

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

**REPORT OF THE BOARD OF DIRECTORS AND  
FINANCIAL STATEMENTS**

**31 DECEMBER 2014**



Aluminium  
for the world

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



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المنيووم البحرين ش.م.ب.  
سجل تجاري رقم: ٩٩٩

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

The Directors have pleasure in submitting their report together with the audited financial statements for the year ended 31 December 2014.

### Principal Activity

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

### Registered Office

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

### Winterthur Branch

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

### Hong Kong Branch

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

### Share Capital Structure

Shareholders	2014 (%)	2013 (%)
Bahrain Mumtalakat Holding Company B.S.C. (c)	69.38	69.38
SABIC Industrial Investments Company	20.62	20.62
Others – Public	10.00	10.00
	<b>100.00</b>	<b>100.00</b>



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## Corporate Secretary

On 31<sup>st</sup> October 2014, Ms. Afshan P. Akhtar, the General Counsel and Corporate Secretary, left the Company, and Mr. Stephanus F. Grobler was appointed as the Acting Legal Manager. On this transition, the Board appointed Mr. Stephanus F. Grobler as the Acting Legal Manager and Corporate Secretary on 24<sup>th</sup> November 2014.

## Chief Officers

Mr. Tim Murray, Chief Executive Officer  
Mr. Isa Al Ansari Chief Operations Officer  
Mr. Ali Al Baqali, Chief Financial Officer  
Mr. Jean Baptiste Lucas, Chief Marketing Officer

## Results and Retained Earnings

The Company made a profit of BD 96.5 Million for the year 2014 as compared to a profit of BD 79.8 Million in the year 2013.

The movements in retained earnings of the Company were:

	BD '000
Balance as at 31 December 2013	629,381
Profit for the year 2014	96,445
Loss on resale of treasury shares	(219)
Shortage of final dividend for 2013 added	(62)
Interim dividend paid for 2014	(16,958)
Proposed final dividend for 2014	(21,200)
Balance as at 31 December 2014	687,387

## Appropriations

- (1) On 27 February 2014, the Company's shareholders approved the Board of Directors' recommendation to pay a final dividend for 2013 of BD 0.022 per share (excluding treasury shares) totalling BD 31,040 thousand relating to 2013 which was paid in full in 2014.
- (2) (a) On 22<sup>nd</sup> July 2014, the Board of Directors recommended an interim dividend of BD 0.012 per share (totalling BD16,958 thousand treasury stocks excluded) which was subsequently paid on the 1<sup>st</sup> of September 2014.



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- (b) On 9<sup>th</sup> February 2015, the Board of Directors recommended a final dividend of BD 0.015 per share (excluding treasury shares) totalling BD21,200 thousand.

Both of the above noted appropriations per item (2) are subject to the approval of the shareholders of the Company at the Annual General Meeting to be held in March 2015.

### Directors of the Company

The following Directors retired as at 27<sup>th</sup> February 2014:

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

Mr. Mahmood H. Al Kooheji, Chairman  
Mr. Fawzi Ahmed Kanoo, Director  
Sheikh Mohamed Bin Khalifa al Khalifa, Director  
Mr. David E. Meen, Director

### Sabic Industrial Investments Company

Dr. Talaat Dafer Al Qahtani, Director

**The following Directors served effective the date of the Annual General Meeting that was held on 27<sup>th</sup> February 2014**

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

Shaikh Daij Bin Salman Bin Daij Al Khalifa, Chairman  
Mr. Yousif A. Taqi, Director  
Mr. Osama M. Al Arrayedh, Director  
Mr. Anthony L. Robinson, Director  
Mr. Fahad N. Al Hazzani, Director  
Dr. Mohammed S. Kameshki, Director

### Sabic Industrial Investments Company

Mr. Mutlaq H. Al Morished, Director (resigned from the Board on 31<sup>st</sup> December 2014)  
Mr. Fahad S. Al Sheaibi, Director

### Elected Director

Mr. Abdulaziz S. Al Humaid

### Directors' Remuneration

Directors' remuneration charged during the year ended 31 December 2014 was BD190,000 (2013: BD190,000).



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## Auditors

Ernst & Young have expressed their willingness to continue in office and a resolution proposing their appointment as auditors of the Company for the year ending 31 December 2015 will be submitted to the Annual General Meeting of shareholders.

By order of the Board,

Daij Bin Salman Bin Daij Al Khalifa  
Chairman  
9 February 2015



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

### **Report on the financial statements**

We have audited the accompanying financial statements of Aluminium Bahrain B.S.C. ('the Company'), which comprise the statement of financial position as at 31 December 2014, and the statements of comprehensive income, cash flows and changes in equity for the year then ended, and a summary of significant accounting policies and other explanatory information.

### *Board of Directors' Responsibility for the Financial Statements*

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

### *Auditors' Responsibility*

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

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

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

### *Opinion*

In our opinion, the financial statements present fairly, in all material respects, the financial position of the Company as of 31 December 2014 and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

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

**Report on other regulatory requirements**

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

- a) the Company has maintained proper accounting records and the financial statements are in agreement therewith; and
- b) the financial information contained in the Report of Board of Directors is consistent with the financial statements.

We are not aware of any violations of the Bahrain Commercial Companies Law, the Central Bank of Bahrain (CBB) Rule Book (applicable provisions of Volume 6) and CBB directives, regulations and associated resolutions, rules and procedures of the Bahrain Bourse or the terms of the Company's memorandum and articles of association during the year ended 31 December 2014 that might have had a material adverse effect on the business of the Company or on its financial position. Satisfactory explanations and information have been provided to us by the management in response to all our requests.



Partner's Registration No. 117  
9 February 2015  
Manama, Kingdom of Bahrain

# Aluminium Bahrain B.S.C.


## STATEMENT OF FINANCIAL POSITION

At 31 December 2014

	Note	2014 BD '000	2013 BD '000
<b>ASSETS</b>			
<b>Non-current assets</b>			
Property, plant and equipment	4	837,757	868,318
Long term receivable	5	3,439	6,877
Other asset	6	4,704	-
		<b>845,900</b>	<b>875,195</b>
<b>Current assets</b>			
Inventories	7	152,469	144,930
Current portion of long term receivable	5	3,438	3,438
Accounts receivable and prepayments	8	92,888	85,375
Other asset		-	4,800
Bank balances and cash	9	67,198	64,540
		<b>315,993</b>	<b>303,083</b>
<b>TOTAL ASSETS</b>		<b>1,161,893</b>	<b>1,178,278</b>
<b>EQUITY AND LIABILITIES</b>			
<b>Equity</b>			
Share capital	10	142,000	142,000
Treasury shares	11	(3,696)	(5,157)
Statutory reserve	13	71,000	71,000
Capital reserve	14	249	249
Retained earnings		687,387	629,381
Proposed dividend	15	21,200	30,978
<b>Total equity</b>		<b>918,140</b>	<b>868,451</b>
<b>Non-current liabilities</b>			
Borrowings	16	64,137	84,402
Derivative financial instruments	19	-	5,313
Employees' end of service benefits	17 (a)	1,265	930
		<b>65,402</b>	<b>90,645</b>
<b>Current liabilities</b>			
Borrowings	16	72,351	116,432
Accounts payable and accruals	18	101,378	97,960
Derivative financial instruments	19	4,622	4,790
		<b>178,351</b>	<b>219,182</b>
<b>Total liabilities</b>		<b>243,753</b>	<b>309,827</b>
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>1,161,893</b>	<b>1,178,278</b>

  
Daij Bin Salman Bin Daij Al Khalifa  
Chairman

  
Tim Murray  
Chief Executive Officer

  
Yousif Taqi  
Director

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





# Aluminium Bahrain B.S.C.

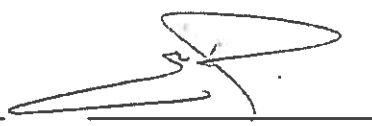
## STATEMENT OF COMPREHENSIVE INCOME

Year ended 31 December 2014

	Note	2014 BD '000	2013 BD '000
Sales	23 (a)	821,715	749,338
Cost of sales		(673,947)	(640,751)
<b>GROSS PROFIT</b>		<b>147,768</b>	<b>108,587</b>
Other income	20	1,865	7,304
Selling and distribution expenses		(19,885)	(17,574)
Administrative expenses		(29,546)	(30,609)
Gain on foreign exchange translation		671	211
Directors' fees	24	(190)	(190)
Finance costs	21	(4,449)	(5,823)
<b>PROFIT FOR THE YEAR BEFORE DERIVATIVES</b>		<b>96,234</b>	<b>61,906</b>
Gain on revaluation/settlement of derivative financial instruments (net)	19	211	17,871
<b>PROFIT FOR THE YEAR</b>	21	<b>96,445</b>	<b>79,777</b>
Other comprehensive income for the year		-	-
<b>TOTAL COMPREHENSIVE INCOME FOR THE YEAR</b>		<b>96,445</b>	<b>79,777</b>
Basic and diluted earnings per share (fils)	12	68	57

