Aluminium Bahrain B.S.C.

REPORT OF THE BOARD OF DIRECTORS AND FINANCIAL STATEMENTS

31 DECEMBER 2013

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

The Directors have pleasure in submitting their report together with the audited financial statements for the year ended 31 December 2013.

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 converted to 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.

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.

Share Capital Structure

Shareholders	**2013 (%)**	**2012 (%)**
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. Afshan Akhtar

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

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

Results and Retained Earnings

The Company made a profit of BD79.777 Million for the year 2013 as compared to a profit of BD 96.545 in year 2012.

The movements in retained earnings of the Company were:

		BD '000
Balance as at 31 December 2012		**600,683**
Profit for the year 2013	79,777	
Interim dividend paid for 2013	(19,729)	
Final dividend proposed for 2013	(30,978)	
Excess of Final Dividend for 2012 reversed	14	
Loss on resale of treasury shares	(386)	
Transfer to statutory reserve		
Balance as at 31 December 2013		**629,381**

Appropriations

(1) On 13 February 2013, the Company's shareholders approved the Board of Directors' recommendation to pay a final dividend for 2012 of BD 0.014 per share (excluding treasury shares) totalling BD 19,759 thousand relating to 2012 which was paid in full in 2013.

(2) (a) On 28 July 2013, the Board of Directors recommended an interim dividend of BD 0.014 per share (excluding treasury shares) totalling BD 19,729 thousand) which was subsequently paid on 30 September 2013.

(b) On 12 February 2014, the Board of Directors recommended a final dividend of BD 0.022 per share (excluding treasury shares) totalling BD 30,978 thousand.

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 to be held in March 2014.

Directors of the Company

The following Directors served during the year ended 31 December 2013 up to the date of this report:

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

Mr. Mahmood H. Al Kooheji, Chairman
Mr. Fawzi Ahmed Kanoo, Director
Sheikh Mohamed Bin Khalifa al Khalifa, Director
Mr. Yousif A. Taqi, Director
Mr. Osama M. Al Arrayedh, Director
Mr. David E. Meen, Director

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

Sabic Industrial Investments Company

Mr. Mutlaq H. Al Morished, Director
Dr. Talaat Dafer Al Qahtani, Director

Elected Director

Mr. Abdulaziz S. Al Humaid

Directors' Remuneration

Directors' remuneration charged during the year ended 31 December 2013 was BD190,000 (2012: BD200,000).

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 2014 will be submitted to the Annual General Meeting of shareholders.

By order of the Board,

Mahmood H. Al Kooheji
Chairman
12 February 2014

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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 2013 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 2013 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 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 2013 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

12 February 2014
Manama, Kingdom of Bahrain

Aluminium Bahrain B.S.C.

STATEMENT OF FINANCIAL POSITION

At 31 December 2013

	Note	*2013* *BD '000*	*2012* *BD '000*
ASSETS			
Non-current assets			
Property, plant and equipment	3	**868,318**	901,779
Long term receivable	4	**6,877**	10,314
		875,195	912,093
Current assets			
Inventories	5	**144,930**	143,564
Current portion of long term receivable	4	**3,438**	3,438
Accounts receivable and prepayments	6	**85,375**	91,139
Other assets		**4,800**	-
Derivative financial instruments	17	**-**	104
Bank balances and cash	7	**64,540**	61,605
		303,083	299,850
TOTAL ASSETS		**1,178,278**	1,211,943
EQUITY AND LIABILITIES			
Equity			
Share capital	8	**142,000**	142,000
Treasury shares	9	**(5,157)**	(4,087)
Statutory reserve	11	**71,000**	71,000
Capital reserve	12	**249**	249
Retained earnings		**629,381**	600,683
Proposed dividend	13	**30,978**	19,773
Total equity		**868,451**	829,618
Non-current liabilities			
Borrowings	14	**84,402**	77,096
Derivative financial instruments	17	**5,313**	23,996
Employees' end of service benefits	15 (a)	**930**	915
		90,645	102,007
Current liabilities			
Borrowings	14	**116,432**	160,303
Accounts payable and accruals	16	**97,960**	106,585
Derivative financial instruments	17	**4,790**	13,430
		219,182	280,318
Total liabilities		**309,827**	382,325
TOTAL EQUITY AND LIABILITIES		**1,178,278**	1,211,943

Mahmood H. Al Kooheji	Tim Murray	Yousif Taqi
Chairman	Chief Executive Officer	Director

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

STATEMENT OF COMPREHENSIVE INCOME

Year ended 31 December 2013

	Note	2013 BD '000	2012 BD '000
Sales		**749,338**	743,725
Cost of sales		**(640,751)**	(638,515)
GROSS PROFIT		**108,587**	105,210
Other income	18	**7,304**	39,378
Selling and distribution expenses		**(17,574)**	(17,838)
Administrative expenses		**(30,609)**	(27,347)
Gain (loss) on foreign exchange translation		**211**	(1,346)
Directors' fees	22	**(190)**	(190)
Finance costs	19	**(5,823)**	(7,182)
PROFIT FOR THE YEAR BEFORE DERIVATIVES		**61,906**	90,685
Gain on revaluation/settlement of derivative financial instruments (net)	17	**17,871**	5,860
PROFIT FOR THE YEAR	19	**79,777**	96,545
Other comprehensive income for the year		-	-
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		**79,777**	96,545
Basic and diluted earnings per share (fils)	10	**57**	68

