Building upon consistency in achieving results

2012 Annual Report

Aluminium for the world

His Royal Highness
Prince Khalifa
bin Salman Al Khalifa
The Prime Minister of the Kingdom of Bahrain

His Majesty King
Hamad bin Isa
Al Khalifa
The King of the Kingdom of Bahrain

His Royal Highness
Prince Salman
bin Hamad Al Khalifa
The Crown Prince, Deputy Supreme Commander and First Deputy Prime Minister

Contents

Board of **Directors**

Chairman
Mahmood
Hashim
Al Kooheji

Fawzi A.
Kanoo

Sh. Mohammad
bin Khalifa
Al Khalifa

Ossama M.
Al Arrayedh

Mutlaq H.
Al Morished

David E.
Meen

Abduaziz S.
Al Humaid

Yousif A.
Taqi

Dr. Talaat Aldafer
Alqahtani

Executive Management

Chief Executive Officer
Tim Murray

Acting Chief Finance & Supply Officer
Ali Al Baqali

Chief Operations Officer
Isa Abdul Latif
Al Ansari

Chief Marketing Officer
Jean-Baptiste
Lucas

Chief Support Functions Officer
Basem
Al Sharqi

Letter to our **Shareholders**

A forty-year legacy

Mahmood Hashim Al Kooheji
Chairman

Dear Shareholders,

Alba's place as an industrial giant has been shaped by a forty-year legacy as the first aluminium smelter in the Middle East, and the centre of a thriving ecosystem for the aluminium sector in Bahrain.

2012 was a difficult year for the aluminium industry however Alba's sound business model prevailed amid uncertain economic times with Alba achieving the highest production in the company's 41 year-history at 890,217 metric tonnes (mt).

Overall, Alba was able to weather the storm much better than our industry competitors. Revenues totalled US$ 1,978 million (BD 744 million) with an EBITDA of US$ 409 million (BD 154 million) reflecting the strong fundamentals of the company despite lower LME prices and higher energy costs.

"Achieving the highest production in the company's 41 year-history"

Our commitment to offer good returns even during down economic times is shown by our ability to pay regular dividends to our shareholders with Alba paying 28 fils per share in the fiscal year of 2012.

Alba also took a big step in its growth strategy with the launch of the bankable feasibility study for Line 6 expansion project. Alba's sixth pot line (Line 6) will add 400,000 mt to the current capacity of 890,000 mt – bringing Alba's total production output to around 1.3 million mt per annum and making Alba one of the largest smelters in the world.

In 2012, Alba completed the STAR improvement program which was launched back in 2009. The program was a huge success with an aggressive target to improve overall financial performance by US$ 240 million (BD 90 million) on a sustainable basis. As we move forward into 2013, we remain committed to accelerating our operational excellence program in order to generate maximum value from all areas in our business.

I would like to thank our shareholders for the trust you have placed in Aluminium Bahrain in recent years. I hope that your confidence in us continues. I would also like to extend my appreciation to the Alba's board of directors for their strategic guidance, the executive management team for their leadership and to all employees who make things happen.

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

CEO's Message

Our underlying financial performance validated the strength of Alba's business model

Tim Murray
Chief Executive Officer

"We look at the change as an **opportunity"**

In 2012, the aluminium industry faced many challenges on the back of volatile economic landscape coupled with the downward trend in aluminium prices.

At Alba we look at the change as an opportunity which was clearly demonstrated by Alba setting the all-time production record in 2012. Production reached 890,217 metric tonnes (mt) (+9,000 mt versus 881,310 mt in 2011) without significant capital investment.

Financial highlights

Our underlying financial performance validated the strength of Alba's business model despite the 16% LME price drop in 2012. Revenues totalled US$ 1,978 million (BD 744 million) with an EBITDA of US$ 409 million (BD 154 million) driven primarily by lower LME prices and higher energy cost partially offset by record production levels and the gain from Alcoa settlement. Our sales of Value-Added Products increased to 65% in 2012 versus 62% in 2011.

Free Cash Flow stood at US$ 341 million (BD 128 million) which allowed the company to continue to reduce its debt profile by US$ 212 million (BD 80 million) and also provide cash-back to our shareholders of US$ 203 million (BD 76 million) in 2012.

Furthermore, we completed the 3-year STAR improvement program which had an objective to improve the overall profitability by US$ 240 million (BD 90 million) on a sustainable basis. Looking forward, we plan to accelerate our Operational Excellence program to maintain our competitive edge and be ready for the future growth.

Focus on **Safety**

AlbaSafeWay continues to be our major focus and 2012 has seen the launch of "Towards Zero Accidents" Principles across the organization.

Alba Products
pride in our work

Year of the **awards**

Alba not only achieved production records but also received top honours in the regional rankings on corporate governance, accountability and transparency. Alba was also chosen Best Company for Investor Relations in Bahrain at the 4th Middle East Investor Relations Society and was the recipient of the Gulf Aluminium Council (GAC)'s maiden Health & Safety and Environmental Awards.

Line 6 Expansion Project on the move

Line 6 expansion project has gained significant momentum with the decision to launch the bankable feasibility study (BFS) at the end of 2012. The addition of a sixth pot line will add 400,000 mt to Alba's current capacity of 890,000 mt bringing the total annual output to 1.3 million mt thus making us one of the largest single site smelters in the world. Bechtel Canada will be performing the bankable feasibility study and Dubal DX+ Technology will be used as the basis for this study.

A true **connection**

We would like to once again thank Alba's workforce for their support and the Alba Labour Union who played an instrumental role for achieving the highest production in Alba's 41-year history. We extend our thanks and gratitude to our clientele in Bahrain and the world for their utmost trust and confidence. I am also grateful to our Board of Directors for their wise leadership and guidance.

As we move ahead to 2013 and beyond, we plan to build upon the achievements of 2012 to strengthen the company's core values and continue to deliver value to our stakeholders.

Operational Highlights

1| Alba launches new website

2| Alba reinstated employees return to work

3| Alba launches its new corporate video

4| Alba appoints Basem Al Sharqi as the Chief Support Functions Officer, Isa Al Ansari as the new Chief Operations Officer

5| SABIC appoints Dr. Talaat Aldafer Alqahtani as a new member of Alba's Board of Directors

6| Alba appoints BNP Paribas as a financial and rating advisor for Line 6 project

7| Re-certification of Alba's Casthouse to the ISO 9001:2008 QMS

8| Alba boosts safety and reliability with new pot line vehicles

9| Alba appoints Tim Murray as the new Chief Executive Officer

10| Alba settles US Rico case with Alcoa

11| Alba production gets a boost with the upgrade in Pot Line 5 from AP30 to AP36 technology

12| Alba was amongst seven regional companies to be included in a regional report by the Pearl Initiative on corporate governance, transparency, accountability and best business practices

13| Alba corporate website notch 2nd place in the Middle East at the 2012 M: Communications / KWDigital Middle East Web Ranking Survey

14| Alba chosen as the Best Company for Investor Relations in Bahrain in the 4th ME-IR Annual Conference

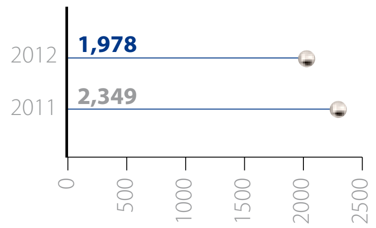
15| Alba Launches Line 6 Bankable Feasibility Study (BFS)

16| Dubal DX+ technology to be used in Line 6 BFS

17| Alba achieves production record of 890,217 mtpa in 2012

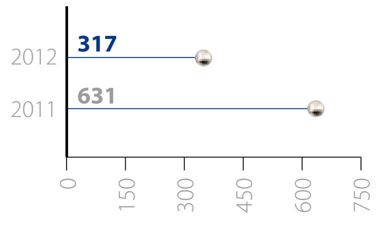
Financial Highlights

Revenues
(US$ million)



- Revenues down by 16% due to low LME prices (US$ 2,019 in FY 2012 vs. US$ 2,398 in FY 2011)

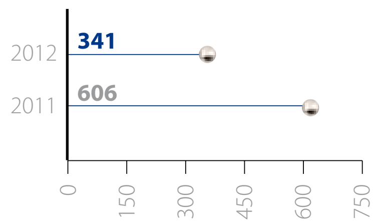
EBITDA*
(US$ million)



* *EBITDA excluding one-off items*

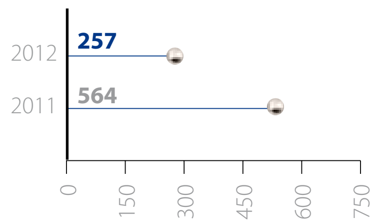
- EBITDA down by 50% on the back of lower LME prices, higher energy cost and partially offset by record production levels

Free-Cash Flow
(US$ million)



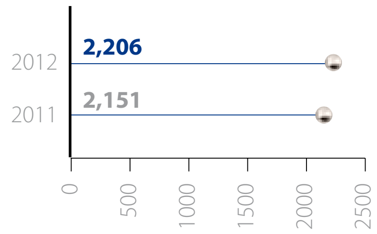
- Free-Cash Flow amounted US$ 341 million on the back of low LME prices, high energy cost and partially offset by Alba-Alcoa settlement

Net Profit
(US$ million)



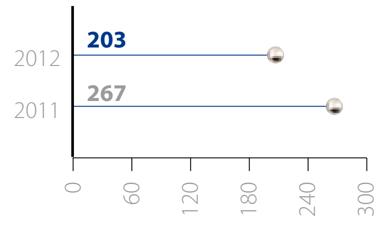
- Net Profit amounted US$257 million
- This drop is due to low LME prices and partially offset by Alba-Alcoa settlement