  
Daij Bin Salman Bin Daij Al Khalifa  
Chairman

  
Tim Murray  
Chief Executive Officer

  
Yousif Taqi  
Director

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



# Aluminium Bahrain B.S.C.

## STATEMENT OF CASH FLOWS

Year ended 31 December 2014

	Note	2014 BD '000	2013 BD '000
<b>OPERATING ACTIVITIES</b>			
Profit for the year		96,445	79,777
Adjustments for:			
Depreciation	4	79,419	77,831
Amortisation of other asset	6	96	-
Provision for employees' end of service benefits	17 (a)	1,403	844
Provision for impairment of inventories	7	252	339
Provision for impairment of receivables - net		(4)	(51)
Gain on revaluation of derivative financial instruments	19	(5,481)	(27,219)
Loss (gain) on disposal of property, plant and equipment		1,549	(1,391)
Write off of property, plant and equipment - net book value		-	124
Write off of impairment provision of inventories	7	(179)	(62)
Interest income	20	(188)	(249)
Finance costs	21	3,733	4,759
Cost of Employees' Stock Incentive Plan - net	21	(92)	680
		<b>176,953</b>	<b>135,382</b>
Working capital changes:			
Inventories		(7,612)	(1,643)
Accounts receivable and prepayments		(7,509)	5,815
Accounts payable and accruals (refer note a below)		3,608	(8,553)
Cash from operations		<b>165,440</b>	<b>131,001</b>
Employees' end of service benefits paid	17 (a)	(1,068)	(829)
Net cash flows from operating activities		<b>164,372</b>	<b>130,172</b>
<b>INVESTING ACTIVITIES</b>			
Purchase of property, plant and equipment	4	(50,550)	(57,512)
Proceeds from disposal of property, plant and equipment		143	14,409
Other asset		-	(4,800)
Interest received	20	188	249
Net cash flows used in investing activities		<b>(50,219)</b>	<b>(47,654)</b>
<b>FINANCING ACTIVITIES</b>			
Repayment of long term receivable		3,438	3,437
Borrowings availed		231,240	314,655
Borrowings repaid		(295,586)	(351,220)
Finance costs paid (refer note below)		(3,923)	(4,831)
Dividends paid		(47,998)	(39,488)
Purchase of treasury shares		(2,020)	(2,652)
Proceeds from resale of treasury shares		3,354	516
Net cash flows used in financing activities		<b>(111,495)</b>	<b>(79,583)</b>
<b>INCREASE IN CASH AND CASH EQUIVALENTS</b>		<b>2,658</b>	<b>2,935</b>
Cash and cash equivalents at 1 January		<b>64,540</b>	<b>61,605</b>
<b>CASH AND CASH EQUIVALENTS AT 31 DECEMBER</b>	9	<b>67,198</b>	<b>64,540</b>

### Non-cash item:

Movements in unpaid finance cost amounting to BD 190 thousand is excluded from the movement in accounts payable and accruals (2013: BD 72 thousand).

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

# Aluminium Bahrain B.S.C.

## STATEMENT OF CHANGES IN EQUITY

Year ended 31 December 2014

	Note	Share capital BD '000	Treasury shares BD '000	Statutory reserve BD '000	Capital reserve BD '000	Retained earnings BD '000	Proposed dividend BD '000	Total BD '000
Balance at 31 December 2012		142,000	(4,087)	71,000	249	600,683	19,773	829,618
Total comprehensive income for the year		-	-	-	-	79,777	-	79,777
Net movement in treasury shares		-	(1,750)	-	-	-	-	(1,750)
Amortisation of the cost of treasury shares held for Employees' Stock Incentive Plan		-	680	-	-	-	-	680
Loss on resale of treasury shares		-	-	-	-	(386)	-	(386)
Final dividend for 2012 approved and paid	15	-	-	-	-	-	(19,759)	(19,759)
Excess of final dividend for 2012 reversed	15	-	-	-	-	14	(14)	-
Interim dividend for 2013 proposed and paid	15	-	-	-	-	(19,729)	-	(19,729)
Proposed final dividend for 2013	15	-	-	-	-	(30,978)	30,978	-
Balance at 31 December 2013		142,000	(5,157)	71,000	249	629,381	30,978	868,451
Total comprehensive income for the year		-	-	-	-	96,445	-	96,445
Net movement in treasury shares		-	1,553	-	-	-	-	1,553
Reversal of amortisation of the cost of treasury shares held for Employees' Stock Incentive Plan		-	(92)	-	-	-	-	(92)
Loss on resale of treasury shares		-	-	-	-	(219)	-	(219)
Final dividend for 2013 approved and paid	15	-	-	-	-	-	(31,040)	(31,040)
Shortage of final dividend for 2013 added	15	-	-	-	-	(62)	62	-
Interim dividend for 2014 proposed and paid	15	-	-	-	-	(16,958)	-	(16,958)
Proposed final dividend for 2014	15	-	-	-	-	(21,200)	21,200	-
<b>Balance at 31 December 2014</b>		<b>142,000</b>	<b>(3,696)</b>	<b>71,000</b>	<b>249</b>	<b>687,387</b>	<b>21,200</b>	<b>918,140</b>

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

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NOTES TO THE FINANCIAL STATEMENTS

At 31 December 2014

**1 ACTIVITIES**

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

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

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

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

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

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

These financial statements were authorised for issue in accordance with a resolution of the Directors on 9 February 2015.

**2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**Basis of preparation**

The financial statements of the Company have been prepared in accordance with International Financial Reporting Standards ("IFRS") issued by the International Accounting Standards Board ("IASB") and in conformity with the Bahrain Commercial Companies Law, applicable requirements of the Central Bank of Bahrain Rule Book and associated resolutions, rules and procedures of the Bahrain Bourse.

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

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

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NOTES TO THE FINANCIAL STATEMENTS

At 31 December 2014

**2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**New and amended standards and interpretations as of 1 January 2014**

The accounting policies adopted are consistent with those of the previous financial year, except for the following amended IFRSs effective as of 1 January 2014 which had no significant impact on the Company's financial position, performance or its disclosures:

*Investment Entities (Amendments to IFRS 10, IFRS 12 and IAS 27)*

These amendments provide an exception to the consolidation requirement for entities that meet the definition of an investment entity under IFRS 10 Consolidated Financial Statements and must be applied retrospectively, subject to certain transition relief. The exception to consolidation requires investment entities to account for subsidiaries at fair value through profit or loss. These amendments have no impact on the Company since the Company does not qualify as an investment entity under IFRS 10.

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

These amendments clarify the meaning of "currently has a legally enforceable right to set-off" and the criteria for non-simultaneous settlement mechanisms of clearing houses to qualify for offsetting and is applied retrospectively. These amendments have no impact on the Company, since the Company does not have any offsetting arrangements.

*Novation of Derivatives and Continuation of Hedge Accounting – Amendments to IAS 39*

These amendments provide relief from discontinuing hedge accounting when novation of a derivative designated as a hedging instrument meets certain criteria and retrospective application is required. These amendments have no impact on the Company as the Company has not novated its derivatives during the current or prior periods.

*IFRIC 21 Levies*

IFRIC 21 clarifies that an entity recognises a liability for a levy when the activity that triggers payment, as identified by the relevant legislation, occurs. For a levy that is triggered upon reaching a minimum threshold, the interpretation clarifies that no liability should be anticipated before the specified minimum threshold is reached. Retrospective application is required for IFRIC 21. This interpretation has no impact on the Company as it has applied the recognition principles under IAS 37 Provisions, Contingent Liabilities and Contingent Assets consistent with the requirements of IFRIC 21 in prior years.

