Balancing **40 years of experience** and ready to take on the future

Annual Report
2011

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

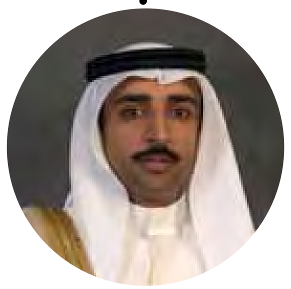
Contents

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

Homood A.
Tuwaijri

Executive Management

Chief Executive Officer
Laurent Schmitt

Chief Financial Officer
Tim Murray

Chief Supply Chain Officer & Acting Chief Operations Officer
Isa Abdul Latif Al Ansari

Chief Marketing Officer
Jean-Baptiste Lucas

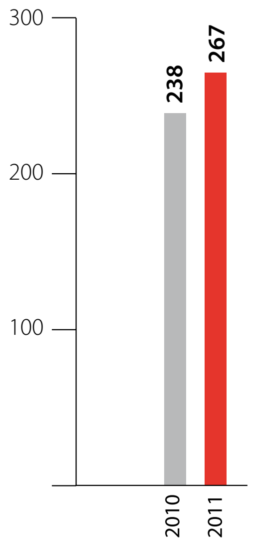
Letter to our **Shareholders**

Alba continues to work for the best interest of its shareholders by committing to invest in **organic growth**

Cash Payback to Shareholders

(US$ million)

- **12% Y-o-Y Growth**



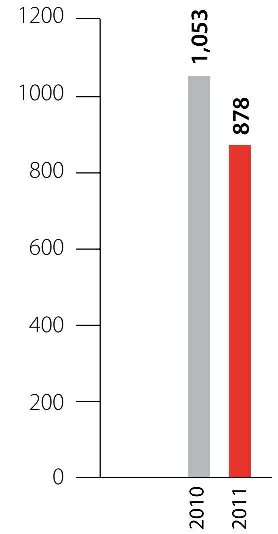
Dear Shareholders,

2011 was a breakthrough year, one in which Alba succeeded in meeting all of its targets, with an EBITDA and Free Cash Flow at US$ 582 million and US$ 606 million, respectively. This achievement cannot be taken for granted, considering the many operating challenges that the company faced in 2011, as well as the low LME levels in the latter period of the year.

We have retained our solid financial position from the sustained upward trend in LME and were able to increase our revenues to US$ 2,349,000 despite the slump the European market has faced since the last quarter of 2011.

Alba continues to work for the best interest of its shareholders by committing to invest in organic growth and consistently to pay back cash to its shareholders, while maintaining a strong balance sheet. In fact, for the 2011 financial year, Alba paid Fils 0.067 a share.

2011 marked the first anniversary of Alba's transformation into a commercial entity -- through a dual listing on the Bahrain Bourse and on the London Stock Exchange -- and has set the stage for greater emphasis on pursuing sound corporate governance, increased transparency and industry best practices. As a result, Alba has launched its Code of Conduct to further strengthen its reputation for integrity and to confirm the company as a champion for ethical values.



Total Debt

(US$ million)

- **-16.7% Y-o-Y Growth**

Alba remains committed to future **growth through pro-active initiatives**

Alba celebrates its four decades of operations -- Alba's inception in the late 1960's triggered the industrialization process not only in Bahrain but throughout the region, and also marked the first non-oil industrial diversification initiative undertaken in a Gulf state. 1971 is the year that marked the inauguration of our industrial plant with a total capacity of 120,000 metric tonnes. Today, the company's fully fledged operations run with an annual capacity of more than 880,000 metric tonnes - a 5% CAGR in capacity since start-up forty years ago.

A key component to this growth has been a sustained emphasis on lean management techniques as well as a continued focus on operational efficiency. It has provided the company with the springboard for achieving its goals for productivity and increased profitability.

Viewed most broadly, the 2011 results also reflect the solid fundamentals at work at Alba and will give us good momentum moving into 2012. Looking ahead, Alba remains committed to future growth through proactive initiatives building upon a culture of technical excellence and a commitment to operational efficiency and global competitiveness.

I would like to thank you, our shareholders, for the trust you have placed in me, and in Alba's board and management teams during this first year as a publicly listed company; I hope your confidence in us continues in the future.

My sincere gratitude goes as well to Alba's board of directors, its management team, and all of its employees, whom without their expertise and commitment Alba would not have been able to transform its challenges into such exciting opportunities.

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 Government of the Custodian of the Two Holy Mosques, His Majesty King Abdullah Ibn Abdul Aziz Al Saud of the Kingdom of Saudi Arabia, whom without their support Alba's accomplishments would not have been possible.

CEO's Message

2011 proved to be a momentous year in Alba's history since it marked record achievements in both production and sales

2011 proved to be a momentous year in Alba's history since it marked record achievements in both production and sales. These accomplishments were particularly significant, in that they took place in the shadow of a challenging year for businesses in the kingdom of Bahrain as well as against the background of volatile aluminium prices.

I am pleased to say that Alba succeeded in overcoming these challenges by recording exceptional performance in 2011.

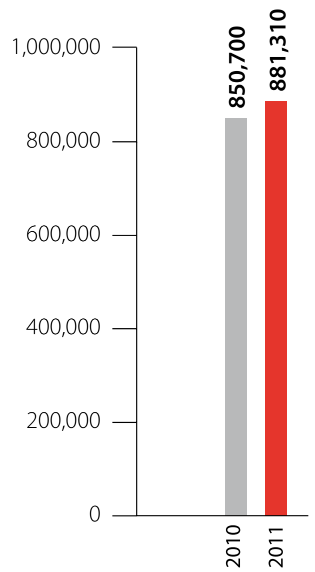
Production figures for 2011 topped 881,310 metric tonnes - the highest recorded metal production in Alba's 40-year history - and a substantial leap from the 850,700 metric tonnes produced in 2010. As a result, the sales volume for the full-year 2011 reached 893,020 metric tonnes versus 854,593 metric tonnes in 2010 – an increase of 4.5 per cent compared to the previous year.

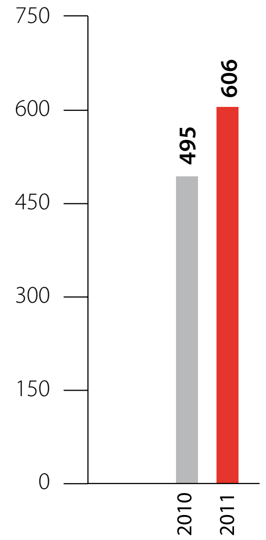
Alba also benefited from the sustained upward LME trend in 2011, and was able to grow its revenues by 18% year-on-year despite the slowdown in the European market. EBITDA for the year reached US$ 582 million compared to US$ 552 million in 2010 – the 2nd straight year of positive growth. Our Cash Flow performance was strong as we generated US$ 651 million in Operating Cash Flow and grew our Free Cash Flow by 22% compared to 2010. This sound performance enabled Alba to pay cash back to its shareholders of US$267 million in 2011 as well as allowing the company to reduce the overall debt profile by US$ 175 million, all while retaining a very sound balance sheet.