Shareholders' Equity
(US$ million)



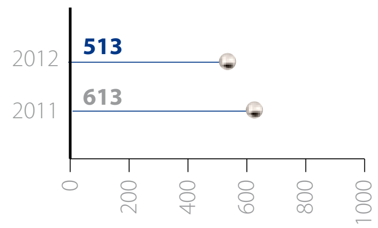
- Shareholders' Equity scored US$ 2,206 million, up by 3% on the back of an increase in Retained Earnings

Cash Payback to Shareholders
(US$ million)



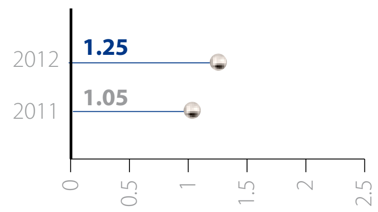
- Cash Payback to Shareholders impacted by low LME prices (16% decrease year-on-year)

Net Debt
(US$ million)



- Net Debt down by 16% compared to 2011
- This decrease is mainly attributed to repayments of long-term loans

Net Debt to EBIDTA
(US$ million)



- Almost stable ratio allowing the company to handle its debt burden with the ability to add on additional debt if needed

Corporate **Governance**

Carbon Plant
at sunset

The Board operates in accordance with the laws of the Kingdom of Bahrain

Description of the Company's management and supervisory bodies and their committees

Alba's Board of Directors maintains effective oversight of the Company by regularly monitoring key business activities and providing directives to Management. The Board has ten positions (currently nine members, all of whom are external to the company's management, plus one vacancy). The Board operates in accordance with the laws of the Kingdom of Bahrain, including the Commercial Companies Law, the Memorandum and Articles of Association of the Company, its charter, and the 'Levels of Authority' documentation.

The Board of Directors has two permanent sub-committees. The Board Audit Committee carries out the Board's audit functions in accordance with the Board Audit Committee charter, and also has responsibilities for risk and corporate governance. It has five members, each of whom has a financial and/or audit background. The Human Resources Committee (HRC) carries out the Board's nominating and remuneration functions in accordance with the HRC Charter. It has three members, all of whom are external directors. Relevant members of management attend Board and sub-committee meetings. On 6 February 2012, the Board approved formation of a third temporary Board Committee, the Alba Vision Line 6 Strategic Committee, composed of three Directors.

The Company is headed by a Chief Executive Officer (CEO), who has four Executives reporting to him i.e. Chief Finance and Supply Officer, Chief Marketing Officer, Chief Operations Officer, and Chief Support Functions Officer. Each Executive has a number of Managers reporting to him. The Company has a General Counsel/Corporate Secretary, and a Chief Internal Auditor and Risk Officer, who report independently to the Chairman of the Board/ Chairman of the Board Audit Committee respectively.

Corporate governance practices applied by the Company beyond those required by the law

Alba has adopted, and is committed to implementing both the Corporate Governance Code of the Kingdom of Bahrain (the Code) issued in March 2010 by the Ministry of Industry and Commerce, and the Corporate Governance Module (the Module) of the Central Bank of Bahrain (issued in July 2011). The principles governing these frameworks are:

- The Company shall be headed by an effective, collegial and informed Board;
- The directors and officers shall have full loyalty to the Company;
- The Board shall have rigorous controls for financial audit and reporting, internal control, and compliance with law;
- The Company shall have rigorous procedures for appointment, training and evaluation of the Board;

Engineer
Measuring device

"The Code of Conduct and confidential employee reporting system was used as a best practice case study"

- The Company shall remunerate directors fairly and responsibly;
- The Board shall establish a clear and efficient management structure;
- The Company shall communicate with shareholders, encourage their participation, and respect their rights; and
- The Company shall disclose its corporate governance practices.

The Company seeks, where applicable, to exceed the minimum requirements of the Code and Module, and to implement the additional recommendations and guidance of the Code, as well as other international best practice in Corporate Governance.

Following are some of the key improvements in corporate governance instituted by the Company in recent years:

Corporate Governance Guidelines - The Board of Directors approved the Alba 'Corporate Governance Guidelines' at Alba's December 2010 Board meeting. This document is fully aligned with the above Code, and is published on Alba's website.

Corporate Governance Report - The Board has presented a comprehensive annual 'Corporate Governance Report' at each Shareholders Meeting since March 2011. This report, (also published on Alba's website), set out Alba's compliance with the Code and with the additional guidelines, together with explanations for areas of non-application and required disclosures.

Code of Conduct - A revised Code of Conduct, on par with leading international codes of ethics, and setting out required ethical conduct for all employees and representatives of the Company, was approved by the Board and launched across the Company during 2011 by the Executive team through a comprehensive communication and training program. Compliance with the Code of Conduct is monitored by Alba's Integrity Task Force, which comprises the Chief Internal Auditor, General Counsel and HR Manager, and which reports directly to the Board Audit Committee. Monitoring tools include an independently operated confidential hotline and reporting system that provides for reporting in multiple languages by phone and intranet 24 hours a day, every day. In the fourth quarter of 2012, Alba's development and roll out of the Code of Conduct and confidential employee reporting system was used as a best practice case study in a Pearl Initiative/ University of Cambridge study on transparency and ethics in the Middle East.

Independent external Board survey, evaluation and training - An independent external Board survey and training workshop were conducted in late 2011 by the GCC Board Directors Institute. Feedback from the GCC Board Directors Institute on the effectiveness of Alba's Board and corporate governance processes was very positive. Improvement recommendations that arose from the survey and workshop are being implemented.

Evaluation and assessment of the Board and its Committees - The Board and its two standing sub-committees, the Board Audit Committee and the HRC, conduct annual self-evaluations and assessments using questionnaires and a discussion of gaps and areas of improvement. The results of the assessments by the sub-committees are reported to the Board.

Directors' orientation/ handbook - A Director's handbook consisting of key documents and other content on directors' responsibilities serves as a reference guide for incumbent directors and to facilitate orientation of new directors.

Directors' independence - The Board conducts an annual review of directors' independence, applying the classification criteria and guidance from the Central Bank of Bahrain and from the Code.

Conflicts of Interest - Policies are in place prohibiting a member of the Board of Directors from voting in any meeting, or participating in any business operation or activity, in which the member has a conflict of interest with the Company. Abstentions are required to be minuted. Directors are required to list directorships of all Bahraini companies, and any potential conflicts of interest through an annual declaration process.

CEO and CFSO Certification of financial statements - The CEO and CFSO produce a memorandum certifying each quarter's financial statements, as well as the year-end financials.

Ownership and trading of company shares - Following the company's dual listing on the Bahrain Bourse and the London Stock Exchange in November 2010, a process was implemented to identify and report Directors' and Executives' ownership and trading of company shares. The Company has issued policies on Key Persons Dealing/ Insider Trading and circulated these to all directors, officers, and other key employees identified by the Company, and has established, for all directors and officers, quarantine periods for trading in Alba shares.

Levels of Authority - In December 2012, the Board approved an updated Levels of Authority document for the Company. This document defines the limits of approvals and decision-making authority designated to specified positions of responsibility within the Company.

Succession plans - An annual review of succession plans for executives is now built into the Board agenda.

Main features of the internal control and risk management systems in relation to the financial reporting process

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

- Statutory Audit by our External Auditors, and discussion by the Board Audit Committee of the results of the statutory audit, including a review of the financial performance, any changes to disclosure, a subsequent events review, important accounting matters and other internal control matters;
- Review and formal approval of financial results by the CFSO, CEO, Board Audit Committee and Board;
- Co-ordination and review by Public Relations and Investor Relations department of all releases of financial results and other market-sensitive information to the market and to regulators;
- Monitoring by the Risk Management team, of progress against agreed actions for financial and other risks identified through the application of Alba's Board approved Enterprise Risk Management Framework, and with regard to the Risk Appetite set by the Board. The Board Audit Committee reviews changes to the risk profile, together with progress on actions for key risks, on a quarterly basis;
- Internal Audit function, working from a risk-based annual internal audit plan covering key controls. The audit plan, budget, and methodologies are approved and monitored by the Board Audit Committee. On a quarterly basis, the Board Audit Committee reviews and discusses the internal audit findings, recommendations and agreed management actions, as well as progress made against prior audit findings. Additional private meetings are held between the Board Audit Committee Chairman and the Chief Internal Auditor and Risk Officer;
- Audits carried out by the National Audit Court, and by Shareholder Audit teams;
- Board and sub-committee approvals and monitoring of Operating, Financial, Manpower and other Plans; and
- Executive and management monitoring activities (including the monitoring of Key Performance Indicators).

Assurance is also provided through application of the Levels of Authority document for financial transactions, which are also enacted through financial reporting policies and procedures, and through IT controls in the financial reporting system. The revised Code of Conduct also sets out clear and specific expectations for accurate financial reporting.

Extrusion Ingots
Casthouse

Alba technician
preparing aluminium parts

Principal risks and uncertainties faced by the business

We encourage you to carefully consider the risks described below. Their occurrence could have a material adverse impact on our business, financial condition and results of operations, and could result in a decline in the trading price and liquidity of our securities. Our systems of governance, internal control and risk management identify and provide responses to key risks through the establishment of standards and other controls. Any failure of these systems could lead to the occurrence, or re-occurrence, of any of the risks described below.