**Standards issued but not yet effective**

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

*IFRS 9 Financial Instruments*

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

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

**2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**Standards issued but not yet effective (continued)**

*IFRS 14 Regulatory Deferral Accounts*

IFRS 14 is an optional standard that allows an entity, whose activities are subject to rate-regulation, to continue applying most of its existing accounting policies for regulatory deferral account balances upon its first-time adoption of IFRS. Entities that adopt IFRS 14 must present the regulatory deferral accounts as separate line items on the statement of financial position and present movements in these account balances as separate line items in the statement of profit or loss and other comprehensive income. The standard requires disclosures on the nature of, and risks associated with, the entity's rate-regulation and the effects of that rate-regulation on its financial statements. IFRS 14 is effective for annual periods beginning on or after 1 January 2016. Since the Company is an existing IFRS preparer, this standard would not apply.

*IAS 16 Property, Plant and Equipment and IAS 38 Intangible Assets*

The amendment is applied retrospectively and clarifies in IAS 16 and IAS 38 that the asset may be revalued by reference to observable data on either the gross or the net carrying amount. In addition, the accumulated depreciation or amortisation is the difference between the gross and carrying amounts of the asset.

*IAS 24 Related Party Disclosures*

The amendment is applied retrospectively and clarifies that a management entity (an entity that provides key management personnel services) is a related party subject to the related party disclosures. In addition, an entity that uses a management entity is required to disclose the expenses incurred for management services.

*Annual improvements 2011-2013 Cycle*

These improvements are effective from 1 July 2014 and are not expected to have a material impact on the Company. They include:

*IFRS 13 Fair Value Measurement*

The amendment is applied prospectively and clarifies that the portfolio exception in IFRS 13 can be applied not only to financial assets and financial liabilities, but also to other contracts within the scope of IFRS 9 (or IAS 39, as applicable).

*IAS 40 Investment Property*

The description of ancillary services in IAS 40 differentiates between investment property and owner-occupied property (i.e., property, plant and equipment). The amendment is applied prospectively and clarifies that IFRS 3, and not the description of ancillary services in IAS 40, is used to determine if the transaction is the purchase of an asset or business combination.

*IFRS 15 Revenue from Contracts with Customers*

IFRS 15 was issued in May 2014 and establishes a new five-step model that will apply to revenue arising from contracts with customers. Under IFRS 15 revenue is recognised at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer. The principles in IFRS 15 provide a more structured approach to measuring and recognising revenue. The new revenue standard is applicable to all entities and will supersede all current revenue recognition requirements under IFRS. Either a full or modified retrospective application is required for annual periods beginning on or after 1 January 2017 with early adoption permitted. The Company is currently assessing the impact of IFRS 15 and plans to adopt the new standard on the required effective date.

**Foreign currencies**

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



## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

### Foreign currencies (continued)

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates as at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value is determined.

### Current versus non-current classification

The Company presents assets and liabilities in statement of financial position based on current/non-current classification. An asset is presented as current when it is:

- Expected to be realised or intended to be sold or consumed in a normal operating cycle;
- Held primarily for the purpose of trading;
- Expected to be realised within twelve months after the reporting period, or
- Cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period.

All other assets are classified as non-current. A liability is presented as current when:

- It is expected to be settled in a normal operating cycle;
- It is held primarily for the purpose of trading;
- It is due to be settled within twelve months after the reporting period, or
- There is no unconditional right to defer the settlement of the liability for at least twelve months after the reporting period.

The Company classifies all other liabilities as non-current.

### Fair value measurement

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

The Company measures financial instruments, at fair value at each reporting date. Also, fair values of financial instruments measured at amortised cost are disclosed in note 26.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

- In the principal market for the asset or liability, or
- In the absence of a principal market, in the most advantageous market for the asset or liability.

The principal or the most advantageous market must be accessible by the Company.

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

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

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NOTES TO THE FINANCIAL STATEMENTS

At 31 December 2014

**2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**Fair value measurement (continued)**

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

- Level 1 – Quoted (unadjusted) market prices in active markets for identical assets or liabilities
- Level 2 – Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable
- Level 3 – Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

For assets and liabilities that are recognised in the financial statements on a recurring basis, the Company determines whether transfers have occurred between levels in the hierarchy by re-assessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

At each reporting date, the management analyses the movements in the values of assets and liabilities which are required to be re-measured or re-assessed as per the Company's accounting policies. For this analysis, the management verifies the major inputs applied in the latest valuation by agreeing the information in the valuation computation to contracts and other relevant documents.

For the purpose of fair value disclosures, the Company has determined classes of assets and liabilities on the basis of the nature, characteristics and risks of the asset or liability and the level of the fair value hierarchy as explained above.

**Property, plant and equipment**

Property, plant and equipment is stated at cost, net of accumulated depreciation and/or accumulated impairment losses, if any. Such cost includes the cost of replacing part of the property, plant and equipment and borrowing costs for long-term construction projects if the recognition criteria are met. When significant parts of property, plant and equipment are required to be replaced at intervals, the Company recognises such parts as individual assets with specific useful lives and depreciates them accordingly. Likewise, when a major inspection is performed, its cost is recognised in the carrying amount of the plant and equipment as a replacement if the recognition criteria are satisfied. All other repair and maintenance costs are recognised in the statement of comprehensive income as incurred.

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

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

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

**Borrowing costs**

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

## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

### Lease rights

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

### Impairment of non-financial assets

The Company assesses at each reporting date whether there is an indication that an asset may be impaired. If any indication exists, or when annual impairment testing for an asset is required, the Company estimates the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or cash-generating unit's (CGU) fair value less costs to sell and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or Group of assets. When the carrying amount of an asset or CGU exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount.

In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs of disposal, recent market transactions are taken into account. If no such transactions can be identified, an appropriate valuation model is used.

An assessment is made at each reporting date to determine whether there is an indication that previously recognised impairment losses no longer exist or have decreased. If such indication exists, the Company estimates the asset's or CGU's recoverable amount. A previously recognised impairment loss is reversed only if there has been a change in the assumptions used to determine the asset's recoverable amount since the last impairment loss was recognised. The reversal is limited so that the carrying amount of the asset does not exceed its recoverable amount, nor exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised for the asset in prior years. Such reversal is recognised in the statement of comprehensive income.

### Inventories

Inventories are valued at the lower of cost and net realisable value. Costs incurred in bringing each product to its present location and condition are accounted for as follows:

Raw materials	Purchase cost on a weighted average basis.
Finished goods and work in progress	Cost of direct materials, labour plus attributable overheads based on normal level of activity.
Stores	Purchase cost calculated on a weighted average basis after making due allowance for any obsolete items.

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

### Financial assets

#### Initial recognition and measurement

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

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

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

Financial assets consist of bank balances and cash and receivables.

## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

### Subsequent measurement

#### Accounts receivable

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

#### Cash and cash equivalents

For the purpose of statement of cash flows, cash and cash equivalents consist of cash in hand, bank balances and short-term deposits with an original maturity of three months or less.

#### Derecognition

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is primarily derecognised (i.e. removed from the Company's statement of financial position) when:

- The rights to receive cash flows from the asset have expired, or
- The Company has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement; and either (a) the Company has transferred substantially all the risks and rewards of the asset, or (b) the Company has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset

#### Impairment of financial assets

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

Impairment of financial assets is determined as follows:

- For assets carried at fair value, impairment is the difference between cost and fair value, less any impairment loss previously recognised in the statement of comprehensive income;
- For assets carried at cost, impairment is the difference between carrying value and the present value of future cash flows discounted at the current market rate of return for a similar financial asset; and
- For assets carried at amortised cost, impairment is the difference between the carrying amount and the present value of future cash flows discounted at the original effective interest rate.

#### Financial liabilities

##### Initial recognition and measurement

Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit or loss, loans and borrowings, payables, or as derivatives designated as hedging instruments in an effective hedge, as appropriate.

All financial liabilities are recognised initially at fair value and, in the case of loans and borrowings and payables, net of directly attributable transaction costs.

The Company's financial liabilities include accounts and other payables, loans and borrowings and derivative financial instruments.

## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

### Subsequent measurement

#### Accounts payables and accruals

Accounts payables and accruals are carried at cost which is the fair value of the consideration to be paid in the future for goods and services received whether or not billed to the Company.

#### Borrowings

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

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

#### Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount is reported in the statement of financial position if, and only if, there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liabilities simultaneously.

#### Derecognition

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires.

#### Derivative financial instruments and hedging activities

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

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

- i) the fair value of a recognised asset or liability (fair value hedge), or
- ii) the future cash flows attributable to a recognised asset or liability or a firm commitment (cash flow hedge).

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

- at the inception of the hedge there is formal documentation of the hedging relationship and the Company's risk management objective and strategy for undertaking the hedge. That documentation should include identification of the hedging instrument, the related hedged item or transaction, the nature of the risk being hedged, and how the Company will assess the hedging instrument's effectiveness in offsetting the exposure to changes in the hedged item's fair value or the hedged transaction's cash flows that is attributable to the hedged risk;
- the hedge is expected to be highly effective in achieving offsetting changes in fair value or cash flows attributable to the hedged risk, consistent with the originally documented risk management strategy for that particular hedging relationship;
- for cash flow hedges, a forecasted transaction that is the subject of the hedge must be highly probable and must present an exposure to variations in cash flows that could ultimately affect reported net profit or loss;
- the effectiveness of the hedge can be reliably measured, that is, the fair value or cash flows of the hedged item and the fair value of the hedging instrument can be reliably measured; and

## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

### Derivative financial instruments and hedging activities (continued)

- the hedge must be assessed on an ongoing basis and determined to have actually been highly effective throughout the financial reporting period.

Changes in fair values of derivative financial instruments that are designated, and qualify, as cash flow hedges and prove to be highly effective in relation to the hedged risk, are recognised as a separate component in equity as a cash flow hedge reserve. Unrealised gains or losses on any ineffective portion of cash flow hedging transactions are recognised in the statement of comprehensive income.

When a hedging instrument expires or is sold, or when a hedge no longer meets the criteria for hedge accounting, any cumulative gain or loss existing in equity at that time remains in equity and is recognised when the forecast transaction is ultimately recognised in the statement of comprehensive income. When a forecast transaction is no longer expected to occur, the cumulative gain or loss that was reported in equity is immediately transferred to the statement of comprehensive income.

Changes in the fair value of any derivative instruments that do not qualify for hedge accounting are classified as held for trading and are recognised immediately in the statement of comprehensive income.

### Provisions

Provisions are recognised when the Company has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. When the Company expects some or all of a provision to be reimbursed, for example, under an insurance contract, the reimbursement is recognised as a separate asset, but only when the reimbursement is virtually certain. The expense relating to a provision is presented in the statement of comprehensive income net of any reimbursement.

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

### Treasury shares

Treasury shares are stated at acquisition cost and are shown as a deduction to equity. No gain or loss is recognised in the statement of comprehensive income on the purchase, sale, issue or cancellation of the treasury shares. Gains arising from the subsequent resale of treasury shares is treated as non-distributable and included in treasury shares reserve. Any loss arising from the subsequent resale of treasury shares is first adjusted against the treasury shares reserve, if any, and charged to retained earnings if the amounts in treasury shares reserve is not sufficient to cover the loss. Any difference between the carrying amount and the consideration, if reissued, is recognised in share premium. Share options exercised during the reporting period are satisfied with treasury shares.

### Leases

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

#### *Company as a lessee*

A lease is classified at the inception date as a finance lease or an operating lease. A lease that transfers substantially all the risks and rewards incidental to ownership to the Company is classified as a finance lease. Finance leases are capitalised at the commencement of the lease at the inception date fair value of the leased property or, if lower, at the present value of the minimum lease payments. Lease payments are apportioned between finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability.



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NOTES TO THE FINANCIAL STATEMENTS

At 31 December 2014

**2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**Leases (continued)**

*Company as a lessee (continued)*

Finance charges are recognised in finance costs in the statement of comprehensive income. A leased asset is depreciated over the useful life of the asset. However, if there is no reasonable certainty that the company will obtain ownership by the end of the lease term, the asset is depreciated over the shorter of the estimated useful life of the asset and the lease term. Operating lease payments are recognised as an operating expense in the statement of comprehensive income on a straight-line basis over the lease term.

**Revenue recognition**

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

*Sale of goods*

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

*Other income*

Other income is recognised as the income accrues.

**Employee benefits**

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

For non-Bahraini employees the Company provides for end of service benefits in accordance with the Bahrain Labour Law based on their salaries at the time of leaving and number of years of service. Provision for this unfunded commitment, which represents a defined benefit scheme, has been made by calculating the liability had all employees left at the reporting date.

*Alba Savings Benefit Scheme*

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

*Employees' Stock Incentive Plan*

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

**3 SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS**

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

**3 SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS**  
(continued)

**Judgements**

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

*Going concern*

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

**Estimates and assumptions**

*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 2014, gross trade accounts receivable were BD 86,782 thousand (2013: BD 77,528 thousand), and the provision for impairment was BD 4,547 thousand (2013: BD 4,551 thousand) and gross other receivables were BD 7,615 thousand (2013: BD 9,865 thousand), and the provision for impairment was BD 45 thousand (2013: BD 45 thousand). Any difference between the amounts actually collected in future periods and the amounts expected will be recognised in the statement of comprehensive income.

*Impairment of inventories*

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

At 31 December 2014, stores stock was BD 27,102 thousand (2013: BD 26,429 thousand) with provisions for old and obsolete items of BD 1,550 thousand (2013: BD 1,477 thousand). Any difference between the amounts actually realised in future periods and the amounts expected will be recognised in the statement of comprehensive income.

*Useful lives of property, plant and equipment*

The Company's management determines the estimated useful lives of its property, plant and equipment for calculating depreciation. These estimates are determined after considering the expected usage of the asset or physical wear and tear. Management reviews the residual values and useful lives annually and the future depreciation charges would be adjusted where the management believes the useful lives differ from previous estimates.

*Operating leases - the Company as lessee:*

The Company has entered into commercial property leases on its land leased and held for use. The Company has determined, based on an evaluation of the terms and conditions of the arrangements that the lessor retains all the significant risks and rewards of ownership of these assets and so accounts for the contracts as operating leases. Operating lease rentals and amortisation of the leased rights have been charged to administrative expenses in the statement of comprehensive income.

# Aluminium Bahrain B.S.C.

## NOTES TO THE FINANCIAL STATEMENTS

At 31 December 2014

### 4 PROPERTY, PLANT AND EQUIPMENT

	<i>Land and buildings BD '000</i>	<i>Power generating plant BD '000</i>	<i>Plant, machinery and other equipment BD '000</i>	<i>Assets in process of completion BD '000</i>	<i>Total BD '000</i>
<b>Cost:</b>					
At 1 January 2014	268,928	417,053	1,166,569	81,093	1,933,643
Additions	648	34	3,546	46,322	50,550
Transfers	3,019	19,652	17,089	(39,760)	-
Disposals	-	(1,735)	(5,910)	-	(7,645)
<b>At 31 December 2014</b>	<b>272,595</b>	<b>435,004</b>	<b>1,181,294</b>	<b>87,655</b>	<b>1,976,548</b>
<b>Depreciation:</b>					
At 1 January 2014	105,187	229,670	730,468	-	1,065,325
Charge for the year	6,649	16,807	55,963	-	79,419
Relating to disposals	(198)	(1,409)	(4,346)	-	(5,953)
<b>At 31 December 2014</b>	<b>111,638</b>	<b>245,068</b>	<b>782,085</b>	<b>-</b>	<b>1,138,791</b>
<b>Net carrying value:</b>					
<b>At 31 December 2014</b>	<b>160,957</b>	<b>189,936</b>	<b>399,209</b>	<b>87,655</b>	<b>837,757</b>

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

- Land and buildings include freehold land at a cost of BD 453 thousand as at 31 December 2014 (2013: BD 453 thousand).
- The Company is utilising land leased from the Government of Bahrain for the operations of lines 3, 4 and 5 and land leased from The Bahrain Petroleum Company B.S.C. (c) (BAPCO) for its calciner operations. These leases are free of rent.
- The depreciation charge is allocated to cost of sales in the statement of comprehensive income.