Production Growth

(Metric Tonnes)

- 3.6% Y-o-Y Growth





Free-Cash Flow

(US$ million)

- 22% Y-o-Y Growth

2011 Highlights - A Strong Framework for Sustainable Improvement

Alba SmartWay, which was launched in 2010, continued to set the tone for delivering enhanced competitiveness, greater operational efficiency and increased savings across the company. Success in adopting continuous improvement and lean management techniques as part of Alba SmartWay enabled us to retain a strong operational focus while facing the strategic challenges, and setting the stage for us to move toward being a global force in the aluminium industry.

The implementation of Six Sigma in 2011 as part of Alba SmartWay further reinforced the strong fundamentals of Alba and proved to boost quality output, eliminate variability and achieve measureable returns.

Alba was able to generate recurrent savings worth US$ 173 million in 2011 on a comparable basis to US$ 110 million in the previous year – ahead of the set target by US$ 3 million.

2011 saw another milestone – the launch of Alba SafeWay with DuPont Sustainable Solutions. Its stated objective is to achieve a record throughout the organization of zero incidents causing physical harm, and it has succeeded in laying the foundations of important new safety principles within the company.

Alba's determination to enlarge the global footprint of its product portfolio gained momentum in 2011 with the opening of sales offices in Zurich, Switzerland and in Hong Kong. These offices will tap into the growing demand for primary aluminium from customers in Europe and Asia.

The completion of the pre-feasibility studies for the Line 6 expansion project was another key highlight in 2011. The studies aimed to determine the optimum energy sources and technology solutions for the new proposed pot line as well as look at solutions for future energy requirements.

H.H. the Late Amir of Bahrain Inaugurated the smelter in 1971

Moving Ahead

With a major focus on organic growth, Alba remains determined to reduce its operating costs, achieve additional cash savings per annum of US$ 30 million in 2012 and improve processes through the continuous roll-out of plant wide Six Sigma. The management team is confident that STAR program achievements will enable Alba to be among the lowest cost aluminium producers in the world.

In 2012, we will launch the bankable feasibility studies - expected to be completed by the end of the year - for the Line 6 expansion project. With Line 6 fully operative, Alba will be able to increase its production by 400,000 metric tonnes per year, enabling the company to be positioned amongst the largest single smelters in the world.

People Who Make It Happen

As always, we remain indebted to Alba's workforce and the Labour Union, who have made 2011 such a landmark year. We extend our thanks and appreciation to our clientele for their utmost trust and confidence. And, I take the opportunity to thank our Board of Directors for their wise stewardship and strategic guidance.

Notwithstanding the challenges in 2011, we have had an exceptionally successful year, and our confidence in our vision for the future has further strengthened. We are excited about the road ahead and we remain optimistic that, with Alba's core fundamentals, 2012 will be another success story.

Operational Highlights

1

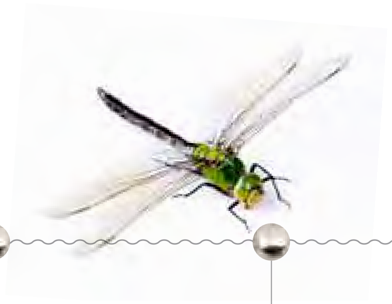
May
Alba's Line 5 scores improved metal purity, increased productivity and enhanced efficiency. Metal purity was below 700 ppm, production exceeded targets by 986 metric tonnes and current efficiency reached 95.9 per cent

2

June
Alba appoints Boris Santosi as the sales manager for its new European sales office in Zurich, Switzerland

3

June
Alba's rail replacement project at the Reduction Potlines 1, 2 and 3 wins the MEED Quality Awards Overall Project in the Heavy Industries Sector, which will ensure continuation of safe production operations with nominal maintenance requirements for the next 25 years



4

June
Alba launches "Code of Conduct"

5

September
Announcement of natural gas price increase from US$1.50 per million British thermal units (MMBTU) to US$2.25 per MMBTU effective 1 January 2012

6

September
Launch of Six-Sigma - part of **Alba SmartWay** Operational Improvement Programme - supported by Rath & Strong Consultancy as well as an in-house core team of specialists in Six-Sigma

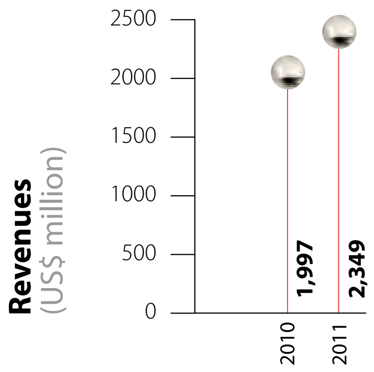
7

September
Kick-off of a 2-year Safety Excellence Programme "**Alba SafeWay"** with the support of DuPont Sustainable Solutions

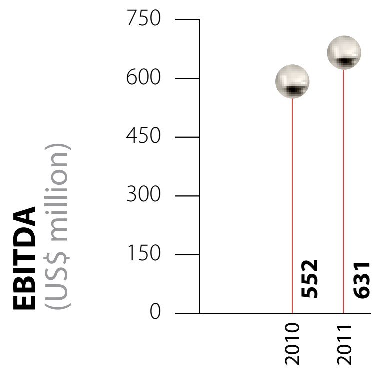
8

December
Alba appoints David Zheng as the manager of its new regional office in Hong Kong

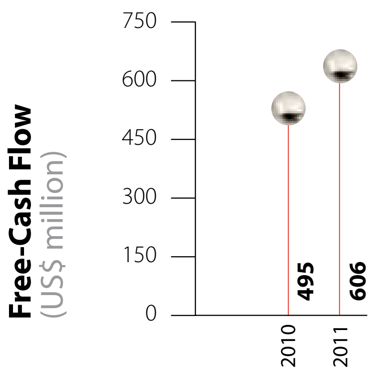
Financial Highlights



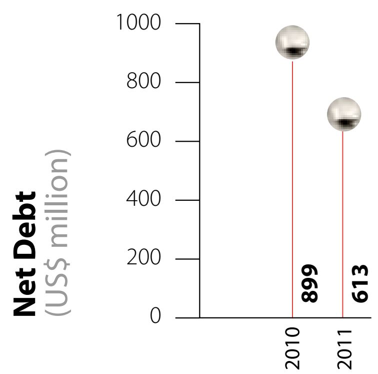
- Revenues increased by 18% due to a healthy shift in LME, Product Mix as well as Pricing Power
- The changes in the Product Mix are mainly due to an increase in Value-Added Products and Liquid Metals with a decrease in Commodity products
- **18% Y-o-Y Growth**



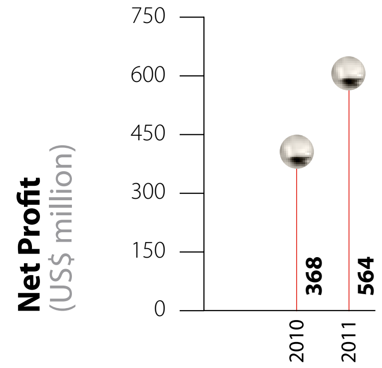
- EBITDA (excluding one-time costs) sound performance was driven by higher Revenues & record Production levels despite a lower trend in Q4
- **14% Y-o-Y Growth**