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

"Our systems of governance, internal control and risk management identify and provide responses to key risks"

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

Products and Markets

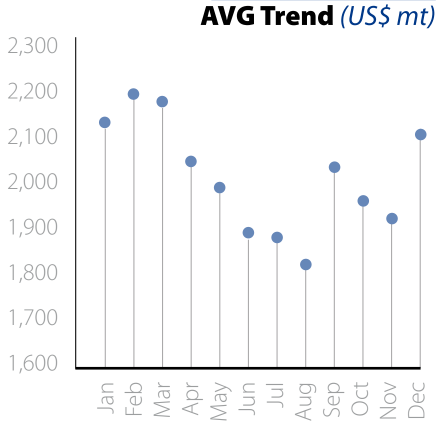
2012 Highlights

Primary aluminium demand is expected to grow between 5-6%

Overall market trends have been challenging throughout 2012:

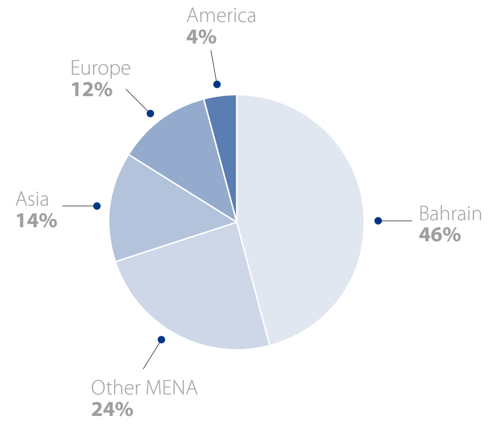
- The global aluminium market slightly over-supplied (+454 Kt with China and -292 Kt without)
- Western producers suffered with lower LME prices and high power costs thus leading to further capacity cuts
- World consumption up by 3.9% - aluminium demand growth was below expectations in Europe, Brazil and Japan, while it accelerated in Americas, Asia, Middle East and North Africa
- World production up by 3.3% and is expected to rise in the coming years on the back of Greenfield projects ramp-up in the Middle East, Russia and India
- Global production growth of aluminium was the lowest in 10 years
- LME trend was bearish, with an annual cash average of US$ 2,019 mt
- The drop in aluminium prices was mainly due to a severe reaction of US Dollar in bullish mode, fall in oil prices, slowdown in China as well as a decline in stealth stocks

2012 LME Cash AVG Trend *(US$ mt)*

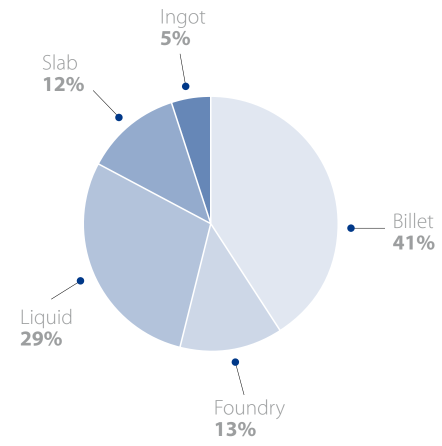


(Reference – CRU analysis)

Sales Breakdown
by Region



Sales Breakdown
by Product Line



Outlook
in 2013

Primary aluminium demand is expected to grow between 5-6% in 2013 primarily as a result of growth in the emerging countries

- Chinese demand is expected to improve as the central government introduces fiscal measures to stimulate the economy
- North American is expected to be solid with a pick-up in housing and steady pace of automotive production
- Demand in Western Europe is expected to decline, though the contraction is forecasted to be smaller than in 2012
- Premiums are expected to hit new record high on the back on sound physical demand
- Production growth to increase marginally; the bulk of production growth will come from China as the ramp-up of greenfield smelters continues apace
- Alba's focus will be to continue to maximize Value-Added Products

Casthouse
2012 Performance

The Casthouses achieved the highest performance level :

- Billets production reached **360,240 mt** - up by **8%** as compared to 2011
- Foundry Alloys volumes topped **113,343 mt** - a considerable increase of **23% YoY**
- Value-Added products stood at **581,140 mt** - up by **7%** as compared to 2011

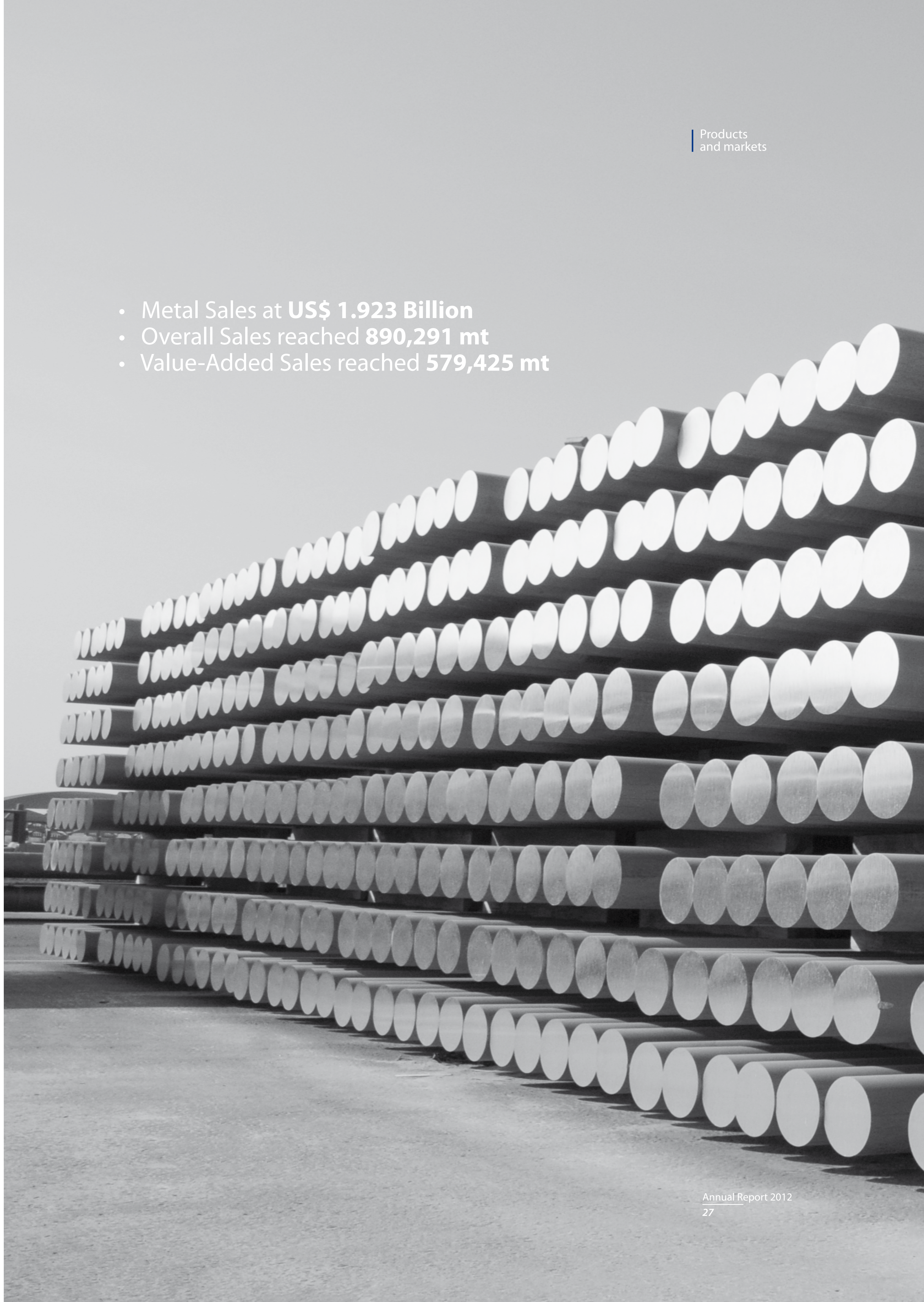
Sales of Value-Added products reached **65%** of total shipments in 2012 versus 62% in 2011.

Properzi Ingots
Ready for dispatch

Downstream
Markets

Our downstream markets continue to thrive.

- Our billets are sold to aluminium extruders, who are using the versatile properties of aluminium alloys to create profiles in all shapes and sizes that are mainly used in building applications, such as window frames or structural components.
- Our slabs are used in rolling mills to produce foil stock which is re-rolled into household foil or packaging material mainly used in food or pharmaceutical industries. Other types of slabs are rolled into plates or sheets used in the general engineering and building industries.
- Our foundry alloy ingots are used by automotive components manufacturers to cast wheels or engine blocks.
- Our liquid metal which is sold primarily to the Midal Group - one of the world's leading cable and rod manufacturers.



- Metal Sales at **US$ 1.923 Billion**
- Overall Sales reached **890,291 mt**
- Value-Added Sales reached **579,425 mt**

Health, Safety and Environment

2012 marked the second phase of AlbaSafeWay programme with the launch of the Zero Accidents principles

At Alba, the importance of Health, Safety and the Environment is paramount. We believe that safety performance is linked to financial performance. We believe we have a fiduciary duty to establish a safe work environment, protect the ecological composition of the atmosphere in the vicinity and ensure that top priority is given to occupational health.

Alba's performance in 2012 demonstrates the commitment to these values which is an integral part of the Alba's success story.

Occupational **Health**

In 2012, Alba introduced the new hydrogen fluoride standard as a pro-active measure to protect employees from the exposure to gas and mitigate any harmful impact they may suffer as a result. The introduction of such standard has improved the work conditions in the pot rooms and other operational areas.