## NOTES TO THE FINANCIAL STATEMENTS

At 31 December 2014

**5 LONG TERM RECEIVABLE**

This represents an amount due from Gulf Aluminium Rolling Mill Company B.S.C. (c) (GARMCO), a company partly owned by two of the Company's shareholders. The amount due is repayable in 16 half yearly instalments and the last instalment is due on 31 December 2016. Interest is payable half yearly on the outstanding balance at 6 months LIBOR plus a margin of 1% and the effective interest rate as of 31 December 2014 was 1.34% (2013: 1.42%).

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

	<b>2014</b> <b>BD '000</b>	<b>2013</b> <b>BD '000</b>
Current portion	3,438	3,438
Non-current portion	3,439	6,877
	<u>6,877</u>	<u>10,315</u>

**6 OTHER ASSET**

The Company acquired the lease rights of the land adjacent to the Company from the Ministry of Industry and Commerce on 28 May 2014 for a term of 25 years effective 1 July 2014 and the amount of BD 4,800 thousand is being amortised over the lease period.

	<b>2014</b> <b>BD '000</b>	<b>2013</b> <b>BD '000</b>
Lease rights	4,800	-
Amortised during the year	(96)	-
Aggregate value of lease rights to be amortised for at the statement of financial position date	<u>4,704</u>	<u>-</u>

**7 INVENTORIES**

	<b>2014</b> <b>BD '000</b>	<b>2013</b> <b>BD '000</b>
Goods in transit	41,189	37,752
Raw materials	27,855	24,464
Work-in-process	45,262	44,713
Finished goods	12,611	13,049
Stores stock [net of provision of BD 1,550 thousand (2013:BD 1,477 thousand)]	25,552	24,952
	<u>152,469</u>	<u>144,930</u>

**8 INVENTORIES**

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

	<b>2014</b> <b>BD '000</b>	<b>2013</b> <b>BD '000</b>
At 1 January	1,477	1,200
Charge for the year	252	339
Write off	(179)	(62)
At 31 December	<u>1,550</u>	<u>1,477</u>

# Aluminium Bahrain B.S.C.

## NOTES TO THE FINANCIAL STATEMENTS

At 31 December 2014

### 8 ACCOUNTS RECEIVABLE AND PREPAYMENTS

	2014 BD '000	2013 BD '000
Trade accounts receivable [net of provision of BD 4,547 thousand (2013: BD 4,551 thousand)]	82,235	72,977
Other receivables [net of provision of BD 45 thousand (2013: BD 45 thousand)]	7,570	9,820
Prepayments	3,083	2,578
	<b>92,888</b>	<b>85,375</b>

As at 31 December 2014, trade accounts receivable at a nominal value of BD 4,547 thousand (2013: BD 4,551 thousand) and other receivables of BD 45 thousand (2013: BD 45 thousand) were impaired. Movements in the allowance for impairment of trade accounts receivable were as follows:

	<i>Trade accounts receivable</i>		<i>Other receivables</i>	
	2014 BD '000	2013 BD '000	2014 BD '000	2013 BD '000
At 1 January	4,551	4,602	45	45
Reversal of provision for the year	(4)	(51)	-	-
At 31 December	<b>4,547</b>	<b>4,551</b>	<b>45</b>	<b>45</b>

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

		<i>Neither past due nor impaired</i>	<i>Past due but not impaired</i>			
	Total BD '000	BD '000	Less than 30 days BD '000	30 – 90 days BD '000	91 – 120 days BD '000	Over 120 days BD '000
2014	82,235	81,955	280	-	-	-
2013	72,977	72,493	472	12	-	-

### 9 BANK BALANCES AND CASH

	2014 BD '000	2013 BD '000
Cash in hand	24	23
Cash at bank:		
- Current accounts	46,942	43,117
- Call accounts	20,232	21,400
<b>Bank balances and cash</b>	<b>67,198</b>	<b>64,540</b>

A major portion of the bank balances is held with banks in the Kingdom of Bahrain and these balances are denominated in Bahraini Dinars and US Dollars. The call accounts earn interest and the effective interest rates as of 31 December 2014 ranged between 0.12% to 0.22% (2013: 0.10% to 0.12%).

# Aluminium Bahrain B.S.C.

## NOTES TO THE FINANCIAL STATEMENTS

At 31 December 2014

### 10 SHARE CAPITAL

	2014 BD '000	2013 BD '000
Authorised 2,000,000,000 shares of 100 fils each	200,000	200,000
Issued and fully paid 1,420,000,000 shares of 100 fils each	142,000	142,000

The distribution of shareholdings are as follows:

Categories	2014			2013		
	Number of shares	Number of shareholders	% of total outstanding share capital	Number of shares	Number of shareholders	% of total outstanding share capital
Less than 1%	78,135,321	3,683	5.51	70,195,871	2,387	4.94
1% up to less than 5%	63,864,679	2	4.49	71,804,129	2	5.06
5% up to less than 20%	-	-	-	-	-	-
20% up to less than 50%	292,804,000	1	20.62	292,804,000	1	20.62
50% and above	985,196,000	1	69.38	985,196,000	1	69.38
	1,420,000,000	3,687	100.00	1,420,000,000	2,391	100.00

### 11 TREASURY SHARES

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

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

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

	2014		2013	
	No of shares	BD '000	No of shares	BD '000
Excess of the shares in Employees' Stock Incentive Plan [note 17 (c)]	697,000	627	595,000	536
Purchased subsequent to the IPO - net of sales	5,962,458	3,069	8,899,321	4,621
	6,659,458	3,696	9,494,321	5,157



## NOTES TO THE FINANCIAL STATEMENTS

At 31 December 2014

**12 EARNINGS PER SHARE**

Basic earnings per share is calculated by dividing the profit or loss for the year attributable to ordinary equity holders of the Company by the weighted average number of ordinary shares outstanding during the year, excluding the average number of ordinary shares purchased by the Company and held as treasury shares and is as follows:

	2014	2013
Profit for the year - BD' 000	<u>96,445</u>	<u>79,777</u>
Weighted average number of shares, net of treasury shares - thousands of shares	<u>1,411,575</u>	<u>1,410,767</u>
Basic and diluted earnings per share (fils)	<u>68</u>	<u>57</u>

Basic and diluted earnings per share are the same since the Company has not issued any instruments that would have a dilutive effect.

There have been no other transactions involving ordinary shares or potential ordinary shares between the reporting date and the date of completion of these financial statements.

**13 STATUTORY RESERVE**

The Bahrain Commercial Companies Law requires companies to transfer 10% of their annual profit to a statutory reserve, until such time the reserve equals 50% of the paid up share capital. A statutory reserve equal to 50% of the paid-up capital has been created by transfer of prior years' profits. Therefore no further transfers have been made for the year ended 31 December 2014. This reserve cannot be utilised for the purpose of distribution, except in such circumstances as stipulated in the Bahrain Commercial Companies Law.

**14 CAPITAL RESERVE**

This reserve was created from the surplus on disposal of property, plant and equipment in prior years. This reserve is distributable subject to the approval of the shareholders.

**15 DIVIDEND PROPOSED AND PAID**

On 26 July 2014, the Board of Directors proposed an interim dividend of BD 0.012 per share (excluding treasury shares) totalling BD 16,958 thousand (2013: BD 0.014 per share (excluding treasury shares) totalling BD 19,729 thousand) which was paid in September 2014. On 9 February 2015, the Board of Directors recommended a final dividend of BD 0.015 per share (excluding treasury shares) totalling BD 21,200 thousand (2013: 0.022 per share (excluding treasury shares) totalling BD 30,978 thousand). Both interim and final dividends are subject to the approval of the Company's shareholders at the Annual General Meeting to be held in March 2015.

On 27 February 2014, the Company's shareholders approved the Board of Directors' proposal to pay a final dividend of BD 0.022 per share (excluding treasury shares) totalling BD 31,040 thousand relating to 2013 which was paid in full in 2014 (2013: BD 0.014 per share totalling BD 19,759 thousand relating to 2012 was paid).

