Striving to make an impact **globally**

Annual Report
2010

Aluminium
for the world

His Royal Highness Prince
Khalifa Bin Salman Al Khalifa
The Prime Minister

His Royal Majesty King
Hamad Bin Isa Al Khalifa
The King
of The Kingdom of Bahrain

His Royal Highness Prince
Salman Bin Hamad Al Khalifa
The Crown Prince
and Deputy Supreme
Commander

Contents

Board of **Directors**

Chairman
Mahmood Hashim
Al Kooheji

Mr. Fawzi A.
Kanoo

Sh. Mohammad bin
Khalifa Al Khalifa

Mr. Osama M.
Al Arrayedh

Mr. Mutlaq H.
Al Morished

Mr. David E. Meen

Mr. Abdulaziz S.
Al Humaid

Mr. Yousif A. Taqi

Mr. Homood A.
Al Tuwaijri

Executive Management

Chief Executive Officer
Laurent Schmitt

Chief Financial Officer
Tim Murray

Chief Supply Chain Officer
Isa Abdul Latif
Al Ansari

Chief Marketing Officer
Jean-Baptiste Lucas

Chairman's Message

2010 has been a year of recovery for Alba and the aluminium industry after a challenging 2009

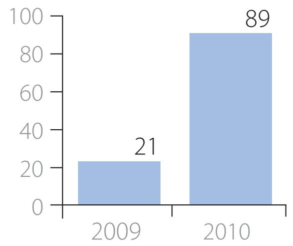
China saw continued growth, Western Europe witnessed buoyant industrial production and the key construction and automotive industries expanded apace. With the gradual stabilisation of the world's major developed economies in 2010, Alba seized this opportunity to focus on its organic growth and will continue this focus throughout 2011 as the world becomes more reliant on metals and minerals, and in particular aluminium. This commitment towards sustainable development is integral to our daily operations, to our legacy and future.

We achieved an exemplary performance in 2010 underlined by several milestones: Revenues scored BHD 751 million [US$ 1,997 million], a 29% y-o-y increase; EBITDA recorded BHD 208 million [US$ 552 million], a substantial increase by 171% as compared to 2009 while Net Income stood at BHD 138 million [US$ 368 million] compared to a loss of BHD 83 million in 2009 [US$ 220 million].

In 2010, the focus on operational efficiency and global competitiveness ensured strengthened productivity to have net finished products of 850,700 metric tonnes – exceeding the projected volumes by 1,537 metric tonnes.

Alba remains committed to efficient capital management – we strongly believe that to serve the best interest of shareholders in the long-run requires a balanced approach to investing in growth and returning cash to shareholders while maintaining a strong balance sheet.

2010 was a milestone year in Alba's history as the company readied itself for meeting the opportunities of the future. The launch of Alba's Initial Public Offering (IPO) and listing on both the Bahrain Bourse and London Stock Exchange present a vital springboard for realising the company's global ambitions. The IPO received a positive response from retail and institutional investors in less than a year following the global financial crisis.



Cash Back to Shareholders (BHD million)

"In 2010, the focus on operational efficiency and global competitiveness ensured strengthened productivity"

With the renewed confidence and resurgence in the industrial sector, we foresee that the fundamentals for growth are strong, though the potential for medium-volatility will remain a concern due to persistent economic conditions.

By remaining true to our core strategies and beliefs, we have entered 2011 in a strong position to benefit as the demand for aluminium rebounds. We remain confident in the underlying value of what we have built, and our investors can be assured that the company is in a position to deliver on that promise and see Alba's value reflected in the stock.

As we move into 2011, Alba will continue to build on its reputation for technical excellence and have the building blocks for taking the company into a new era 'to become one of the largest smelters in the world'. As we work towards realisation of this vision, we ensure that with effective procurement and supply integration, we are placed to maximise production across our products to meet customers' needs.

As always, I am grateful to our Board of Directors for their stewardship and leadership in supporting the investments and strategies required for our long-term success. I also extend my appreciation to our workforce in Alba for their efforts which have proven to be the underlying force for making 2010 'the Year of Recovery'. Their efforts enabled us in many cases to work our assets efficiently while also maintaining a sustainable development.

In conclusion, it gives me much pleasure to express my gratitude to His Majesty the King of Bahrain, King Hamad bin Isa Al Khalifa; the guidance of His Royal Highness the Prime Minister, Prince Khalifa bin Salman Al Khalifa; the support of His Royal Highness the Crown Prince and Chairman of the Bahrain Economic Development Board, Prince Salman bin Hamad Al Khalifa, and the Government of the Custodian of the Two Holy Mosques, His Majesty King Abdullah Ibn Abdul Aziz Al Saud of the Kingdom of Saudi Arabia, without whose support Alba's accomplishments would not have been possible.

The driving force behind Alba's success is underpinned by its devoted workforce

Revenues increased **29%**

850,700 metric tonnes of net finished products

Message from the **CEO**

2010 saw Alba recording an exceptional recovery and creating a defined pathway for sustainable growth

In 2010 the global economic recovery resulted in a significant increase in aluminium consumption which allowed Alba to capitalise on the improved market conditions as well as leverage maximum benefits from our STAR performance improvement programme.

Alba benefited from the appreciation in aluminium price from US$ 1,665 per metric tonne in 2009 to US$ 2,173 in 2010. The STAR programme had a favourable impact of BHD 38 million [US$ 100 million] by focusing on 3 main areas (Operational Excellence, Sales and Marketing, and Working Capital management). Through Operational Excellence we were able to improve our organisational efficiency by 11%. In Sales & Marketing, we were able to improve our Value Added products sales by 43% and on Working Capital Management we were able to reduce Accounts Receivable and Inventory days by 12% and 19%, respectively.

Based upon the 2010 achievements, EBITDA reached BHD 208 million [US$ 552 million] compared to BHD 76 million [US$ 203 million] in 2009 while the generated Free Cash Flow was BHD 186 million [US$ 495 million] versus BHD 105 million [US$ 279 million] in 2009. These financial results enabled Alba to pay cash back to shareholders of BHD 89 million [US$238 million] during 2010 as well as reduce overall debt profile by BHD 70 million [US$ 185 million]. In addition, a new dividend to be paid in April 2011 of BHD 62 million [US$ 164 million] has been approved by the Alba Board.

A further landmark in 2010 was the launching of the Initial Public Offering (IPO) and the dual listing in Bahrain Bourse and London Stock Exchange. These momentous steps mark a new phase for the company's operations and highlight Alba's role as a

global player in the market with an appetite for future growth. Alba's stock being publicly traded enables the company to compete more effectively in international markets as well as to capitalise increasingly on worldwide opportunities.

"Alba was pleased to receive, for a fourth consecutive year, two prestigious awards for safety in the workplace"

Furthermore, it completes Alba's evolution into a purely commercial entity and fosters the company's long-held commitment to transparency and sound corporate governance.

In 2010, we increased our focus on operational efficiency and risk management with a particular emphasis on compliance and continuous improvement on different angles from employee health to safety. Alba was pleased to receive, for a fourth consecutive year, two prestigious awards for safety in the workplace from both British Safety Council and the Royal Society for the Prevention of Accidents.

Alba partnered with the Bahrain International Circuit to encourage the growth of motorsports in the Kingdom

Alba continues to demonstrate its commitment to corporate social responsibility through serving the local community of Bahrain and giving unwavering attention to protection of its environment. Among its many activities throughout 2010, Alba partnered with the Bahrain International Circuit to encourage the growth of motorsports in the Kingdom; participated in a number of training-related activities for the country's youth; and continued involvement in community services such as hospital visiting and first aid and safety awareness campaigns.

As we move towards 2011, the company seeks to capitalise on 2010 achievements by maximising the sale of Value Added products; achieving an operational performance improvement of BHD 64 million [US$170 million] in 2011 against 2009 thanks to the continuation of the STAR programme and the introduction of a Six Sigma approach throughout the company; completing its strategic sourcing of raw materials such as alumina, green petroleum coke and liquid pitch competitively; and undertaking

Organisational efficiency improved by **11%**

Cash back to shareholders of **BHD 89 million** feasibility studies for CREEP expansions on Lines 4 and 5 with the aim of increasing productivity whilst determining the most suitable technology and energy sources to maximise economic return on any proposed new reduction line.

“Exceptional contribution in ensuring Alba’s success in raising operational performance and profitability during the year”

Continuation of ‘STAR programme’ & **introduction of ‘Six Sigma approach’**

Operational performance improvement of **BHD 64 million**

I remain thankful for Alba’s workforce who remains behind making it all happen. This driving force is integral to achieve the company’s overall objectives. For that purpose, Alba believes in offering its employees training as well as rewarding opportunities for personal and professional development.

I take the opportunity to thank the Chairman of Alba, all the Members of the Alba Board of Directors, the Executive Management Team, the Alba Labour Union and each and every Alba employee for their exceptional contribution in ensuring Alba’s success in raising operational performance and profitability during the year.

