

**Aluminium Bahrain B.S.C.**

**INTERIM CONDENSED FINANCIAL STATEMENTS**

**30 JUNE 2012 (UNAUDITED)**

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

***Introduction***

We have reviewed the accompanying interim condensed financial statements of Aluminium Bahrain B.S.C. ('the Company') as at 30 June 2012, comprising of the interim statement of financial position as at 30 June 2012 and the related interim statements of comprehensive income, cash flows and changes in equity for the six month period then ended and explanatory notes. The Company's Board of Directors is responsible for the preparation and presentation of these interim condensed financial statements in accordance with International Accounting Standard 34 "Interim Financial Reporting" ("IAS 34"). Our responsibility is to express a conclusion on these interim condensed financial statements based on our review.

***Scope of review***

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

***Conclusion***

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



29 July 2012

Manama, Kingdom of Bahrain

# Aluminium Bahrain B.S.C.


## INTERIM STATEMENT OF FINANCIAL POSITION

At 30 June 2012

	Note	30 June 2012 <i>Unaudited</i> BD '000	31 December 2011 <i>Audited</i> BD '000
<b>ASSETS</b>			
<b>Non-current assets</b>			
Property, plant and equipment		915,010	946,807
Long term receivable		12,032	13,753
		<u>927,042</u>	<u>960,560</u>
<b>Current assets</b>			
Inventories		163,862	158,020
Current portion of long term receivable		3,438	3,438
Accounts receivable and prepayments		96,651	83,285
Bank balances and cash		75,964	99,487
		<u>339,915</u>	<u>344,230</u>
<b>TOTAL ASSETS</b>		<u><u>1,266,957</u></u>	<u><u>1,304,790</u></u>
<b>EQUITY AND LIABILITIES</b>			
<b>Equity</b>			
Share capital		142,000	142,000
Treasury shares		(4,346)	(5,029)
Statutory reserve		71,000	71,000
Capital reserve		249	249
Retained earnings		580,905	544,064
Proposed dividend	6	19,776	56,509
<b>Total equity</b>		<u>809,584</u>	<u>808,793</u>
<b>Non-current liabilities</b>			
Borrowings		90,817	167,140
Derivative financial instruments	3	27,718	34,324
Employees' end of service benefits		880	940
		<u>119,415</u>	<u>202,404</u>
<b>Current liabilities</b>			
Borrowings		191,339	149,733
Short term loans		22,333	13,084
Accounts payable and accruals		110,251	100,130
Derivative financial instruments	3	14,035	30,646
		<u>337,958</u>	<u>293,593</u>
<b>Total liabilities</b>		<u>457,373</u>	<u>495,997</u>
<b>TOTAL EQUITY AND LIABILITIES</b>		<u><u>1,266,957</u></u>	<u><u>1,304,790</u></u>

The interim condensed financial statements were authorised for issue by the Board of Directors on 29 July 2012.

  
Chairman

  
Director

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

Aluminium Bahrain B.S.C.

INTERIM STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 June 2012 (Unaudited)

	<i>Three months ended</i>		<i>Six months ended</i>	
	<i>30 June</i>	<i>30 June</i>	<i>30 June</i>	<i>30 June</i>
	<i>2012</i>	<i>2011</i>	<i>2012</i>	<i>2011</i>
<i>Note</i>	<i>BD '000</i>	<i>BD '000</i>	<i>BD '000</i>	<i>BD '000</i>
Sales revenue	<b>196,555</b>	242,413	<b>382,957</b>	459,650
Cost of sales	<b>(165,836)</b>	(173,106)	<b>(312,460)</b>	(319,155)
<b>GROSS PROFIT</b>	<b>30,719</b>	69,307	<b>70,497</b>	140,495
Other income	<b>643</b>	1,878	<b>2,214</b>	3,504
Selling and distribution expenses	<b>(5,032)</b>	(6,478)	<b>(8,984)</b>	(12,986)
General and administrative expenses	<b>(7,559)</b>	(5,748)	<b>(14,045)</b>	(12,471)
Gain (loss) on exchange	<b>549</b>	(755)	<b>557</b>	(1,577)
Finance costs	<b>(1,914)</b>	(1,882)	<b>(3,772)</b>	(3,638)
<b>PROFIT FOR THE PERIOD BEFORE DERIVATIVE FINANCIAL INSTRUMENTS</b>	<b>17,406</b>	56,322	<b>46,467</b>	113,327
Gain (loss) on revaluation/settlement of derivative financial instruments (net)	<b>3 18,211</b>	13,335	<b>10,485</b>	(10,447)
<b>PROFIT AND OTHER COMPREHENSIVE INCOME FOR THE PERIOD</b>	<b>35,617</b>	69,657	<b>56,952</b>	102,880
Basic and diluted earnings per share (fils)	<b>25</b>	49	<b>40</b>	73