Mahmood H. Al Kooheji	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 2013

	Note	2013 BD '000	2012 BD '000
OPERATING ACTIVITIES			
Profit for the year		**79,777**	96,545
Adjustments for:			
Depreciation	3	**77,831**	77,573
Provision for employees' end of service benefits	15 (a)	**844**	814
Provision for impairment of inventories	5	**339**	151
Provision for impairment of receivables - net		**(51)**	(1,064)
Gain on revaluation of derivative financial instruments	17	**(27,219)**	(27,648)
(Gain) loss on disposal of property, plant and equipment		**(1,391)**	36
Write off of property, plant and equipment - net book value		**124**	16
Write off of impairment provision of inventories	5	**(62)**	(151)
Interest income	18	**(249)**	(389)
Finance costs	19	**4,759**	6,121
Cost of Employees' Stock Incentive Plan	19	**680**	765
		135,382	152,769
Working capital changes:			
Inventories		**(1,643)**	14,456
Accounts receivable and prepayments		**5,815**	(19,874)
Accounts payable and accruals (refer note a below)		**(8,553)**	6,547
Cash from operations		**131,001**	153,898
Employees' end of service benefits paid	15 (a)	**(829)**	(839)
Net cash flows from operating activities		**130,172**	153,059
INVESTING ACTIVITIES			
Purchase of property, plant and equipment	3	**(57,512)**	(32,724)
Proceeds from disposal of property, plant and equipment		**14,409**	127
Other assets		**(4,800)**	-
Interest received	18	**249**	389
Net cash flows used in investing activities		**(47,654)**	(32,208)
FINANCING ACTIVITIES			
Repayment of long term receivable		**3,437**	3,439
Borrowings availed		**314,655**	204,920
Borrowings repaid		**(351,220)**	(284,394)
Finance costs paid (refer note a below)		**(4,831)**	(6,213)
Dividends paid		**(39,488)**	(76,271)
Purchase of treasury shares		**(2,652)**	(805)
Proceeds from resale of treasury shares		**516**	591
Net cash flows used in financing activities		**(79,583)**	(158,733)
INCREASE /(DECREASE) IN CASH AND CASH EQUIVALENTS		**2,935**	(37,882)
Cash and cash equivalents at 1 January		**61,605**	99,487
CASH AND CASH EQUIVALENTS AT 31 DECEMBER	7	**64,540**	61,605

Non-cash item:

Movements in unpaid finance cost amounting to BD 72 thousand is excluded from the movement in accounts payable and accruals (2012: BD 92 thousand).

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

Aluminium Bahrain B.S.C.

STATEMENT OF CHANGES IN EQUITY

Year ended 31 December 2013

	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 2011		142,000	(5,029)	71,000	249	544,064	56,509	808,793
Total comprehensive income for the year		-	-	-	-	96,545	-	96,545
Net movement in treasury shares		-	177	-	-	-	-	177
Amortisation of the cost of treasury shares held for Employees' Stock Incentive Plan		-	765	-	-	-	-	765
Loss on resale of treasury shares		-	-	-	-	(391)	-	(391)
Final dividend for 2011 approved and paid	13	-	-	-	-	-	(56,495)	(56,495)
Excess of final dividend for 2011 reversed	13	-	-	-	-	14	(14)	-
Interim dividend for 2012 proposed and paid	13	-	-	-	-	(19,776)	-	(19,776)
Proposed final dividend for 2012	13	-	-	-	-	(19,773)	19,773	-
Balance at 31 December 2012		142,000	(4,087)	71,000	249	600,683	19,773	829,618
Total comprehensive income for the year		-	-	-	-	79,777	-	79,777
Net movement in treasury shares		-	(1,749)	-	-	-	-	(1,749)
Amortisation of the cost of treasury shares held for Employees' Stock Incentive Plan		-	679	-	-	-	-	679
Loss on resale of treasury shares		-	-	-	-	(386)	-	(386)
Final dividend for 2012 approved and paid	13	-	-	-	-	-	(19,759)	(19,759)
Excess of final dividend for 2012 reversed	13	-	-	-	-	14	(14)	-
Interim dividend for 2013 proposed and paid	13	-	-	-	-	(19,729)	-	(19,729)
Proposed final dividend for 2013	13	-	-	-	-	(30,978)	30,978	-
Balance at 31 December 2013		**142,000**	**(5,157)**	**71,000**	**249**	**629,381**	**30,978**	**868,451**

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 Depositary Receipts were listed on the London Stock Exchange. The Company has its registered office at 150 Askar Road, Askar 951, Kingdom of Bahrain.

The 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.

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 12 February 2014.

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 2013
The accounting policies adopted are consistent with those of the previous financial year, except for the following amended IFRSs effective as of 1 January 2013 which had no impact on the Company's financial position, performance or its disclosures:

- IAS 1 Presentation of Items of Other Comprehensive Income – Amendments to IAS 1
- IAS 1 Clarification of the requirement for comparative information (Amendment)
- IFRS 7 Financial Instruments: Disclosures Offsetting Financial Assets and Financial Liabilities Amendments to IFRS 7
- IFRS 13 Fair Value Measurement

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

These amendments clarify the difference between voluntary additional comparative information and the minimum required comparative information. An entity must include comparative information in the related notes to the financial statements when it voluntarily provides comparative information beyond the minimum required comparative period. The amendments clarify that the opening statement of financial position (as at 1 January 2012 in the case of the Company), presented as a result of retrospective restatement or reclassification of items in financial statements does not have to be accompanied by comparative information in the related notes. The amendments have no impact on the Company's financial position or performance or notes to the financial statements as it had no restatement, reclassification or change in accounting policies.

