 2016.

By order of the Board,

Daij Bin Salman Bin Daij Al Khalifa
Chairman
18 February 2016

ألبا، ص.ب. ٥٧٠، المنامة، مملكة البحرين، هاتف: (+٩٧٣) ١٧٨٣٠٠٠٠، فاكس: (+٩٧٣) ١٧٨٣٠٠٨٣
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C.R. No. 6700

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

Report on the financial statements

We have audited the accompanying financial statements of Aluminium Bahrain B.S.C. ('the Company'), which comprise the statement of financial position as at 31 December 2015, and the statements of comprehensive income, cash flows and changes in equity for the year then ended, and a summary of significant accounting policies and other explanatory information.

Board of Directors' Responsibility for the Financial Statements

The Board of Directors is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards, and for such internal control as the Board of Directors determines is necessary to enable the preparation of the financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate for the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Board of Directors, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of the Company as of 31 December 2015 and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

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INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS OF ALUMINIUM BAHRAIN B.S.C. (continued)

Report on other regulatory requirements

As required by the Bahrain Commercial Companies Law we report that:

a) the Company has maintained proper accounting records and the financial statements are in agreement therewith; and

b) the financial information contained in the Report of the Board of Directors is consistent with the financial statements.

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 2015 that might have had a material adverse effect on the business of the Company or on its financial position. Satisfactory explanations and information have been provided to us by the management in response to all our requests.

Ernst + Young

Partner's Registration No. 45
18 February 2016
Manama, Kingdom of Bahrain

Aluminium Bahrain B.S.C.

STATEMENT OF FINANCIAL POSITION

At 31 December 2015

	Note	2015 BD '000	2014 BD '000
ASSETS			
Non-current assets			
Property, plant and equipment	4	811,377	837,757
Long term receivable	5	-	3,439
Other asset	6	4,512	4,704
		815,889	845,900
Current assets			
Inventories	7	146,404	152,469
Current portion of long term receivable	5	3,439	3,438
Trade and other receivables	8	100,698	92,888
Bank balances and cash	9	116,009	67,198
		366,550	315,993
TOTAL ASSETS		1,182,439	1,161,893
EQUITY AND LIABILITIES			
Equity			
Share capital	10	142,000	142,000
Treasury shares	11	(4,905)	(3,696)
Statutory reserve	13	71,000	71,000
Capital reserve	14	249	249
Retained earnings		731,698	687,387
Proposed dividend	15	7,768	21,200
Total equity		947,810	918,140
Non-current liabilities			
Borrowings	16	33,024	64,137
Employees' end of service benefits	17 (a)	1,349	1,265
		34,373	65,402
Current liabilities			
Borrowings	16	56,373	72,351
Trade and other payables	18	143,844	101,378
Derivative financial instruments	19	39	4,622
		200,256	178,351
Total liabilities		234,629	243,753
TOTAL EQUITY AND LIABILITIES		1,182,439	1,161,893

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

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

Aluminium Bahrain B.S.C.
STATEMENT OF COMPREHENSIVE INCOME
Year ended 31 December 2015

	Note	2015 BD '000	2014 BD '000
Sales	23(a)	766,686	821,715
Cost of sales		(663,428)	(673,947)
GROSS PROFIT		103,258	147,768
Other income	20	3,701	1,865
Gain on foreign exchange translation		728	671
Administrative expenses		(32,417)	(29,546)
Selling and distribution expenses		(12,187)	(19,885)
Finance costs	21	(3,176)	(4,449)
Directors' fees	24	(210)	(190)
Gain on revaluation/settlement of derivative financial instruments (net)	19	264	211
PROFIT FOR THE YEAR	21	59,961	96,445
Other comprehensive income for the year		-	-
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		59,961	96,445
Basic and diluted earnings per share (fils)	12	42	68

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

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

STATEMENT OF CASH FLOWS

Year ended 31 December 2015

	Note	2015 BD '000	2014 BD '000
OPERATING ACTIVITIES			
Profit for the year		59,961	96,445
Adjustments for:			
Depreciation	4	73,775	79,419
Amortisation of other asset	6	192	96
Provision for employees' end of service benefits - net	17 (a)	1,476	1,403
Provision for impairment of inventories - net	7	177	73
Provision for impairment of receivables - net		197	(4)
Gain on revaluation of derivative financial instruments	19	(4,583)	(5,481)
Loss on disposal of property, plant and equipment		1,114	1,549
Interest income	20	(142)	(188)
Interest on borrowings	21	2,749	3,733
Cost of Employees' Stock Incentive Plan - net	21	-	(92)
		134,916	176,953
Working capital changes:			
Inventories		5,888	(7,612)
Trade and other receivables		(8,007)	(7,509)
Trade and other payables (refer note a below)		42,586	3,608
Cash from operations		175,383	165,440
Employees' end of service benefits paid	17 (a)	(1,392)	(1,068)
Net cash flows from operating activities		173,991	164,372
INVESTING ACTIVITIES			
Purchase of property, plant and equipment	4	(48,575)	(50,550)
Proceeds from disposal of property, plant and equipment		66	143
Interest received	20	142	188
Net cash flows used in investing activities		(48,367)	(50,219)
FINANCING ACTIVITIES			
Repayment of long term receivable		3,438	3,438
Borrowings availed		103,400	231,240
Borrowings repaid		(150,491)	(295,586)
Interest on borrowings paid (refer note below)		(2,869)	(3,923)
Dividends paid	15	(28,963)	(47,998)
Purchase of treasury shares		(1,933)	(2,020)
Proceeds from resale of treasury shares		605	3,354
Net cash flows used in financing activities		(76,813)	(111,495)
INCREASE IN BANK BALANCES AND CASH		48,811	2,658
Bank balances and cash at 1 January		67,198	64,540
BANK BALANCES AND CASH AT 31 DECEMBER	9	116,009	67,198

Non-cash item:

Movements in unpaid interest on borrowings amounting to BD 120 thousand is excluded from the movement in trade and other payables (2014: BD 190 thousand).