"Top priority is given to **occupational health"**

AlbaSafeWay Campaign
Zero Accident Principles

In addition, new equipment was installed at the industrial hygiene laboratory to measure hazardous chemicals at the plant and minimise health risks for both employees and those working and living in the neighbourhood of the plant.

As part of the on-going policies to generate awareness on occupational health and hygiene, plant wide campaigns were undertaken in 2012. These campaigns were related to manual handling, ergonomics, heat exhaustion, noise pollution, personal exposure monitoring and hazardous communication programme.

Workplace **Safety**

Alba is committed to provide a safe work environment for all people at Alba. This is evidenced by the ownership of safety from the shop-floor operator all the way to the CEO. At Alba we believe that all workplace injuries and illnesses are preventable.

2012 marked the second phase of AlbaSafeWay programme with the launch of the Zero Accidents principles across the organisation. Alba's objective is for our workforce to live and breathe these 3 simple principles:

1) Ownership of safety is everyone's responsibility
2) Working safely is a condition of employment
3) All work related injuries and illnesses are preventable

Alba began another pro-active approach to safety awareness with the implementation of the Behavioural Observation program across departments to motivate safe behaviour amongst employees, review accident investigation procedures, and look for root causes of accidents as well as their remedial actions.

Sustainability ethos
Alba Oasis

The Health, Safety & Environment Department was re-structured with increased focus on safety being a line management level responsibility. We also increased safety training across the company and created a centralized safety training organization within the Training department. Consequently, there was a vast improvement in safety training programmes and increase in safety awareness.

As part of Alba's community outreach, department personnel were involved in arranging the Gulf Aluminium Council's Safety Conference where Alba employees presented papers on the company's experience in developing a safe work environment.

Additional campaigns on road safety and heat exhaustion were held during the year along with a renewed emphasis on empowering managers to be safety champions and thus share their experience and knowledge with their staff.

Environment

Alba has always been recognised as an eco-friendly industrial giant with a track record in sustainability and environmental conservation. Over the years the company has earned plaudits from regional and global organisations for these efforts and has remained an inspiring force amongst industries in Bahrain.

Not surprisingly, Alba continues to meet the ISO 14001:2004 standards following verification by a third party.

During the year, a new and advanced electronic spectrophotometer was purchased for accurate and reliable determination of sulphur dioxide gas through ambient air sampling stations located around the company's fences. With the doubling of sampling stations from two to four, it is expected to provide a more comprehensive picture of general emissions and their effect on the surrounding area from different pollutants such as hydrogen fluoride, sulphur dioxide and total particulate.

Alba achieved a major reduction in liquid waste by using effluent from STP 2 for irrigation at the area around Pot Line 5, and STP 1 for irrigating the area around Asker Road. The company aims to have zero liquid discharge and is in the process of implementing various modifications for waste water to be re-used internally. To date, Alba was able to reduce waste water by 95 per cent while the remaining 5 per cent reduction remains in progress and is expected to be completed by March end 2013.

HRH Princess Sabeeka Oasis - opened in March 2009 - continues to remain the strongest tangible evidence of Alba's environmental policy. It has over 8,500 trees including fruit trees and vegetable garden along with an

"Alba has always been recognised as **an eco-friendly industrial giant"**

Blow-down water from Casthouse
Alba Oasis lake

artificial lake teeming with marine life. In 2012, the Oasis underwent an overall maintenance programme that included extensive landscaping activities, introduction of new fruit trees and the implementation of new vegetable distribution system for employees.

Alba participated in the Arab Forum for Environmental and Development (AFED) in Lebanon and in the 1st Bahrain Waste Management Forum and Exhibition. It emphasised the company's commitment to support scientific research in environmental studies as well as contribute in providing strategic solutions to policy-makers and non-governmental bodies.

Alba remains firm in its commitment health, safety and environment always striving to be at the forefront of the industry leader in this regard.

HRH Princess Sabeeka Oasis "has over 8,500 trees including fruit trees and vegetable garden along with an artificial lake teeming with marine life"

Corporate Social **Responsibility**

We recognise the vital role sustainability plays in driving growth

Alba's approach to corporate social responsibility (CSR) is based on a simple philosophy. Sustainability must remain integral to every operation within the organisation. Our strategy needs to provide the building blocks for bolstering the economic deliverables for Bahrain, offer the right incentive for the community's engagement, and ensure that the return on its investments generate a positive impact for its key stakeholders.

Alba has taken many steps in the past forty years to become a leader in CSR and we recognise the vital role sustainability plays in driving growth, accelerating performance and in setting the momentum for substantial improvements on the social and economic front. This focus was underlined through a framework of principles guiding Alba's social involvement in 2012:

- Impacting the community at large through direct engagement
- Supporting initiatives that bolster awareness of Bahrain's leadership in the social, cultural and economic spheres

"An agent of positive change in society"

Young helper *planting trees*

- Boosting the work environment through employee welfare programmes
- Supporting diverse sporting activities at the corporate, national and international levels

In 2012, Alba broadened its community outreach through a wide range of activities that helped in achieving our goals and enabling the company to play its part in being an agent of positive change in society.

Healthcare, education and environment were some of the key areas that Alba was engaged in that provided the springboard for its social investments.

Bahrain's healthcare services received support from Alba as part of its mission to advocate healthy lifestyle amongst Bahrain's residents, employees and their families. Donations were also made to equip hospitals with facilities that would steer enhanced self-sufficiency in the treatment and diagnosis of critical illnesses. Additionally, health awareness campaigns were held not only in the plant for employees but also for the outer community to enable deeper appreciation for living healthy and enjoy a productive life.

Alba backed key scholarship programmes and vocational training initiatives promoted by the Bahrain Government. This support has been prompted by the need to equip the next generation of Bahrain's workforce with the requisite educational qualifications as well as strong ethical foundations for the work environment that will enable today's youngsters to emerge as tomorrow's leaders.

On the national stage, Alba's position as one of the flagship of companies of Bahrain was bolstered through sponsorships of key business events as well as support for activities and initiatives that showcased the kingdom's attractiveness to investors.

Alba's sponsorship of regional and international trade fairs provided a two-fold objective. It showcased the company's

Training
Crafting plan

"Committed to building a culture of social involvement, employee empowerment"

portfolio of high-grade aluminium products, the services it offers to customers, and most crucially, enabled Alba to act as an ambassador for Bahrain's investor friendly policies.

Alba's commitment to Bahrainisation has long been a vital component of Alba's strategy of sustainability. The company recognises that the recruitment of national employees brings in long-term stability, delivers returns on its training investments and also enables fulfilment of its national responsibilities as an employment generator for Bahrainis. Currently, the Bahrainisation level of the company's total workforce stands at 87 per cent out of its nearly 3,000 employees.

In its forty years of operations, Alba has strengthened its reputation as an employer of choice thanks to the training and development programmes that have been developed for professional growth as well as industry best incentives that have been structured for employees across all levels.

Student
of Alba scholarship programme

An enduring focus on employee welfare programmes has not only proved to be an effective conduit for achieving a satisfied workforce but has also provided one of the many motivating elements to enable employees attain productivity. The Alba Summer Camp at the state-of-the-art Alba Club remains popular as more than 300 children of Alba's employees registered for the camp in 2012.

Alba has consistently encouraged love for sports amongst employees and has also provided sponsorship as well as logistical support to sports events in Bahrain. This external focus has been prompted by Alba's recognition that sports plays an important part in building character, shaping team spirit and inculcating kingdom wide appreciation for physical fitness.

Bowling, horserace, motorsports, soccer, cricket, basketball, bodybuilding have been some of the focus areas where Alba employees have taken part or that the company has provided sponsorship support.

A sustainable future remains a primary goal for Alba and the company remains committed to building a culture of social involvement, employee empowerment and building on its reputation as an organisation that cares.

2012
Overview

Community focused
- Bahrain International Garden Show - 2012
- Safe camping donation to Southern Governorate
- Support for inJAz Bahrain
- UOB's 12th Careers Day
- BTI Career Week
- Bahrain Society for Children with Behavioural and Communication Difficulties
- Malkiya Beach Clean-up Drive
- Dar Al Manar Centre
- Al Rahma Centre for children with special needs
- Blood donation and diabetes awareness campaign
- Career Expo 2012
- Blessing Blanket - donation support for cancer treatment research

Bahrain's leadership - social, economic and cultural
- Invest in Bahrain 2012
- Bahrain International Air Show
- Bin Fares Performance Hall donation
- Gulf Industry Fair 2012
- Mohammed bin Khalifa bin Salman Al Khalifa Cardiac Centre at the Bahrain Defence Force Hospital
- Le Dieu du Carnage - play sponsorship
- Bahrain Women's painting exhibition
- International Leadership Conference - 2012
- 17th World Aluminium Conference (CRU), Abu Dhabi
- 27th International Aluminium Conference (Metal Bulletin)
- 3rd Annual Asian Petcoke Conference, Hong Kong
- Aluminium 2012: 9th World Trade Fair & Conference, Dusseldorf
- 16th International Arab Aluminium Conference & Exhibition (Arabal2012), Qatar
- HRH Crown Prince International Scholarship Programme
- Corporate website gains 2nd place in the Middle East region at the 2012 M: Communications/KWDigital Middle East Web Ranking Survey
- Best Company for Investor Relations award at the 4th Middle East Investor Relations Society Annual Awards Conference

Employee empowerment
- New Ergo Seats in Kiln 3 FTA-1 cranes to improve ergo health
- New corporate video launched
- Family fun fair to celebrate International Labour Day
- New air ventilation louvers in Pot lines 4 and 5 to help boost employee performance
- New pot line vehicles
- Defined Training and Development Programme for Bahraini employees
- Corporate Governance praised in regional report published by the Pearl Initiative
- Alba Summer Camp for employee's children
- Long service employees honoured - 30, 20 and 10 years
- Alba Annual Camp

Sports focus
- Alba Bowling League
- Alba Trophy - equestrian sports
- King Hamad Horserace Championship
- Sponsorship of Bahrain National Cricket under 16 Team's tour of Malaysia for the U-16 Elite Cup 2012
- 36th Annual Charity Raft Race
- Alba Filipino Basketball team

Financial Statements

31 December 2012

ERNST & YOUNG

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

Report on the Financial Statements

We have audited the accompanying financial statements of Aluminium Bahrain B.S.C. ('the Company'), which comprise the statement of financial position as at 31 December 2012 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 Company's Board of Directors, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of the Company as of 31 December 2012 and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

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 2012 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.