Operational Highlights

January
- New CEO onboard
- Alba receives IFTDO international HR Award

February
- Alba’s SMART Centre praised by Health Ministry Officials
- Alba & BIC announce new partnership

March
- Alba sets new production milestone
- Alba sets major safety record at Calciner and Marine

April
- Alba wins International Safety Award for the fourth time
- Alba appoints Bahraini as new Chief Supply Officer

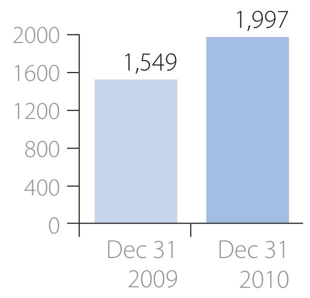
May
- Alba becomes the first company in GCC to launch SAP services through Blackberry
- Alba wins prestigious Royal Society for the Prevention of Accidents Gold Award

September
- HRH Crown Prince official patron of Metal Bulletin’s 25th International Aluminium Conference
- Alba participates in Economic Development Board’s Paris Road Show

November
- Alba converts into a public company
- Alba’s shares listed on Bahrain Bourse and London Stock Exchange
- Alba appoints new Chief Marketing Officer

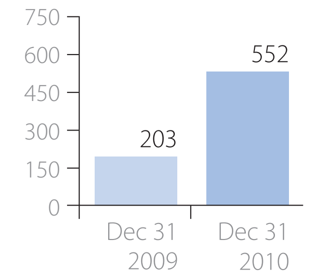
December
- Alba signs agreement with BIC for Speed Weekend

Financial Highlights



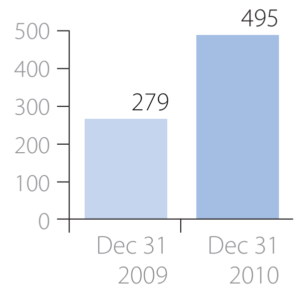
Revenues (US$ million)

- Revenues increased by 29% due to a dramatic shift in LME, Product Mix as well as Pricing Power
- The changes in the Product Mix are mainly due to an increase in Value Added products and Liquid Metals with a decrease in Commodity products
- 29% Y-o-Y Growth



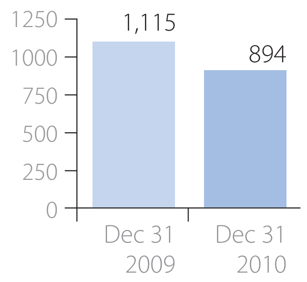
EBITDA (US$ million)

- EBITDA outstanding performance was driven mainly by higher Revenues
- Cost management initiatives played a major role contributing to higher EBITDA levels
- 172% Y-o-Y Growth



Free Cash Flow (US$ million)

- Free Cash Flow amounted US$ 495 million due to a major increase in cash generated from operations
- 77% Y-o-Y Growth

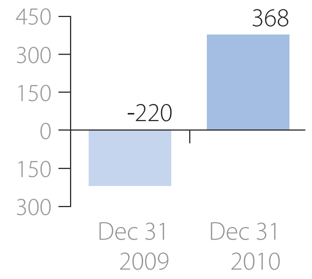


Net Debt (US$ million)

- Net Debt decreased by (20%) compared to 2009
- This decrease is mainly attributed to repayments of long-term loans and reduction in short-term Revolving Credit as well as a net increase in cash & cash equivalents
- (20%) Y-o-Y Growth

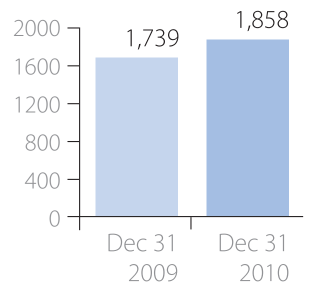
Net Profit (US$ million)

- Net Profit increased by 267% to US$ 368 million
- This solid performance was at large due to higher EBITDA levels
- 267% Y-o-Y Growth



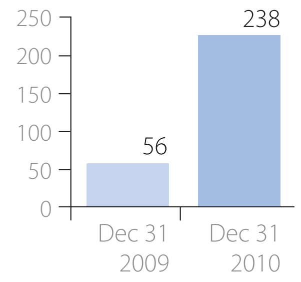
Shareholders' Equity (US$ million)

- Shareholders' Equity reached US$ 1,858 million due to higher levels of Net Profit resulting in an increase in Retained Earnings
- 7% Y-o-Y Growth



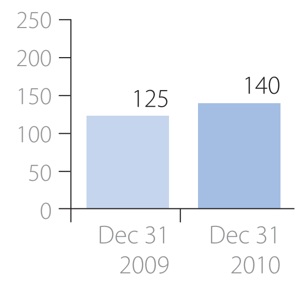
Cash Payback to Shareholders (US$ million)

- Cash Payback to Shareholders increased mainly because of higher level of Free-Cash flow (FCF)
- 325% Y-o-Y Growth



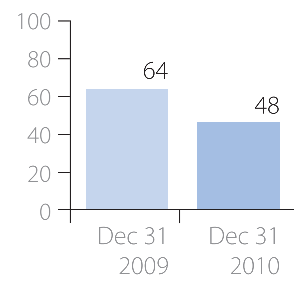
Equity Ratio (%)

- Total Assets remained almost unchanged compared to 2009
- Shareholders' Equity increased by 7% resulting in an improvement of the Equity ratio



Leverage Ratio (%)

- Leverage ratio improved due to a higher Equity ratio and lower Net Debt ratio



Corporate Governance Statement

The Corporate Governance Code was issued in March 2010 by the Ministry of Industry and Commerce (MOIC) of Bahrain. Full compliance is required for Bahraini public companies by end 2011. The Code contains both binding directives and non-binding "Recommendations"

Relevant information about the corporate governance practices applied by the Company beyond those required by the laws of Bahrain

The Board of the Company has endorsed complying with the non-binding Recommendations to the extent practicable in order to ensure that the Company adheres to best practice in corporate governance.

Principle 1.1 of the Code recommends that the Board adopt a formal charter. The Board adopted such a charter in February 2011.

Principle 1.3 of the Code recommends that the Company should annually review the independence of each director. The Company has instituted procedures to review the independence of directors annually (the first review took place in September 2010).

Principle 1.5 of the Code requires the Board to ensure that directors' concerns are recorded in the Board minutes and that any dissent from a Board action is noted. The Company follows this practice.

Principle 1.7 of the Code recommends that each Board committee (the Company has the two committees required by the Code – an audit committee and remuneration and nomination committee, which is named the "Human Resources Committee") adopt formal written charters. The Board adopted the Board Audit Committee charter in March 2009 and the Human Resources Committee charter in December 2010.

Principle 1.8 of the Code recommends that the Board should report to the shareholders that it has completed the evaluation of the performance of the Board, and of each committee. The Company has completed such evaluations and will report the same to shareholders at the annual meeting.

Principle 2.3 of the Code recommends that the Board establish formal procedures for periodic disclosure and updating of information by directors on conflicts of interest and for advance approval by disinterested directors or shareholders in which a director has an interest. The Company has put such procedures in place, as reflected in the Board Charter.

Principle 3.1 of the Code recommends that the members of the audit committee meet certain financial literacy qualifications and that the Board should adopt a "whistleblower" programme allowing employees to raise concerns about financial or legal improprieties confidentially. The members of the audit committee have the requisite qualifications and the Company has established a confidential hotline to allow employees to raise such concerns.

The company has established a "whistleblower" programme allowing employees to raise concerns about financial or legal improprieties confidentially

In December 2010, the Board approved a revised Code of Conduct of the Company, setting out required ethical conduct for all employees of the Company

Principle 5.3 of the Code recommends that the Board specify limits on the authority of the CEO or other officers, such as monetary maximums for transactions which they may authorise without separate Board approval, and that the Board review and agree a CEO succession plan. The Company has adopted a "Levels of Authority" setting forth such limits, and will submit a CEO succession plan to the Board for review and approval at the Board meeting due to take place in the second quarter of 2011.

Principle 7.1 of the Code recommends that the Company require its outside auditor attend the annual shareholders' meeting of the Company, and that the Company maintain a website. The Company's outside auditor will attend the meeting, and the Company maintains a website.

In addition to the above, in December 2010, the Board approved a revised Code of Conduct of the Company, setting out required ethical conduct for all employees of the Company.

Description of the main features of the Company's internal control and risk management systems in relation to the financial reporting process

The Board through the Board Audit Committee (BAC) is responsible for ensuring a sound control environment. Monitoring of internal controls is provided through a number of internal and external assurance providers, including:

• Statutory Audit by our External Auditors, and discussion by the Board Audit Committee of the results of the statutory audit, including a review of the financial performance, any changes to disclosure, a subsequent events review, important accounting matters and other Internal control matters.

• Review and formal approval of the financial results by the CFO, CEO, Board Audit Committee and Board.

• Monitoring by the Risk Management department, of progress against agreed actions for risks relating to financial reporting identified through the application of Alba's Board approved Enterprise Risk Management Framework. The BAC reviews changes to the risk profile, together with progress on actions for key risks on a quarterly basis.

• Internal Audit Function, working against a risk-based annual internal audit plan covering key controls. The Chief Internal Auditor & Risk Officer (CIA&RO) reports directly to the BAC. The audit plan, budget, and methodologies are approved and monitored by the Committee. On a quarterly basis, the BAC reviews and discusses the internal audit findings, recommendations and agreed management actions, as well as progress made against prior audit findings. Regular meetings are held between the BAC Chairman and the CIA&RO to discuss any matters that the Committee or Internal Audit believes should be discussed separately.

• Audits carried out by the National Audit Court, and by Shareholder Audit teams.

• Board and sub-committee approval and monitoring of Operating, Financial, Manpower and other Plans.

• Executive and Management monitoring activities (including the monitoring of Key Performance Indicators).

The cyclical nature of the Company's industry has historically meant that there is significant aluminium price and demand volatility and a general production overcapacity

Description of the composition and operation of the Company's administrative, management and supervisory bodies and their committees

The Company is governed by a Board of Directors. The Board has ten positions (nine members plus one vacancy); all current directors are outside directors. The Board operates in accordance with the laws of Bahrain, the Memorandum and Articles of Association of the Company, and its charter. The Board of Directors has two subcommittees. The Board Audit Committee, which carries out the Board's audit function in accordance with the committee's charter, has five members, each of whom has a financial and/or audit background. The Human Resources Committee, which carries out the Board's nominating and remuneration functions in accordance with the committee's charter, has three members, all of whom are outside directors. Relevant members of management attend Board and Board committee meetings.

The Company is headed by a Chief Executive Officer (CEO), who has four Chief Officers reporting to him (Chief Financial Officer, Chief Operating Officer, Chief Supply Chain Officer, and Chief Marketing Officer). Each Chief Officer has a number of Managers reporting to him. The Company has a Chief Internal Auditor and a General Counsel/Corporate Secretary, each of whom report directly to the Chairman of the Board.

The CEO convenes a weekly executive committee of all Chief Officers and a weekly extended executive committee of all Chief Officers and selected managers.