STATEMENT OF CHANGES IN EQUITY

Year ended 31 December 2015

	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 2013		142,000	(5,157)	71,000	249	629,381	30,978	868,451
Total comprehensive income for the year		-	-	-	-	96,445	-	96,445
Net movement in treasury shares		-	1,553	-	-	-	-	1,553
Reversal of amortisation of the cost of treasury shares held for Employees' Stock Incentive Plan		-	(92)	-	-	-	-	(92)
Loss on resale of treasury shares		-	-	-	-	(219)	-	(219)
Final dividend for 2013 approved and paid	15	-	-	-	-	-	(31,040)	(31,040)
Shortage of final dividend for 2013 added		-	-	-	-	(62)	62	-
Interim dividend for 2014 proposed and paid	15	-	-	-	-	(16,958)	-	(16,958)
Proposed final dividend for 2014	15	-	-	-	-	(21,200)	21,200	-
Balance at 31 December 2014		142,000	(3,696)	71,000	249	687,387	21,200	918,140
Total comprehensive income for the year		-	-	-	-	59,961	-	59,961
Net movement in treasury shares		-	(1,209)	-	-	-	-	(1,209)
Loss on resale of treasury shares		-	-	-	-	(119)	-	(119)
Final dividend for 2014 approved and paid	15	-	-	-	-	-	(21,198)	(21,198)
Excess of final dividend for 2014 reversed		-	-	-	-	2	(2)	-
Interim dividend for 2015 proposed and paid	15	-	-	-	-	(7,765)	-	(7,765)
Proposed final dividend for 2015	15	-	-	-	-	(7,768)	7,768	-
Balance at 31 December 2015		**142,000**	**(4,905)**	**71,000**	**249**	**731,698**	**7,768**	**947,810**

The attached notes 1 to 27 form part of these 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 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 the Bahrain Bourse and Global Depository Receipts were listed on the London Stock Exchange. The Company has its registered office at 150 Askar Road, Askar 951, Kingdom of Bahrain.

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

The Company is engaged in manufacturing aluminium and aluminium related products. The Company owns and operates a primary aluminium smelter and the related infrastructure. The Company also has representative sales branch offices in Zurich, Switzerland and Hong Kong and in the United States of America.

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 financial statements.

These financial statements were authorised for issue in accordance with a resolution of the Directors on 18 February 2016.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of preparation

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

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

New and amended standards and interpretations as of 1 January 2015
The accounting policies adopted are consistent with those of the previous financial year, except for the following amended IFRSs effective as of 1 January 2015 which had no significant impact on the Company's financial position, performance or its disclosures:

Annual Improvements 2010-2012 Cycle
IAS 16 Property, Plant and Equipment and IAS 38 Intangible Assets
The amendment is applied retrospectively and clarifies in IAS 16 and IAS 38 that the asset may be revalued by reference to observable data by either adjusting the gross carrying amount of the asset to market value or by determining the market value of the carrying value and adjusting the gross carrying amount proportionately so that the resulting carrying amount equals the market value. In addition, the accumulated depreciation or amortisation is the difference between the gross and carrying amounts of the asset. This amendment is not relevant for the Company as the Company's property, plant and equipment are stated at cost less accumulated depreciation and/or impairment losses.

IAS 24 Related Party Disclosures
The amendment is applied retrospectively and clarifies that a management entity (an entity that provides key management personnel services) is a related party subject to the related party disclosures. In addition, an entity that uses a management entity is required to disclose the expenses incurred for management services. This amendment is not relevant for the Company as it does not receive any management services from other entities.

Annual Improvements 2011-2013 Cycle
These improvements are effective from 1 July 2014 and have no material impact on the Company. They include:

IFRS 13 Fair Value Measurement
The amendment is applied prospectively and clarifies that the portfolio exception in IFRS 13 can be applied not only to financial assets and financial liabilities, but also to other contracts within the scope of IAS 39. This amendment is not relevant for the Company.

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

IFRS 9 Financial Instruments: Classification and Measurement
In July 2014, the IASB issued the final version of IFRS 9 Financial Instruments which reflects all phases of the financial instruments project and replaces IAS 39 Financial Instruments: Recognition and Measurement and all previous versions of IFRS 9. The standard introduces new requirements for classification and measurement, impairment, and hedge accounting. IFRS 9 is effective for annual periods beginning on or after 1 January 2018, with early application permitted. Retrospective application is required, but comparative information is not compulsory. Early application of previous versions of IFRS 9 (2009, 2010 and 2013) is permitted if the date of initial application is before 1 February 2015. The adoption of IFRS 9 will have an effect on the classification and measurement of the Company's financial assets, but no impact on the classification and measurement of the Company's financial liabilities. The Company is currently assessing the impact of IFRS 9 and plans to adopt the new standard on the required effective date.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Standards issued but not yet effective (continued)

Amendments to IFRS 11 Joint Arrangements: Accounting for Acquisitions of Interests

The amendments to IFRS 11 require that a joint operator accounting for the acquisition of an interest in a joint operation, in which the activity of the joint operation constitutes a business must apply the relevant IFRS 3 principles for business combinations accounting. The amendments also clarify that a previously held interest in a joint operation is not remeasured on the acquisition of an additional interest in the same joint operation while joint control is retained. In addition, a scope exclusion has been added to IFRS 11 to specify that the amendments do not apply when the parties sharing joint control, including the reporting entity, are under common control of the same ultimate controlling party.

The amendments apply to both the acquisition of the initial interest in a joint operation and the acquisition of any additional interests in the same joint operation and are prospectively effective for annual periods beginning on or after 1 January 2016, with early adoption permitted. These amendments are not expected to have any impact to the Company.