Chairman

Director

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

# Aluminium Bahrain B.S.C.

## INTERIM STATEMENT OF CASH FLOWS

For the six months ended 30 June 2012 (Unaudited)

	30 June 2012 BD '000	30 June 2011 BD '000
<i>Note</i>		
<b>OPERATING ACTIVITIES</b>		
Profit for the period	<b>56,952</b>	102,880
Adjustments for:		
Depreciation	<b>38,221</b>	37,584
Provision for employees' end of service benefits	<b>434</b>	376
Gains on revaluation of derivative financial instruments	<b>3 (23,217)</b>	(12,412)
Loss on disposal of property, plant and equipment	<b>44</b>	220
Write off of property, plant and equipment - net book value	<b>-</b>	15
Interest income	<b>(222)</b>	(194)
Finance costs	<b>3,772</b>	3,638
Amortisation of treasury shares held for Employees' Stock Incentive Plan	<b>442</b>	305
	<b>76,426</b>	132,412
Working capital changes:		
Inventories	<b>(5,842)</b>	(18,971)
Accounts receivable and prepayments	<b>(13,366)</b>	(9,634)
Accounts payable and accruals	<b>10,088</b>	2,590
Cash from operations	<b>67,306</b>	106,397
Employees' end of service benefits paid	<b>(494)</b>	(461)
Net cash from operating activities	<b>66,812</b>	105,936
<b>INVESTING ACTIVITIES</b>		
Purchase of property, plant and equipment	<b>(6,512)</b>	(13,218)
Disposal of property, plant and equipment	<b>44</b>	682
Term deposit	<b>-</b>	3,011
Interest received	<b>222</b>	194
Net cash used in investing activities	<b>(6,246)</b>	(9,331)
<b>FINANCING ACTIVITIES</b>		
Amounts received from long term receivable	<b>1,719</b>	1,719
Borrowings availed	<b>120,320</b>	16,812
Borrowings repaid	<b>(155,036)</b>	(36,973)
Movement in short term loans	<b>9,249</b>	11,366
Finance costs paid	<b>(3,738)</b>	(3,778)
Movement in margin deposits	<b>-</b>	318
Dividends paid	<b>6 (56,495)</b>	(62,269)
Purchase of treasury shares	<b>(638)</b>	(1,834)
Proceeds from resale of treasury shares	<b>530</b>	1,085
Net cash used in financing activities	<b>(84,089)</b>	(73,554)
<b>(DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS</b>	<b>(23,523)</b>	23,051
Cash and cash equivalents at 1 January	<b>99,487</b>	55,869
<b>CASH AND CASH EQUIVALENTS AT 30 JUNE</b>	<b>75,964</b>	78,920
Cash and cash equivalents at 30 June	<b>75,964</b>	78,920
Margin deposit at 30 June	<b>-</b>	614
<b>BANK BALANCES AND CASH AT 30 JUNE</b>	<b>75,964</b>	79,534

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

## Aluminium Bahrain B.S.C.

### INTERIM STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2012 (Unaudited)

	Share capital BD '000	Treasury shares BD '000	Statutory reserve BD '000	Capital reserve BD '000	Treasury shares reserve BD '000	Retained earnings BD '000	Proposed dividend BD '000	Total BD '000
Balance at 1 January 2012	142,000	(5,029)	71,000	249	-	544,064	56,509	808,793
Total comprehensive income for the period	-	-	-	-	-	56,952	-	56,952
Net movement in treasury shares	-	241	-	-	-	-	-	241
Amortisation of treasury shares held for Employees' Stock Incentive Plan	-	442	-	-	-	-	-	442
Loss on resale of treasury shares	-	-	-	-	-	(349)	-	(349)
Final dividend for 2011 approved and paid (note 6)	-	-	-	-	-	-	(56,495)	(56,495)
Excess of final dividend for 2011 reversed	-	-	-	-	-	14	(14)	-
Dividend proposed (note 6)	-	-	-	-	-	(19,776)	19,776	-
<b>Balance at 30 June 2012</b>	<b>142,000</b>	<b>(4,346)</b>	<b>71,000</b>	<b>249</b>	<b>-</b>	<b>580,905</b>	<b>19,776</b>	<b>809,584</b>