IFRS 7 *Financial Instruments: Disclosures Offsetting Financial Assets and Financial Liabilities Amendments to IFRS 7*
The amendment requires an entity to disclose information about rights to set-off financial instruments and related arrangements (e.g., collateral agreements). The disclosures would provide users with information that is useful in evaluating the effect of netting arrangements on an entity's financial position. The new disclosures are required for all recognised financial instruments that are set off in accordance with IAS 32. The disclosures also apply to recognised financial instruments that are subject to an enforceable master netting arrangement or similar agreement, irrespective of whether the financial instruments are set off in accordance with IAS 32. As the Company is not setting off financial instruments in accordance with IAS 32 and does not have relevant offsetting arrangements, the amendment does not have an impact on the Company.

IFRS 13 *Fair Value Measurement*
IFRS 13 establishes a single source of guidance under IFRS for all fair value measurements. IFRS 13 does not change when an entity is required to use fair value, but rather provides guidance on how to measure fair value under IFRS when fair value is required or permitted. The application of IFRS 13 has not materially impacted the fair value measurements carried out by the Company. Additional disclosures where required, are provided in the individual notes relating to the assets and liabilities whose fair values were determined. Fair value hierarchy is provided in note 24.

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:

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Standards issued but not yet effective (continued)

IFRS 9 Financial Instruments

IFRS 9, as issued, reflects the first phase of the IASB's work on the replacement of IAS 39 and applies to classification and measurement of financial assets and financial liabilities as defined in IAS 39. In subsequent phases, the IASB is addressing hedge accounting and impairment of financial assets. The adoption of the first phase of IFRS 9 will have an effect on the classification and measurement of the Company's financial assets. The Company will quantify the effect in conjunction with the other phases, when the final standard including all phases is issued. The standard was initially effective for annual periods beginning on or after 1 January 2013, but amendments to IFRS 9 mandatory effective date of IFRS 9 and transition disclosures, issued in December 2011, moved the mandatory effective date to 1 January 2015. On November 19, 2013, the International Accounting Standards Board (IASB) issued amendments to IFRS 9 that introduced a new general hedge accounting and removed the 1 January 2015, mandatory effective date from IFRS 9. The new hedge accounting model significantly differs from the IAS 39 hedge accounting model in a number of aspects including eligibility of hedging instruments and hedged items, accounting for the time value component of options and forward contracts, qualifying criteria for applying hedge accounting, modification and discontinuation of hedging relationships etc. Under the amendments, entities that adopt IFRS 9 (as amended in November 2013) can choose an accounting policy of either adopting the new IFRS 9 hedge accounting model now or continuing to apply the hedge accounting model in IAS 39 for the time being.

The Company will quantify the effect of adoption of this standard, in conjunction with the other phases, when issued, to present a comprehensive picture.

IAS 32 Offsetting Financial Assets and Financial Liabilities - Amendments to IAS 32

These amendments clarify the meaning of "currently has a legally enforceable right to set-off" and the criteria for non-simultaneous settlement mechanisms of clearing houses to qualify for offsetting. These are effective for annual periods beginning on or after 1 January 2014. These amendments are not expected to be relevant to the Company.

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.

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Property, plant and equipment (continued)
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.

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 on 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.

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.

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 progress	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.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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 receivables.

Subsequent measurement

Accounts receivable

Accounts receivable 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

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.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Impairment of financial assets (continued)
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, 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 accounts and other payables, loans and borrowings and derivative financial instruments.

Subsequent measurement
Accounts payables and accruals
Accounts 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 'accounts payable and accruals'.

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.

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.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial liabilities (continued)

Derivative financial instruments and hedging activities (continued)

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; and
- 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;
- 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 profit or loss net of any reimbursement.

If the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects, when appropriate, the risks specific to the liability. When discounting is used, the increase in the provision due to the passage of time is recognised as a finance cost.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Treasury shares

Treasury shares are stated at acquisition cost and are shown as a deduction to equity. No gain or loss is recognised in the 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.

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.

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 saving 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.

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.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Foreign currencies (continued)
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.

Fair value measurement
Policy applicable from 1 January 2013
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 24.

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.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Fair value measurement (continued)
Policy applicable from 1 January 2013 (continued)
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.

The management, in conjunction with the Company's external valuers, also compares each the changes in the fair value of each asset and liability with relevant external sources to determine whether the change is reasonable.

On an annual basis, the Company's external valuers present the valuation results to the management. This includes a discussion of the major assumptions used in the valuations.

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.

Policy applicable before 1 January 2013
The fair values of financial instruments traded in active markets (such as publicly traded derivatives) are based on quoted market prices at the reporting date. The quoted market price used for financial assets held by the Company is the current bid price; the appropriate quoted market price for financial liabilities is the current ask price.