IFRS 14 Regulatory Deferral Accounts

The standard permits an entity which is a first-time adopter of International Financial Reporting Standards to continue to account, with some limited changes, for 'regulatory deferral account balances' in accordance with its previous Generally Accepted Accounting Principles, both on initial adoption of IFRS and in subsequent financial statements (effective for annual periods beginning on or after 1 January 2016). This standard has no impact on the Company.

IFRS 15 Revenue from Contracts with Customers

IFRS 15 was issued in May 2014 and establishes a new five-step model that will apply to revenue arising from contracts with customers. Under IFRS 15 revenue is recognised 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 principles in IFRS 15 provide a more structured approach to measuring and recognising revenue. The new revenue standard is applicable to all entities and will supersede all current revenue recognition requirements under IFRS. Either a full or modified retrospective application is required for annual periods beginning on or after 1 January 2018 with early adoption permitted. The Company is currently assessing the impact of IFRS 15 and plans to adopt the new standard on the required effective date.

Amendments to IAS 16 and IAS 38: Clarification of Acceptable Methods of Depreciation and Amortisation

The amendments clarify the principle in IAS 16 and IAS 38 that revenue reflects a pattern of economic benefits that are generated from operating a business (of which the asset is part) rather than the economic benefits that are consumed through use of the asset. As a result, a revenue-based method cannot be used to depreciate property, plant and equipment and may only be used in very limited circumstances to amortise intangible assets. The amendments are effective prospectively for annual periods beginning on or after 1 January 2016, with early adoption permitted. These amendments are not expected to have any impact on the Company given that the Company has not used a revenue-based method to depreciate its non-current assets.

IFRS 16 Leases

The International Accounting Standards Board (IASB) has published a new standard, IFRS 16 'Leases'. The new standard brings most leases on-balance sheet for lessees under a single model, eliminating the distinction between operating and finance leases. Lessor accounting however remains largely unchanged and the distinction between operating and finance leases is retained. IFRS 16 supersedes IAS 17 'Leases' and related interpretations and is effective for periods beginning on or after 1 January 2019, with earlier adoption permitted if IFRS 15 'Revenue from Contracts with Customers' has also been applied.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Standards issued but not yet effective (continued)

Annual Improvements 2012-2014 Cycle

These improvements are effective for annual periods beginning on or after 1 January 2016 and are not expected to have a material impact on the Company's financial statements. They include:

IAS 1 Presentation of Financial Statements: Disclosure Initiative

The amendments to IAS 1 Presentation of Financial Statements clarify, rather than significantly change, existing IAS 1 requirements. The amendments clarify:

- the materiality requirements;
- that entities have flexibility as to the order in which they present the notes to financial statements;
- that specific line items in the statements of income, comprehensive income and financial position may be disaggregated; and
- that the share of other comprehensive income of associates and joint ventures accounted for using the equity method must be presented in aggregate as a single line item, and classified between those items that will or will not be subsequently reclassified to the statement of income.

Furthermore, the amendments clarify the requirements that apply when additional subtotals are presented in the statements of financial position, income and other comprehensive income. These amendments are effective for annual periods beginning on or after 1 January 2016, with early adoption permitted. These amendments are not expected to have any impact on the Company's financial statements.

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

Foreign currencies

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

Current versus non-current classification

The Company presents assets and liabilities in 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.

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 Company classifies all other liabilities as non-current.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

The Company 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 Company.

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

All assets and liabilities for which fair value is measured or disclosed in the 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 financial statements on a recurring basis, the Company 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 Company'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 Company 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.

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 Company 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 repair and maintenance costs are recognised in the statement of comprehensive income as incurred.

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

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

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

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

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

Impairment of non-financial assets
The Company 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 Company 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 Company 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 statement of comprehensive income.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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.
Stores	Purchase cost calculated on a weighted average basis after making due allowance for any obsolete items.

Net realisable value is the estimated selling price in the ordinary course of business, less estimated costs of completion and the estimated costs necessary to make the sale.

Financial assets

Initial recognition and measurement

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

All financial assets are recognised initially at fair value plus, in the case of financial assets not recorded at fair value through profit or loss, transaction costs that are attributable to the acquisition of the financial asset.

Purchases or sales of financial assets that require delivery of assets within a time frame established by regulation or convention in the market place (regular way trades) are recognised on the trade date, i.e., the date that the Company commits to purchase or sell the asset.

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

Subsequent measurement

Trade and other receivables

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

Cash and cash equivalents

For the purpose of 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 Company's statement of financial position) when:

- The rights to receive cash flows from the asset have expired, or
- The Company 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 Company has transferred substantially all the risks and rewards of the asset, or (b) the Company has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

Impairment of financial assets is determined as follows:
- For assets carried at fair value, impairment is the difference between cost and fair value, less any impairment loss previously recognised in the 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.

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 Company's financial liabilities include trade and other payables, loans and 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 Company.

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

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

Offsetting of financial instruments
Financial assets and financial liabilities are offset and the net amount is reported in the 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)

Derivative financial instruments and hedging activities
Derivative financial instruments are initially recognised in the 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 Company'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 Company'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 Company 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 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 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 statement of comprehensive income.

Provisions
Provisions are recognised when the Company 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 Company 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 statement of comprehensive income net of any reimbursement.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

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

Company 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 Company 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 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 company 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 statement of comprehensive income on a straight-line basis over the lease term.

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

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

Other income
Other income is recognised as the income accrues.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Employee benefits

For Bahraini nationals, the Company makes contributions to the Social Insurance Organisation (SIO). This is a funded defined contribution scheme and the Company's contributions are charged to the statement of comprehensive income in the year to which they relate. The Company's obligations are limited to the amounts contributed to the Scheme.

For non-Bahraini employees the Company 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.