13 February 2012
Manama, Kingdom of Bahrain

Ernst + Young

Statement of Financial Position

At 31 December 2012

	Note	2012 BD '000	2011 BD '000
ASSETS			
Non-current assets			
Property, plant and equipment	3	**901,779**	946,807
Long term receivable	4	**10,314**	13,753
		912,093	960,560
Current assets			
Inventories	5	**143,564**	158,020
Current portion of long term receivable	4	**3,438**	3,438
Accounts receivable and prepayments	6	**108,299**	83,285
Derivative financial instruments	18	**104**	-
Bank balances and cash	7	**61,605**	99,487
		317,010	344,230
TOTAL ASSETS		**1,229,103**	1,304,790
EQUITY AND LIABILITIES			
Equity			
Share capital	8	**142,000**	142,000
Treasury shares	9	**(4,087)**	(5,029)
Statutory reserve	11	**71,000**	71,000
Capital reserve	12	**249**	249
Retained earnings		**600,683**	544,064
Proposed dividend	13	**19,773**	56,509
Total equity		**829,618**	808,793
Non-current liabilities			
Borrowings	14	**77,096**	167,140
Derivative financial instruments	18	**23,996**	34,324
Employees' end of service benefits	15 (a)	**915**	940
		102,007	202,404
Current liabilities			
Borrowings	14	**160,303**	149,733
Short term loans	16	**17,160**	13,084
Accounts payable and accruals	17	**106,585**	100,130
Derivative financial instruments	18	**13,430**	30,646
		297,478	293,593
Total liabilities		**399,485**	495,997
TOTAL EQUITY AND LIABILITIES		**1,229,103**	1,304,790

These financial statements were authorised for issue in accordance with a resolution of the Directors on 13 February 2013 and signed on their behalf by:

Mahmood H. Al Kooheji
Chairman

Yousif Taqi
Director

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

Statement of Comprehensive Income

Year ended 31 December 2012

	Note	2012 BD '000	2011 BD '000
Sales		**743,725**	883,317
Cost of sales		**(638,515)**	(662,259)
GROSS PROFIT		**105,210**	221,058
Other income	19	**39,378**	7,641
Selling and distribution expenses		**(17,838)**	(21,835)
Administrative expenses		**(27,347)**	(24,820)
(Loss) gain on foreign exchange translation		**(1,346)**	394
Directors' fees	23	**(190)**	(200)
Finance costs	20	**(7,182)**	(7,233)
PROFIT FOR THE YEAR BEFORE DERIVATIVES		**90,685**	175,005
Gain on revaluation/settlement of derivative financial instruments (net)	18	**5,860**	36,898
PROFIT FOR THE YEAR	20	**96,545**	211,903
Other comprehensive income for the year		**-**	-
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		**96,545**	211,903
Basic and diluted earnings per share (fils)	10	**68**	150

These financial statements were authorised for issue in accordance with a resolution of the Directors on 13 February 2013 and signed on their behalf by:

Mahmood H. Al Kooheji
Chairman

Yousif Taqi
Director

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

Statement of Cash Flows
Year ended 31 December 2012

	Note	*2012 BD '000*	*2011 BD '000*
OPERATING ACTIVITIES			
Profit for the year		**96,545**	211,903
Adjustments for:			
Depreciation	3	**77,573**	78,777
Provision for employees' end of service benefits	15 (a)	**814**	789
Gain on revaluation of derivative financial instruments	18	**(27,648)**	(78,934)
Loss on disposal of property, plant and equipment		**36**	162
Write off of property, plant and equipment - net book value		**16**	81
Interest income	19	**(389)**	(392)
Finance costs	20	**6,121**	6,563
Cost of Employees' Stock Incentive Plan	20	**765**	645
		153,833	219,594
Working capital changes:			
Inventories		**14,456**	(5,712)
Accounts receivable and prepayments		**(25,014)**	16,057
Accounts payable and accruals		**6,547**	15,621
Cash from operations		**149,822**	245,560
Employees' end of service benefits paid	15(a)	**(839)**	(821)
Net cash flows from operating activities		**148,983**	244,739
INVESTING ACTIVITIES			
Purchase of property, plant and equipment	3	**(32,724)**	(34,447)
Proceeds from disposal of property, plant and equipment		**127**	769
Term deposit		**-**	3,011
Interest received	19	**389**	392
Net cash flows used in investing activities		**(32,208)**	(30,275)
FINANCING ACTIVITIES			
Repayment of long term receivable	4	**3,439**	3,439
Borrowings availed		**204,920**	222,141
Borrowings repaid		**(284,394)**	(294,373)
Movement in short term loans		**4,076**	6,271
Finance costs paid		**(6,213)**	(6,819)
Dividends paid		**(76,271)**	(100,471)
Margin deposit		**-**	932
Purchase of treasury shares		**(805)**	(3,125)
Proceeds from resale of treasury shares		**591**	1,159
Net cash flows used in financing activities		**(154,657)**	(170,846)
(DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS		**(37,882)**	43,618
Cash and cash equivalents at 1 January		**99,487**	55,869
CASH AND CASH EQUIVALENTS AT 31 DECEMBER	7	**61,605**	99,487

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

Statement of Changes in Equity
Year ended 31 December 2012

	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 2010		142,000	(3,735)	68,629	249	429,245	62,294	698,682
Total comprehensive income for the year		-	-	-	-	211,903	-	211,903
Net movement in treasury shares		-	(1,939)	-	-	-	-	(1,939)
Amortisation of the cost of treasury shares held for Employees' Stock Incentive Plan		-	645	-	-	-	-	645
Loss on resale of treasury shares		-	-	-	-	(27)	-	(27)
Transfer to statutory reserve	11	-	-	2,371	-	(2,371)	-	-
Final dividend for 2010 approved and paid	13	-	-	-	-	-	(62,268)	(62,268)
Excess of final dividend for 2010 reversed		-	-	-	-	26	(26)	-
Interim dividend for 2011 proposed and paid	13	-	-	-	-	(38,203)	-	(38,203)
Proposed final dividend for 2011	13	-	-	-	-	(56,509)	56,509	-
Balance at 31 December 2011		142,000	(5,029)	71,000	249	544,064	56,509	808,793
Total comprehensive income for the year		-	-	-	-	96,545	-	96,545
Net movement in treasury shares		-	177	-	-	-	-	177
Amortisation of the cost of treasury shares held for Employees' Stock Incentive Plan		-	765	-	-	-	-	765
Loss on resale of treasury shares		-		-	-	(391)	-	(391)
Final dividend for 2011 approved and paid		-	-	-	-	-	(56,495)	(56,495)
Excess of final dividend for 2011 reversed	13	-	-	-	-	14	(14)	-
Interim dividend for 2012 proposed and paid	13	-	-	-	-	(19,776)	-	(19,776)
Proposed final dividend for 2012	13	-	-	-	-	(19,773)	19,773	-
Balance at 31 December 2012		**142,000**	**(4,087)**	**71,000**	**249**	**600,683**	**19,773**	**829,618**

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

1 ACTIVITIES

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

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

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

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

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.

New and amended standards and interpretations effective as of 1 January 2012
The accounting policies adopted are consistent with those of the previous financial year, except for the following amended IFRSs effective as of 1 January 2012 which had no impact on the Company's financial position, performance or its disclosures:

- IAS 12 Income Taxes (Amendment) – Deferred Taxes: Recovery of Underlying Assets.
- IFRS 1 First-Time Adoption of International Financial Reporting Standards (Amendment) – Severe Hyperinflation and Removal of Fixed Dates for First-Time Adopters.
- IFRS 7 Financial Instruments : Disclosures – Enhanced Derecognition Disclosure Requirements.

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:

IAS 1 Presentation of Items of Other Comprehensive Income – Amendments to IAS 1
The amendments to IAS 1 change the grouping of items presented in other comprehensive income (OCI). Items that could be reclassified (or 'recycled') to profit or loss at a future point in time (for example, net gain on hedge of net investment, exchange differences on translation of foreign operations, net movement on cash flow hedges and net loss or gain on available-for-sale financial assets) would be presented separately from items that will never be reclassified (for example, actuarial gains and losses on defined benefit plans and revaluation of land and buildings). The amendment affects presentation only and has no impact on the Company's financial position or performance. The amendment becomes effective for annual periods beginning on or after 1 July 2012, and will therefore be applied in the Company's first annual report after becoming effective.