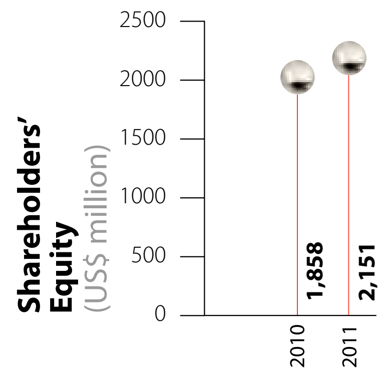
- Free-Cash Flow amounted US$ 606 million due to strong EBITDA and outstanding Working Capital Management
- **22% Y-o-Y Growth**



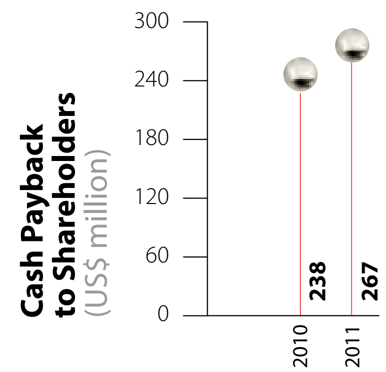
- Net Debt decreased by (32%) compared to 2010
- This decrease is mainly attributed to repayments of long-term loans and reduction in short-term Revolving Credit as well as a net increase in Cash & Cash Equivalent
- **-32% Y-o-Y Growth**



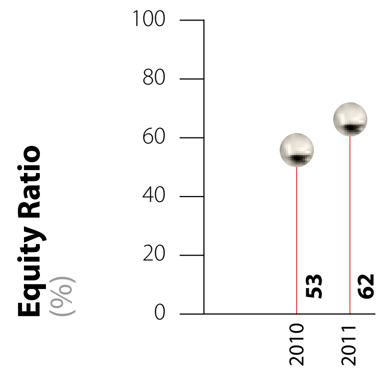
- Net Profit increased by 53% to US$ 564 million
- This solid performance was largely due to higher EBITDA levels and unrealised Derivative gains
- **53% Y-o-Y Growth**



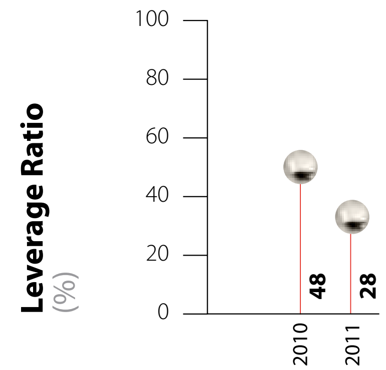
- Shareholders' Equity scored US$ 2,151 million due to high levels of Net Profit resulting in an increase in Retained Earnings
- **16% Y-o-Y Growth**



- Cash Payback to shareholders increased mainly because of higher level of Free-Cash Flow (FCF)
- **12% Y-o-Y Growth**



- Total Assets remained almost flat compared to 2010
- Shareholders' Equity increased by 16% resulting in an improvement of the Equity ratio



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

Corporate **Governance**

Description of the Company's administrative, 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 the 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, the Memorandum and Articles of Association of the Company, its charter, and the 'Levels of Authority' documentation. The Board of Directors has two 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.

The Company is headed by a Chief Executive Officer (CEO), who has four Executives reporting to him (Chief Financial Officer, Chief Supply Chain Officer, Chief Marketing Officer and Chief Operations Officer (currently also fulfilling the Chief Supply Chain Officer role). 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.

The CEO convenes a weekly executive committee meeting, a weekly extended executive committee meeting of all executives and selected managers, and a monthly Safety, Health and Environment Executive Committee meeting consisting of all executives and selected HSE managers and professionals.

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

Alba is committed to both the 2010 Corporate Governance Code issued by Bahrain's Ministry of Industry & Commerce, and the 2011 Corporate Governance Module issued by the Central Bank of Bahrain

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 the law;
- The Company shall have rigorous procedures for appointment, training and evaluation of the Board;
- 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 2011:

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 was published on Alba's website in early 2011.

Corporate Governance Report - The Board presented the Company's first 'Corporate Governance Report' at Alba's 41st Shareholders Meeting in 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 - In December 2010, the Board approved a revised Code of Conduct, setting out required ethical conduct for all employees of the Company. This Code, which is on par with leading international codes of ethics, was launched across the Company in June and July 2011 by the Executive team through a comprehensive communication and training programme. 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 internet 24 hours a day, every day.

Independent external Board survey, evaluation and training - The Board arranged for an independent external Board survey and training workshop to be carried out during 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. Actions are underway to implement improvement recommendations that arose from the survey and the workshop.

Evaluation and assessment of the Board and its Committees – In 2010 and 2011, the Board and its two standing sub-committees, the Board Audit Committee and the HRC, conducted 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 were reported to the Board.

During the 2nd quarter of 2011, the Executive team launched **a new Code of Conduct, on a par with leading international codes of ethics,** through a comprehensive communication and training program

Directors' orientation/handbook – A Director's handbook consisting of key documents and other content on directors' responsibilities was created during 2011 to serve as a reference guide for incumbent directors and to facilitate orientation of new directors.

Directors' independence – In its 2011 review of directors' independence, the Board applied the new guidance from the Central Bank of Bahrain as well as the previously applied classifications set out in the Code.

Conflicts of Interest – Prior to 2011, policies were already 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. In accordance with the Code, abstentions are now required to be minuted. In addition, the Company updated its annual Directors' declaration and reporting process to list directorships of all Bahraini companies even if no conflicts are anticipated.

CEO and CFO Certification of financial statements – The CEO and CFO now 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 has been implemented to identify and report Directors' and Executives' ownership and trading of company shares. The Company has issued

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

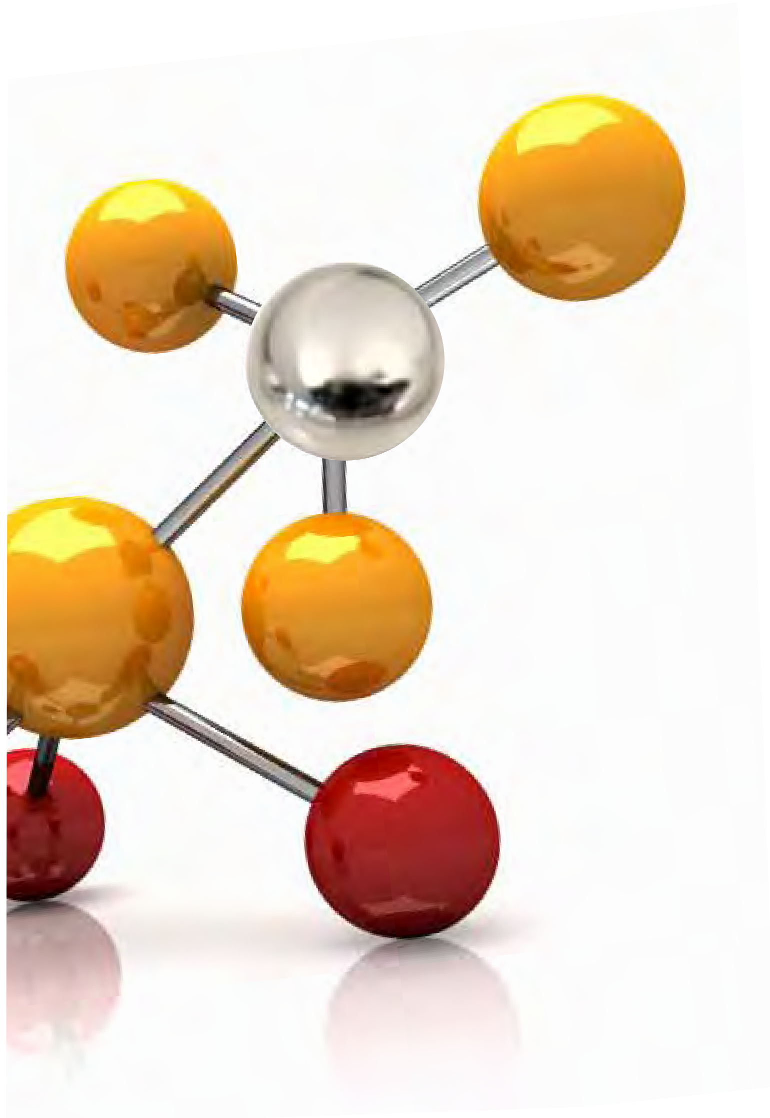
policies on Key Persons Dealing/Insider Trading and circulated these to all directors, officers, and other key employees identified by the Company, and has established, for all directors and officers, quarantine periods for trading in Alba shares.