Alba Savings Benefit Scheme

The Company operates a compulsory savings scheme for its Bahraini employees. The Company's obligations are limited to the amounts to be contributed to the scheme. This saving scheme represents a funded defined contribution scheme.

Employees' Stock Incentive Plan

The cost of shares allocated to the Employees' Stock Incentive Plan is charged to the statement of comprehensive income over three years, being the vesting period for which the employee has to remain with the Company to be entitled to the shares.

3 SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

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

Judgements

In the process of applying the Company's accounting policies, the Management has made the following judgments, which have the most significant effect on the amounts recognised on the financial statements:

Going concern

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

Operating leases - the Company as lessee:

The Company has entered into commercial property leases on its land leased and held for use. The Company 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 leased rights have been charged to administrative expenses in the statement of comprehensive income.

Estimates

Impairment of trade and other receivables

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

3 SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES (continued)

Estimates (continued)

Impairment of trade and other receivables (continued)

At 31 December 2015, gross trade receivables were BD 95,584 thousand (2014: BD 86,782 thousand), and the provision for impairment was BD 4,744 thousand (2014: BD 4,547 thousand) and gross other receivables were BD 7,128 thousand (2014: BD 7,615 thousand), and the provision for impairment was BD 45 thousand (2014: BD 45 thousand). Any difference between the amounts actually collected in future periods and the amounts expected will be recognised in the statement of comprehensive income.

Impairment of inventories

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

At 31 December 2015, stores stock was BD 27,194 thousand (2014: BD 27,102 thousand) with provisions for old and obsolete items of BD 1,727 thousand (2014: BD 1,550 thousand). Any difference between the amounts actually realised in future periods and the amounts expected will be recognised in the statement of comprehensive income.

Useful lives of property, plant and equipment

The Company's management 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. Management 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 Company 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 Company makes an estimate of the asset's recoverable amount. An asset's recoverable amount is higher of an asset's or cash-generating unit's (CGU) fair value less costs to sell and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or group of assets. Where the carrying amount of an asset exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a discount rate that reflects current market assessment of the time value of money and the risks specific to the assets. The management do not believe that there is any impairment of property, plant and equipment as at 31 December 2015 and 31 December 2014 respectively.

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 2015	272,595	435,004	1,181,294	87,655	1,976,548
Additions	392	3	4,332	43,848	48,575
Transfers	3,004	3,729	50,111	(56,844)	-
Disposals	(146)	(527)	(3,037)	-	(3,710)
At 31 December 2015	275,845	438,209	1,232,700	74,659	2,021,413
Depreciation:					
At 1 January 2015	111,638	245,068	782,085	-	1,138,791
Charge for the year	6,767	16,986	50,022	-	73,775
Relating to disposals	(81)	(472)	(1,977)	-	(2,530)
At 31 December 2015	118,324	261,582	830,130	-	1,210,036
Net carrying value:					
At 31 December 2015	**157,521**	**176,627**	**402,570**	**74,659**	**811,377**

	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 2014	268,928	417,053	1,166,569	81,093	1,933,643
Additions	648	34	3,546	46,322	50,550
Transfers	3,019	19,652	17,089	(39,760)	-
Disposals	-	(1,735)	(5,910)	-	(7,645)
At 31 December 2014	272,595	435,004	1,181,294	87,655	1,976,548
Depreciation:					
At 1 January 2014	105,187	229,670	730,468	-	1,065,325
Charge for the year	6,649	16,807	55,963	-	79,419
Relating to disposals	(198)	(1,409)	(4,346)	-	(5,953)
At 31 December 2014	111,638	245,068	782,085	-	1,138,791
Net carrying value:					
At 31 December 2014	160,957	189,936	399,209	87,655	837,757

a) Land and buildings include freehold land at a cost of BD 453 thousand as at 31 December 2015 (2014: BD 453 thousand).

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

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

5 LONG TERM RECEIVABLE

This represents an amount due from Gulf Aluminium Rolling Mill Company B.S.C. (c) (GARMCO), a company partly owned by two of the Company's shareholders. The amount due is repayable in 16 half yearly instalments and the last instalment is due on 31 December 2016. Interest is payable half yearly on the outstanding balance at 6 months LIBOR plus a margin of 1% and the effective interest rate as of 31 December 2015 was 1.44% (2014: 1.34%).

The current and non-current portion of the long term receivable as of 31 December is as follows:

	2015	*2014*
	BD '000	*BD '000*
Current portion	**3,439**	3,438
Non-current portion	**-**	3,439
	3,439	6,877

6 OTHER ASSET

The Company acquired the lease rights of the land adjacent to the Company from the Ministry of Industry and Commerce 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.

	2015	*2014*
	BD '000	*BD '000*
At 1 January / 1 July	**4,704**	4,800
Amortised during the year / period	**(192)**	(96)
At 31 December	**4,512**	4,704

7 INVENTORIES

	2015	*2014*
	BD '000	*BD '000*
Raw materials	**24,197**	27,855
Work-in-process	**48,648**	45,262
Goods in transit	**29,268**	41,189
Finished goods	**18,824**	12,611
Stores stock [net of provision of BD 1,727 thousand (2014: BD 1,550 thousand)]	**25,467**	25,552
	146,404	152,469

Movements in the provision for slow moving stores stock were as follows:

	2015	*2014*
	BD '000	*BD '000*
At 1 January	**1,550**	1,477
Charge for the year	**181**	252
Write off against provision	**(4)**	(179)
At 31 December	**1,727**	1,550

8 TRADE AND OTHER RECEIVABLES

	2015	*2014*
	BD '000	*BD '000*
Trade receivables - others [net of provision of BD 4,744 thousand (2014: BD 4,547 thousand)]	**71,667**	70,849
Trade receivables - related parties (note 24)	**19,173**	11,386
	90,840	82,235
Other receivables [net of provision of BD 45 thousand (2014: BD 45 thousand)]	**7,083**	7,570
Prepayments	**2,775**	3,083
	100,698	92,888