## NOTES TO THE FINANCIAL STATEMENTS

At 31 December 2014

## 16 BORROWINGS

	<i>Current BD '000</i>	<i>Non-current BD '000</i>	<i>Total 2014 BD '000</i>	<i>Total 2013 BD '000</i>
Refinancing loan at 2.58 % to 2.68 % (2013: 2.64 % to 2.77 %) [1]	16,920	18,449	35,369	52,205
Working capital revolving credit at 1.30 % to 1.48 % (2013: 1.35 % to 1.89 %) [2]	33,840	-	33,840	67,680
Line 5 projects at 0.73 % to 1.34 % (2013: 0.85 % to 1.61 %) [3]	9,112	18,223	27,335	46,341
Working capital term loan at 1.23 % to 1.24 % (2013: nil) [4]	6,893	13,674	20,567	-
Euro Coface loan at 1.73 % to 1.87 % (2013: 1.18 % to 2.51 %) [5]	3,876	11,374	15,250	21,552
Euro SERV Loan at 1.43 % to 1.57 % (2013: 1.55 % to 2.23 %) [6]	1,710	2,417	4,127	6,564
Coface loan at 0.73 % to 0.79 % (2013: 0.85 % to 1.14 %)	-	-	-	6,492
<b>Total borrowings</b>	<b>72,351</b>	<b>64,137</b>	<b>136,488</b>	<b>200,834</b>
Payable within one year			72,351	116,432
Payable after one year			64,137	84,402
			<b>136,488</b>	<b>200,834</b>

**[1] Refinancing Loan**

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

**[2] The working capital revolving credit facilities are subject to periodic renewal and repricing. The working capital revolving facilities allow the Company to issue promissory notes for up to 12 month terms. It is the Company's policy to maintain the current level of borrowings under these facilities by issuing new promissory notes in place of maturing notes.****[3] Line 5 projects**

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

**[4] Working Capital Term Loan**

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

**[5] Euro Coface Loan**

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

## NOTES TO THE FINANCIAL STATEMENTS

At 31 December 2014

**16 BORROWINGS (continued)****[6] Euro SERV Loan**

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

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

**17 EMPLOYEE BENEFITS****a) Defined benefit scheme - leaving indemnity**

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

	<b>2014</b>	<b>2013</b>
	<b>BD '000</b>	<b>BD '000</b>
Provision as at 1 January	930	915
Provided during the year (note 21)	1,403	844
Employees' end of service benefits paid	(1,068)	(829)
Provision as at 31 December	<u>1,265</u>	<u>930</u>

**b) Defined contribution schemes**

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

	<b>ALBA Savings Benefit Scheme</b>		<b>Social Insurance Organisation</b>	
	<b>2014</b>	<b>2013</b>	<b>2014</b>	<b>2013</b>
	<b>BD '000</b>	<b>BD '000</b>	<b>BD '000</b>	<b>BD '000</b>
Provision as at 1 January	501	1,688	801	776
Expense recognised in the statement of comprehensive income (note 21)	4,105	4,037	6,171	5,998
Contributions paid	(3,574)	(5,224)	(6,228)	(5,973)
Provision as at 31 December (note 18)	<u>1,032</u>	<u>501</u>	<u>744</u>	<u>801</u>

**c) Employees' Stock Incentive Plan**

In accordance with an Employees' Stock Incentive Plan approved by the Board of Directors, the Company purchased 3,000,000 of its shares to be allocated to all of its employees on the Company's payroll as of 1 December 2010. The Company has allocated 1,000 shares each to its 2,714 employees as of 1 December 2010 and these shares will vest after a period of three years. As of 31 December 2014, the number of employees eligible for this plan was 2,303 (2013: 2,405) and the excess of 697,000 shares is held as treasury shares as of 31 December 2014 (2013: 595,000 shares). During the year, the shares allocated to the employees had fully vested.

# Aluminium Bahrain B.S.C.

## NOTES TO THE FINANCIAL STATEMENTS

At 31 December 2014

### 18 ACCOUNTS PAYABLE AND ACCRUALS

	2014 BD '000	2013 BD '000
Trade payables	53,854	54,606
Retentions payable	94	94
Employee related accruals	26,653	30,582
Accrued expenses	16,406	9,709
Advances from customers	2,595	1,667
Alba Savings Benefit Scheme [note 17 (b)]	1,032	501
Social Insurance Organisation [(note 17 (b))]	744	801
	<b>101,378</b>	<b>97,960</b>

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

### 19 DERIVATIVE FINANCIAL INSTRUMENTS

The Company has a number of derivative financial instruments comprising interest rate collars, commodity options and commodity futures. The fair values of the derivative financial instruments at 31 December 2014 and 31 December 2013 are as follows:

	2014		2013	
	Assets BD '000	Liabilities BD '000	Assets BD '000	Liabilities BD '000
Commodity options	-	3,750	-	9,364
Commodity futures	-	806	-	38
Interest rate collars	-	66	-	701
Total	-	<b>4,622</b>	-	<b>10,103</b>
Classified in the statement of financial position as follows:				
Non-current portion:				
Commodity options	-	-	-	5,232
Interest rate collars	-	-	-	81
	-	-	-	<b>5,313</b>
Current portion:				
Commodity options	-	3,750	-	4,132
Commodity futures	-	806	-	38
Interest rate collars	-	66	-	620
	-	<b>4,622</b>	-	<b>4,790</b>

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

	2014 BD '000	2013 BD '000
<b>Revaluation:</b>		
Commodity options	5,613	25,061
Commodity futures	(768)	(143)
Interest rate collars	636	2,254
Forward foreign exchange contracts	-	47
	<b>5,481</b>	<b>27,219</b>

## NOTES TO THE FINANCIAL STATEMENTS

At 31 December 2014

**19 DERIVATIVE FINANCIAL INSTRUMENTS (continued)**

	<b>2014</b>	<b>2013</b>
	<b>BD '000</b>	<b>BD '000</b>
<b>Realised:</b>		
Commodity options	(4,487)	(5,636)
Commodity futures	91	(1,204)
Interest rate collars	(874)	(2,508)
	<u>(5,270)</u>	<u>(9,348)</u>
Net gain on fair valuation taken to statement of comprehensive income	<u>211</u>	<u>17,871</u>

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

**Commodity options**

The Company entered into commodity options to offset the premium payable on the interest rate collars. The exposure to the Company is that if the LME price of aluminium exceeds US\$ 1,650 (2013: US\$ 1,650 per metric tonne (which is above the London Metal Exchange (LME) price used in the feasibility study for line 5), then the Company will pay the difference between the market price and the average contracted price of US\$ 1,650 (2013: US\$ 1,650) per metric tonne for certain tonnages of aluminium.

**Commodity futures**

The Company entered into commodity futures contracts to reduce the price risk on behalf of its customers for 18,500 metric tonnes (2013: 17,800 metric tonnes).

**Interest rate collars**

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

The notional amount outstanding as at 31 December 2014 was US\$ 90,000 thousand (2013: US\$ 270,000 thousand).

**20 OTHER INCOME**

	<b>2014</b>	<b>2013</b>
	<b>BD '000</b>	<b>BD '000</b>
Interest income	188	249
Sale of water	1,345	1,863
Miscellaneous	332	5,192
	<u>1,865</u>	<u>7,304</u>

# Aluminium Bahrain B.S.C.

## NOTES TO THE FINANCIAL STATEMENTS

At 31 December 2014

### 21 PROFIT FOR THE YEAR

Profit for the year is stated after charging:

	2014 BD '000	2013 BD '000
<i>Staff costs:</i>		
Wages and salaries	80,722	76,176
Social Insurance Organisation [note 17 (b)]	6,171	5,998
Alba savings benefit scheme [note 17 (b)]	4,105	4,037
Payments to contractors	2,697	2,377
Employees' end of service benefits [note 17 (a)]	1,403	844
Indirect benefits (housing, education)	476	489
(Reversal) cost of Employees' Stock Incentive Plan	(92)	680
Others	444	405
	<b>95,926</b>	<b>91,006</b>
Inventories recognised as an expense in cost of sales	<b>468,784</b>	<b>442,443</b>

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

	2014 BD '000	2013 BD '000
Cost of sales	80,379	75,723
Administrative expenses	13,930	13,711
Selling and distribution expenses	1,617	1,572
	<b>95,926</b>	<b>91,006</b>
<i>Finance costs:</i>		
Interest on borrowings	3,733	4,759
Bank charges	716	1,064
	<b>4,449</b>	<b>5,823</b>

### 22 COMMITMENTS AND CONTINGENCIES

#### a) Commitments

	2014 BD '000	2013 BD '000
<i>Physical metal commitments</i>		
Sales commitments :		
18,500 metric tonnes (2013: 14,900 metric tonnes)	<b>13,492</b>	<b>10,024</b>

#### *Raw material supply agreements*

In the ordinary course of business the Company has entered into long-term commitments to purchase raw materials. These contracts are based on the market price of the raw material at the time of delivery.