Principal risks and uncertainties faced by the business

- The cyclical nature of the Company's industry has historically meant that there is significant aluminium price and demand volatility, and a general production overcapacity;
- The Company has no control over a number of factors that affect the price of aluminium;
- The Company operates in an industry that gives rise to health, safety, security and environmental risks;
- Fire, equipment breakdown, civil strike or unrest, or loss of gas, power or other utilities may result in loss of operational capability or shutdowns for significant periods.
- The loss of any of the Company's current two largest customers, or its inability to recover the receivables due from either of them, or the long-term loan extended to one of them may have a material adverse effect on its financial condition and future prospects;
- The Company relies on third-party suppliers for certain raw materials, and any disruption in its supply chain or failure to renew these contracts may have an adverse impact on the Company's financial condition, results of operations and future prospects;

"The CEO convenes a weekly executive committee of all Chief Officers and a weekly extended executive committee of all Chief Officers and selected managers"

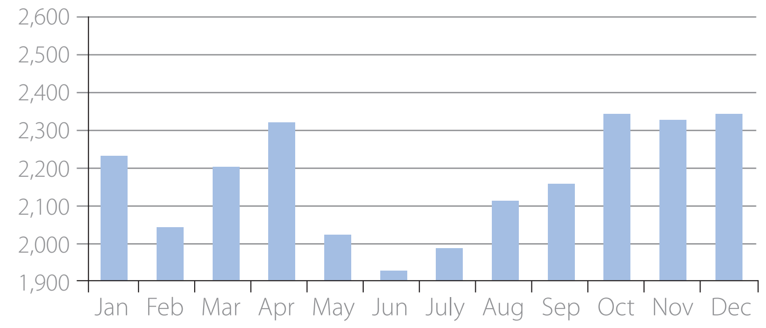
- The Company's competitive position in the global aluminium industry is highly dependent on continued access to competitive and uninterrupted natural gas supply; an increase in the price of natural gas, or interruption in its supply, could have a material adverse effect on the Company's business, financial condition, results of operations and future prospects;
- The Company's business may be affected by shortages of skilled employees, (including management), labour cost inflation and increased rates of attrition;
- The Company depends on the provision of uninterrupted transportation services for the transportation of raw materials and finished products across significant distances. Prices for such services (particularly for sea transport) could increase;
- The Company has a number of hedging contracts, and has historically experienced significant mark-to-market and realised losses from certain of the Company's derivative positions;
- The Company is exposed to foreign currency fluctuations, which may affect its financial condition;
- There is a high level of competition in the GCC aluminium market, and the Company may lose its market share in the GCC as its competitors increase their production levels;
- The Company's strategy includes growth and expansion of its operations, as well as cost savings initiatives, which may not be achieved on time or on budget;
- The Company does not insure against certain risks, and some of its insurance coverage may be insufficient to cover actual losses incurred;
- Changes in laws or regulations, or a failure to comply with any laws or regulations, may adversely affect the Company's business;

Products and Markets

Highlights for 2010

On physical markets, the overall trend has been well oriented in 2010 with key fundamentals supporting the demand:

- Copper prices remain high and continues to speed substitution effects in favour of aluminium (specially on the rod and cable market).
- Automotive and packaging downstream markets have been performing well in Europe and in Asia.
- Chinese demand continues to outpace the increases in production and capacity.



LME Monthly Cash Average Trend (US$ mt)

Market demand should continue to be strong in 2011: all capacity has been contracted and Alba will aim at maximising its output of Value Added products.
The overall market continues to be in a surplus position but this is primarily on the commodity ingot side whereas there is a shortage on the Value Added product.

On the price side, despite concerns on the markets related to European sovereign debts which have triggered a small correction in November, the trend has been bullish since mid-2010 with Q4 average cash at US$2,343 mt* well above Year Average at US$2,173 mt (as per the above).

*mt stands for metric tonnes

Alba is now operating at full capacity on Value Added products

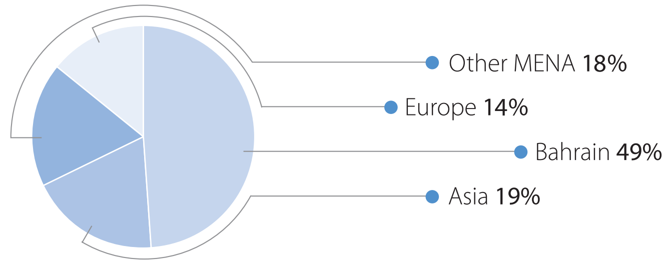
Casthouse 2010 Performance

The casthouses have achieved a good performance in 2010 and improved on several key parameters:

- Billets production reached 313,000 metric tonnes which is 123,000 metric tonnes improvement versus 2009, slabs volumes reached 113,000 metric tonnes (slightly below 2009) and foundry alloys output was 107,000 metric tonnes up by 42,000 metric tonnes from the previous year.
- Overall Value Added production was 534,000 metric tonnes, which is significantly higher than in 2009 (379,000 metric tonnes).

2010 Metal Sales
US$ 1.933 Billion

Geographical Footprint



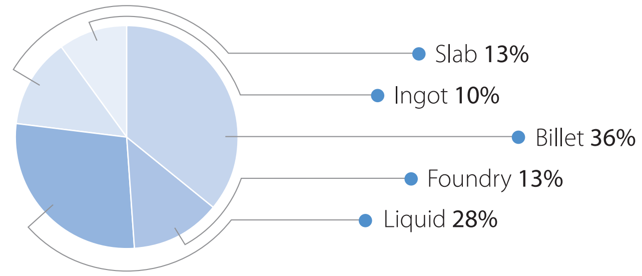
- Casthouse 1 was completely decommissioned on December 31, 2010 and all operations are now concentrated in cast house 2 (slabs, foundry alloys and standard ingots) and cast house 3 (billets).

Downstream Markets

Our downstream markets are producing a wide area of products:

- Our billets are sold to Aluminium extruders who are using the versatile properties of aluminium alloys to create profiles in all shapes and sizes that are mainly used in building applications, such as window frames or structural components. A growing share of aluminium profiles is also used in cars or vehicles where light weighting is becoming a priority. Aluminium components give shock absorption as well as mechanical strength capabilites for a lighter weight than the equivalent properties of pieces produced in steel.
- Our slabs are used by rolling mills to produce foilstock which is then rerolled into household foil or packaging material used in food or pharmaceutical industries. Other types of slabs are rolled into plates or sheets used in the general engineering or building industry.
- Our foundry alloy ingots are used by automotive components manufacturers. They use them to cast wheels or engine blocks.

By Product Line



Billets production reached **313,000 mt**

Overall Value Added production **534,000 mt**

Safety, Environment, Security and Fire

Vision Statement: To be the world's leader in workplace safety, health and environmental systems requires sustainable commitment, continual support and active involvement from all levels of the organisation

Safety is an integral component of Alba's work culture: it defines the way the company operates, underlines the processes involved in meeting organisational goals, and shapes the dynamics that characterise Alba's work environment.

Alba places such a high premium on safety that the Alba Charter explicitly states that 'safety has equal importance to production, cost, morale and quality, but if you don't work safely – you don't work here!'

This level of emphasis necessitates the formation of a clear organisational structure to ensure only the highest safety standards are maintained throughout the organisation at all times. The Safety, Environment, Security and Fire (SESF) remains the main channel for actualising Alba's goal of safety at the workplace and safety as an occupational behaviour.

As a result, safety professionals employed by the department remain responsible for conducting regular inspections, motivating employees to act safely, liaising with the training centre to organise courses on safety, and inspiring an all-round safety culture throughout the company.

Organisational Enhancement

Alba's decision to restructure and centralise activities relating to Safety, Environment, Security and Fire (SESF) into a single department follows the company's unwavering commitment to strengthen processes that safeguard and enhance the company's work environment. The newly re-structured department now reports directly to the CEO, and thereby underline the high priority given to safety at the corporate level.

This move embodies the philosophical foundations enshrined in the Alba Charter, and will seek to enhance effective standardisation of safety systems throughout the company. In addition, in 2010, five safety committees, including those for risk assessment and personnel protection, were also set up to specifically address improvements to the overall safety system.

Empowerment and Knowledge

During the year, a new corporate safety strategy for the year 2011 was developed as the result of a series of intensive meetings organised between employee committees and the Alba Labour Union. The strategy later received endorsement from the senior management and is expected to be implemented in the coming year.

Unwavering commitment to strengthen processes that safeguard and enhance the company's work environment

"many of the department employees participated in local, regional and international conferences, seminars and workshops"

As part of the company's on-going staff development programme, many of the department employees participated in local, regional and international conferences, seminars and workshops during 2010. To further ensure on-going knowledge enhancement, a new corporate SESF training package for all of Alba's employees has also been incorporated into the training calendar for the coming year.

External Impact

Alba's commitment to safety and environment, success in implementing policies, and generating results to the benefit of the larger community, has gained international recognition. The company has received awards from the prestigious British Safety Council and Royal Society for Prevention of Accidents (RoSPA) for the fourth consecutive year.

Membership in the International Aluminium Institute in London and the Gulf Aluminium Council's Environment, Health & Safety Committees have given Alba the opportunity to share experiences with its peers in the industry as well as present and propose new ideas and best practice. As a member of the Arab Forum for Environment Development (AFED), Alba shared four environmental case studies as an input for the AFED Annual Report – Green Economy.

In addition, five delegates from Alba took part in the AFED Annual Conference, "Water: Sustainable Management of a Scarce Resource."

Alba took part in the AFED Annual Conference, "Water: Sustainable Management of a Scarce Resource"

SESF Strategy 2011

"Alba's ultimate goal of achieving zero harm throughout the plant will be progressed in 2011 through an extensive study"

FM Global Insurance
Since October 2010, SESF was given the responsibility for coordinating with FM Global Insurance in evaluating risk management solutions, establishing loss prevention solutions and safeguarding the company against loss. The agreement with FM Global Insurance will also involve Alba's operational departments in minimising risks and ensuring minimal business disruption.

Since 1994, the department has played a key role in successfully extending Alba's green space

Environment
SESF actively participates in promoting environmental issues throughout the company and also in the larger community. Over the past twelve months considerable success has been achieved in utilising treated sewage water for irrigating Alba's green areas with a net result of a 1 hectare increase in green cover as compared to 2009. Since 1994 the department has played a key role in successfully extending Alba's green space to a total of 24 hectares.

The reduction, recycling or selling of waste has also been studied with the aim of eliminating ecologically harmful practice of utilising landfill sites. This has resulted in the attainment of higher return on the sale of waste, success in selling cut grass for animal feed, and a cleaner environment.

Future Goals
Alba's ultimate goal of achieving zero harm throughout the plant will be progressed in 2011 through an extensive study on Alba's safety management system by leading global consultancy, DuPont Sustainable Solutions. The result of the study will determine the essential factors that influence improvement in safety programmes and in establishing development action plans.