As at 31 December 2015, trade receivables of BD 4,744 thousand (2014: BD 4,547 thousand) and other receivables of BD 45 thousand (2014: BD 45 thousand) were impaired. Movements in the provision for doubtful trade and other receivables were as follows:

	Trade receivables		*Other receivables*	
	2015	*2014*	***2015***	*2014*
	BD '000	*BD '000*	***BD '000***	*BD '000*
At 1 January	**4,547**	4,551	**45**	45
Charge for the year	**360**	-	**-**	-
Write off against provision	**(163)**	(4)	**-**	-
At 31 December	**4,744**	4,547	**45**	45

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

			Past due but not impaired	
	Total	*Neither past due nor impaired*	*Less than 30 days*	*Over 30 days*
	BD '000	*BD '000*	*BD '000*	*BD '000*
2015	**90,840**	**81,927**	**8,913**	**-**
2014	82,235	81,955	280	-

Subsequent to the year end, unimpaired trade receivables of BD 8,519 thousand were collected. Unimpaired trade receivables are expected, on the basis of past experience, to be fully recoverable.

9 BANK BALANCES AND CASH

	2015	*2014*
	BD '000	*BD '000*
Cash at bank:		
- Current accounts	**78,871**	46,942
- Call accounts	**37,111**	20,232
Cash in hand	**27**	24
	116,009	67,198

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 and US Dollars. The call accounts earn interest and the effective interest rates as of 31 December 2015 ranged between 0.11% to 0.12% (2014: 0.12% to 0.22%).

10 SHARE CAPITAL

	2015 BD '000	2014 BD '000
Authorised		
2,000,000,000 shares of 100 fils each	**200,000**	200,000
Issued and fully paid		
1,420,000,000 shares of 100 fils each	**142,000**	142,000

The distribution of shareholdings are as follows:

	2015			2014		
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%	**79,302,516**	**3,547**	**5.58**	78,135,321	3,683	5.51
1% up to less than 5%	**62,697,484**	**2**	**4.42**	63,864,679	2	4.49
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	**3,551**	**100.00**	1,420,000,000	3,687	100.00

11 TREASURY SHARES

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

	2015		2014	
	No of shares	*BD '000*	*No of shares*	*BD '000*
Excess of the shares in Employees' Stock Incentive Plan [note 17 (c)]	**697,000**	**627**	697,000	627
Purchased subsequent to the IPO - net of sales	**8,776,694**	**4,278**	5,962,458	3,069
	9,473,694	**4,905**	6,659,458	3,696

12 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 Company by the weighted average number of ordinary shares outstanding during the year, excluding the average number of ordinary shares purchased by the Company and held as treasury shares and is as follows:

	2015	*2014*
Profit for the year - BD' 000	**59,961**	96,445
Weighted average number of shares, net of treasury shares - thousands of shares	**1,412,616**	1,411,575
Basic and diluted earnings per share (fils)	**42**	68

Basic and diluted earnings per share are the same since the Company 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 financial statements.

13 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 2015. This reserve cannot be utilised for the purpose of distribution, except in such circumstances as stipulated in the Bahrain Commercial Companies Law.

14 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.

15 DIVIDEND PROPOSED AND PAID

On 18 February 2016, the Board of Directors recommended a final dividend of BD 0.0055 per share (excluding treasury shares) totalling BD 7,768 thousand. The final dividend is subject to the approval of the Company's shareholders at the Annual General Meeting to be held in March 2016.

On 1 March 2015, the Company's shareholders approved the Board of Directors' proposal to pay a final dividend of BD 0.015 per share (excluding treasury shares) totalling BD 21,198 thousand relating to 2014 which was fully paid as of 31 March 2015.

On 29 July 2015, the Board of Directors proposed an interim dividend of BD 0.0055 per share (excluding treasury shares) totalling BD 7,765 thousand which was fully paid as of 30 September 2015.

On 27 February 2014, the Company's shareholders approved the Board of Directors' proposal to pay a final dividend of BD 0.022 per share (excluding treasury shares) totalling BD 31,040 thousand relating to 2013 which was fully paid as of 31 December 2014.

16 BORROWINGS

	Current *BD '000*	*Non-current* *BD '000*	***Total 2015*** ***BD '000***	*Total 2014* *BD '000*
Working capital revolving credit at 1.43 % to 1.67 % (2014: 1.30 % to 1.48 %) [1]	26,320	-	**26,320**	33,840
Refinancing loan at 2.58 % to 2.73 % (2014: 2.58 % to 2.68 %) [2]	9,024	9,509	**18,533**	35,369
Line 5 projects at 0.73 % to 0.80 % (2014: 0.73 % to 1.34 %) [3]	9,112	9,112	**18,224**	27,335
Working capital term loan at 1.23 % to 1.33 % (2014: 1.23 % to 1.24 %) [4]	6,893	6,820	**13,713**	20,567
Euro Coface loan at 1.60 % to 1.73 % (2014: 1.73 % to 1.87 %) [5]	3,486	6,888	**10,374**	15,250
Euro SERV Loan at 1.43 % to 1.51 % (2014: 1.43 % to 1.57 %) [6]	1,538	695	**2,233**	4,127
Total borrowings	56,373	33,024	**89,397**	136,488
Payable within one year			**56,373**	72,351
Payable after one year			**33,024**	64,137
			89,397	136,488

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

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

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

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

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

16 BORROWINGS (continued)

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

Line 5 projects loans, Coface loan and refinancing loan are secured by the quota agreement entered into between the Company and the shareholders.