The fair values of financial instruments that are not traded in an active market (for example, over the counter derivatives, interest rate collars etc.) are determined by valuation techniques carried out by counterparties. The fair values of forward foreign exchange contracts are determined using forward exchange market rates at the reporting date with the same maturity.

3 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 2013	268,331	422,805	1,154,006	54,593	1,899,735
Additions	-	14,417	-	43,095	57,512
Transfers	718	338	15,539	(16,595)	-
Disposals	(121)	(20,301)	(2,824)	-	(23,246)
Write offs	-	(206)	(152)	-	(358)
At 31 December 2013	268,928	417,053	1,166,569	81,093	1,933,643
Depreciation:					
At 1 January 2013	98,668	221,228	678,060	-	997,956
Charge for the year	6,599	16,232	55,000	-	77,831
Relating to disposals	(80)	(7,628)	(2,520)	-	(10,228)
Relating to write offs	-	(162)	(72)	-	(234)
At 31 December 2013	105,187	229,670	730,468	-	1,065,325
Net carrying value:					
At 31 December 2013	**163,741**	**187,383**	**436,101**	**81,093**	**868,318**

	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 2012	267,000	407,366	1,139,596	56,598	1,870,560
Additions	-	-	-	32,724	32,724
Transfers	1,542	15,614	17,573	(34,729)	-
Disposals	(211)	(119)	(3,108)	-	(3,438)
Write offs	-	(56)	(55)	-	(111)
At 31 December 2012	268,331	422,805	1,154,006	54,593	1,899,735
Depreciation:					
At 1 January 2012	92,248	205,139	626,366	-	923,753
Charge for the year	6,575	16,221	54,777	-	77,573
Relating to disposals	(155)	(90)	(3,030)	-	(3,275)
Relating to write offs	-	(42)	(53)	-	(95)
At 31 December 2012	98,668	221,228	678,060	-	997,956
Net carrying value:					
At 31 December 2012	169,663	201,577	475,946	54,593	901,779

3 PROPERTY, PLANT AND EQUIPMENT (continued)

a) Land and buildings include freehold land at a cost of BD 453 thousand as at 31 December 2013 (2012: 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.

4 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 2013 was 1.42% (2012: 1.73%).

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

	2013	*2012*
	BD '000	*BD '000*
Current portion	**3,438**	3,438
Non-current portion	**6,877**	10,314
	10,315	13,752

5 INVENTORIES

	2013	*2012*
	BD '000	*BD '000*
Goods in transit	**37,752**	25,276
Raw materials	**24,464**	26,258
Work-in-process	**44,713**	51,611
Finished goods	**13,049**	18,144
Stores stock [net of provision of BD 1,477 thousand (2012: BD 1,200 thousand)]	**24,952**	22,275
	144,930	143,564

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

	2013	*2012*
	BD '000	*BD '000*
At 1 January	**1,200**	1,200
Charge for the year	**339**	151
Write off	**(62)**	(151)
At 31 December	**1,477**	1,200

6 ACCOUNTS RECEIVABLE AND PREPAYMENTS

	2013 BD '000	2012 BD '000
Trade accounts receivable [net of provision of BD 4,551 thousand (2012: BD 4,602 thousand)]	**72,977**	68,248
Other receivables [net of provision of BD 45 thousand (2012: BD 45 thousand)]	**9,820**	19,742
Prepayments	**2,578**	3,149
	85,375	91,139

As at 31 December 2013, trade accounts receivable at a nominal value of BD 4,551 thousand (2012: BD 4,602 thousand) and other receivables of BD 45 thousand (2012: BD 45 thousand) were impaired. Movements in the allowance for impairment of trade accounts receivable were as follows:

	Trade accounts receivable		Other receivables	
	2013 BD '000	2012 BD '000	2013 BD '000	2012 BD '000
At 1 January	**4,602**	5,357	**45**	354
Write off	**-**	(623)	**-**	-
Reversal of provision for the year	**(51)**	(132)	**-**	(309)
At 31 December	**4,551**	4,602	**45**	45

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

			Past due but not impaired			
	Total BD '000	Neither past due nor impaired BD '000	Less than 30 days BD '000	30 – 90 days BD '000	91 – 120 days BD '000	Over 120 days BD '000
2013	**72,977**	**71,586**	**472**	**35**	**192**	**692**
2012	68,248	65,527	1,496	788	314	123

7 BANK BALANCES AND CASH

	2013 BD '000	2012 BD '000
Cash in hand	**23**	21
Cash at bank:		
- Current accounts	**43,117**	51,048
- Call accounts	**21,400**	10,536
Bank balances and cash	**64,540**	61,605

A major portion of the bank balances is held with banks 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 2013 ranged between 0.10% to 0.12% (2012: 1.12% to 0.25%).

8 SHARE CAPITAL

	2013 BD '000	2012 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:

	2013			2012		
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%	**70,195,871**	**2,387**	**4.94**	67,196,856	2,453	4.73
1% up to less than 5%	**71,804,129**	**2**	**5.06**	74,803,144	2	5.27
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	**2,391**	**100.00**	1,420,000,000	2,457	100.00

9 TREASURY SHARES

As explained in note 1, during 2010 the Company purchased its own shares from Breton for a purchase consideration of BD 13,536 thousand (US$ 36,000 thousand).