Safety
One of the key objectives for 2011 is to evaluate the effectiveness of Alba's safety culture with the support of a leading global consultancy. The result of this initiative will lead to a three-year safety strategy to set an industry wide benchmark on minimising injury frequency.

A dedicated team will be set up to identify the top 10 safety risks in the company, and propose clear guidelines to mitigate risk levels. In addition, greater emphasis will be made to enhance safety culture throughout Alba through training opportunities, safety campaigns, regular inspections, traffic awareness programmes, etc.

Security
Alba's security procedures and processes will be upgraded in 2011 to include the setting up of new and improved fencing facility around the Alba plant, the Calciner and the Marine jetty. The new fences will be equipped with sophisticated CCTV and will be directly linked to a dedicated control room to enhance the level of security around Alba.

Environment
Alba will continue its efforts to expand the green space within the plant. A study will be undertaken in 2011 to assess the waste management system with the aim of reducing landfills, increasing recycling activities, and obtaining cost effective solutions in handling waste.

Fire
Alba will intend to upgrade its fire fighting facilities and equipment to ensure their ability to combat existing fire risks as well as support the safety requirements of a company of Alba's size. The SESF Department will be the main coordinator between Alba and FM Global, and will provide expert advice in influencing annual insurance premium reduction.

A dedicated team will be set up to identify the top 10 safety risks in the company, and propose clear guidelines to mitigate risk levels

Corporate Social Responsibility

As a flagship asset of Bahrain's economy, Alba recognises the importance of responsible corporate citizenship, the need to add value to the community in which it operates, to contribute beneficially to the people of Bahrain, and to have a positive impact on their lives

The conduit for the initiatives taken in fulfilment of these responsibilities is the Community Services Committee. Founded in 2002, the Committee comprises nearly 200 volunteers that include Alba's employees and their families.

The structure of the Committee is based on a system of points scored for hours contributed. Volunteers who invest more time in voluntary work earn higher points, and gain responsible positions in the Committee with members reporting to them irrespective of their position in the company.

The Committee addresses a wealth of activities from visits to hospitals and the elderly, safety on the road and whilst camping and first aid to support for students, environmental protection, electricity and water conservation and anti-drug campaigns and many more.

Alba has established a strong presence in the community as a supporter of many worthy causes through a variety of sponsorships and donations.

Volunteers who invest more time in voluntary work earn higher points, and gain responsible positions in the Committee

Alba has established a strong presence in the community as a supporter of many worthy causes

In 2010 the main initiatives pursued have been:

• Sponsoring His Royal Highness the Crown Prince's Scholarship Programme that assists students to continue their education at university whilst also providing on-the-job training in their area of specialisation during the summer.

• Participating in the inJAz Programme by visiting schools to educate students on business ethics. It also includes bringing them to Alba to provide them with an overview of the company's operations and achievements.

• Spearheading the cleaning and development of Al Malkiya Beach by twenty-two of Alba's contractors to provide full facilities for visitors to the beach.

• Organising safety awareness campaigns during the camping season at Sakhir during which Alba's safety professionals proffered advice on accident avoidance.

• Empowering Bahraini youth by offering industrial training to university students as part of their degree courses and also providing training to employees' children who are currently studying at secondary schools and universities.

• Donating to the development of the HRH Princess Sabeeka bint Ebrahim Al Khalifa comprehensive Social Centre.

"Empowering Bahraini youth by offering industrial training to university students as part of their degree courses and also providing training to employees' children"

High praise for the involvement of Alba's community service volunteers was received at the end of 2010 from Her Excellency the Minister of Social Development. She offered her congratulations for all the hard work and dedication extended to their charitable activities during the year and for their role in encouraging other people, whether from Alba or outside, to become involved as volunteers.

Financial Statements
31 December 2010

Financial Statements

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C.R. No. 6700

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

Report on the Financial Statements

We have audited the accompanying financial statements of Aluminium Bahrain B.S.C. («the Company»), which comprise the statement of financial position as of 31 December 2010, 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 Company's 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 management 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 in 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 Company's 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 2010, its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

Report on Other Regulatory Requirements

We confirm that, in our opinion, proper accounting records have been kept by the Company and the financial statements, and the contents of the Report of the Board of Directors relating to these financial statements, are in agreement therewith. We further report, to the best of our knowledge and belief, that no violations of the Bahrain Commercial Companies Law, nor of the memorandum and articles of association of the Company have occurred during the year ended 31 December 2010 that might have had a material adverse effect on the business of the Company or on its financial position.

Ernst + Young

28 February 2011
Manama, Kingdom of Bahrain

Statement of Financial Position
As 31 December 2010

	Notes	*2010* **BD '000**	*2009* *BD '000*
ASSETS			
Non-current assets			
Property, plant and equipment	3	**992,149**	1,043,023
Long term receivable	4	**17,192**	20,630
		1,009,341	1,063,653
Current assets			
Inventories	5	**152,308**	168,111
Current portion of long term receivable	4	**3,438**	3,438
Accounts receivable and prepayments	6	**99,342**	92,215
Amounts due from a shareholder	23	**-**	748
Derivative financial instruments	18	**2,352**	16,395
Bank balances and cash	7	**59,812**	46,357
		317,252	327,264
TOTAL ASSETS		**1,326,593**	1,390,917
EQUITY AND LIABILITIES			
Equity			
Share capital	8	**142,000**	142,000
Treasury shares	9	**(3,735)**	-
Statutory reserve	11	**68,629**	54,807
Capital reserve	12	**249**	249
Contributions from shareholders	13	**-**	75,954
Retained earnings		**491,539**	380,675
Total equity		**698,682**	653,685
Non-current liabilities			
Borrowings	14	**243,738**	295,923
Derivative financial instruments	18	**102,742**	129,438
Employees' end of service benefits	15 (a)	**972**	991
		347,452	426,352
Current liabilities			
Borrowings	14	**145,367**	160,684
Short term loans	16	**6,813**	8,823
Accounts payable and accruals	17	**84,765**	97,991
Derivative financial instruments	18	**43,514**	43,382
		280,459	310,880
Total liabilities		**627,911**	737,232
TOTAL EQUITY AND LIABILITIES		**1,326,593**	1,390,917

These financial statements were authorised for issue in accordance with a resolution of the Directors on 28 February 2011 and signed on their behalf by:

Chairman   Director

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

Statement of Comprehensive Income
Year ended 31 December 2010

	Notes	*2010* **BD '000**	*2009* *BD '000*
Sales to customers		**750,819**	581,786
Sales to a shareholder	23	**-**	748
Total sales revenue	22	**750,819**	582,534
Cost of sales		**(555,079)**	(538,121
GROSS PROFIT		**195,740**	44,413
Other income	19	**6,160**	4,213
Selling and distribution expenses		**(15,566)**	(11,908)
Administrative expenses		**(26,400)**	(24,024)
Write off of property plant and equipment		**(454)**	(6,980)
(Loss) gain on exchange		**(3,072)**	1,349
Directors' fees	23	**(195)**	(161)
Finance costs	20	**(7,633)**	(23,385)
PROFIT (LOSS) FOR THE YEAR BEFORE DERIVATIVES		**148,580**	(16,483)
Loss on revaluation/settlement of derivative financial instruments (net)	18	**(10,358)**	(66,193)
PROFIT (LOSS) FOR THE YEAR	20	**138,222**	(82,676)
Other comprehensive income for the year		**-**	-
TOTAL COMPREHENSIVE INCOME (LOSS) FOR THE YEAR		**138,222**	(82,676)
Basic and diluted earnings per share (fils)	10	**98**	(58)

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

Statement of Cash Flows
Year ended 31 December 2010

	Notes	2010 BD '000	2009 BD '000
OPERATING ACTIVITIES			
Profit (loss) for the year		**138,222**	(82,676)
Adjustments for:			
Depreciation	3	**74,239**	74,480
Provision for employees' end of service benefits	15 (a)	**904**	656
(Gain) loss on revaluation of derivative financial instruments	18	**(12,521)**	61,175
(Gain) loss on disposal of property, plant and equipment		**(206)**	427
Write off of property, plant and equipment - net book value		**454**	6,980
Interest income	19	**(533)**	(1,148)
Finance costs	20	**7,244**	22,734
Cost on Employees' Stock Incentive Plan	20	**75**	-
		207,878	82,628
Working capital changes:			
Inventories		**15,803**	58,874
Accounts receivable and prepayments		**(7,127)**	32,644
Amounts due from a shareholder		**-**	1,177
Accounts payable and accruals		**(12,881)**	(25,296)
Cash from operations		**203,673**	150,027
Employees' end of service benefits paid	15(a)	**(923)**	(591)
Net cash flows from operating activities		**202,750**	149,436
INVESTING ACTIVITIES			
Purchase of property, plant and equipment	3	**(24,002)**	(35,342)
Proceeds from disposal of property, plant and equipment		**389**	155
Term deposit	7	**(3,011)**	-
Interest received	19	**533**	1,148
Net cash flows used in investing activities		**(26,091)**	(34,039)
FINANCING ACTIVITIES			
Repayment of long term receivable	4	**3,438**	3,438
Borrowings availed		**202,186**	191,686
Borrowings repaid		**(269,688)**	(262,115)
Movement in short term loans		**(2,010)**	(2,993)
Finance costs paid		**(7,965)**	(24,614)
Margin deposit	7	**(932)**	-
Purchase of treasury shares	9	**(12,412)**	-
Purchase of shares for employees' stock incentive plan	9	**(2,700)**	-
Purchase of shares subsequent to the Initial Public Offering	9	**(1,110)**	-
Repayment of contributions from shareholders	13	**(75,954)**	-
Movement in amounts due to shareholders	23	**-**	(20,894)
Net cash flows used in financing activities		**(167,147)**	(115,492)
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS		**9,512**	(95)
Cash and cash equivalents at 1 January		**46,357**	46,452
CASH AND CASH EQUIVALENTS AT 31 DECEMBER	7	**55,869**	46,357

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

Statement of Changes in Equity
Year ended 31 December 2010

	Notes	Share Capital BD '000	Treasury Shares BD '000	Statutory Reserve BD '000	Capital Reserve BD '000	Contributions from Share-holders BD '000	Retained Earnings BD '000	Total BD '000
Balance at 31 December 2008		142,000	-	54,807	249	-	463,351	660,407
Total comprehensive loss for the year		-	-	-	-	-	(82,676)	(82,676)
Transfer from amounts due to shareholders	13	-	-	-	-	75,954	-	75,954
Balance at 31 December 2009		142,000	-	54,807	249	75,954	380,675	653,685
Total comprehensive income for the year		-	-	-	-	-	138,222	138,222
Amounts repaid to shareholders	13	-	-	-	-	(75,954)	-	(75,954)
Treasury shares purchased during the year	9	-	(13,536)	-	-	-	-	(13,536)
Reissue of treasury shares	9	-	13,536	-	-	-	(13,536)	-
Treasury shares purchased during the year	9	-	(3,735)	-	-	-	-	(3,735)
Transfer to statutory reserve	11	-	-	13,822	-	-	(13,822)	-
Balance at 31 December 2010		**142,000**	**(3,735)**	**68,629**	**249**	**-**	**491,539**	**698,682**

a) On 1 September 2010, the Board of Directors approved a stock dividend through the reissue of treasury shares to Bahrain Mumtalakat Holding Company B.S.C. (c) and SABIC Industrial Investments Company totalling BD 13,536 thousand (note 9).

b) On 28 February 2011, the Board of Directors has recommended a final dividend of BD 0.044 per share totalling BD 62,294 thousand.