#### *Treasury shares*

The Board of Directors authorised the Company to purchase its own shares to a total cost amounting to BD 10,000 thousand (2013: BD 10,000 thousand). As of 31 December 2014, the Company has a remaining commitment of BD 4,000 thousand (2013: BD 4,000 thousand) towards the purchase of its own shares.

#### *Capital expenditure*

Estimated capital expenditure contracted for at the reporting date amounted to BD 19,204 thousand (2013: BD 74,795 thousand). The commitments are expected to be settled within 1 to 5 years.



**22 COMMITMENTS AND CONTINGENCIES (continued)**

*Letters of credit*

The commitments on outstanding letters of credit as at 31 December 2014 were BD 333 thousand (2013: BD 7,372 thousand). The commitments are expected to be settled within 1 year.

At 31 December 2014, the Company had no outstanding letters of credit to counterparties for derivative transactions amounting (2013: nil).

**b) Contingencies**

At the reporting date, the Company did not issue any bank guarantee to customs authorities in the kingdom of Bahrain (2013: 500 thousand).

Under Albaskan Scheme, the Company has issued guarantees to financial institutions in the Kingdom of Bahrain in relation to the mortgage loans of its employees. The total value of these letters of guarantees is BD 15,082 thousand (2013: BD 14,292 thousand).

**c) Legal claims**

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

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

In March 2008, the Court granted the U.S. Government's unopposed motion to intervene and stay discovery, as the U.S. Government conducted a criminal investigation related to the same allegations. The stay was lifted in November 2011, and on 11 June 2012, the Court denied motions filed by Alcoa and the other defendants seeking to dismiss the lawsuit. On 9 October 2012, the Company reached a settlement with the Alcoa defendants comprised of a combination of cash and a long-term alumina supply arrangement. In January 2014, Dahdaleh moved the trial court to dismiss proceedings in favour of the arbitration. The trial court granted that request on 28 April 2014. The Company appealed that decision to the Third Circuit, where briefing is complete and hearing of the oral argument will be done in coming months. A final decision is expected by end of the year 2015. The lawsuit against Victor Dahdaleh is still ongoing.

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

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

**d) Operating lease commitments**

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

## NOTES TO THE FINANCIAL STATEMENTS

At 31 December 2014

**22 COMMITMENTS AND CONTINGENCIES (continued)****d) Operating lease commitments (continued)**

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

	2014 BD '000	2013 BD '000
Within one year	31	-
After one year but not more than five years	126	-
After five years	629	-
Aggregate operating lease expenditure contracted for at the statement of financial position date	<u>786</u>	<u>-</u>

**23 OPERATING SEGMENT INFORMATION**

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

**a) Product**

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

	2014 BD '000	2013 BD '000
Aluminium	764,611	730,879
Calcined coke	4,866	12,141
Alumina trading	52,238	6,318
<b>Total sales revenue</b>	<u>821,715</u>	<u>749,338</u>

**b) Geographic information**

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

	2014 BD '000	2013 BD '000
Kingdom of Bahrain	344,340	341,871
Asia	103,179	80,721
Rest of the Middle East and North Africa	169,814	199,651
Europe	159,729	101,175
Americas	44,653	25,920
<b>Total sales revenue</b>	<u>821,715</u>	<u>749,338</u>

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 276,567 thousand (2013: BD 270,964 thousand), each being more than 10% of the total sales revenue for the year.

**24 RELATED PARTY TRANSACTIONS**

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

**Transactions with shareholders**

In the ordinary course of business, the Company purchases supplies and services from parties related to the Government of the Kingdom of Bahrain, principally natural gas and public utility services. A royalty, based on production, is also paid to the Government of the Kingdom of Bahrain.

## NOTES TO THE FINANCIAL STATEMENTS

At 31 December 2014

**24 RELATED PARTY TRANSACTIONS (continued)**

Transactions with related parties included in the statement of comprehensive income are as follows:

	2014 BD '000	2013 BD '000
<b>Other related parties</b>		
<b>Revenue and other income</b>		
Sale of metal	105,437	100,813
Sale of water	1,162	1,312
Interest on long term receivable	127	192
	<u>106,726</u>	<u>102,317</u>
	2014 BD '000	2013 BD '000
<b>Cost of sales and expenses</b>		
Purchase of natural gas and diesel	99,787	101,979
Purchase of electricity	1,729	1,483
Royalty	3,861	3,783
	<u>105,377</u>	<u>107,245</u>

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

	2014 BD '000	2013 BD '000
<b>Other related parties</b>		
<b>Assets</b>		
Long term receivable	6,877	10,315
Bank balances	13,505	14,986
Receivables	11,386	7,923
	<u>31,768</u>	<u>33,224</u>
<b>Liabilities</b>		
Borrowings	7,520	15,040
Payables	9,888	9,616
	<u>17,408</u>	<u>24,656</u>

Outstanding balances at year-end arise in the normal course of business. For the year ended 31 December 2014, the Company has not recorded any impairment on amounts due from related parties (2013: nil).

**Compensation of key management personnel**

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

	2014 BD '000	2013 BD '000
Short term benefits	1,254	1,384
End of service benefits	66	73
Contributions to Alba Savings Benefit Scheme	60	63
Other benefits	64	111
	<u>1,444</u>	<u>1,631</u>

Directors' fees during the year amounted to BD 190 thousand (2013: BD 190 thousand).

## NOTES TO THE FINANCIAL STATEMENTS

At 31 December 2014

**25 RISK MANAGEMENT**

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

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

The Company's executive management oversees the management of these risks. The Company's executive management is supported by a risk management team that advises on financial risks and the appropriate financial risk governance framework for the Company. The risk management team provides assurance to the Company's executive management that the Company's financial risk-taking activities are governed by appropriate policies and procedures and that financial risks are identified, measured and managed in accordance with Company policies and Company risk appetite.

The Board of Directors reviews and agrees policies for managing each of these risks which are summarised below.

**Market risk**

Market risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises three types of risk: interest rate risk, commodity price risk and foreign currency risk. Financial instruments affected by market risk include borrowings, deposits and derivative financial instruments.

**Interest rate risk**

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

The Company is exposed to interest rate risk on its interest bearing assets and liabilities (long term receivable, call accounts and borrowings). The Company has an interest rate collar and knockout swaps to limit the fluctuation in interest rates arising out of borrowings for its line 5 expansion.

The sensitivity of the statement of comprehensive income is the effect of the assumed changes in interest rates on the Company's result for one year, based on the floating rate financial assets and financial liabilities held at 31 December 2014.

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

The following table demonstrates the sensitivity of the statement of comprehensive income to reasonably possible changes in interest rates, with all other variables held constant.

	<i>Interest on call accounts and short term deposit</i>		<i>Interest on borrowings (after giving effect for derivative financial instruments)</i>	
	<i>Increase / decrease in basis points</i>	<i>Effect on results for the year</i>	<i>Increase / decrease in basis points</i>	<i>Effect on results for the year</i>
		<i>BD '000</i>		<i>BD '000</i>
<b>2014</b>	<b>25</b>	<b>51</b>	<b>25</b>	<b>275</b>
	<b>(25)</b>	<b>(51)</b>	<b>(25)</b>	<b>(275)</b>
<b>2013</b>	<b>25</b>	<b>54</b>	<b>25</b>	<b>434</b>
	<b>(25)</b>	<b>(54)</b>	<b>(25)</b>	<b>(434)</b>

## NOTES TO THE FINANCIAL STATEMENTS

At 31 December 2014

**25 RISK MANAGEMENT (continued)****Commodity price risk**

Commodity price risk is the risk that future profitability is affected by changes in commodity prices. The Company is exposed to commodity price risk, as the selling prices for aluminium are generally based on aluminium prices quoted on the London Metal Exchange (LME). The Company hedges its selling price using futures commodity contracts, based on customers' options. The forecast is deemed to be highly probable.