Levels of Authority – In January 2011, 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.

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 the financial results by the CFO, CEO, Board Audit Committee and Board;
- 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.

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 identifiy 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.

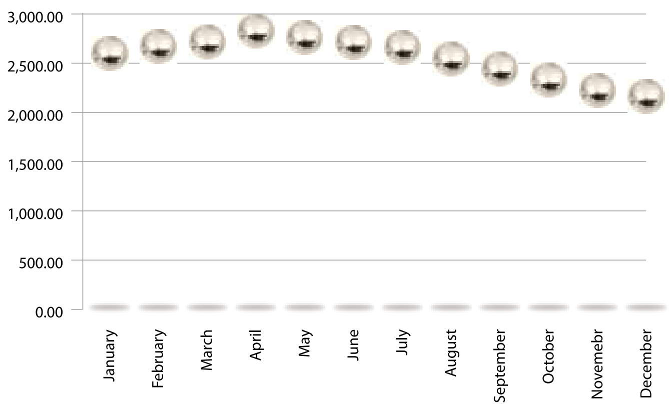
- The cyclical nature of the Company's industry has historically meant that there is significant aluminium price and demand volatility, and a general production overcapacity in the industry;
- The Company has no control over a number of factors that affect the price of aluminium;
- The Company operates in an industry that gives rise to health, safety, security and environmental risks;
- Fire, equipment breakdown, civil strike or unrest, or loss of gas, power or other utilities may result in loss of operational capability or shutdowns for significant periods;
- The loss of 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;
- 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 services for the transportation of raw materials and finished products across significant distances. Prices for such services (particularly for sea transport) could increase;
- The Company has a number of hedging contracts, and has historically experienced significant mark-to-market and realised losses from certain of the Company's derivative positions;
- The Company is exposed to foreign currency fluctuations, which may affect its financial condition;
- There is a high level of competition in the GCC aluminium market, and the Company may lose its market share in the GCC as its competitors increase their production levels;
- The Company's strategy includes growth and expansion of its operations, as well as cost savings initiatives, which may not be achieved on time or on budget;
- The Company does not insure against certain risks, and some of its insurance coverage may be insufficient to cover actual losses incurred; and
- Changes in laws or regulations, or a failure to comply with any laws or regulations, may adversely affect the Company's business.

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

Products
and Markets

Highlights for 2011

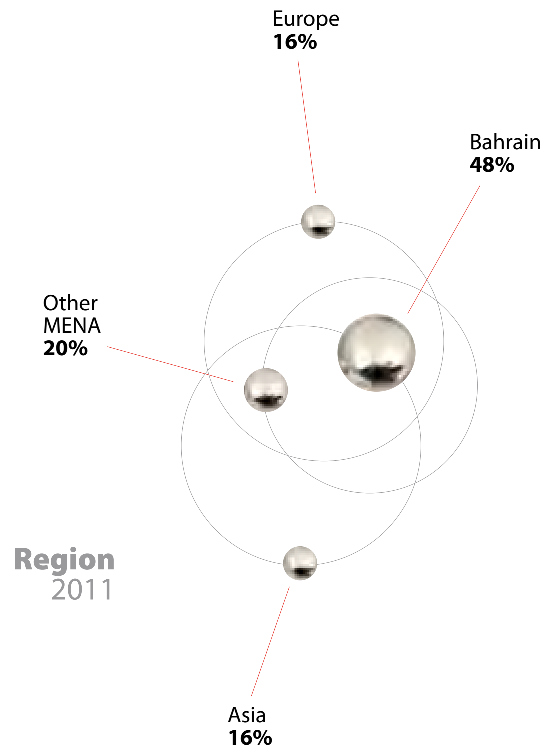
2011 LME Cash AVE Trend (US$ mt)



In terms of tonnage, overall market trends have been positive through most of 2011 with key fundamentals supporting demand:

- Prices of most competing materials remained high over the year relative to aluminium and will continue to be so in 2012, helping to speed substitution effects (especially in the rod and cable market).
- Automotive and packaging downstream markets sustained their overall good performance in Europe and in Asia supported by changing life-styles and urbanisation.
- Chinese consumption and production have increased dramatically, and in parallel, although China is bound to become a net importer.
- The slowdown in Q4 was a severe reaction to perceived risks in financial markets and the slowdown in Europe, but should be temporary
- The LME trend has been bullish, with an annual average of US$2,398.29 per metric tonne even though Q4 cash average settled at US$ 2,089.18 per tonne.

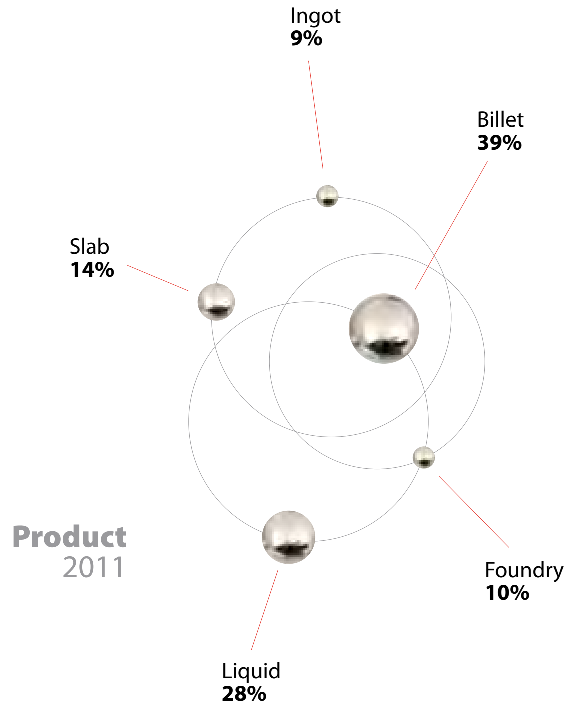
Outlook in 2012



Although market demand will face some challenges as compared to 2011, Alba's capacity has been contracted for, and the company will aim to maximize its output of Value-Added Products. Although the overall market continues to be in a surplus position, this is primarily on the commodity ingot side whereas there is a shortage in terms of Value-Added Products. Despite some political uncertainties in key MENA countries, market trends are positive and well supported by infrastructure spending as well as a housing boom.