Both the above are subject to the approval of the Company's shareholders at the Annual General Meeting.

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.

At an Extraordinary General Meeting held on 9 June 2010, the shareholders resolved to convert the Company's status to a Bahrain Public Joint Stock Company. Subsequent to the Initial Public Offering (IPO), the Company became a Bahrain Public Joint Stock Company effective 23 November 2010 and its shares were listed on Bahrain Stock Exchange (now Bahrain Bourse) and Global Depositary Receipts were listed on the London Stock Exchange. The Company has its registered office at 150 Askar Road, Askar 951, Kingdom of Bahrain.

As of 31 December 2010, 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.

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.

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 the Company a corresponding written waiver as at the date of approval of these financial statements.

In accordance with a share purchase agreement dated 24 March 2010, the Company purchased 4,260,000 shares from Breton Investments Limited (BRETON) representing 3% of the issued and paid up share capital of the Company held by BRETON for a consideration of BD 13,536 thousand (US$ 36,000 thousand) and held as treasury shares. BRETON ceased to be a Company's shareholder effective 15 April 2010 and these shares were issued to MUMTALAKAT and SIIC pro-rata to their shareholding in the Company on 1 September 2010 (Note 9).

Consequent to the purchase of shares held by BRETON, BRETON is no longer entitled to its 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.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the Company have been prepared in accordance with International Financial Reporting Standard ("IFRS") issued by the International Accounting Standards Board ("IASB") and in conformity with the Bahrain Commercial Companies Law.

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.

The accounting policies adopted are consistent with those used in the previous financial year except as follows:

New and amended IFRS adopted as of 1 January 2010
IAS 39 Financial Instruments: Recognition and Measurement – Eligible Hedged Items
The amendment clarifies that an entity is permitted to designate a portion of the fair value changes or cash flow variability of a financial instrument as a hedged item. This also covers the designation of inflation as a hedged risk or portion thereof in particular situations. The amendment has no impact on the financial position or performance of the Company, as the Company has not entered into any such hedges.

IFRIC 17 Distribution of Non-cash Assets to Owners
This interpretation provides guidance on accounting for arrangements whereby an entity distributes non-cash assets to shareholders either as a distribution of reserves or as dividends. The interpretation has no effect on either the financial position or performance of the Company.

Improvements to IFRSs
In May 2008 and April 2009, the IASB issued an omnibus of amendments to its standards, primarily with a view to removing inconsistencies and clarifying wording. There are separate transitional provisions for each standard. The adoption of these amendments did not have any impact on the financial position or performance of the Company.

Standards issued but not yet effective
Standards issued but not yet effective which the Company reasonably expects to have an impact on its financial statements are provided below. The Company intends to adopt those standards when they become effective.

IAS 24 Related Party Disclosures (Amendment)
The amended standard is effective for annual periods beginning on or after 1 January 2011. It clarified the definition of a related party to simplify the identification of such relationships and to eliminate inconsistencies in its application. The revised standard introduces a partial exemption of disclosure requirements for government related entities. The Company does not expect any impact on its financial position or performance. Early adoption is permitted for either the partial exemption for government-related entities or for the entire standard.

IFRS 9 Financial Instruments: Classification and Measurement
IFRS 9 as issued reflects the first phase of the IASB's work on the replacement of IAS 39 and relates to classification and measurement of financial assets as defined in IAS 39. The standard is effective for annual periods beginning on or after 1 January 2013. In subsequent phases, the IASB will address classification and measurement of financial liabilities, hedge accounting and derecognition. The completion of this project is expected in early 2011. The adoption of the first phase of IFRS 9 will have an effect on the

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *[continued]*

classification and measurement of the Company's financial assets. The Company will quantify the effect in conjunction with the other phases, when issued, to present a comprehensive picture.

Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and any impairment in value. Land is not depreciated.

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

Expenditure incurred to replace a component of an item of property, plant and equipment that is accounted for separately is capitalised and the carrying amount of the component that is replaced is written off. Other subsequent expenditure is capitalised only when it increases the future economic benefits of the related item of property, plant and equipment. All other expenditure is recognised in the statement of comprehensive income as the expense is incurred.

The carrying values of property, plant and equipment are reviewed for impairment when events or changes in circumstances indicate the carrying value may not be recoverable. If any such indication exists and where the carrying values exceed the estimated recoverable amount, the assets are written down to their recoverable amount, being the higher of their fair value less costs to sell and their value in use.

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 such 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 groups of assets. Where 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 discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

Borrowing costs
Borrowing costs comprising fees and interest directly attributable to the acquisition, construction or production of qualifying assets, which necessarily take a substantial period of time to get ready for their intended use, are included in the cost of those assets, until such time as the assets are substantially ready for their intended use. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

All other borrowing costs are recognised in statement of comprehensive income in the period in which they are incurred.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *[continued]*

Inventories
Inventories are stated at the lower of cost and net realisable value. Costs are those expenses incurred in bringing each product to its present location and condition, determined as follows:

Raw materials	Purchase cost on a weighted average basis.
Work in progress	Cost of direct materials, labour plus attributable overheads based on normal level of activity.
Finished goods	Finished goods are stated at the lower of cost and net realisable value.
Stores	Purchase cost calculated on a weighted average basis after making due allowance for any obsolete items.

Net realisable value is based on estimated selling price, less any further costs expected to be incurred on completion and disposal.

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.

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 and charged to retained earnings if the amounts in treasury shares reserve is not sufficient to cover the loss.

Borrowings
Borrowings are recognised initially at the fair value of the consideration received less directly attributable transaction costs. Borrowings are subsequently 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 disclosed under current liabilities.

Interest is charged as an expense based on effective yield, with unpaid interest amounts included in 'accounts payable and accruals'.

Employee benefits
Termination 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 relates. The Company's obligations are limited to the amounts contributed to the Scheme.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *[continued]*

Employee benefits *[continued]*
The Company provides for end of service benefits determined in accordance with the Bahrain Labour Law for employees 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 period the employee has to remain with the Company to be entitled to the shares.

Accounts payable and accruals
Liabilities are recognised for amounts to be paid in the future for goods or services received, whether billed by the supplier or not.

Provisions
Provisions are recognised when the Company have an obligation (legal or constructive) arising from a past event, and the costs to settle the obligation are both probable and able to be reliably measured.

Revenue recognition
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.

Derivative financial instruments and hedging activities
Derivative financial instruments are initially recognised in the statement of financial position at cost, including transaction costs, and subsequently re-measured to fair value. The method of recognising the resulting gain or loss depends on whether the derivative is designated as a hedging instrument and, if so, the nature of the item being hedged.

The recognition of changes in the fair values of derivative financial instruments entered into for hedging purposes is determined by the nature of the hedging relationship. For the purposes of hedge accounting, derivative financial instruments are designated as a hedge of either:

i) the fair value of a recognised asset or liability (fair value hedge), or

ii) the future cash flows attributable to a recognised asset or liability or a firm commitment (cash flow hedge).

The Company's criteria for a derivative financial instrument to be accounted for as a hedge include:

- at the inception of the hedge there is formal documentation of the hedging relationship and the Company's risk management objective and strategy for

undertaking the hedge. That documentation should include identification of the hedging instrument, the related hedged item or transaction, the nature of the risk being hedged, and how the Company will assess the hedging instrument's effectiveness in offsetting the exposure to changes in the hedged item's fair value or the hedged transaction's cash flows that is attributable to the hedged risk;

- the hedge is expected to be highly effective in achieving offsetting changes in fair value or cash flows attributable to the hedged risk, consistent with the originally documented risk management strategy for that particular hedging relationship;

- for cash flow hedges, a forecasted transaction that is the subject of the hedge must be highly probable and must present an exposure to variations in cash flows that could ultimately affect reported net profit or loss; 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.

Foreign currencies
Transactions in foreign currencies are recorded at the exchange rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the rate of exchange ruling at the reporting date. All exchange differences are taken to the statement of comprehensive income.