IAS 32 Offsetting Financial Assets and Financial Liabilities — Amendments to IAS 32
These amendments clarify the meaning of "currently has a legally enforceable right to set-off". The amendments also clarify the application of the IAS 32 offsetting criteria to settlement systems (such as central clearing house systems) which apply gross settlement mechanisms that are not simultaneous. These amendments are not expected to impact the Company's financial position or performance and become effective for annual periods beginning on or after 1 January 2014.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES [continued]

IFRS 7 Disclosures — Offsetting Financial Assets and Financial Liabilities — Amendments to IFRS 7
These amendments require an entity to disclose information about rights to set-off and related arrangements (e.g., collateral agreements). The disclosures would provide users with information that is useful in evaluating the effect of netting arrangements on an entity's financial position. The new disclosures are required for all recognised financial instruments that are set off in accordance with IAS 32 Financial Instruments: Presentation. The disclosures also apply to recognised financial instruments that are subject to an enforceable master netting arrangement or similar agreement, irrespective of whether they are set off in accordance with IAS 32. These amendments will not impact the Company's financial position or performance and become effective for annual periods beginning on or after 1 January 2013.

IFRS 9 Financial Instruments: Classification and Measurement
IFRS 9, as issued, reflects the first phase of the IASB's work on the replacement of IAS 39 and applies to classification and measurement of financial assets and financial liabilities as defined in IAS 39. The standard was initially effective for annual periods beginning on or after 1 January 2013, but *Amendments to IFRS 9 Mandatory Effective Date of IFRS 9 and Transition Disclosures*, issued in December 2011, moved the mandatory effective date to 1 January 2015. In subsequent phases, the IASB will address hedge accounting and impairment of financial assets. The adoption of the first phase of IFRS 9 will have an effect on the classification and measurement of the Company's financial assets, but will not have an impact on classification and measurements of financial liabilities. The Company will quantify the effect in conjunction with the other phases, when the final standard including all phases is issued.

IFRS 13 Fair Value Measurement
IFRS 13 establishes a single source of guidance under IFRS for all fair value measurements. IFRS 13 does not change when an entity is required to use fair value, but rather provides guidance on how to measure fair value under IFRS when fair value is required or permitted. The Company is currently assessing the impact that this standard will have on the financial position and performance, but based on the preliminary analyses, no material impact is expected. This standard becomes effective for annual periods beginning on or after 1 January 2013.

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

Improvements to IFRSs
During 2012 the IASB issued amendments to its standards, primarily with a view to removing inconsistencies and clarifying wording. There are separate transitional provisions for each standard. The adoption of the following amendments resulted in changes to accounting policies, but did not have any impact on the financial position or performance of the Company.

IAS 1 Presentation of Financial Statements
- This improvement clarifies the difference between voluntary additional comparative information and the minimum required comparative information. Generally, the minimum required comparative information is the previous period.

IAS 16 Property Plant and Equipment
- This improvement clarifies that major spare parts and servicing equipment that meet the definition of property, plant and equipment are not inventory.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES [continued]

Other amendments resulting from Improvements to IFRSs to the following standards did not have any impact on the accounting policies, financial position or performance of the Company:

- IFRS 1 First-time Adoption of International Financial Reporting Standards;
- IAS 32 Financial Instruments, Presentation; and
- IAS 34 Interim Financial Reporting

These improvements are effective for annual periods beginning on or after 1 January 2013.

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.

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.

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]

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.

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

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

Treasury shares
Treasury shares are stated at acquisition cost and are shown as a deduction to equity. No gain or loss is recognised in the statement of comprehensive income on the purchase, sale, issue or cancellation of the treasury shares. Gains arising from the subsequent resale of treasury shares is treated as non-distributable and included in treasury shares reserve. Any loss arising from the subsequent resale of treasury shares is first adjusted against the treasury shares reserve, if any, and charged to retained earnings if the amounts in treasury shares reserve is not sufficient to cover the loss.

Borrowings
Borrowings are recognised initially at the fair value of the consideration received less directly attributable transaction costs. Borrowings are subsequently stated at amortised cost, any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the statement of comprehensive income over the period of the borrowings using the effective interest rate method. Instalments due within one year are disclosed under current liabilities.

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

Employee benefits
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.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES [continued]

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.

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

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

Revenue recognition
Revenue 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.

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).

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES [continued]

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

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

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

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

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

Foreign currencies
Transactions in foreign currencies are recorded at the exchange rate 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.

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

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

3 PROPERTY, PLANT AND EQUIPMENT

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

	Land and buildings	*Power generating plant*	*Plant, machinery and other equipment*	*Assets in process of completion*	***Total***
	BD '000	*BD '000*	*BD '000*	*BD '000*	***BD '000***
Cost:					
At 1 January 2011	265,572	394,678	1,112,861	75,339	**1,848,450**
Additions	-	-	-	34,447	**34,447**
Transfers	2,056	17,404	33,728	(53,188)	**-**
Disposals	(478)	(4,716)	(5,348)	-	**(10,542)**
Write offs	(150)	-	(1,645)	-	**(1,795)**
At 31 December 2011	267,000	407,366	1,139,596	56,598	**1,870,560**
Depreciation:					
At 1 January 2011	86,066	191,104	579,131	-	**856,301**
Charge for the year	6,580	18,741	53,456	-	**78,777**
Relating to disposals	(276)	(4,706)	(4,629)	-	**(9,611)**
Relating to write offs	(122)	-	(1,592)	-	**(1,714)**
At 31 December 2011	92,248	205,139	626,366	-	**923,753**
Net carrying value:					
At 31 December 2011	**174,752**	**202,227**	**513,230**	**56,598**	**946,807**

3 PROPERTY, PLANT AND EQUIPMENT [continued]

a) Land and buildings include freehold land at a cost of BD 453 thousand as at 31 December 2012 (2011: BD 453 thousand).

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

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

4 LONG TERM RECEIVABLE

This represents an amount due from Gulf Aluminium Rolling Mill Company B.S.C. (c) (GARMCO), a company partly owned by two of the Company's shareholders. The amount due is repayable in 16 half yearly instalments and the last instalment is due on 31 December 2016. Interest is payable half yearly on the outstanding balance at 6 months LIBOR plus a margin of 1% and the effective interest rate as of 31 December 2012 was 1.73% (2011: 1.39%).

The current and non-current portion of the long term receivable as of 31 December 2012 is as follows:

	2012	2011
	BD '000	BD '000
Current portion	3,438	3,438
Non-current portion	10,314	13,753
	13,752	17,191

5 INVENTORIES

	2012	2011
	BD '000	BD '000
Goods in transit	25,276	20,247
Raw materials	26,258	43,897
Work-in-process	51,611	52,906
Finished goods	18,144	19,038
Stores stock [net of provision of BD 1,200 thousand (2011: BD 1,200 thousand)]	22,275	21,932
	143,564	158,020

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

	2012	2011
	BD '000	BD '000
At 1 January	1,200	1,200
Charge for the year	151	394
Write off	(151)	(394)
At 31 December	1,200	1,200

Notes to the Financial Statements
At 31 December 2012

6 ACCOUNTS RECEIVABLE AND PREPAYMENTS

	2012	2011
	BD '000	BD '000
Trade accounts receivable [net of provision of BD 4,602 thousand (2011: BD 5,357 thousand)]	85,408	77,084
Other receivables [net of provision of BD 45 thousand (2011: BD 354 thousand)]	19,742	5,513
Prepayments	3,149	688
	108,299	83,285

Trade accounts receivable include BD 17,160 thousand (2011: BD 13,084 thousand) which have been assigned as a security for short term loans (note 16).

As at 31 December 2012, trade accounts receivable at a nominal value of BD 4,602 thousand (2011: BD 5,357 thousand), other receivables of BD 45 thousand (2011: BD 354 thousand) were impaired. Movements in the allowance for impairment trade accounts receivable were as follows:

	Trade accounts receivable		*Other receivables*	
	2012	2011	2012	2011
	BD '000	BD'000	BD '000	BD'000
At 1 January	5,357	5,714	354	-
Write Off	(623)	-	-	-
(Reversal) provision for the year	(132)	(357)	(309)	354
At 31 December	4,602	5,357	45	354

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

			Past due but not impaired			
	Total	*Neither past due nor impaired*	*Less than 30 days*	*30-90 days*	*91-120 days*	*Over 120 days*
	BD '000	*BD '000*	*BD '000*	*BD '000*	*BD '000*	*BD '000*
2012	**85,408**	**82,687**	**1,496**	**788**	**314**	**123**
2011	77,084	76,137	891	56	-	-

7 BANK BALANCES AND CASH

	2012	2011
	BD '000	BD '000
Cash in hand	21	20
Cash at bank:		
- Current accounts	51,048	5,417
- Call accounts	10,536	45,150
Short term deposits	-	48,900
Bank balances and cash	61,605	99,487

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 2012 ranged between 1.12% to 0.25% (2011: 0.12% to 0.25%).