On 1 September 2010, the Company reissued the above treasury shares to Mumtalakat and SIIC in a ratio of 79.34% and 20.66% respectively.

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

	2013		2012	
	No of shares	BD '000	No of shares	BD '000
Held for the Employees' Stock Incentive Plan [(note 15 (c)]	**2,405,000**	**-**	2,376,000	653
Excess of the shares in Employees' Stock Incentive Plan [note 15 (c)]	**595,000**	**536**	624,000	562
	3,000,000	**536**	3,000,000	1,215
Purchased subsequent to the IPO - net of sales	**8,899,321**	**4,621**	4,635,087	2,872
	11,899,321	**5,157**	7,635,087	4,087

10 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:

	2013	*2012*
Profit for the year - BD' 000	**79,777**	96,545
Weighted average number of shares, net of treasury shares - thousands of shares	**1,410,767**	1,412,508
Basic and diluted earnings per share (fils)	**57**	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.

11 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 2013. This reserve cannot be utilised for the purpose of distribution, except in such circumstances as stipulated in the Bahrain Commercial Companies Law.

12 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.

13 DIVIDEND PROPOSED AND PAID

On 28 July 2013, the Board of Directors proposed an interim dividend of BD 0.014 per share (excluding treasury shares) totalling BD 19,729 thousand (2012: BD 0.014 per share (excluding treasury shares) totalling BD 19,776 thousand) which was paid on 30 September 2013. On 12 February 2014, the Board of Directors recommended a final dividend of BD 0.022 per share (excluding treasury shares) totalling BD 30,978 thousand (2012: 0.014 per share (excluding treasury shares) totalling BD 19,773 thousand). Both interim and final dividends are subject to the approval of the Company's shareholders at the Annual General Meeting to be held in March 2014.

On 7 March 2013, the Company's shareholders approved the Board of Director's proposal to pay a final dividend of BD 0.014 per share (excluding treasury shares) totalling BD 19,759 thousand relating to 2012 which was paid in full in 2013 (2012: BD 0.040 per share totalling BD 56,509 thousand relating to 2011 of which BD 56,495 was paid).

14 BORROWINGS

	Current BD '000	Non-current BD '000	**Total 2013 BD '000**	Total 2012 BD '000
Working capital revolving credit at 1.35 % to 1.89 % (2012: 1.40% to 2.28%) [1]	67,680	-	**67,680**	65,800
Line 5 projects at 0.85 % to 1.61 % (2012: 0.94% to 1.77%)	19,006	27,335	**46,341**	128,762
Coface loan at 0.85 % to 1.14 % (2012: 0.86% to 1.14%)	6,492	-	**6,492**	12,984
Euro Coface loan at 1.18 % to 2.51 % (2012: 1.90% to 3.26%) [2]	4,395	17,157	**21,552**	21,782
Euro SERV Loan at 1.55 % to 2.23 % (2012: 1.62% to 2.94%) [3]	1,939	4,625	**6,564**	8,071
Refinancing loan at 2.64 % to 2.77 % (2012: nil) [4]	16,920	35,285	**52,205**	-
Total borrowings	116,432	84,402	**200,834**	237,399
Payable within one year			**116,432**	160,303
Payable after one year			**84,402**	77,096
			200,834	237,399

[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] 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.

[3] 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.

[4] 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.

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

15 EMPLOYEE BENEFITS

a) Defined benefit scheme - leaving indemnity

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

	2013	2012
	BD '000	*BD '000*
Provision as at 1 January	**915**	940
Provided during the year (note 19)	**844**	814
Employees' end of service benefits paid	**(829)**	(839)
Provision as at 31 December	**930**	915

b) Defined contribution schemes

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

	ALBA Savings Benefit Scheme		*Social Insurance Organisation*	
	2013	*2012*	***2013***	*2012*
	BD '000	*BD '000*	***BD '000***	*BD '000*
Provision as at 1 January	**1,688**	1,589	**776**	1,287
Expense recognised in the statement of comprehensive income (note 19)	**4,037**	3,786	**5,998**	5,548
Contributions paid	**(5,224)**	(3,687)	**(5,973)**	(6,059)
Provision as at 31 December (note 16)	**501**	1,688	**801**	776

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 has allocated 1,000 shares each to its 2,714 employees as of 1 December 2010 and these shares will vest after a period of three years. As of 31 December 2013, the number of employees eligible for this plan was 2,405 (2012: 2,376) and the excess of 595,000 shares is held as treasury shares as of 31 December 2013 (2012: 624,000 shares). During the year, the shares allocated to the employees had fully vested.