	Share capital BD '000	Treasury shares BD '000	Statutory reserve BD '000	Capital reserve BD '000	Treasury shares reserve BD '000	Retained earnings BD '000	Proposed dividend BD '000	Total BD '000
Balance at 1 January 2011	142,000	(3,735)	68,629	249	-	491,539	-	698,682
Total comprehensive income for the period	-	-	-	-	-	102,880	-	102,880
Net movement in treasury shares	-	(759)	-	-	-	-	-	(759)
Amortisation of treasury shares held for Employees' Stock Incentive Plan	-	305	-	-	-	-	-	305
Gain on resale of treasury shares	-	-	-	-	10	-	-	10
Dividend approved and paid (note 6)	-	-	-	-	-	(62,269)	-	(62,269)
Dividend proposed (note 6)	-	-	-	-	-	(38,203)	38,203	-
<b>Balance at 30 June 2011</b>	<b>142,000</b>	<b>(4,189)</b>	<b>68,629</b>	<b>249</b>	<b>10</b>	<b>493,947</b>	<b>38,203</b>	<b>738,849</b>

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

At 30 June 2012

## 1 ACTIVITIES

Aluminium Bahrain B.S.C. ("the Company") was incorporated as a Bahrain Joint Stock Company (closed) in the Kingdom of Bahrain and registered with the Ministry of Industry and Commerce under commercial registration (CR) number 999.

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

As of 30 June 2012, the majority shareholder of the Company was Bahrain Mumtalakat Holding Company B.S.C. (c) (Mumtalakat), a company wholly owned by the Government of the Kingdom of Bahrain, which holds 69.38% of the Company's share capital.

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

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

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

## 2 SIGNIFICANT ACCOUNTING POLICIES

### **Basis of preparation**

The interim condensed financial statements of the Company for the six months ended 30 June 2012 has been prepared in accordance with International Accounting Standard 34, "Interim Financial Reporting".

The interim condensed financial statements do not contain all the information and disclosures required in the annual financial statements, and should be read in conjunction with the Company's annual financial statements as at 31 December 2011. In addition, results for the six month period ended 30 June 2012 are not necessarily indicative of the results that may be expected for the financial year ending 31 December 2012.

At 30 June 2012

**2 SIGNIFICANT ACCOUNTING POLICIES (continued)****New standards, interpretation and amendments thereof, adopted by the Company**

The accounting policies adopted in the preparation of the interim condensed financial statements are consistent with those followed in the preparation of the Company's annual financial statements for the year ended 31 December 2011, except for the amended standard as of 1 January 2012, noted below:

*IFRS 7 - Disclosures - Transfers of financial assets (Amendment)*

The IASB issued an amendment to IFRS 7 that enhances disclosures for financial assets. These disclosures relate to assets transferred (as defined under IAS 39). If the assets transferred are not derecognised entirely in the financial statements, an entity has to disclose information that enables users of financial statements to understand the relationship between those assets which are not derecognised and their associated liabilities. If those assets are derecognised entirely, but the entity retains a continuing involvement, disclosures have to be provided that enable users of financial statements to evaluate the nature of, and risks associated with, the entity's continuing involvement in those derecognised assets. The effective implementation date is for annual periods beginning on or after 1 July 2011 with no comparative requirements.