8 SHARE CAPITAL

	2012	2011
	BD '000	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:

	2012			2011		
Categories	***Number of shares***	***Number of share-holders***	***% of total outstanding share capital***	*Number of shares*	*Number of shareholders*	*% of total outstanding share capital*
Less than 1%	**67,196,856**	**2,453**	**4.73**	59,736,839	2,430	4.21
1% up to less than 5%	**74,803,144**	**2**	**5.27**	82,263,161	2	5.79
5% up to less than 20%	**-**	**-**	**-**	-	-	-
20% up to less than 50%	**292,804,000**	**1**	**20.62**	292,804,000	1	20.62
50% and above	**985,196,000**	**1**	**69.38**	985,196,000	1	69.38
	1,420,000,000	**2,457**	**100.00**	1,420,000,000	2,434	100.00

9 TREASURY SHARES

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

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

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

	2012		2011	
	Number of shares	***BD '000***	*Number of shares*	*BD '000*
Held for the Employees' Stock Incentive Plan [(note 15 (c)]	**2,376,000**	**653**	2,215,000	1,274
Excess of the shares in Employees' Stock Incentive Plan [note 15 (c)]	**624,000**	**562**	785,000	707
	3,000,000	**1,215**	3,000,000	1,981
Purchased subsequent to the IPO – net of sales	**4,635,087**	**2,872**	4,269,253	3,048
	7,635,087	**4,087**	7,269,253	5,029

10 EARNINGS PER SHARE

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

	2012	2011
	BD '000	BD '000
Profit for the year - BD' 000	**96,545**	211,903
Weighted average number of shares, net of treasury shares - thousands of shares	**1,412,508**	1,415,161
Basic and diluted earnings per share (fils)	**68**	150

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

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

11 STATUTORY RESERVE

The Bahrain Commercial Companies Law requires companies to transfer 10% of their annual profit to a statutory reserve, until such time the reserve equals 50% of the paid up share capital. A statutory reserve equal to 50% of the paid-up capital has been created by transfer of prior years' profits. Therefore no further transfers have been made for the year ended 31 December 2012. In 2011, a transfer of BD 2,371 thousand was made to statutory reserve. This reserve cannot be utilised for the purpose of distribution, except in such circumstances as stipulated in the Bahrain Commercial Companies Law.

12 CAPITAL RESERVE

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

13 DIVIDEND PROPOSED AND PAID

On 29 July 2012, the Board of Directors proposed an interim dividend of BD 0.014 per share (excluding treasury shares) totalling BD 19,776 thousand (2011: BD 0.027 per share (excluding treasury shares) totalling BD 38,203 thousand) which was subsequently paid. On 13 February 2013, the Board of Directors recommended a final dividend of BD 0.014 per share (excluding treasury shares) totalling BD 19,773 thousand (2011: 0.040 per share (excluding treasury shares) totalling BD 56,509 thousand). Both interim and final dividends are subject to the approval of the Company's shareholders at the Annual General Meeting to be held on 13 March 2013.

On 8 March 2012, the Company's shareholders approved the Board of Director's proposal to pay a final dividend of BD 0.040 per share (excluding treasury shares) totalling BD 56,509 thousand relating to 2011 (2011: BD 0.044 per share totalling BD 62,268 thousand relating to 2010) from which BD 56,495 thousand was paid.

14 BORROWINGS

	Current maturities	Non-current maturities	Total 2012	Total 2011
	BD '000	BD '000	**BD '000**	BD '000
Working capital revolving credit at 1.40% to 2.28% (2011: 1.5% to 3.44%) [1]	65,800	-	**65,800**	60,160
Line 5 projects at 0.94% to 1.77% (2011: 0.86% to 1.77%)	82,422	46,340	**128,762**	147,769
Coface loan at 0.86% to 1.14% (2011: 0.78% to 0.9%)	6,492	6,492	**12,984**	19,476
Refinancing loan at 0.89% to1.27% (2011: 0.89% to 1.27%)	-	-	**-**	58,705
Euro Coface loan at 1.90% to 3.26% (2011: 2.63% to 3.26%) [2]	3,729	18,053	**21,782**	21,128
Euro SERV Loan at 1.62% to 2.94% (2011: 2.48% to 2.98%) [3]	1,860	6,211	**8,071**	9,635
Total borrowings	160,303	77,096	**237,399**	316,873
Payable within one year			**160,303**	149,733
Payable after one year			**77,096**	167,140
			237,399	316,873

[1] The working capital revolving credit facilities are subject to annual renewal or periodic review and are expected to be reviewed or confirmed on an on-going basis. The working capital revolving facilities allow the Company to issue promissory notes for up to 12 month terms. It is the Company's policy to maintain the current level of borrowings under these facilities by issuing new promissory notes in place of maturing notes.

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

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

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

15 EMPLOYEE BENEFITS

a) Defined benefit scheme - leaving indemnity

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

	2012	2011
	BD '000	BD '000
Provision as at 1 January	**940**	972
Provided during the year (note 20)	**814**	789
Employees' end of service benefits paid	**(839)**	(821)
Provision as at 31 December	**915**	940

15 EMPLOYEE BENEFITS [continued]

b) Defined contribution schemes

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

	ALBA Savings Benefit Scheme		Social Insurance Organisation	
	2012	2011	**2012**	2011
	BD '000	BD '000	**BD '000**	BD '000
Provision as at 1 January	**1,589**	1,528	**1,287**	989
Expense recognised in the statement of comprehensive income (note 20)	**3,786**	3,301	**5,548**	5,225
Contributions paid	**(3,687)**	(3,240)	**(6,059)**	(4,927)
Provision as at 31 December (note 17)	**1,688**	1,589	**776**	1,287

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 2012, the number of employees eligible for this plan was 2,376 (2011: 2,215) and the excess of 624,000 shares is held as treasury shares as of 31 December 2012 (2011: 785,000 shares).

16 SHORT TERM LOANS

These represent short term financing availed from financial institutions in the Kingdom of Bahrain denominated in Bahraini Dinars which is fully secured by the assignment of certain trade receivables amounting to BD 17,160 thousand (2011: BD 13,084 thousand) (note 6). The effective interest rates as of 31 December 2012 ranged between 0.95% to 1.55% (2011: 0.92% to 2.55%).

17 ACCOUNTS PAYABLE AND ACCRUALS

	2012	2011
	BD '000	BD '000
Trade payables	**64,600**	53,488
Retentions payable	**94**	124
Employee related accruals	**26,452**	32,152
Accrued expenses	**12,781**	11,269
Advances from customers	**194**	221
Alba Savings Benefit Scheme [note 15 (b)]	**1,688**	1,589
Social Insurance Organisation [note 15 (b)]	**776**	1,287
	106,585	100,130

18 DERIVATIVE FINANCIAL INSTRUMENTS

The Company has a number of derivative financial instruments comprising interest rate collars, knockout swaps, forward foreign exchange contracts, commodity options and commodity futures. The fair values of the derivative financial instruments at 31 December 2012 and 31 December 2011 are as follows:

18 DERIVATIVE FINANCIAL INSTRUMENTS [continued]

	2012		2011	
	Assets	**Liabilities**	*Assets*	*Liabilities*
	BD '000	**BD '000**	*BD '000*	*BD '000*
Commodity options	**-**	**34,424**	-	55,599
Commodity futures	**104**	**-**	-	715
Interest rate collars and knockout swaps	**-**	**2,955**	-	8,318
Forward foreign exchange contracts	**-**	**47**	-	338
Total	**104**	**37,426**	-	64,970

Classified in the statement of financial position as follows:

Non-current portion:				
Commodity options	**-**	**22,799**	-	29,911
Interest rate collars and knockout swaps	**-**	**1,197**	-	4,366
Forward foreign exchange contracts	**-**	**-**	-	47
	-	**23,996**	-	34,324
Current portion:				
Commodity options	-	**11,625**	-	25,688
Commodity futures	104	**-**	-	715
Interest rate collars and knockout swaps	-	**1,758**	-	3,952
Forward foreign exchange contracts	-	**47**	-	291
	104	**13,430**	-	30,646

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.

	2012	2011
	BD '000	*BD '000*
Revaluation:		
Commodity options	**21,175**	74,352
Commodity futures	**819**	(1,627)
Interest rate collars and knockout swaps	**5,363**	5,212
Forward foreign exchange contracts	**291**	997
	27,648	78,934
Realised:		
Commodity options	**(16,090)**	(34,241)
Commodity futures	**(850)**	(270)
Interest rate collars and knockout swaps	**(4,848)**	(7,525)
	(21,788)	(42,036)
Net gain (loss) on fair valuation taken to statement of comprehensive income	**5,860**	36,898

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.

18 DERIVATIVE FINANCIAL INSTRUMENTS [continued]

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$ 1,658 (2011: US$ 1,658) 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$ 1,658 (2011: US$ 1,658) 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 10,750 metric tonnes (2011: 13,900 metric tonnes).

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

The notional amounts outstanding as at 31 December 2012 was US$ 505,098 thousand (2011: US$ 513,097 thousand).

Forward foreign exchange contracts
The Company has entered into forward foreign exchange contracts for capital expenditure cash outflows in foreign currencies equivalent to BD 311 thousand (2011: BD 2,179 thousand) as of 31 December 2012. These contracts expire on 8 March 2013.

19 OTHER INCOME

	2012	2011
	BD '000	*BD '000*
Interest on bank deposits and receivables	**389**	392
Sale of water	**2,123**	1,973
Settlement with Alcoa (see note below)	**31,960**	-
Miscellaneous	**4,906**	5,276
	39,378	7,641

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

20 PROFIT FOR THE YEAR

Profit for the year is stated after charging:

	2012	2011
	BD '000	BD '000
Staff costs:		
Wages and salaries	68,404	83,475
Employees' end of service benefits [note 15 (a)]	814	789
Alba savings benefit scheme [note 15 (b)]	3,786	3,301
Social Insurance Organisation [note 15 (b)]	5,548	5,225
Indirect benefits (housing, education)	496	532
Payments to contractors	2,360	2,580
Cost of Employees' Stock Incentive Plan	765	645
Others	398	297
	82,571	96,844
Inventories recognised as an expense in cost of sales	350,870	392,312

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

	2012	2011
	BD '000	BD '000
Cost of sales	67,860	82,942
Administrative expenses	12,741	12,414
Selling and distribution expenses	1,970	1,488
	82,571	96,844
Finance costs:		
Interest on borrowings and short term loans	6,121	6,563
Bank charges	1,061	670
	7,182	7,233

21 COMMITMENTS AND CONTINGENCIES

a) Commitments

	2012	2011
	BD '000	BD '000
Physical metal commitments		
Sales commitments:		
7,750 metric tonnes (2011: 14,480 metric tonnes)	7,900	13,853

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 5,000 thousand. As of 31 December 2012, the Company has a remaining commitment of BD 1,500 thousand (2011: BD 1,500 thousand) towards the purchase of its own shares.