17 EMPLOYEE BENEFITS

a) Defined benefit scheme - leaving indemnity
Movements in the provision recognised in the statement of financial position are as follows:

	2015 *BD '000*	*2014* *BD '000*
Provision as at 1 January	**1,265**	930
Provided during the year (note 21)	**1,476**	1,403
Employees' end of service benefits paid	**(1,392)**	(1,068)
Provision as at 31 December	**1,349**	1,265

b) Defined contribution schemes
Movements in liabilities recognised in the statement of financial position are as follows:

	ALBA Savings Benefit Scheme		*Social Insurance Organisation*	
	2015 *BD '000*	*2014* *BD '000*	*2015* *BD '000*	*2014* *BD '000*
Provision as at 1 January	**1,032**	501	**744**	801
Expense recognised in the statement of comprehensive income (note 21)	**4,322**	4,105	**7,122**	6,171
Contributions paid	**(4,300)**	(3,574)	**(6,734)**	(6,228)
Provision as at 31 December (note 18)	**1,054**	1,032	**1,132**	744

c) Employees' Stock Incentive Plan
In accordance with an Employees' Stock Incentive Plan approved by the Board of Directors, the Company purchased 3,000,000 of its shares to be allocated to all of its employees on the Company's payroll as of 1 December 2010. The Company 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 2015, no employees are eligible for this plan (2014: 2,303) and the excess of 697,000 shares is held as treasury shares as of 31 December 2015 (2014: 697,000 shares). In 2014, the shares allocated to the employees had fully vested.

18 TRADE AND OTHER PAYABLES

	2015 BD '000	2014 BD '000
Trade payables - others	**52,021**	44,207
Trade payables - related parties (note 24)	**29,228**	9,647
	81,249	53,854
Retentions payable	**-**	94
Employee related accruals	**44,166**	26,653
Accrued expenses	**15,927**	16,406
Advances from customers	**316**	2,595
Alba Savings Benefit Scheme [note 17 (b)]	**1,054**	1,032
Social Insurance Organisation [(note 17 (b)]	**1,132**	744
	143,844	101,378

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

19 DERIVATIVE FINANCIAL INSTRUMENTS

The Company has a number of derivative financial instruments comprising interest rate collars, commodity options and commodity futures. The fair values of the derivative financial instruments at 31 December 2015 and 31 December 2014 are as follows:

	2015		2014	
	Assets BD '000	Liabilities BD '000	Assets BD '000	Liabilities BD '000
Commodity options	**-**	**-**	-	3,750
Commodity futures	**-**	**39**	-	806
Interest rate collars	**-**	**-**	-	66
Total	**-**	**39**	-	4,622
Classified in the statement of financial position as follows:				
Current portion:	**-**	**39**	-	4,622

The fair valuation of the derivative financial instruments resulted in the following results taken to the statement of comprehensive income for the year ended 31 December.

	2015 BD '000	2014 BD '000
Revaluation:		
Commodity options	**3,750**	5,613
Commodity futures	**767**	(768)
Interest rate collars	**66**	636
	4,583	5,481

19 DERIVATIVE FINANCIAL INSTRUMENTS (continued)

	2015	*2014*
	BD '000	*BD '000*
Realised:		
Commodity options	**(1,988)**	(4,487)
Commodity futures	**(2,265)**	91
Interest rate collars	**(66)**	(874)
	(4,319)	(5,270)
Net gain on fair valuation taken to statement of comprehensive income	**264**	211

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, if any, are taken to the statement of comprehensive income.

Commodity futures
The Company entered into commodity futures contracts to reduce the price risk on behalf of its customers for 12,550 metric tonnes (2014: 18,500 metric tonnes).

Interest rate collars
The Company entered into interest rate collar transactions for US$ 1.5 billion floating rate borrowings for financing the line 5 project (note 16) to manage overall financing costs. These interest rate collars contracts expired on 17 February 2015.

The notional amount outstanding as at 31 December 2015 was nil (2014: US$ 90,000 thousand).

20 OTHER INCOME

	2015	*2014*
	BD '000	*BD '000*
Interest income	**142**	188
Sale of water	**1,453**	1,345
Settlement from legal case	**1,128**	-
Miscellaneous	**978**	332
	3,701	1,865

21 PROFIT FOR THE YEAR

Profit for the year is stated after charging:

	2015 BD '000	2014 BD '000
Staff costs:		
Wages and salaries	**94,653**	80,722
Social Insurance Organisation [note 17 (b)]	**7,122**	6,171
Alba Savings Benefit Scheme [note 17 (b)]	**4,322**	4,105
Payments to contractors	**3,017**	2,697
Employees' end of service benefits [note 17 (a)]	**1,476**	1,403
Indirect benefits (housing, education)	**389**	476
Reversal of Employees' Stock Incentive Plan	**-**	(92)
Others	**627**	444
	111,606	95,926
Inventories recognised as an expense in cost of sales	**455,481**	468,784

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

	2015 BD '000	2014 BD '000
Cost of sales	**91,460**	80,379
Administrative expenses	**17,907**	13,930
Selling and distribution expenses	**2,239**	1,617
	111,606	95,926
Finance costs		
Interest on borrowings	**2,749**	3,733
Bank charges	**427**	716
	3,176	4,449

22 COMMITMENTS AND CONTINGENCIES

a) *Commitments*

	2015 BD '000	2014 BD '000
Physical metal commitments		
Sales commitments :		
12,550 metric tonnes (2014: 18,500 metric tonnes)	**7,090**	13,492

Raw material supply agreements
In the ordinary course of business the Company 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 to a total cost amounting to BD 10,000 thousand (2014: BD 10,000 thousand). As of 31 December 2015, the Company has a remaining commitment of BD 4,000 thousand (2014: BD 4,000 thousand) towards the purchase of its own shares.

Capital expenditure
Estimated capital expenditure contracted for at the reporting date amounted to BD 24,263 thousand (2014: BD 19,204 thousand). The commitments are expected to be settled within 1 to 5 years.