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

**3 DERIVATIVE FINANCIAL INSTRUMENTS**

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

The Company has a number of derivative financial instruments comprising interest rate collars, knockout swaps, forward foreign exchange contracts and commodity options. The fair values of the derivative financial instruments at 30 June 2012 are as follows:

	<i>Liabilities</i>	
	<b>30 June</b>	<b>31 December</b>
	<b>2012</b>	<b>2011</b>
	<b>BD '000</b>	<b>BD '000</b>
Commodity options	<b>34,861</b>	55,599
Commodity futures	<b>846</b>	715
Interest rate collars and knockout swaps	<b>5,772</b>	8,318
Forward foreign exchange contracts	<b>274</b>	338
<b>Total</b>	<b>41,753</b>	<b>64,970</b>



# Aluminium Bahrain B.S.C.

## NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS

At 30 June 2012

### 3 DERIVATIVE FINANCIAL INSTRUMENTS (continued)

Classified in the interim statement of financial position as follows:

	<i>Liabilities</i>	
	<b>30 June</b>	<b>31 December</b>
	<b>2012</b>	<b>2011</b>
	<b>BD '000</b>	<b>BD '000</b>
Non-current portion:		
Commodity options	24,886	29,911
Interest rate collars and knockout swaps	2,832	4,366
Forward foreign exchange contracts	-	47
	<b>27,718</b>	<b>34,324</b>
Current portion:		
Commodity options	9,975	25,688
Commodity futures	846	715
Interest rate collars and knockout swaps	2,940	3,952
Forward foreign exchange contracts	274	291
	<b>14,035</b>	<b>30,646</b>

The fair valuation of the derivative financial instruments resulted in the following gains (losses) to the interim statement of comprehensive income for the six month period ended 30 June 2012.

	<i>Six month period ended</i>	
	<i>30 June</i>	
	<b>2012</b>	<b>2011</b>
	<b>BD '000</b>	<b>BD '000</b>
<b>Revaluation:</b>		
Commodity futures and options	20,607	9,125
Interest rate collars and knockout swaps	2,546	2,141
Forward foreign exchange contracts	64	1,146
Unrealised gain on derivative financial instruments	<b>23,217</b>	<b>12,412</b>
<b>Realised:</b>		
Commodity futures and options	(10,035)	(15,199)
Interest rate collars and knockout swaps	(2,697)	(7,660)
Realised losses on derivatives	<b>(12,732)</b>	<b>(22,859)</b>
Net gain (loss) on fair valuation taken to interim statement of comprehensive income	<b>10,485</b>	<b>(10,447)</b>

### 4 OPERATING SEGMENT INFORMATION

For management purposes, the Company has a single operating segment which is the ownership and operation of a primary aluminium smelter and related infrastructure. Hence no separate disclosure of profit or loss, assets and liabilities is provided as this disclosure will be identical to the interim statement of financial position and interim statement of comprehensive income of the Company.

At 30 June 2012

**4 OPERATING SEGMENT INFORMATION (continued)****a) Product**

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

	<i>Six month period ended</i>	
	<i>30 June</i>	
	<b>2012</b>	2011
	<b>BD '000</b>	BD '000
Aluminium	<b>379,487</b>	450,891
Calcined coke	<b>3,470</b>	8,759
<b>Total sales revenue</b>	<b>382,957</b>	459,650

**b) Geographic information**

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

	<i>Six month period ended</i>	
	<i>30 June</i>	
	<b>2012</b>	2011
	<b>BD '000</b>	BD '000
Kingdom of Bahrain	<b>157,571</b>	213,533
Asia	<b>63,497</b>	54,404
Rest of the Middle East North Africa	<b>90,981</b>	104,174
Europe	<b>53,645</b>	87,539
Americas	<b>17,263</b>	-
<b>Total sales revenue</b>	<b>382,957</b>	459,650

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

**c) Customers**

Revenue from sale of metal from two of the major customers of the Company amounted to BD 113,986 thousand (2011: BD 159,805 thousand), each being more than 10% of the total sales revenue for the period.

**5 COMMITMENTS AND CONTINGENCIES**

As of 30 June 2012, there have been no significant changes to outstanding commitments and contingencies compared to 31 December 2011 (30 June 2011 - same)

**6 DIVIDEND PROPOSED AND PAID**

On 29 July 2012, the Board of Directors proposed an interim dividend of BD 0.014 per share totalling BD 19,776 thousand (prior period: BD 0.027 per share totalling BD 38,203 thousand). This is subject to ratification by the Company's shareholders at the Annual General Meeting.

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

On 30 March 2011, the Company's shareholders approved the Board of Directors' proposal to pay a final dividend of BD 0.044 per share totalling BD 62,269 thousand relating to 2010 which was fully paid.