Fair values
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	Power generating plant	Plant, machinery and other equipment	Assets in process of completion	Total
	BD '000	BD '000	BD '000	BD '000	**BD '000**
Cost:					
At 1 January 2010	265,838	402,394	1,103,484	56,530	**1,828,246**
Additions	-	-	-	24,002	**24,002**
Transfers	55	(7,199)	12,337	(5,193)	**-**
Disposals	(181)	(32)	(1,142)	-	**(1,355)**
Write off	(140)	(485)	(1,818)	-	**(2,443)**
At 31 December 2010	265,572	394,678	1,112,861	75,339	**1,848,450**
Depreciation:					
At 1 January 2010	79,703	179,964	525,556	-	**785,223**
Charge for the year	6,540	15,174	52,525	-	**74,239**
Transfers	-	(3,527)	3,527	-	**-**
Relating to disposals	(107)	(22)	(1,043)	-	**(1,172)**
Relating to write off	(70)	(485)	(1,434)	-	**(1,989)**
At 31 December 2010	86,066	191,104	579,131	-	**856,301**
Net carrying value:					
At 31 December 2010	**179,506**	**203,574**	**533,730**	**75,339**	**992,149**

	Land and buildings	Power generating plant	Plant, machinery and other equipment	Assets in process of completion	Total
	BD '000	BD '000	BD '000	BD '000	BD '000
Cost:					
At 1 January 2009	266,970	388,682	1,100,811	59,444	1,815,907
Additions	-	-	-	35,342	35,342
Transfers	922	15,494	21,840	(38,256)	-
Disposals	(767)	(1,322)	(2,794)	-	(4,883)
Write off	(1,287)	(460)	(16,373)	-	(18,120)
At 31 December 2009	265,838	402,394	1,103,484	56,530	1,828,246
Depreciation:					
At January 2009	74,211	165,900	486,073	-	726,184
Charge for the year	6,599	15,364	52,517	-	74,480
Relating to disposals	(716)	(875)	(2,710)	-	(4,301)
Relating to write off	(391)	(425)	(10,324)	-	(11,140)
At 31 December 2009	79,703	179,964	525,556	-	785,223
Net carrying value:					
At 31 December 2009	186,135	222,430	577,928	56,530	1,043,023

3 PROPERTY, PLANT AND EQUIPMENT *(continued)*

a) Land and buildings include freehold land at a cost of BD 453 thousand as at 31 December 2010 (2009: BD 453 thousand).

b) The Company is utilising land leased from the Government of Bahrain for its Lines 3, 4 and 5 operations 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.

d) During 2009, the Company discontinued the use of Casthouse 1 assets and consequently assets with a net carrying value of BD 6,555 thousand were written off.

4 LONG TERM RECEIVABLE

This represents 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 2010 was 1.75% (2009: 2.11%).

The current and non-current portion of the long term receivable as of 31 December 2010 is as follows:

	2010	2009
	BD '000	BD '000
Current portion	**3,438**	3,438
Non-current portion	**17,192**	20,630
	20,630	24,068

5 INVENTORIES

	2010	2009
	BD '000	BD '000
Goods in transit	**23,056**	16,875
Raw materials	**33,656**	45,888
Work-in-process	**48,766**	55,614
Finished goods	**25,597**	24,955
Stores stock [net of provision of BD 1.2 million (2009: BD 1.2 million)]	**21,233**	24,779
	152,308	168,111

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

	2010	2009
	BD '000	BD '000
At 1 January	**1,200**	1,200
Charge for the year	**2,277**	339
Write off	**(2,277)**	(339)
At 31 December	**1,200**	1,200

6 ACCOUNTS RECEIVABLE AND PREPAYMENTS

	2010	2009
	BD '000	BD '000
Trade accounts receivable [net of provision of BD 5,714 thousand (2009: BD 6,232 thousand)]	**92,780**	89,698
Other receivables	**4,075**	2,331
Prepayments	**2,487**	186
	99,342	92,215

Trade accounts receivable include BD 6,813 thousand (2009: BD 8,823 thousand) which have been assigned as a security for short term loans (note 16).

As at 31 December 2010, trade accounts receivable at nominal value of BD 5,714 thousand (2009: BD 6,232 thousand) were impaired. Movements in the allowance for impairment of trade accounts receivable were as follows:

	2010	2009
	BD '000	BD '000
At 1 January	**6,232**	6,795
Reversal for the year	**(518)**	(563)
At 31 December	**5,714**	6,232

As at 31 December, the ageing of unimpaired trade accounts receivables is as follows:

			Past due but not impaired			
	Total	Neither past due nor impaired	Less than 30 days	30-90 days	91-120 days	Over 120 days
	BD '000	BD '000	BD '000	BD '000	BD '000	BD '000
2010	**92,780**	**88,133**	**4,105**	**455**	**87**	**-**
2009	89,698	85,900	2,134	1,613	43	8

7 BANK BALANCES AND CASH

	2010	2009
	BD '000	BD '000
Cash in hand	**29**	29
Cash at bank		
Current accounts	**33,819**	20,149
Call accounts	**22,021**	14,890
Short term deposits	**-**	11,289
Cash and cash equivalents	**55,869**	46,357
Term deposit	**3,011**	-
Margin deposit	**932**	-
Bank balances and cash	**59,812**	46,357

7 BANK BALANCES AND CASH (continued)

A major portion of the bank balances are 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 2010 were ranging between 0.12% to 0.2% (2009: 0.17% to 0.22%)

The term deposit is held with a financial institution in the Kingdom of Bahrain and matures on 16 March 2011. The effective interest rate on the term deposit as of 31 December 2010 was 0.29%.

Margin deposit represent cash held by a counterparty as collateral security when the mark to market valuation of derivative financial instruments exceeds the threshold limits fixed by the counterparty. This deposit is denominated in US Dollars and the effective interest rate as of 31 December 2010 was 0.29%.

8 SHARE CAPITAL

	2010	2009
	BD '000	BD '000
Authorised (Shares of BD 0.100 each) [2009: shares of BD 1 each]	**200,000**	150,000
Issued and fully paid (Shares of BD 0.100 each) [2009: shares of BD 1 each]	**142,000**	142,000

The Company's shareholders at an Extraordinary General Meeting held on 9 June 2010 resolved to reduce the nominal value of shares from BD 1 to BD 0.100 and increase the number of shares issued from 142,000,000 to 1,420,000,000. In addition, the authorised share capital was increased to BD 200,000,000, comprising of 2,000,000,000 shares of BD 0.100 each.

The distribution of shareholdings are as follows:

	2010			2009		
Categories	***Number of shares***	***Number of share-holders***	***% of total outstanding share capital***	*Number of shares*	*Number of shareholders*	*% of total outstanding share capital*
Less than 1%	**52,010,689**	**2,572**	**3.66**	-	-	-
1% up to less than 5%	**14,175,966**	**1**	**1.00**	4,260,000	1	3.00
5% up to less than 20%	**75,813,345**	**1**	**5.34**	-	-	-
20% up to less than 50%	**292,804,000**	**1**	**20.62**	28,400,000	1	20.00
50% and above	**985,196,000**	**1**	**69.38**	109,340,000	1	77.00
	1,420,000,000	**2,576**	**100.00**	142,000,000	3	100.00

9 TREASURY SHARES

As explained in note 1, the Company purchased its own shares from BRETON for a purchase consideration of BD 13,536 thousand (US$ 36,000 thousand). The purchase consideration was settled as follows:

	BD '000
Purchase consideration	**13,536**
Less: Adjustment of receivable due from BRETON as of 1 January 2010	**(748)**
Less: Amount retained (See note below)	**(376)**
Cash consideration paid	**12,412**

Note: According to the Share Purchase Agreement, the Company has retained BD 376 thousand (US$ 1,000 thousand) from the purchase consideration and this amount was payable to BRETON on 1 January 2011.

On 1 September 2010, the Company reissued the treasury shares to its two shareholders as stock dividend as follows:

Shareholders	*Ratio of reissue*	*BD '000*
MUMTALAKAT	2.38%	**10,739**
SIIC	0.62%	**2,797**
		13,536

Treasury shares held by the Company as of 31 December 2010 were:

	No of shares	*BD '000*
Held for the Employees' Stock Incentive Plan [(note 15 (c)]	**2,714,000**	**2,368**
Excess of the shares in Employees' Stock Incentive Plan [note 15 (c)]	**286,000**	**257**
	3,000,000	**2,625**
Purchased subsequent to the IPO	**1,226,494**	**1,110**
	4,226,494	**3,735**

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, is as follows:

	2010	*2009*
	BD '000	*BD '000*
Profit (loss) for the year - BD' 000	**138,222**	(82,676)
Weighted average number of shares, net of treasury shares - thousands of shares	**1,403,513**	1,420,000
Basic and diluted earnings per share (fils)	**98**	(58)

Basic and diluted earnings per share are the same as 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

In accordance with the Bahrain Commercial Companies Law and the Company's articles of association, an amount equal to 10% of the profit for the year has been transferred to the statutory reserve. The Company may resolve to discontinue such annual transfer when the reserve equals 50% of the paid up share capital of the Company. 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 CONTRIBUTIONS FROM SHAREHOLDERS

Effective 1 November 2009, the shareholders decided to convert the balance amount due to MUMTALAKAT and SIIC of BD 75,954 thousand arising from the transfer of the net assets of ALBA Marketing (ALMA) (note 23) to contributions from shareholders. These balances arose due to the transfer of net assets of ALMA to the Company effective 1 January 2008. The outstanding amounts as of 31 December 2009 were settled during the year.

14 BORROWINGS

	Current maturities	*Between 2012-2016*	*After 2016*	***Total 2010***	*Total 2009*
	BD '000	*BD '000*	*BD '000*	***BD '000***	*BD '000*
Working capital revolving credit [*] at 2.13% to 5.44% (2009: 1.76% to 6.0%)	75,200	-	-	**75,200**	86,480
Coke Calcining Project refinancing at 0.76% to 1.46% (2009: 1.46% to 2.16%)	4,178	-	-	**4,178**	12,533
Line 5 projects at 0.84% to 2.86% (2009: 2.19% to 4.38%)	19,006	129,546	18,223	**166,775**	185,782
Coface loan at 0.78% to 2.23% (2009: 1.11% to 3.51%)	6,492	19,476	-	**25,968**	32,461
Refinancing loan at 0.65% to1.27% (2009: 0.65% to 2.72%)	40,491	58,574	-	**99,065**	139,351
Euro Coface loan at 2.48% to 2.81% (2009: nil)	-	14,132	-	**14,132**	-
Euro SERV Loan at 2.15% to 2.49% (2009: nil)	-	3,787	-	**3,787**	-
Total borrowings	145,367	225,515	18,223	**389,105**	456,607
Payable within one year				**145,367**	160,684
Payable after one year				**243,738**	295,923
				389,105	456,607

[*] The working capital revolving credit facilities are subject to annual renewal or periodic review and are expected to be reviewed or confirmed on an on-going basis. The working capital revolving facilities allow the Company to issue promissory notes of 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.

14 BORROWINGS *[continued]*

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

Euro Coface loan
On 27 April 2010, the Company has 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 will be agreed with the facility agent after the last drawdown.

Euro SERV Loan
On 20 June 2010, the Company has entered into SERV facility agreement with a syndicate of financial institutions for Euro 22.4 million BNP Paribas (Suisse) SA, Switzerland is the facility 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 will be agreed with the facility agent after the last drawdown.