Despite the concerns related to European sovereign debt, which triggered cautious inventory management, the clear pickup in the US economy as well as in Japan should support demand in 2012.

Casthouse 2011 Performance



The casthouses have maintained their overall efficient performance:

- Billets production reached **332,406 metric tonnes** - up by 6% from 2010; foundry alloys output was **91,523 metric tonnes** (slightly behind 2010) while slab volumes increased to **127,255 metric tonnes** - up by **11,615 metric tonnes** from the previous year.
- Overall Value-Added Production was **549,185 metric tonnes** - higher by 3% as compared to 2010.

Downstream Markets

Our downstream markets are producing a variety of products:

- Our liquid metal is sold to various Bahraini industries, but most significantly to MIDAL, one of the world's leading cable and rod manufacturers.
- Our billets are sold to Aluminium extruders, who are using the versatile properties of aluminium alloys to create profiles in all shapes and sizes that are mainly used in building applications, such as window frames or structural components. A growing share of aluminium profiles is also used in cars or vehicles where light weighting is becoming a priority. Aluminium components give shock absorption as well as mechanical strength capabilities with less weight than the equivalent properties of pieces produced in steel.
- Our slabs are used by rolling mills to produce foilstock which is then rerolled into household foil or packaging material used in food or pharmaceutical industries. Other types of slabs are rolled into plates or sheets used in the general engineering and building industries.
- Our foundry alloy ingots are used by automotive components manufacturers to produce cast wheels or engine blocks.

H.M. King Hamad Bin Isa Al Khalifa toured the Casthouse in 1993

Health, Safety and Environment

Alba recognises that to be a world leader in workplace safety, health and environmental management systems, visionary statements **must translate into concrete action plans**

Alba's role as a transformational leader is demonstrated through its track record in the areas of health, safety and environment. The primary incentive for this success has been the priority given, throughout the forty years that Alba has been in operation, towards developing a safe work environment – one that will benefit both employees and the wider community.

As one of the world's largest aluminium smelters and a regional pioneer in aluminium production, Alba regards this safety focus as critical to its being recognised as a responsible industrial organisation. It has also paved the way in formulating the company's work culture, defined the way the company conducts its operations, and set the safety parameters for the various processes currently deployed in producing Alba's high grade aluminium products.

Alba SafeWay

Alba recognises that to be a world leader in workplace safety, health and environmental management systems, visionary statements must translate into concrete action plans; hence, 2011 has been marked with a series of initiatives that have brought the company a step closer towards actualising these goals.

In 2011 Alba restructured to create the Health, Safety & Environment (HSE) Department, streamlining all activities under its scope in order to provide strategic direction to raising Alba's global profile as a responsible company in these matters.

The launch in 2011 of the Alba SafeWay project in partnership with DuPont Sustainable Solutions began with an objective of achieving zero incidents causing physical harm throughout the organisation. It sets out to define the state of Alba's safety culture, shape employee behaviour and analyse the effectiveness of current HSE management systems as well as their level of implementation across the company.

The first phase of the project involved a Safety Perception Survey, which helped assess attitudes and perceptions that Alba employees held towards safety, and also to measure the maturity level of the safety culture that exists within the company. With a total of 2,014 employees taking part in the survey, the results clarified overall strength in leadership, structure, process and actions in relation to developing a company wide safety culture.

The HSE Department conducted year-round safety awareness campaign to **encourage safe behaviour amongst employees**

The second phase – which began in October 2011 – laid the groundwork for the introduction of new safety principles. Some of its main features were: encouraging a proactive approach in preventing work related injuries, emphasising the responsibility of company leaders in demonstrating safe behaviour through their example, considering compliance with safe procedures and values to be non-negotiable, correcting any deviations immediately, learning from incidents to prevent recurrence, etc.

As a means to put these principles into action, the development of an Alba safety improvement framework started with the formation of relevant sub-committees to manage and implement safety policies and procedures. A Central Safety Committee with six sub-committees along with a stand-alone Communication & Campaign Committee were set up to ensure that the programme remains sustainable and achieves the required standard.

Leadership in Safety

Among other initiatives undertaken in 2011, the HSE Department conducted a year-round safety awareness campaign to encourage safe behaviour amongst employees. The campaign elements included safe driving, guarding against heat exhaustion, safe use of tools, and general promotion of good health campaign, amongst others.

Extending the campaign's focus towards an external audience as part of a policy of engaging with the community, school visits were conducted to impart the importance of safety amongst the young as well as provide on-the-job training for students at the HSE Department, through a sponsorship agreement signed with Tamkeen.

Alba's involvement in the Gulf Aluminium Council HSE Committee in 2011 was reflected through its contribution and participation in activities that included exchange of best practices, safety standards, plant visits, audits, etc.

Alba continued to maintain the requirements of its OHSAS18001 certificate after due verification by a third party.

HSE training programmes for Alba employees were strengthened in 2011 and were mostly conducted by in-house experts who benefited from exposure to related academic programmes, seminars, conferences and plant visits in 2011. Many of the department staff are certified NEBOSH holders and will be given the opportunity to pursue higher studies – including PhD – to improve and enhance their knowledge.

Health Watch

Alba remains at the forefront of ensuring that employees benefit from a safe work environment that enables them to be healthy and productive. At the centre of Alba's occupational health initiatives is the Alba Health Centre that is widely regarded as one of the most advanced medical facilities available in any industrial organisation in Bahrain.

One of the highlights of 2011 was the Heat Stress Standard that was launched during a workshop in the summer. As a proactive method in safeguarding Alba employees from severe heat exhaustion, it involved raising awareness of heat severity through daily communication of the current heat index. This was the first such programme undertaken in Alba's 40-year history, and it proved to be highly effective in mitigating the hazards of extreme summer heat.

As well, studies were undertaken to assess the health benefits of using face-masks at the pot lines, and in the second half of the year, its usage was made mandatory.

Among the company wide health campaigns launched in 2011 were those addressing manual handling, ergonomics, heat exhaustion, noise pollution, etc.

Environmental Champion

Alba's reputation as an eco-friendly industrial giant has been strengthened by the substantial investments made over the years to set benchmarks in environmental excellence, and this focus continues to provide a strong foundation for the way Alba conducts its operations and manages its production processes. As a result, Alba once again met the requirements of ISO 14001 certification, following verification by a third party.

The evergreen Princess Sabeeka Oasis, with its 7600 trees and its fruit and vegetable garden, as well as an artificial lake teeming with marine life, presents the most tangible evidence of the success of Alba's environmental policies. In 2011, this eco-landmark underwent an overall maintenance program that included major landscaping, and which helped the introduction of new plants and the implementation of new systems for distributing vegetables to Alba employees.

Alba participated in the First Waste Management Conference held in Bahrain and in the Arab Forum for Environmental Development (AFED) in Lebanon.