21 COMMITMENTS AND CONTINGENCIES [continued]

Capital expenditure
Estimated capital expenditure contracted for at the reporting date amounted to BD 51,666 thousand (2011: BD 21,995 thousand). The commitments are expected to be settled within 1 to 5 years.

Letters of credit
The commitments on outstanding letters of credit as at 31 December 2012 were BD 8,911 thousand (2011: BD 10,752 thousand). The commitments are expected to be settled within 1 year.

At 31 December 2012, the Company's bankers have issued letters of credit to counterparties for derivative transactions amounting to BD 3,760 thousand (2011: BD 11,290 thousand).

b) Contingencies

The Company has issued guarantees to banks in the Kingdom of Bahrain in respect of the Albaskan Scheme, amounting to BD 12,021 thousand (2011: BD 11,974 thousand). The Albaskan Scheme entitles all qualifying employees to acquire houses.

c) Legal claims

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

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

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

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

21 COMMITMENTS AND CONTINGENCIES [continued]

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

22 OPERATING SEGMENT INFORMATION

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

a) Product

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

	2012	2011
	BD '000	BD '000
Aluminium	**730,924**	866,791
Calcined coke	**12,801**	16,526
Total sales revenue	**743,725**	883,317

b) Geographic information

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

	2012	2011
	BD '000	BD '000
Kingdom of Bahrain	**320,797**	405,807
Asia	**102,967**	131,512
Rest of the Middle East and North Africa	**186,828**	203,230
Europe	**99,235**	142,587
Americas	**33,898**	181
Total sales revenue	**743,725**	883,317

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 235,281 thousand (2011: BD 301,733 thousand), each being more than 10% of the total sales revenue for the year.

23 RELATED PARTY TRANSACTIONS

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

23 RELATED PARTY TRANSACTIONS [continued]

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

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

	2012	2011
	BD '000	BD '000
Other related parties		
Revenue and other income		
Sale of metal	**91,369**	130,665
Sale of water	**1,218**	1,502
Interest on long term receivable	**294**	286
	92,881	132,453
Cost of sales and expenses		
Purchase of natural gas and diesel	**96,152**	63,494
Royalty	**3,690**	3,653
	99,842	67,147

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

	2012	2011
	BD '000	BD '000
Other related parties		
Assets		
Long term receivable	**13,752**	17,191
Bank balances	**17,652**	13,834
Receivables	**7,384**	8,400
	38,788	39,425
Liabilities		
Borrowings	**7,520**	7,520
Payables	**16,523**	9,283
	24,043	16,803

Outstanding balances at year-end arise in the normal course of business. For the year ended 31 December 2012, the Company has not recorded any impairment on amounts due from related parties (2011: nil).

23 RELATED PARTY TRANSACTIONS [continued]

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

	2012	2011
	BD '000	BD '000
Short term benefits	**1,677**	1,321
End of service benefits	**118**	103
Contributions to Alba Savings Benefit Scheme	**23**	17
Other benefits	**272**	-
	2,090	1,441

Directors' fees during the year amounted to BD 190 thousand (2011: BD 200 thousand).

24 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 2012.

24 RISK MANAGEMENT [continued]

The interest earned on long term receivable is based on floating LIBOR rate plus margin. The call accounts and short term deposit earn interest at commercial rates. The interest rates are disclosed in notes 4 and 7.

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

	Interest on call accounts and short term deposit		*Interest on borrowings (after giving effect for derivative financial instruments)*	
	Increase / decrease in basis points	Effect on results for the year	Increase / decrease in basis points	Effect on results for the year
		BD '000		*BD '000*
2012	**25**	**26**	**25**	**667**
	-25	**(26)**	**-25**	**(667)**
2011	25	235	25	1,018
	-25	(235)	-25	(1,018)

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 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 2012, with all other variables held constant.

	Increase/ decrease in LME	*Effect on results for the year*
	price	*BD '000*
2012	**+30%**	**(10,296)**
	-30%	**9,781**
2011	+30%	(16,894)
	-30%	16,049

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 financial instruments are mainly denominated in Bahraini Dinars, US Dollars, Euros and Great Britain Pounds. The Company uses forward foreign exchange contracts to hedge against foreign currency payables (note 18).

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

24 RISK MANAGEMENT [continued]

The table below indicates the Company's unhedged foreign currency exposures at 31 December 2012, as a result of its monetary assets and liabilities. As of 31 December, the following financial instruments are denominated in currencies other than Bahrain Dinars and US Dollars, which were unhedged:

Financial	***Currency***	***2012***	*2011*
		BD '000	*BD '000*
Bank balances	Euro	**5,444**	2,067
	Great Britain Pounds	**36**	35
Receivables	Euro	**6,225**	5,294
Borrowings	Euro	**30,745**	31,899
Payables	Euro	**2,061**	728
	Great Britain Pounds	**13**	-

The analysis calculates the effect of a reasonably possible movement of the Bahraini Dinar's currency rate against currencies which are exposed to currency risk, with all other variables held constant, on the statement of comprehensive income (due to the fair value of currency sensitive monetary assets and liabilities).

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

	2012		*2011*	
	Increase in currency rate to the BD	***Effect on results for the year***	*Increase in currency rate to the BD*	*Effect on results for the year*
	BD	***BD '000***	*BD*	*BD '000*
Euro	**+10%**	**(2,113)**	+10%	(2,527)
Great Britain Pounds	**+10%**	**2**	+10%	4
		(2,111)		(2,524)

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.

Cash is placed with reputable banks having good credit ratings. The Company manages credit risk with respect to receivables from customers by receiving payments in advance from customers, obtaining letters of credit and other forms of credit insurance, by granting credit terms and by monitoring the exposure to customers on an ongoing basis.

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 54.11% of outstanding accounts receivable at 31 December 2012 (2011: 53.57%).

Notes to the Financial Statements
At 31 December 2012

24 RISK MANAGEMENT [continued]

As of 31 December 2012, the Company has a significant concentration of credit risk to Gulf Aluminium Rolling Mill Company B.S.C. (c) which consists of:

	2012	*2011*
	BD '000	*BD '000*
Long term receivable	**13,752**	17,191
Trade accounts receivable	**7,384**	8,159
	21,136	25,350

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

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

The Company limits its liquidity risk by ensuring bank facilities are available. The Company's terms of sale require amounts to be paid within 30 to 180 days of the date of sale. 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.

	Less than 3 months	***3 to 12 months***	***1 to 5 years***	***Over 5 years***	***Total***
31 December 2012	***BD '000***	***BD '000***	***BD '000***	***BD '000***	***BD '000***
Borrowings (including interest payable)	**137,703**	**24,133**	**79,392**	**-**	**241,228**
Derivative financial instruments	**1,617**	**11,813**	**23,996**	**-**	**37,426**
Short term loans	**12,913**	**4,247**	**-**	**-**	**17,160**
Accounts payable and accruals	**31,840**	**38,917**	**-**	**-**	**70,757**
Total	**184,073**	**79,110**	**103,388**	**-**	**366,571**
	Less than 3 months	*3 to 12 months*	*1 to 5 years*	*Over 5 years*	*Total*
31 December 2011	*BD '000*	*BD '000*	*BD '000*	*BD '000*	*BD '000*
Borrowings (including interest payable)	65,311	88,075	171,938	-	325,324
Derivative financial instruments	8,122	24,363	36,383	-	68,868
Short term loans	11,657	1,427	-	-	13,084
Accounts payable and accruals	59,668	-	-	-	59,668
Total	144,758	113,865	208,321	-	466,944

Capital management
Capital comprises share capital, statutory reserve, capital reserve, retained earnings, proposed dividend less treasury shares, and is measured at BD 829,618 thousand as at 31 December 2012 (2011: BD 808,793 thousand).

24 RISK MANAGEMENT [continued]

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 2012 and 31 December 2011.

25 FAIR VALUES OF FINANCIAL INSTRUMENTS

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

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

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

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

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

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

As at 31 December 2012, the Company's derivative financial instruments are measured at fair value. These are Level 2 as per the hierarchy above for the years ended 31 December 2012 and 31 December 2011. The Company does not have financial instruments qualifying for Level 1 or Level 3 classification.

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

26 KEY SOURCES OF ESTIMATION UNCERTAINTY

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

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

At 31 December 2012, gross trade accounts receivable were BD 90,010 thousand (2011: BD 82,441 thousand), and the provision for impairment was BD 4,602 thousand (2011: BD 5,357 thousand) and gross other receivables were BD 19,787 thousand (2011: BD 5,867 thousand), and the provision for impairment was BD 45 thousand (2011: BD 354 thousand).

26 KEY SOURCES OF ESTIMATION UNCERTAINTY [continued]

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 2012, stores stock was BD 23,475 thousand (2011: BD 23,132 thousand) with provisions for old and obsolete items of BD 1,200 thousand (2011: BD 1,200 thousand). Any difference between the amounts actually realised in future periods and the amounts expected will be recognised in the statement of comprehensive income.

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

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 and bonds.

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

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