15 EMPLOYEE BENEFITS

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

	2010	2009
	BD '000	BD '000
Provision as at 1 January	**991**	926
Provided during the year (note 20)	**904**	656
Employees' end of service benefits paid	**(923)**	(591)
Provision as at 31 December	**972**	991

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

	ALBA Savings Benefit Scheme		*Social Insurance Organisation*	
	2010	2009	**2010**	2009
	BD '000	BD '000	**BD '000**	BD '000
Provision as at 1 January	**1,876**	2,286	**666**	557
Expense recognised in the statement of comprehensive income (note 20)	**3,561**	3,953	**5,404**	5,338
Contributions paid	**(3,909)**	(4,363)	**(5,081)**	(5,229)
Provision as at 31 December (note 17)	**1,528**	1,876	**989**	666

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 be vested after a period of three years. The excess of 286,000 shares is held as treasury shares as of 31 December 2010.

16 SHORT TERM LOANS

These represent short term financing availed from financial institutions in the Kingdom of Bahrain denominated in Bahraini Dinars and are fully secured by the assignment of certain trade receivables amounting to BD 6,813 thousand (2009: BD 8,823 thousand) (note 6). The effective interest rates as of 31 December 2010 were ranging between 2.3 % to 3% (2009: 2% to 3.5%).

17 ACCOUNTS PAYABLE AND ACCRUALS

	2010	2009
	BD '000	BD '000
Trade payables	**50,057**	54,533
Retentions payable	**148**	166
Employee related accruals	**20,652**	18,756
Accrual towards early retirement scheme (see note below)	**-**	9,730
Accrued expenses	**9,256**	11,339
Advances from customers	**2,135**	925
Alba Savings Benefit Scheme [note 15 (b)]	**1,528**	1,876
Social Insurance Organisation [(note 15 (b)]	**989**	666
	84,765	97,991

Accrual towards early retirement scheme
During December 2009, the Company's Board of Directors announced an early retirement scheme for eligible employees which was settled during the year.

18 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 2010 and 31 December 2009 are as follows:

	2010		2009	
	Assets	**Liabilities**	Assets	Liabilities
	BD '000	**BD '000**	BD '000	BD '000
Commodity options	**1,440**	**131,391**	15,529	156,865
Commodity futures	**912**	**-**	866	-
Interest rate collars and knockout swaps	**-**	**13,530**	-	14,945
Forward foreign exchange contracts	**-**	**1,335**	-	1,010
Total	**2,352**	**146,256**	16,395	172,820

Classified in the statement of financial position as follows:

Non-current portion:				
Commodity options	**-**	**95,211**	-	119,219
Interest rate collars and knockout swaps	**-**	**7,531**	-	9,588
Forward foreign exchange contracts	**-**	**-**	-	631
	-	**102,742**	-	129,438
Current portion	**2,352**	**43,514**	16,395	43,382

18 DERIVATIVE FINANCIAL INSTRUMENTS *[continued]*

The fair valuation of the derivative financial instruments resulted in the following losses taken to the statement of comprehensive income for the year ended 31 December 2010.

	2010	2009
	BD '000	BD '000
Revaluation:		
Commodity options	**11,385**	(70,876)
Commodity futures	**46**	2,417
Interest rate collars and knockout swaps	**1,415**	6,385
Forward foreign exchange contracts	**(325)**	899
	12,521	(61,175)
Realised:		
Commodity options	**(14,997)**	(5,744)
Commodity futures	**803**	876
Interest rate collars and knockout swaps	**(8,685)**	(150)
	(22,879)	(5,018)
Net loss on fair valuation taken to statement of comprehensive income	**(10,358)**	(66,193)

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 statement of comprehensive income.

Commodity options
The Company entered into commodity options to offset the premium payable on the interest rate collar. The exposure to the Company is that if the LME price of aluminium exceeds US$ 1,658 (2009: US$ 1,780) per metric tonne (which is above the London Metal Exchange (LME) price used in the feasibility study), then the Company will pay the difference between the market price and the average contracted price of US$ 1,658 (2009: US$ 1,780) 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 14,375 metric tonnes (2009: 2,750 metric tonnes).

Interest rate collars and knockout swaps
The Company entered into an 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 2010 was US$ 606,451 thousand (2009: US$ 816,776 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 10,783 thousand (2009: BD 29,771 thousand) as of 31 December 2010. These contracts expire on 8 March 2013.

19 OTHER INCOME

	2010	2009
	BD '000	BD '000
Interest on bank deposits and receivable	**533**	1,148
Sale of water	**1,617**	1,781
Miscellaneous	**4,010**	1,284
	6,160	4,213

20 PROFIT (LOSS) FOR THE YEAR

Profit (loss) for the year is stated after charging:

	2010	2009
	BD '000	BD '000
Staff costs:		
Wages and salaries	**64,865**	74,921
Employees' end of service benefits [note 15 (a)]	**904**	656
Alba savings benefit scheme [note 15 (b)]	**3,561**	3,953
Social Insurance Organisation [note 15 (b)]		
• Bahrainis	**5,161**	5,238
• Non-Bahrainis	**243**	100
Indirect benefits (housing, education)	**517**	559
Payments to contractors	**2,328**	1,937
Cost of Employees' Stock Incentive Plan	**75**	-
Others	**336**	358
	77,990	87,722
Inventories recognised as an expense in cost of sales	**315,475**	290,303

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

Cost of sales	**67,112**	77,270
Administrative expenses	**9,680**	9,583
Selling and distribution expenses	**1,198**	869
	77,990	87,722
Finance costs:		
Interest on borrowings and short term loans	**7,244**	19,369
Interest on payable to shareholders (note 23)	**-**	3,365
	7,244	22,734
Bank charges	**389**	651
	7,633	23,385

21 COMMITMENTS AND CONTINGENCIES

a) Commitments

	2010	2009
	BD '000	BD '000
Physical metal commitments		
Sales commitments:		
7,250 metric tonnes (2009: 2,650 metric tonnes)	**7,268**	1,881

The Board of Directors authorised the Company to purchase its own shares amounting to BD 5,000 thousand. As of 31 December 2010, the Company has commitment of BD 3,000 thousand towards purchase of its own shares.

Capital expenditure
Estimated capital expenditure contracted for at the reporting date amounted to BD 28,197 thousand (2009: BD 40,543 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 2010 were BD 3,873 thousand (2009: BD 1,605 thousand). The commitments are expected to be settled within 1 year.

At 31 December 2010, the Company's bankers have issued letters of credit to counterparties for derivative transactions amounting to BD 24,440 thousand (2009: BD 41,360 thousand).

b) Contingencies
The Company has issued guarantees to banks in the Kingdom of Bahrain in respect of the Albaskan Scheme, amounting to BD 9,705 thousand (2009: BD 5,622 thousand). The Albaskan Scheme entitles all its qualifying employees to acquire houses.

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 and 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 suit in a U.S. Federal District Court against Alcoa, Inc., Alcoa World Alumina LLC and members of its senior management (together, "Alcoa"). In the complaint, the Company alleges that Alcoa conspired to bribe certain former members of its senior management and officials of the Government of the Kingdom of Bahrain to ensure that Alcoa continued to benefit from the Company's alumina purchases at inflated prices. Among other remedies, the Company is seeking damages in excess of (BD 376 million) US$ 1 billion for illicit activities that took place from 1993 to 2008.

The U.S. Government filed an unopposed motion to intervene and to stay discovery on 30 March 2008, which motion was granted. On 27 March 2008, the Court granted the United States leave to intervene in the matter for the limited purpose of moving for a stay of discovery. The purpose of the order is to allow the U.S. Government to conduct a criminal investigation into the allegations without the interference from the ongoing civil litigation. The Company's case is currently suspended pending the conclusion of the U.S. Government's investigation.

21 COMMITMENTS AND CONTINGENCIES *(continued)*

c) Legal claims *(continued)*
iii) During 2009 the Company on behalf of ALBA Marketing (ALMA), has filed law suits against 3 former employees of ALMA. In the complaint, the Company alleged that 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"). The Company has filed a civil right claim in the case to oblige the defendants to pay the amount of US$ 17,499 thousand 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 3 former employees. On 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. Therefore, it is not clear whether the Company in fact will be able to collect any damages from the defendants. The defendants have appealed their criminal convictions.

iv) On 18 December 2009, the Company filed a suit in the U.S. Federal District Court for the Southern District of Texas against Sojitz Corporation (Japan) and Sojitz Corporation of America (together, "Sojitz"). In the complaint, the Company alleges that Sojitz, a former customer of ALMA, conspired to bribe certain former members of the Company's senior management in order to gain substantial price discounts. Among other remedies, the Company is seeking compensatory damages in excess of US$ 31 million for the illicit activities that took place from 1993 to 2006. On 27 May 2010, the U.S. Government filed an unopposed motion to intervene and stay discovery in this case.

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

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

a) Product

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

	2010	2009
	BD '000	BD '000
Aluminium	**734,768**	565,573
Calcined coke	**16,051**	16,213
Total sales to customers	**750,819**	581,786
Sales to a shareholder (note 23)	**-**	748
Total sales revenue	**750,819**	582,534

22 OPERATING SEGMENT INFORMATION *[continued]*

b) Geographic information

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

	2010	*2009*
	BD '000	*BD '000*
Kingdom of Bahrain	**350,841**	227,287
Asia	**150,636**	221,515
Rest of the Middle East and North Africa	**154,287**	96,136
Europe	**95,055**	36,848
Total sales to customers	**750,819**	581,786
Sales to a shareholder (note 23)	**-**	748
Total sales revenue	**750,819**	582,534

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 262,062 thousand (2009: BD 164,049 thousand), each being more than 10% of the total sales revenue for the year.