In 2011, Alba also succeeded in saving up to BD 33,000 after identifying cost effective and innovative ways to reduce, recycle and sell waste materials. As a result, the company saw dramatic waste reduction at the plant. The company also achieved major reduction in liquid waste by using effluent from STP 2 for irrigation at the area around Line 5.

Alba's consumption for potable water is 5,500 cubic meters/day during summer and 4,500 cubic meters/ day in winter. The daily waste water discharge was reduced from 5,742 cubic meters/day to 1,350 cubic meters/day since the calciner plant provides Alba with potable water through thermal desalinization unit. Alba is seeking to have zero liquid discharge (ZLD) and for this purpose, the company has implemented various modifications for waste water to be reused internally for irrigation. As of now, the company was able to reduce waste water by 70%; the remaining 30% reduction is in-progress and is expected to be completed by end of June 2012.

The Road Ahead

Alba remains committed in strengthening its reputation **as a leader in health, safety and environment**

Moving forward, Alba remains committed in strengthening its reputation as a leader in health, safety and environment. The Company regards this focus to be one of the key factors behind its goal towards greater sustainability and success in developing a safe environment for employees and the community at large.

Corporate **Social** Responsibility

Over the past forty years, Alba has maintained consistent emphasis on broadening its involvement in corporate social responsibility initiatives and strengthening its credentials as a strongly committed corporate citizen. Building upon its reputation as an anchor of Bahrain's economy, Alba has succeeded in carving out an effective role as an agent for positive change in the larger community.

Alba achieves this goal by seeking meaningful and sustainable programs through its social investments, and by developing strategies that enrich the quality of life for its stakeholders. This focus is given tangible direction through a structured approach that takes into account the following:

- Greater community engagement to maximise the impact of The Company's social platform.
- Commitment to Bahrain's social, cultural and economic development to underline Alba's status as an industrial leader amongst companies in the Kingdom.
- Employee welfare programmes as a key to developing a productive work environment.
- Support for diverse sporting activities to help inculcate a healthy lifestyle at both the corporate and national levels.

In 2011, Alba continued to maintain its focus on direct community involvement through projects in sectors as diverse as **healthcare, education and the environment**

In 2011, Alba continued to maintain its focus on direct community involvement through projects in sectors as diverse as healthcare, education and the environment. This focus was not restricted to Bahrain alone but also included substantial donations to support relief efforts for famine victims in Somalia. It underlined Alba's commitment to help the underprivileged wherever the need may be.

Alba has also remained steadfast in its backing for the development of health care initiatives in Bahrain. The company provided financial and logistical support towards the Mohammed bin Khalifa bin Salman Al Khalifa Cardiac Centre at the Bahrain Defence Force Hospital, the Zallaq Health Centre based in the Southern Governorate, and the Al Rahma Centre, which offers health, social, psychological, vocational and rehabilitative care to children and young adults.

Alba conducted educational tours for students of Bahrain's schools and universities throughout 2011. The focus was to enable students to gain exposure to Alba's state-of-the-art production process and to help them to understand the dynamics of the aluminium industry. The company also provided financial support for infrastructure development at the University of Bahrain, and sponsored an interactive classroom at Alliance Francaise.

Alba bolstered its presence as a key pillar of the economy through programmes, projects and activities that enabled the company to be recognised as a force for the common good

Alba made a push towards increasing its social commitments for the benefit of communities living in the Southern Governorate where the plant is located. As a result, among a range of other activities, the company was involved in transforming barren land at schools in Jaw and Asker into a lush garden.

On the national stage, Alba bolstered its presence as a key pillar of the economy through programmes, projects and activities that enabled the Company to be recognised as a force for the common good. Alba's position amongst global leaders in aluminium production proved to be a key incentive for many Bahraini youngsters to capitalise on training and employment opportunities available at the Company.

Alba continued to invest in Bahrain's future through its sponsorship of the Crown Prince International Scholarship Programme as well as through its financial and logistical support for inJAz Bahrain and the Association Internationale des Etudiants en Science Economiques et Commerciales (AISEC). Over the years, Alba has employed several of the scholarship programme's graduates, and also enabled many students from inJAz Bahrain to get a taste of Alba's work environment and the ethical foundations underpinning the Company.

Alba Annual Summer Training Programme was held in July 2011, and once again gave high school graduates, university students and Bahrain Training Institute trainees the opportunity to work in Alba for the duration of four weeks.

On the business side, Alba sponsored **"Invest in Bahrain" forum** that was specially organised to showcase Bahrain's attractiveness as an economic destination for international investors

The Bahraini proportion of Alba's 2,700-strong workforce continues to be at 87 per cent, with this level assisted by the induction of over 270 new Bahraini employees into the company in 2011. They were hired at both entry level and management level positions and joined various departments across the company – from operations to administration.

On the business side, Alba sponsored the "Invest in Bahrain" forum that was specially organised to showcase Bahrain's attractiveness as an economic destination for international investors. Other sponsorships included Gulf Industry 2011, 1st Middle East Process Engineering Conference & Exhibition (MEPEC 2011), the 2nd Annual Asian Petcoke Conference, and the like.

Alba's commitment to preserve and protect Bahrain's rich cultural traditions was manifest with the added fillip of its sponsorship of Shaikh Ebrahim Centre for Culture and Research, which serves as a forum for dialogue in philosophy, literature, poetry, culture and the arts. During the holy month of Ramadan, Alba organised a 'gergaoon' celebration for senior citizens residing in different retirement homes in Bahrain. Gergaoon is held on the fifteenth day of Ramadan and involves distribution of gifts to children in special gergaoon bags.

Alba recognises that commitment to employee welfare provides one of the most essential foundations for achieving productivity. Thus, training remains an important focus for greater empowerment, and Alba's employees are continually

Alba sponsor a wide range of sports that strengthened Alba's reputation **as a sports loving Company**

encouraged to update their skills and receive training in Bahrain or, sometimes, even abroad. The Alba Summer Camp for employees' children continues to enjoy popularity and in 2011 saw registration of more than 300 children. The summer camp is held at the Alba Club, which boasts state-of-the-art sports and recreational facilities, free of charge, for all of Alba's employees.

Alba recognises that sports play a fundamental role in character development, physical fitness and in inculcating team spirit. 2011 was no exception and saw Alba sponsor a wide range of sports that strengthened its reputation as a sports loving company. Sponsorships in 2011 included the Fourth King Hamad Golf Championship, the 6-A-Side Football Tournament, the Loyalty to Bahrain Beach Volleyball Tournament, the Alba Biathlon, the Bahrain Baseball League, and support for the Companies and Industrial Establishment Football League.

Apart from sponsorship, Alba's employees made waves on the sporting field with two employees making Bahrain proud by securing the gold medal in Bowling at the 12th Quadrennial Pan Arab Games 2011 in Doha, Qatar, which took place from December 6 - 23, 2011. As well, the Alba Racing Team, showed a power-packed presence at the Speed Weekend of the 2010-2011 WGA Chevrolet Supercars Middle East.

Alba's commitment to corporate social responsibility continues to be fostered across the company. It remains a key component of the organisational culture, and employees recognise it to be an important vehicle for strengthening leadership in the community, and for bolstering its reputation as a caring organisation.