22 COMMITMENTS AND CONTINGENCIES (continued)

a) Commitments (continued)

Letters of credit

The commitments on outstanding letters of credit as at 31 December 2015 were BD 7,264 thousand (2014: BD 333 thousand). The commitments are expected to be settled within 1 year.

At 31 December 2015, the Company had outstanding letters of credit to counterparties for derivative transactions amounting to BD 150 thousand (2014: nil).

b) Contingencies

Under Albaskan Scheme, the Company has issued guarantees to financial institutions in the Kingdom of Bahrain in relation to the mortgage loans of its employees. The total value of these letters of guarantees is BD 17,176 thousand (2014: BD 15,082 thousand).

c) Legal claims

i) A third party has initiated a claim against the Company for damages caused to its business unit. The Company is defending the claim and it is not practicable to estimate the liability or timing of any payments at this stage. Hence, no provision has been recognised in these financial statements.

ii) The Company's lawsuit in the United States against Victor Dahdaleh which was ongoing since 2008 was settled during the year, on terms favourable to the Company, effectively bringing this litigation to a close.

iii) During 2009 the Company filed a complaint with the Public Prosecutor, who initiated a criminal proceedings against former employees of Alba Marketing (ALMA). The Company joined the proceedings as a civil right claimant. In its submission the Company claimed that the former employees earned money from criminal activities and received commissions in contravention of the Prohibition of and Combating Money Laundering Law of Bahrain ("PCMLL"). In its civil right claim the Company sought recourse against the defendants for all the damages incurred as a result of the acts committed. In November 2010, the Bahrain criminal court found the defendants guilty under the PCMLL. The criminal convictions were pardoned by a Royal Decree. The Company's civil claim has been partially settled, the remainder is still pending under a civil court proceeding. It is not practical to estimate the effect of this law suit on the financial statements at this stage.

d) Operating lease commitments

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

Future minimum rentals payable under the non-cancellable operating lease as of the reporting date are mentioned below:

	2015	*2014*
	BD '000	*BD '000*
Within one year	**31**	31
After one year but not more than five years	**126**	126
After five years	**598**	629
Aggregate operating lease expenditure contracted for at the statement of financial position date	**755**	786

23 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 statement of comprehensive income and statement of financial position of the Company.

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

	2015	*2014*
	BD '000	*BD '000*
Aluminium	**749,203**	764,611
Alumina trading	**11,171**	52,238
Calcined coke	**6,312**	4,866
Total sales revenue	**766,686**	821,715

b) Geographic information
An analysis of the sales revenue by geographic location is as follows:

	2015	*2014*
	BD '000	*BD '000*
Kingdom of Bahrain	**345,904**	344,340
Asia	**121,863**	103,179
Rest of the Middle East and North Africa	**135,643**	169,814
Europe	**99,407**	159,729
Americas	**63,869**	44,653
Total sales revenue	**766,686**	821,715

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

c) Customers
Sales revenue from two customers of the Company amounted to BD 280,388 thousand (2014: BD 276,567 thousand), each being more than 10% of the total sales revenue for the year.

24 RELATED PARTY TRANSACTIONS

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

Transactions with shareholders
In the ordinary course of business, the Company 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 statement of comprehensive income are as follows:

	2015	*2014*
	BD '000	*BD '000*
Other related parties		
Revenue and other income		
Sale of metal	**111,486**	105,437
Sale of water	**1,305**	1,162
Interest on long term receivable	**85**	127
	112,876	106,726

24 RELATED PARTY TRANSACTIONS (continued)

	2015	*2014*
	BD '000	*BD '000*
Cost of sales and expenses		
Purchase of natural gas and diesel	**110,734**	99,787
Purchase of electricity	**1,469**	1,729
Royalty	**3,982**	3,861
	116,185	105,377

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

	2015	*2014*
	BD '000	*BD '000*
Other related parties		
Assets		
Long term receivable	**3,439**	6,877
Bank balances	**9,469**	13,505
Trade receivables (note 8)	**19,173**	11,386
	32,081	31,768
Liabilities		
Borrowings	**3,760**	7,520
Trade payables (note 18)	**29,228**	9,647
Other payables	**122**	241
	33,110	17,408

Outstanding balances at year-end arise in the normal course of business. For the year ended 31 December 2015, the Company has not recorded any impairment on amounts due from related parties (2014: nil).

Compensation of key management personnel

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

	2015	*2014*
	BD '000	*BD '000*
Short term benefits	**1,117**	1,254
End of service benefits	**46**	66
Contributions to Alba Savings Benefit Scheme	**67**	60
Other benefits	**650**	64
	1,880	1,444

Directors' fees during the year amounted to BD 210 thousand (2014: BD 190 thousand).

25 RISK MANAGEMENT

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

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

25 RISK MANAGEMENT (continued)

The Company's executive management oversees the management of these risks. The Company's executive management is supported by a risk management team that advises on financial risks and the appropriate financial risk governance framework for the Company. The risk management team provides assurance to the Company's executive management that the Company's financial risk-taking activities are governed by appropriate policies and procedures and that financial risks are identified, measured and managed in accordance with Company policies and Company 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 Company is exposed to interest rate risk on its interest bearing assets and liabilities (long term receivable, call accounts and borrowings). The Company has an interest rate collar and knockout swaps to limit the fluctuation in interest rates arising out of borrowings for its line 5 expansion.

The sensitivity of the statement of comprehensive income is the effect of the assumed changes in interest rates on the Company's result for one year, based on the floating rate financial assets and financial liabilities held at 31 December 2015.

The interest earned on long term receivable is based on floating LIBOR rate plus margin. The call accounts and short term deposit earn interest at commercial rates. The interest rates are disclosed in notes 5 and 9.

The following table demonstrates the sensitivity of the 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*
2015	**25**	**93**	**25**	**223**
	(25)	**(93)**	**(25)**	**(223)**
2014	25	51	25	275
	(25)	(51)	(25)	(275)

Commodity price risk
Commodity price risk is the risk that future profitability is affected by changes in commodity prices. The Company 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 Company hedges its selling price using futures commodity contracts, based on customers' options. The forecast is deemed to be highly probable.