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 2014, with all other variables held constant.

	<i>Increase/ decrease in LME price</i>	<i>Effect on results for the year BD '000</i>
<b>2014</b>	<b>+30%</b>	<b>1,367</b>
	<b>-30%</b>	<b>(1,298)</b>
<b>2013</b>	<b>+30%</b>	<b>2,821</b>
	<b>-30%</b>	<b>(2,680)</b>

**Foreign currency risk**

Foreign currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The Company's exposure to the risk of changes in foreign exchange rates relates primarily to the Company's operating activities (when revenue or expense is denominated in a different currency from the Company's presentation currency).

The Company's financial instruments are mainly denominated in Bahraini Dinars, US Dollars, Euros and Great Britain Pounds. The Company uses forward foreign exchange contracts to hedge against foreign currency payables (note 19).

As the Bahraini Dinar is pegged to the US Dollar, balances in US Dollars are not considered to represent significant currency risk.

The table below indicates the Company's unhedged foreign currency exposures at 31 December, as a result of its monetary assets and liabilities. As of 31 December, the following financial instruments are denominated in currencies other than Bahrain Dinars and US Dollars, which were unhedged:

<i>Financial</i>	<i>Currency</i>	<i>2014 BD '000</i>	<i>2013 BD '000</i>
Bank balances	<i>Euro</i>	<b>10,746</b>	10,771
	<i>Great Britain Pounds</i>	<b>35</b>	37
Receivables	<i>Euro</i>	<b>5,967</b>	5,739
Borrowings	<i>Euro</i>	<b>19,377</b>	28,116
Payables	<i>Euro</i>	<b>1,483</b>	2,512

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).

## NOTES TO THE FINANCIAL STATEMENTS

At 31 December 2014

**25 RISK MANAGEMENT (continued)****Foreign currency risk (continued)**

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

	2014		2013	
	<i>Increase in currency rate to the BD</i>	<i>Effect on results for the year BD '000</i>	<i>Increase in currency rate to the BD</i>	<i>Effect on results for the year BD '000</i>
<b>Currency</b>				
<i>Euro</i>	+10%	(415)	+10%	(1,412)
<i>Great Britain Pounds</i>	+10%	4	+10%	4
		<u>(411)</u>		<u>(1,408)</u>

**Credit risk**

Credit risk is the risk that a counterparty will not meet its obligations under a financial instrument or customer contract, leading to a financial loss. The Company is exposed to credit risk from its operating activities (primarily for trade receivables) and from its financing activities, including deposits with banks and financial institutions, foreign exchange transactions and other financial instruments.

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

The Company manages credit risk with respect to receivables from customers by receiving payments in advance from customers, obtaining letters of credit and other forms of credit insurance, by monitoring the exposure to customers on an ongoing basis.

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

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

The maximum credit risk exposure at the reporting date is equal to the carrying value of the financial assets shown in the statement of financial position, which are net of provisions for impairment.

The Company sells its products to a large number of customers. Its five largest customers account for 46% of outstanding accounts receivable at 31 December 2014 (2013: 45.21%).

As of 31 December 2014, the Company has a significant concentration of credit risk to Gulf Aluminium Rolling Mill Company B.S.C. (c) which consists of:

	2014 BD '000	2013 BD '000
Long term receivable	6,877	10,315
Trade accounts receivable	11,219	7,499
	<u>18,096</u>	<u>17,814</u>

**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.

## NOTES TO THE FINANCIAL STATEMENTS

At 31 December 2014

**25 RISK MANAGEMENT (continued)****Liquidity risk (continued)**

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

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

	<i>Less than 3 months BD '000</i>	<i>3 to 12 months BD '000</i>	<i>1 to 5 years BD '000</i>	<i>Total BD '000</i>
<b>31 December 2014</b>				
Borrowings (including interest payable)	49,394	24,751	65,339	139,484
Derivative financial instruments	2,055	2,567	-	4,622
Accounts and other payable	55,724	-	-	55,724
<b>Total</b>	<b>107,173</b>	<b>27,318</b>	<b>65,339</b>	<b>199,830</b>
	<i>Less than 3 months BD '000</i>	<i>3 to 12 months BD '000</i>	<i>1 to 5 years BD '000</i>	<i>Total BD '000</i>
<b>31 December 2013</b>				
Borrowings (including interest payable)	82,509	36,568	86,791	205,868
Derivative financial instruments	897	3,956	5,250	10,103
Accounts and other payable	60,633	-	-	60,633
<b>Total</b>	<b>144,039</b>	<b>40,524</b>	<b>92,041</b>	<b>276,604</b>

**Capital management**

Capital comprises share capital, statutory reserve, capital reserve, retained earnings and proposed dividend less treasury shares, and is measured at BD 918,140 thousand as at 31 December 2014 (2013: BD 868,451 thousand).

The primary objective of the Company's capital management is to ensure that it maintains a healthy capital base in order to support its business and maximise shareholders' value.

The Company manages its capital structure and makes adjustments to it in light of changes in economic conditions. To maintain or adjust the capital structure, the Company may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. No changes were made in the objectives, policies or processes for managing capital during the years ended 31 December 2014 and 31 December 2013.

**26 FAIR VALUES OF FINANCIAL INSTRUMENTS**

Financial instruments comprise of financial assets, financial liabilities and derivative financial instruments.

Financial assets consist of bank balances and cash and receivables. Financial liabilities consist of borrowings, short term loans and payables. Derivative financial instruments consist of interest rate collars and commodity options and futures.

## NOTES TO THE FINANCIAL STATEMENTS

At 31 December 2014

**26 FAIR VALUES OF FINANCIAL INSTRUMENTS (continued)**

Set out below is an overview of financial instruments, other than bank balances and cash, held by the Company as at 31 December 2014:

	<i>Loans and receivables BD '000</i>	<i>Fair value through profit or loss BD '000</i>
<b>Financial assets:</b>		
Trade and other receivables	88,802	-
	<b>88,802</b>	<b>-</b>
<b>Financial liabilities:</b>		
Borrowings	136,488	-
Accounts payable and accruals	55,724	-
Derivative financial instruments	-	4,622
	<b>192,212</b>	<b>4,622</b>

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

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

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

- Long-term fixed-rate and variable-rate receivables/borrowings are evaluated by the Company based on parameters such as interest rates, specific country risk factors, individual creditworthiness of the customer and the risk characteristics of the financed project. Based on this evaluation, allowances are taken into account for the expected losses of these receivables. As at 31 December 2014, the carrying amounts of such receivables, net of allowances, were not materially different from their calculated fair values.
- The Company enters into derivative financial instruments with various counterparties, principally financial institutions. Derivatives valued using valuation techniques with market observable inputs are mainly interest rate swaps and commodity forward contracts. The most frequently applied valuation techniques include forward pricing and swap models, using present value calculations. The models incorporate various inputs including the credit quality of counterparties and forward rates, interest rate curves and forward rate curves of the underlying commodity. All derivative contracts are fully cash collateralised, thereby eliminating both counterparty and the Group's own non-performance risk. As at 31 December 2014, the marked-to-market value of derivative asset positions is net of a credit valuation adjustment attributable to derivative counterparty default risk. The changes in counterparty credit risk had no material effect on the hedge effectiveness assessment for derivatives designated in hedge relationships and other financial instruments recognised at fair value.
- Fair values of the Company's interest-bearing borrowings and loans are determined by using DCF method using discount rate that reflects the issuer's borrowing rate as at the end of the reporting period. The own non-performance risk as at 31 December 2014 was assessed to be insignificant.



**26 FAIR VALUES OF FINANCIAL INSTRUMENTS (continued)**

**Fair value hierarchy**

As at 31 December 2014, the Company's derivative financial instruments are measured at fair value. These are Level 2 as per the hierarchy for the years ended 31 December 2014 and 31 December 2013. The Company does not have financial instruments qualifying for Level 1 or Level 3 classification.

During the year ended 31 December 2014, there were no transfers between Level 1 and Level 2 fair value measurements, and no transfers into or out of Level 3 fair value measurements (2013: same).

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

**27 ALBA SAVINGS BENEFIT SCHEME**

The Company operates a compulsory savings benefit scheme for its Bahraini employees ('the Scheme').

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

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