Financial Statements

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 2011 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 2011 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 2011 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.

16 February 2012
Manama, Kingdom of Bahrain

Ernst + Young

Statement of Financial Position
As 31 December 2011

	Note	2011 BD '000	2010 BD '000
ASSETS			
Non-current assets			
Property, plant and equipment	3	**946,807**	992,149
Long term receivable	4	**13,753**	17,192
		960,560	1,009,341
Current assets			
Inventories	5	**158,020**	152,308
Current portion of long term receivable	4	**3,438**	3,438
Accounts receivable and prepayments	6	**83,285**	99,342
Derivative financial instruments	18	**–**	2,352
Bank balances and cash	7	**99,487**	59,812
		344,230	317,252
TOTAL ASSETS		**1,304,790**	1,326,593
EQUITY AND LIABILITIES			
Equity			
Share capital	8	**142,000**	142,000
Treasury shares	9	**(5,029)**	(3,735)
Statutory reserve	11	**71,000**	68,629
Capital reserve	12	**249**	249
Retained earnings		**544,064**	429,245
Proposed dividend	13	**56,509**	62,294
Total equity		**808,793**	698,682
Non-current liabilities			
Borrowings	14	**167,140**	243,738
Derivative financial instruments	18	**34,324**	102,742
Employees' end of service benefits	15 (a)	**940**	972
		202,404	347,452
Current liabilities			
Borrowings	14	**149,733**	145,367
Short term loans	16	**13,084**	6,813
Accounts payable and accruals	17	**100,130**	84,765
Derivative financial instruments	18	**30,646**	43,514
		293,593	280,459
Total liabilities		**495,997**	627,911
TOTAL EQUITY AND LIABILITIES		**1,304,790**	1,326,593

These financial statements were authorised for issue in accordance with a resolution of the Directors on 16 February 2012 and signed on their behalf by:

Chairman

Y.

Director

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

Statement of Comprehensive Income
Year ended 31 December 2011

	Note	2011 BD '000	2010 BD '000
Sales		**883,317**	750,819
Cost of sales		**(662,259)**	(555,079)
GROSS PROFIT		**221,058**	195,740
Other income	19	**7,641**	6,160
Selling and distribution expenses		**(21,835)**	(15,566)
Administrative expenses		**(24,820)**	(26,854)
Gain (loss) on exchange		**394**	(3,072)
Directors' fees	23	**(200)**	(195)
Finance costs	20	**(7,233)**	(7,633)
PROFIT FOR THE YEAR BEFORE DERIVATIVES		**175,005**	148,580
Gain (loss) on revaluation/settlement of derivative financial instruments (net)	18	**36,898**	(10,358)
PROFIT FOR THE YEAR	20	**211,903**	138,222
Other comprehensive income for the year		**-**	-
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		**211,903**	138,222
Basic and diluted earnings per share (fils)	10	**150**	98

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

Statement of Cash Flows
Year ended 31 December 2011

	Note	2011 BD '000	2010 BD '000
OPERATING ACTIVITIES			
Profit (loss) for the year		**211,903**	138,222
Adjustments for:			
Depreciation	3	**78,777**	74,239
Provision for employees' end of service benefits	15 (a)	**789**	904
Gain on revaluation of derivative financial instruments	18	**(78,934)**	(12,521)
Loss (gain) on disposal of property, plant and equipment		**162**	(206)
Write off of property, plant and equipment - net book value		**81**	454
Interest income	19	**(392)**	(533)
Finance costs	20	**6,563**	7,244
Cost on Employees' Stock Incentive Plan	20	**645**	75
		219,594	207,878
Working capital changes:			
Inventories		**(5,712)**	15,803
Accounts receivable and prepayments		**16,057**	(7,127)
Accounts payable and accruals		**15,621**	(12,881)
Cash from operations		**245,560**	203,673
Employees' end of service benefits paid	15(a)	**(821)**	(923)
Net cash flows from operating activities		**244,739**	202,750
INVESTING ACTIVITIES			
Purchase of property, plant and equipment	3	**(34,447)**	(24,002)
Proceeds from disposal of property, plant and equipment		**769**	389
Term deposit	7	**3,011**	(3,011)
Interest received	19	**392**	533
Net cash flows used in investing activities		**(30,275)**	(26,091)
FINANCING ACTIVITIES			
Repayment of long term receivable	4	**3,439**	3,438
Borrowings availed		**222,141**	202,186
Borrowings repaid		**(294,373)**	(269,688)
Movement in short term loans		**6,271**	(2,010)
Finance costs paid		**(6,819)**	(7,965)
Dividends paid		**(100,471)**	-
Margin deposit	7	**932**	(932)
Purchase of treasury shares	9	**(3,125)**	(12,412)
Proceeds from resle of treasury shares		**1,159**	-
Purchase of shares for employees' stock incentive plan	9	**-**	(2,700)
Purchase of shares subsequent to the Initial Public Offering	9	**-**	(1,110)
Repayment of contributions from shareholders		**-**	(75,954)
Net cash flows used in financing activities		**(170,846)**	(167,147)
INCREASE IN CASH AND CASH EQUIVALENTS		**43,618**	9,512
Cash and cash equivalents at 1 January		**55,869**	46,357
CASH AND CASH EQUIVALENTS AT 31 DECEMBER	7	**99,487**	55,869

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

Statement of Changes in Equity
Year ended 31 December 2011

	Note	Share Capital BD '000	Treasury Shares BD '000	Statutory Reserve BD '000	Capital Reserve BD '000	Contributions from Share-holders BD '000	Retained Earnings BD '000	Proposed Dividend BD '000	Total BD '000
Balance at 31 December 2009		142,000	-	54,807	249	75,954	380,675	-	653,685
Total comprehensive loss for the year		-	-	-	-	-	138,222	-	138,222
Amounts repaid to shareholders		-	-	-	-	(75,954)	-	-	(75,954)
Treasury shares purchased from Breton	9	-	(13,536)	-	-	-	-	-	(13,536)
Reissue of treasury shares to shareholders	9	-	13,536	-	-	-	(13,536)	-	-
Treasury shares purchased during the year	9	-	(3,735)	-	-	-	-	-	(3,735)
Transfer to statutory reserve	11	-	-	13,822	-	-	(13,822)	-	-
Proposed cash dividend	13	-	-	-	-	-	(62,294)	62,294	-
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 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 proposed 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**

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

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

1 ACTIVITIES

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

The Company is a public Bahraini Joint Stock Company whose shares are publicly traded on Bahrain Stock Exchange and Global Depositary Receipts .