25 RISK MANAGEMENT (continued)

Commodity price risk (continued)
The following table demonstrates the sensitivity of the 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*
2015	**+30%**	**12**
	-30%	**(11)**
2014	+30%	1,367
	-30%	(1,298)

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 Company's exposure to the risk of changes in foreign exchange rates relates primarily to the Company's operating activities (when revenue or expense is denominated in a different currency from the Company's presentation currency).

The Company's financial instruments are mainly denominated in Bahraini Dinars, US Dollars, Euros, Swiss Francs and Great Britain Pounds. The Company uses forward foreign exchange contracts to hedge againt foreign currency payables. As of 31 December 2015 and 31 December 2014 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 Company'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 Bahrain Dinars and US Dollars, which were unhedged:

Financial	***Currency***	***2015 BD '000***	*2014 BD '000*
Bank balances	*Euro*	**15,617**	10,746
	Swiss Francs	**54**	10
	Great Britain Pounds	**-**	35
Receivables	*Euro*	**5,998**	5,967
Borrowings	*Euro*	**12,606**	19,377
Payables	*Euro*	**5,479**	1,483
	Swiss Francs	**583**	-
	Great Britain Pounds	**192**	-

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 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.

	2015		2014	
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%**	**353**	+10%	(415)
Swiss Francs	**+10%**	**(53)**	+10%	1
Great Britain Pounds	**+10%**	**(19)**	+10%	4
		281		(410)

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 Company 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 intruments
Credit risk from bank balances and derivative contracts is managed by the Company's treasury department in accordance with the Company's policy. The Company limits credit risk 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 Company manages credit risk with respect to receivables from customers by receiving payments in advance from customers, obtaining letters of credit and other forms of credit insurance, by monitoring the exposure to customers on an ongoing basis. Provision for doubtful receivables is made whenever risks of default are identified.

Derivative contracts are entered into with approved counterparties and the Company 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 statement of financial position, which are net of provisions for impairment.

The Company sells its products to a large number of customers. Its five largest customers account for 44% of outstanding trade receivables at 31 December 2015 (2014: 46%).

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 Company limits its liquidity risk by ensuring bank facilities are available. The Company's terms of sale require amounts to be paid within 30 to 180 days of the date of sale. Trade payable are non-interest bearing and are normally settled on 45 days terms.

25 RISK MANAGEMENT (continued)

Liquidity risk (continued)
The table below summarises the maturities of the Company's undiscounted financial liabilities at 31 December, based on contractual payment dates and current market interest rates.

31 December 2015	*Less than 3 months BD '000*	*3 to 12 months BD '000*	*1 to 5 years BD '000*	*Total BD '000*
Borrowings (including interest payable)	**38,958**	**18,188**	**33,602**	**90,748**
Derivative financial instruments	**39**	-	-	**39**
Trade and other payables	**83,435**	-	-	**83,435**
Total	**122,432**	**18,188**	**33,602**	**174,222**

31 December 2014	*Less than 3 months BD '000*	*3 to 12 months BD '000*	*1 to 5 years BD '000*	*Total BD '000*
Borrowings (including interest payable)	49,394	24,751	65,339	139,484
Derivative financial instruments	2,055	2,567	-	4,622
Trade and other payables	55,724	-	-	55,724
Total	107,173	27,318	65,339	199,830

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 2015 and 31 December 2014.

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 947,810 thousand as at 31 December 2015 (2014: BD 918,140 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, short term loans and trade and other payables. Derivative financial instruments consist of interest rate collars and commodity options and futures.

26 FAIR VALUES OF FINANCIAL INSTRUMENTS (continued)

Set out below is an overview of financial instruments, other than bank balances and cash, held by the Company as at 31 December 2015:

	Loans and receivables		*Fair value through profit or loss*	
	2015	*2014*	***2015***	*2014*
	BD '000	*BD '000*	***BD '000***	*BD '000*
Financial assets:				
Trade and other receivables	**97,923**	88,802	**-**	-
Financial liabilities:				
Borrowings	**89,397**	136,488	**-**	-
Trade and other payables	**83,435**	55,724	**-**	-
Derivative financial instruments	**-**	-	**39**	4,622
	172,832	192,212	**39**	4,622

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

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

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

- Long-term fixed-rate and variable-rate receivables/borrowings are evaluated by the Company 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 2015, the carrying amounts of such receivables, net of allowances, were not materially different from their calculated fair values.

- The Company 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 Company's own non-performance risk. As at 31 December 2015, the marked-to-market value of derivative asset positions is net of a credit valuation adjustment attributable to derivative counterparty default risk. The changes in counterparty credit risk had no material effect on the hedge effectiveness assessment for derivatives designated in hedge relationships and other financial instruments recognised at fair value.

- Fair values of the Company's interest-bearing borrowings and loans are determined by using DCF method using discount rate that reflects the issuer's borrowing rate as at the end of the reporting period. The own non-performance risk as at 31 December 2015 was assessed to be insignificant.

26 FAIR VALUES OF FINANCIAL INSTRUMENTS (continued)

Fair value hierarchy
As at 31 December 2015, the Company's derivative financial instruments are measured at fair value. These are Level 2 as per the hierarchy for the years ended 31 December 2015 and 31 December 2014. The Company does not have financial instruments qualifying for Level 1 or Level 3 classification.

During the years ended 31 December 2015 and 31 December 2014, 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 (2014: 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 Company operates a compulsory savings benefit scheme for its Bahraini employees ('the Scheme').

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

The Scheme is established as a trust and administered by trustees representing the Company and the employees. The trustees manage the risks relating to the Scheme's assets by approving the entities in which the Scheme can invest and by setting limits for investment in individual entities.