23 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:

	2010			*2009*		
	Shareholders	**Entities controlled by the shareholders**	**Other related parties**	*Share-holders*	*Entities Controlled by the shareholders*	*Other related parties*
	BD '000	**BD '000**	**BD '000**	*BD '000*	*BD '000*	*BD '000*
Revenue and other income						
Sale of metal	**-**	**108,695**	**-**	748	78,314	-
Sale of water	**-**	**-**	**1,227**	-	-	1,438
Interest on long term receivable	**-**	**373**	**-**	-	659	-
	-	**109,068**	**1,227**	748	78,973	1,438

23 RELATED PARTY TRANSACTIONS *[continued]*

	2010			*2009*		
	Shareholders	**Entities controlled by the shareholders**	**Other related parties**	*Share-holders*	*Entities Controlled by the shareholders*	*Other related parties*
	BD '000	**BD '000**	**BD '000**	*BD '000*	*BD '000*	*BD '000*
Cost of sales and expenses						
Purchase of natural gas and diesel	**-**	**-**	**59,635**	-	-	53,561
Royalty	**-**	**-**	**3,526**	-	-	3,514
Electricty cost	**-**	**-**	**-**	-	-	711
Staff cost recharged	**-**	**-**	**-**	104	-	-
Interest payable (note 20)	**-**	**-**	**-**	3,365	-	-
	-	**-**	**63,161**	3,469	-	57,786

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

	2010			*2009*		
	Shareholders	**Entities controlled by the shareholders**	**Other related parties**	*Share-holders*	*Entities Controlled by the shareholders*	*Other related parties*
	BD '000	**BD '000**	**BD '000**	*BD '000*	*BD '000*	*BD '000*
Assets						
Long term receivables	**-**	**20,630**	**-**	-	24,068	-
Bank balances	**-**	**15,040**	**-**	-	13,675	-
Receivables	**-**	**9,982**	**549**	748	28,801	235
	-	**45,652**	**549**	748	66,544	235
Liabilities						
Payables	**-**	**-**	**14,661**	-	-	25,308

Movements in amounts due to shareholders during the year ended 31 December 2010 and 31 December 2009 are as follows:

	2010		
	Mumtalakat	**SIIC**	**Total**
	BD '000	**BD '000**	**BD '000**
Balance as at 1 January 2010	**-**	**-**	**-**
Funds received (Note a)	**3,139**	**815**	**3,954**
Payments made during the year	**(3,139)**	**(815)**	**(3,954)**
Balance as at 31 December 2010	**-**	**-**	**-**

23 RELATED PARTY TRANSACTIONS *[continued]*

	2009		
	Mumtalakat	*SIIC*	*Total*
	BD '000	*BD '000*	*BD '000*
Balance as at 1 January 2009	76,859	19,989	96,848
Funds received (Note a)	3,167	822	3,989
Payments made during the year	(23,878)	(6,202)	(30,080)
Interest expense	2,670	695	3,365
Mouvements in derivative financial instruments of ALMA	1,475	383	1,858
Others	-	(26)	(26)
Transfer to contributions from shareholders (note 13)	(60,293)	(15,661)	(75,954)
Balance as at 31 December 2009	-	-	-

Note a
During the year, the Company received BD 3,954 thousand (US$ 10,516 thousand) [2009: BD 3,989 thousand (US$ 10,609 thousand)], on behalf of MUMTALAKAT and SIIC, as an out of court settlement payment from one of the customers of ALMA. The Company has paid the amounts to MUMTALAKAT and SIIC in proportion of their share in ALMA.

As disclosed in note 13, the outstanding amounts of contributions from shareholders as of 31 December 2009 were settled during the year.

Outstanding balances at year-end arise in the normal course of business. For the year ended 31 December 2010, the Company has not recorded any impairment on amounts due from related parties (2009: nil).

Compensation of key management personnel
The remuneration of members of key management during the year were as follows:

	2010	*2009*
	BD '000	*BD '000*
Short term benefits	**1,179**	985
End of service benefits	**70**	109
Contributions to Alba Savings Benefit Scheme	**29**	98
Other benefits	**377**	1,691
	1,655	2,883

Directors' fees during the year amounted to BD 195 thousand (2009: BD 161 thousand).

24 RISK MANAGEMENT

The Company's financial instruments are exposed to market risk (including interest rate risk, currency risk and commodity price risk), credit risk and liquidity risk. The Board of Directors reviews and agrees policies for managing each of these risks and they are summarized below. The Company's accounting policies in relation to derivatives are set out in note 2.

Interest rate risk
Interest rate risk arises from the possibility that changes in interest rates will affect the future profitability or the fair value of financial assets and financial liabilities. All financial assets and the majority of financial liabilities are either variable interest rate based or short term in nature.

24 RISK MANAGEMENT *[continued]*

Interest rate risk *[continued]*
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 2010.

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 derivatives 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*
2010	**10**	**30**	**10**	**(967)**
	-10	**(30)**	**-10**	**967**
2009	10	45	10	(1,170)
	-10	(45)	-10	1,170

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 its selling prices for aluminium are generally based on aluminium prices quoted on the London Metal Exchange (LME).

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 2010, with all other variables held constant.

	Increase/ decrease in LME	*Effect on results for the year*
	price	*BD '000*
2010	**+30%**	**(38,712)**
	-30%	**36,776**
2009	+30%	(42,141)
	-30%	40,034

Currency risk
Currency risk is the risk associated with fluctuations in the value of a financial instrument due to changes in foreign exchange rates.

24 RISK MANAGEMENT *[continued]*

Currency risk *[continued]*
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 18).

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 2010, as a result of its monetary assets and liabilities. As of 31 December, the following financial instruments are denominated in currencies other than Bahrain Dinar and US Dollar, which were unhedged:

Financial instruments	***Currency***	***2010***	*2009*
		BD '000	*BD '000*
Bank balances	Euro	**8,106**	10,480
	Great Britain Pound	**35**	36
Receivables	Euro	**18,140**	3,132
Borrowings	Euro	**17,919**	-
Payables	Euro	**2,288**	8,759
	Great Britain Pound	**39**	70

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).

The effect of decreases in currency rate is expected to be equal and opposite to the effect of the increases shown.

	2010		2009	
	Increase in currency	***Effect on results for the year***	*Increase in currency*	*Effect on results for the year*
	BD	***BD '000***	*BD*	*BD '000*
Euro	**+10%**	**604**	+10%	485
Great Britain Pounds	**+10%**	**-**	+10%	(3)
		604		482

Credit risk
Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss.

The Company is exposed to credit risk on its bank balances, trade accounts receivable and the positive fair value of derivatives.

Cash is placed with reputable banks having good credit ratings. 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 granting credit terms and by monitoring the exposure to customers on an ongoing basis.

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

24 RISK MANAGEMENT *[continued]*

Currency risk *[continued]*
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 42% of outstanding accounts receivable at 31 December 2010 (2009: 62%).

As of 31 December 2010, the Company has significant concentration of credit risk to Gulf Aluminium Rolling Mill Company B.S.C. (c) which consists of:

	2010	*2009*
	BD '000	*BD '000*
Long term receivable	**20,630**	24,068
Trade accounts receivable	**9,982**	28,801
	30,612	52,869

Derivative contracts are entered into with counterparties with good credit rating and are not subject to significant credit risk.

Liquidity risk
Liquidity risk, also referred to as funding risk, is the risk that an enterprise will encounter difficulty in raising funds to meet commitments associated with financial instruments. Liquidity risk may result from an inability to sell a financial asset quickly at or close to its fair value. The shareholders provide funds to the Company to meet its commitments as and when they fall due. Trade payables are normally settled within 45 days of the date of purchase.

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.

	Less than 3 months	***3 to 12 months***	***1 to 5 years***	***Over 5 years***	***Total***
31 December 2010	***BD '000***	***BD '000***	***BD '000***	***BD '000***	***BD '000***
Borrowings (including interest payable)	**64,150**	**85,607**	**242,603**	**9,172**	**401,532**
Short term loans	**4,970**	**1,843**	**-**	**-**	**6,813**
Derivative financial instruments	**10,837**	**35,675**	**108,907**	**-**	**155,419**
Accounts payable and accruals	**25,575**	**30,064**	**-**	**-**	**55,639**
Total	**105,532**	**153,189**	**351,510**	**9,172**	**619,403**

The table above summarises the maturities of the Company's undiscounted financial liabilities at 31 December 2010, based on contractual payment dates and current market interest rates.

24 RISK MANAGEMENT *[continued]*
Liquidity risk *[continued]*

	Less than 3 months	*3 to 12 months*	*1 to 5 years*	*Over 5 years*	*Total*
31 December 2009	*BD '000*	*BD '000*	*BD '000*	*BD '000*	*BD '000*
Borrowings (including interest					
interest payable)	64,835	110,173	285,782	18,462	479,252
Short term loans	8,823	-	-	-	8,823
Derivative financial instruments	7,317	38,266	122,428	15,179	183,190
Accounts payable and accruals	53,807	7,144	-	-	60,951
Total	134,782	155,583	408,210	33,641	732,216

Capital management
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 business conditions. No changes were made in the objectives, policies or processes during the years ended 31 December 2010 and 31 December 2009. Capital comprises share capital, statutory reserve, capital reserve, contributions from shareholders, retained earnings less treasury shares, and is measured at BD 698,682 thousand as at 31 December 2010 (2009: BD 653,685 thousand).

25 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, receivables and amounts due from a shareholder. Financial liabilities consist of borrowings, short term loans, payables and amounts due to shareholders. Derivative financial instruments consist of interest rate collars, knockout swaps, forward exchange contracts and commodity options.

The Company uses the following hierarchy to determine and to disclose the fair value of financial instruments by valuation technique:

Level 1: quoted (unadjusted) prices in active markets for identical assets or liabilities

Level 2: other techniques for which all inputs which have a significant effect on the recorded fair value are observable, either directly or indirectly

Level 3: techniques which use inputs which have a significant effect on the recorded fair value that are not based on observable market data.

As of 31 December 2010, the Company's derivative financial instruments, consisting of interest rate swaps, are measured at fair value. These are Level 2 as per the hierarchy above for the years ended 31 December 2010 and 31 December 2009. The Company does not have financial instruments qualifying for level 1 or level 3 classification.

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

26 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 2010, gross trade accounts receivable were BD 98,494 thousand (2009: BD 95,930 thousand), and the provision for impairment was BD 5,714 thousand (2009: BD 6,232 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.

At 31 December 2010, stores stock was BD 22,433 thousand (2009: BD 25,979 thousand) with provisions for old and obsolete items of BD 1,200 thousand (2009: 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. This estimate is determined after considering the expected usage of the asset or physical wear and tear. Management reviews the residual value and useful lives annually and the future depreciation charge would be adjusted where the management believes the useful lives differ from previous estimates.

27 ALBA SAVINGS BENEFIT SCHEME ("THE SCHEME")

The Company operates a compulsory savings benefit scheme for its Bahraini employees.

The Scheme's assets, which are not incorporated in the financial statements, consist principally of deposits with banks 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.

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