16 ACCOUNTS PAYABLE AND ACCRUALS

	2013	*2012*
	BD '000	*BD '000*
Trade payables	**54,606**	64,600
Retentions payable	**94**	94
Employee related accruals	**30,582**	26,452
Accrued expenses	**9,709**	12,781
Advances from customers	**1,667**	194
Alba Savings Benefit Scheme [note 15 (b)]	**501**	1,688
Social Insurance Organisation [(note 15 (b)]	**801**	776
	97,960	106,585

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

17 DERIVATIVE FINANCIAL INSTRUMENTS

The Company has a number of derivative financial instruments comprising interest rate collars, knockout swaps, forward foreign exchange contracts, commodity options and commodity futures. The fair values of the derivative financial instruments at 31 December 2013 and 31 December 2012 are as follows:

	2013		*2012*	
	Assets BD '000	***Liabilities BD '000***	*Assets BD '000*	*Liabilities BD '000*
Commodity options	-	**9,364**	-	34,424
Commodity futures	-	**38**	104	
Interest rate collars and knockout swaps	-	**701**	-	2,955
Forward foreign exchange contracts	-	**-**	-	47
Total	-	**10,103**	104	37,426
Classified in the statement of financial position as follows:				
Non-current portion:				
Commodity options	-	**5,232**	-	22,799
Interest rate collars and knockout swaps	-	**81**	-	1,197
	-	**5,313**	-	23,996
Current portion:				
Commodity options	-	**4,132**	-	11,625
Commodity futures	-	**38**	104	-
Interest rate collars and knockout swaps	-	**620**	-	1,758
Forward foreign exchange contracts	-	**-**	-	47
	-	**4,790**	104	13,430

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.

	2013 BD '000	*2012 BD '000*
Revaluation:		
Commodity options	**25,061**	21,175
Commodity futures	**(143)**	819
Interest rate collars and knockout swaps	**2,254**	5,363
Forward foreign exchange contracts	**47**	291
	27,219	27,648
Realised:		
Commodity options	**(5,636)**	(16,090)
Commodity futures	**(1,204)**	(850)
Interest rate collars and knockout swaps	**(2,508)**	(4,848)
	(9,348)	(21,788)
Net gain on fair valuation taken to statement of comprehensive income	**17,871**	5,860

17 DERIVATIVE FINANCIAL INSTRUMENTS (continued)

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 options
The Company entered into commodity options to offset the premium payable on the interest rate collars. The exposure to the Company is that if the LME price of aluminium exceeds US$ 1,650 (2012: US$ 1,650) per metric tonne (which is above the London Metal Exchange (LME) price used in the feasibility study for line 5), then the Company will pay the difference between the market price and the average contracted price of US$ 1,650 (2012: US$ 1,650) per metric tonne for certain tonnages of aluminium.

Commodity futures
The Company entered into commodity futures contracts to reduce the price risk on behalf of its customers for 17,800 metric tonnes (2012: 10,750 metric tonnes).

Interest rate collars and knockout swaps
The Company entered into interest rate collar and knockout swap transactions for US$ 1.5 billion floating rate borrowings for financing the line 5 project (note 14) to manage overall financing costs. These contracts expire on 17 February 2015.

The notional amounts outstanding as at 31 December 2013 was US$ 270,000 thousand (2012: US$ 505,098 thousand).

Forward foreign exchange contracts
The Company has entered into forward foreign exchange contracts for capital expenditure cash outflows in foreign currencies equivalent to BD nil (2012: BD 311 thousand) as of 31 December 2013. These contracts expired on 8 March 2013.

18 OTHER INCOME

	2013	*2012*
	BD '000	*BD '000*
Interest income	**249**	389
Sale of water	**1,863**	2,123
Settlement with Alcoa (see note below)	**-**	31,960
Miscellaneous	**5,192**	4,906
	7,304	39,378

On 9 October 2012, the Company entered into an out-of-court settlement agreement with Alcoa Inc., Alcoa World Alumina L.L.C. and members of its senior management (together, "Alcoa"). The settlement agreed was a combination of cash amounting to BD 31,960 thousand (US$ 85,000 thousand) as well as concessions on long term alumina supply and related agreements. Settlement amount of BD 15,980 thousand was received in 2012 and the balance was received in October 2013. The Company recognised the cash settlement of BD 31,960 thousand in 2012 as other income.

19 PROFIT FOR THE YEAR

Profit for the year is stated after charging:

	2013 BD '000	2012 BD '000
Staff costs:		
Wages and salaries	**76,176**	68,404
Employees' end of service benefits [note 15 (a)]	**844**	814
Alba savings benefit scheme [note 15 (b)]	**4,037**	3,786
Social Insurance Organisation [note 15 (b)]	**5,998**	5,548
Indirect benefits (housing, education)	**489**	496
Payments to contractors	**2,377**	2,360
Cost of Employees' Stock Incentive Plan	**680**	765
Others	**405**	398
	91,006	82,571
Inventories recognised as an expense in cost of sales	**442,443**	350,870

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

	2013 BD '000	2012 BD '000
Cost of sales	**75,723**	67,860
Administrative expenses	**13,711**	12,741
Selling and distribution expenses	**1,572**	1,970
	91,006	82,571
Finance costs:		
Interest on borrowings	**4,759**	6,121
Bank charges	**1,064**	1,061
	5,823	7,182

20 COMMITMENTS AND CONTINGENCIES

a) *Commitments*

	2013 BD '000	2012 BD '000
Physical metal commitments		
Sales commitments :		
14,900 metric tonnes (2012: 7,750 metric tonnes)	**10,024**	7,900

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 (2012: BD 5,000 thousand). As of 31 December 2013, the Company has a remaining commitment of BD 4,000 thousand (2012: BD 1,500 thousand) towards the purchase of its own shares.

20 COMMITMENTS AND CONTINGENCIES (continued)

a) Commitments (continued)

Capital expenditure

Estimated capital expenditure contracted for at the reporting date amounted to BD 74,795 thousand (2012: BD 51,666 thousand). The commitments are expected to be settled within 1 to 5 years.

Letters of credit

The commitments on outstanding letters of credit as at 31 December 2013 were BD 7,372 thousand (2012: BD 8,911 thousand). The commitments are expected to be settled within 1 year.

At 31 December 2013, the Company had no outstanding letters of credit to counterparties for derivative transactions amounting (2012: BD 3,760 thousand).

b) Contingencies

The Company has issued bank guarantee to customs authorities in the Kingdom of Bahrain amounting to BD 500 thousand until extension of the limits for the duty exemptions (2012: nil).

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 14,292 thousand (2012: BD 12,021 thousand).

c) Legal claims

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

ii) On 27 February 2008, the Company filed a lawsuit in the United States District Court for the Western District of Pennsylvania against Alcoa, Inc., Alcoa World Alumina LLC, a member of its senior management (together, "Alcoa") and Victor Dahdaleh. In the complaint, the Company alleged that Alcoa conspired to bribe certain former members of its senior management and officials of the Government of the Kingdom of Bahrain to ensure, among other things, that Alcoa continued to benefit from the Company's alumina purchases at inflated prices. Among other remedies, the Company sought damages for illicit activities that took place from 1993 to 2008.

In March 2008, the Court granted the U.S. Government's unopposed motion to intervene and stay discovery, as the U.S. Government conducted a criminal investigation related to the same allegations. The stay was lifted in November 2011, and on 11 June 2012, the Court denied motions filed by Alcoa and the other defendants seeking to dismiss the lawsuit. On 9 October 2012, the Company reached a settlement with the Alcoa defendants comprised of a combination of cash and a long-term alumina supply arrangement. The lawsuit against Victor Dahdaleh is still ongoing.

iii) During 2009 the Company filed a complaint with the Public Prosecutor, who initiated a criminal proceeding against three former employees of Alba Marketing (ALMA). The Company joined the proceedings as a civil right claimant. In its submission the Company claimed that the three former employees earned money from criminal activities and received commissions in contravention of the Bahrain Commercial Companies Law and the Prohibition of and Combating Money Laundering Law of Bahrain ("PCMLL"). In its civil right claim the Company sought to oblige the defendants to pay the amount of US$ 17,499,412 as interim relief, while preserving the Company's civil right to have recourse against the defendants for all the damages which ALMA has incurred as a result of the acts committed by the three former employees. In November 2010, the Bahrain criminal court found the defendants guilty under the PCMLL. In its judgment, the court did not make any reference to the reservation of the Company's right to compensation pursuant to Article 3.2 of PCMLL. The criminal conviction was pardoned by a Royal Decree. However the Company's civil claim is still pending under a civil court proceeding.

It is not practical to estimate the effect of any of these law suits on the financial statements at this stage.

21 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:

	2013	*2012*
	BD '000	*BD '000*
Aluminium	**730,879**	730,924
Calcined coke	**12,141**	12,801
Alumina trading	**6,318**	-
Total sales revenue	**749,338**	743,725

b) Geographic information

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

	2013	*2012*
	BD '000	*BD '000*
Kingdom of Bahrain	**341,871**	320,797
Asia	**80,721**	102,967
Rest of the Middle East and North Africa	**199,651**	186,828
Europe	**101,175**	99,235
Americas	**25,920**	33,898
Total sales revenue	**749,338**	743,725

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 270,964 thousand (2012: BD 235,281 thousand), each being more than 10% of the total sales revenue for the year.

22 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:

	2013	*2012*
	BD '000	*BD '000*
Other related parties		
Revenue and other income		
Sale of metal	**100,813**	91,369
Sale of water	**1,312**	1,218
Interest on long term receivable	**192**	294
	102,317	92,881

22 RELATED PARTY TRANSACTIONS (continued)

	2013	*2012*
	BD '000	*BD '000*
Cost of sales and expenses		
Purchase of natural gas and diesel	**101,979**	96,152
Purchase of electricity	**1,483**	2,200
Royalty	**3,783**	3,690
	107,245	102,042

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

	2013	*2012*
	BD '000	*BD '000*
Other related parties		
Assets		
Long term receivable	**10,315**	13,752
Bank balances	**14,986**	17,652
Receivables	**7,923**	7,384
	33,224	38,788
Liabilities		
Borrowings	**15,040**	7,520
Payables	**9,616**	16,523
	24,656	24,043

Outstanding balances at year-end arise in the normal course of business. For the year ended 31 December 2013, the Company has not recorded any impairment on amounts due from related parties (2012: nil).

Compensation of key management personnel

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

	2013	*2012*
	BD '000	*BD '000*
Short term benefits	**1,384**	1,677
End of service benefits	**73**	118
Contributions to Alba Savings Benefit Scheme	**63**	23
Other benefits	**111**	272
	1,631	2,090

Directors' fees during the year amounted to BD 190 thousand (2012: BD 190 thousand).

23 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.

23 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 2013.

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 4 and 7.

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*	*Increase / decrease in basis points*	*Effect on results for the year*
		BD '000		*BD '000*
2013	**25**	**54**	**25**	**434**
	(25)	**(54)**	**(25)**	**(434)**
2012	25	26	25	667
	(25)	(26)	(25)	(667)

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.

23 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 2013, with all other variables held constant.

	Increase/ decrease in LME price	*Effect on results for the year BD '000*
2013	**+30%**	**2,798**
	-30%	**(2,658)**
2012		
	+30%	(10,296)
	-30%	9,781

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 and Great Britain Pounds. The Company uses forward foreign exchange contracts to hedge against foreign currency payables (note 17).

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***	***2013 BD '000***	*2012 BD '000*
Bank balances	*Euro*	**10,771**	5,444
	Great Britain Pounds	**37**	36
Receivables	*Euro*	**5,739**	6,225
Borrowings	*Euro*	**28,116**	30,745
Payables	*Euro*	**2,512**	2,061
	Great Britain Pounds	**-**	13

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).

23 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.

	2013		2012	
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%**	**(1,412)**	+10%	(2,113)
Great Britain Pounds	**+10%**	**4**	+10%	2
		(1,408)		(2,111)

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 other financial instruments.

Credit risk from bank balances and derivative contracts is managed by the Company's treasury department in accordance with the Company's policy. Investments of surplus funds are made only with approved counterparties and within credit limits assigned to each counterparty.

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.

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

Provisions for bad and doubtful debts are made for doubtful receivables whenever risks of default are identified.

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 45.21% of outstanding accounts receivable at 31 December 2013 (2012: 54.11%).

As of 31 December 2013, the Company has a significant concentration of credit risk to Gulf Aluminium Rolling Mill Company B.S.C. (c) which consists of:

	2013 BD '000	*2012 BD '000*
Long term receivable	**10,315**	13,752
Trade accounts receivable	**7,499**	7,384
	17,814	21,136

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. Trade payables are normally settled within 45 days of the date of purchase.

23 RISK MANAGEMENT (continued)

Liquidity risk (continued)

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.

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 2013	*Less than 3 months BD '000*	*3 to 12 months BD '000*	*1 to 5 years BD '000*	*Over 5 years BD '000*	*Total BD '000*
Borrowings (including interest payable)	**82,509**	**36,568**	**86,791**	-	**205,868**
Derivative financial instruments	**897**	**3,956**	**5,250**	-	**10,103**
Accounts and other payable	**60,633**	-	-	-	**60,633**
Total	**144,039**	**40,524**	**92,041**	-	**276,604**

31 December 2012	*Less than 3 months BD '000*	*3 to 12 months BD '000*	*1 to 5 years BD '000*	*Over 5 years BD '000*	*Total BD '000*
Borrowings (including interest interest payable)	137,703	24,133	79,392	-	241,228
Derivative financial instruments	1,617	11,813	23,996	-	37,426
Accounts and other payable	31,840	38,917	-	-	70,757
Total	171,160	74,863	103,388	-	349,411

Capital management

Capital comprises share capital, statutory reserve, capital reserve, retained earnings and proposed dividend less treasury shares, and is measured at BD 868,451 thousand as at 31 December 2013 (2012: BD 829,618 thousand).

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.

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 2013 and 31 December 2012.

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

24 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 2013:

	Loans and receivables BD '000	*Fair value through profit or loss BD '000*
Financial assets:		
Trade and other receivables	**82,797**	**-**
	82,797	**-**
Financial liabilities:		
Borrowings	**200,834**	**-**
Accounts payable and accruals	**60,633**	**-**
Derivative financial instruments	**-**	**10,103**
	261,467	**10,103**

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 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 2013, 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 Group's own non-performance risk. As at 31 December 2013, 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 2013 was assessed to be insignificant.

24 FAIR VALUES OF FINANCIAL INSTRUMENTS (continued)

Fair value hierarchy

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

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

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

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

As at 31 December 2013, the Company's derivative financial instruments are measured at fair value. These are Level 2 as per the hierarchy above for the years ended 31 December 2013 and 31 December 2012. The Company does not have financial instruments qualifying for Level 1 or Level 3 classification.

During the year ended 31 December 2013, 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 (2012: same).

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

25 KEY SOURCES OF ESTIMATION UNCERTAINTY

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

Impairment of trade accounts receivable

An estimate of the collectible amount of trade accounts receivable 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.

At 31 December 2013, gross trade accounts receivable were BD 77,528 thousand (2012: BD 72,850 thousand), and the provision for impairment was BD 4,551 thousand (2012: BD 4,602 thousand) and gross other receivables were BD 9,865 thousand (2012: BD 19,787 thousand), and the provision for impairment was BD 45 thousand (2012: 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 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.

25 KEY SOURCES OF ESTIMATION UNCERTAINTY (continued)

Impairment of inventories (continued)

At 31 December 2013, stores stock was BD 26,429 thousand (2012: BD 23,475 thousand) with provisions for old and obsolete items of BD 1,477 thousand (2012: BD 1,200 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.

26 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.

27 COMPARATIVE FIGURES

Certain of the prior year's figures have been reclassified to conform to the current year's presentation. Such reclassification did not affect previously reported net income or total shareholders' equity.

	As previously reported BD '000	*Reclassif- ication BD '000*	*As reported herein BD '000*
Statement of financial position			
Accounts receivable and prepayments	108,299	(17,160)	91,139
Short term loans	17,160	(17,160)	-
Total assets	1,229,103	(17,160)	1,211,943
Shareholder's equity	829,618	-	829,618