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

As of 31 December 2011, the majority shareholder of the Company was Bahrain Mumtalakat Holding Company B.S.C. (c) (Mumtalakat), a company wholly owned by the Government of the Kingdom of Bahrain 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 a branch office in Zurich, Switzerland and in 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

The financial statements of the Company have been prepared in accordance with International Financial Reporting Standard (""IFRS"") issued by the International Accounting Standards Board (""IASB"") and in conformity with the Bahrain Commercial Companies Law, applicable requirements of Central Bank of Bahrain Rule Book and 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 2011
The accounting policies adopted are consistent with those of the previous financial year, except for the following new and amended IFRS and International Financial Reporting Interpretation Committee (IFRIC) interpretations effective as of 1 January 2011:

IAS 24 Related Party Disclosures (Amendment)
The IASB has issued an amendment to IAS 24 that clarifies the identification of related party relationships, particularly in relation to significant influence or joint control. The new definitions emphasise a symmetrical view on related party relationships as well as clarifying in which circumstances persons and key management personnel affect related party relationships of an entity. Secondly, the amendment introduces an exemption from the general related party disclosure requirements for transactions with a government and entities that are controlled, jointly controlled or significantly influenced by the same government as the reporting entity. The adoption of the amendment did not have any impact on the financial position or performance of the Company.

IAS 32 Financial instruments: presentation (amendment)
The amendment alters the definition of a financial liability in IAS 31 to enable entities to classify rights issues and certain options or warrants as equity instruments. The amendment is applicable if the rights are given prorate to all of the existing owners of the same class of an entity's non-derivative equity instruments, to acquire a fixed number of the entity's own equity instruments for a fixed amount in any currency. The amendment has had no effect on the financial position or performance of the Company as the Company has not issued these type of instruments.

IFRS 7 Financial instruments: Disclosures (amendment)
These amendments introduced new disclosure requirements for transfers of financial assets, including disclosures for:

- financial assets that are not derecognised in their entirety; and
- financial assets that are derecognised in their entirety but for which the entity retains continuing involvement.

The amendment has had no effect on the disclosures made by the Company as the Company has not issued these types of instruments.

Improvements to IFRSs
In May 2010 the Board issued its third omnibus 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.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *[continued]*

IFRS 7 Financial Instruments - Disclosures
The amendment was intended to simplify the disclosures provided by reducing the volume of disclosures around collateral held and improving disclosures by requiring qualitative information to put the quantitative information in context. In addition other amendments add an explicit statement that qualitative disclosure should be made in the context of the quantitative disclosures to better enable users to evaluate an entity's exposure to risks arising from financial instruments.

IAS 1 Presentation of Financial Statements
The amendment clarifies that an entity may present an analysis of each component of other comprehensive income in the statement of changes in equity or in the notes to the financial statements.

Amendments resulting from Improvements to IAS 34 Interim Financial Statements did not have any impact on the accounting policies, financial position or performance of the Company.

Prospective changes in accounting policies
Standards issued but not yet effective up to the date of issuance of the Company's financial statements are listed below. This listing is of standards and interpretations issued, which the Company reasonably expects to be applicable at a future date. The Company intends to adopt those standards when they become effective:

IAS 1 Financial Statement Presentation
The amendments becomes effective for annual periods beginning on or after 1 July 2012 and require that an entity present separately, the items of other comprehensive income that would be reclassified (or recycled) to profit or loss in the future if certain conditions are met (for example, upon derecognition or settlement), from those that would never be reclassified to profit or loss. The amendment affects presentation only, therefore, will have no impact on the Company's financial position or performance

IAS 19 Employee Benefits
The IASB has issued numerous amendments to IAS 19, which are effective for annual periods beginning on or after 1 January 2013. These include the elimination of the corridor approach and recognising all actuarial gains and losses in the Other Comprehensive Income as they occur; immediate recognition of all past service costs; and replacement of interest cost and expected return on plan assets with a net interest amount that is calculated by applying the discount rate to the net defined benefit liability (asset); and certain clarifications and re-wording. The Company is currently assessing the full impact of these amendments.

IFRS 9 Financial Instruments
IFRS 9 as issued reflects the first phase of the IASB's work on the replacement of IAS 39 and applies to classification and measurement of financial assets and financial liabilities as defined in International Accounting Standard 39 (IAS 39) Financial Instruments : Recognition and Measurement.

It replaces the parts of IAS 39 that relate to the classification and measurement of financial instruments. IFRS 9 requires financial assets to be classified into two measurement categories: those measured as at fair value and those measured at amortised cost. The determination is made at initial recognition. The classification depends on the entity's business model for managing its financial instruments and the contractual cash flow characteristics of the instrument.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *[continued]*

For financial liabilities, the standard retains most of the IAS 39 requirements. The main change is that, in cases where the fair value option is taken for financial liabilities, the part of a fair value change due to an entity's own credit risk is recorded in other comprehensive income rather than the statement of income, unless this creates an accounting mismatch.

It also includes those paragraphs of IAS 39 dealing with how to measure fair value and accounting for derivatives embedded in a contract that contains a host that is not a financial asset, as well as the requirements of IFRIC 9 Reassessment of Embedded Derivatives.

The standard is currently effective for annual periods beginning on or after 1 January 2013. The IASB issued an exposure draft - that proposes the mandatory effective date is changed to periods beginning on or after 1 January 2015 with early application continuing to be permitted. In subsequent phases, the IASB will address hedge accounting and impairment of financial assets.

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

IFRS 13 Fair value measurement
IFRS 13 replaces the fair value measurement guidance contained in individual IFRSs with a single source of fair value measurement guidance. It defines fair value, establishes a framework for measuring fair value and sets out disclosure requirements for fair value measurements. It explains how to measure fair value when it is required or permitted by other IFRSs. IFRS 13 does not extend the use of fair value accounting but provide guidance on how it should be applied where its use is already required or permitted by other standards within IFRSs.

IFRS 13 is effective for annual periods beginning on or after 1 January 2013 and earlier application is permitted. The Company is currently assessing the full impact of this new standard.

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 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.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *[continued]*

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.

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.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *[continued]*

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.

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

Revenue recognition
Revenue 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).

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 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 off	(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**

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

3 PROPERTY, PLANT AND EQUIPMENT *(continued)*

a) Land and buildings include freehold land at a cost of BD 453 thousand as at 31 December 2011 (2010: 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 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 2011 was 1.39% (2010: 1.75%).

The current and non-current portion of the long term receivable as of 31 December 2011 is as follows:

	2011	2010
	BD '000	BD '000
Current portion	**3,438**	3,438
Non-current portion	**13,753**	17,192
	17,191	20,630

5 INVENTORIES

	2011	2010
	BD '000	BD '000
Goods in transit	**20,247**	23,056
Raw materials	**43,897**	33,656
Work-in-process	**52,906**	48,766
Finished goods	**19,038**	25,597
Stores stock [net of provision of BD 1,200 thousand (2010: BD 1,200 thousand)]	**21,932**	21,233
	158,020	152,308

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

	2011	2010
	BD '000	BD '000
At 1 January	**1,200**	1,200
Charge for the year	**394**	2,277
Write off	**(394)**	(2,277)
At 31 December	**1,200**	1,200

6 ACCOUNTS RECEIVABLE AND PREPAYMENTS

	2011	2010
	BD '000	*BD '000*
Trade accounts receivable [net of provision of BD 5,357 thousand (2010: BD 5,714 thousand)]	**77,084**	92,780
Other receivables [net of provision of BD 354 thousand (2010 : nil)]	**5,513**	4,075
Prepayments	**688**	2,487
	83,285	99,342

Trade accounts receivable include BD 13,084 thousand (2010: BD 6,813 thousand) which have been assigned as a security for short term loans (note 16).

As at 31 December 2011, trade accounts receivable at a nominal value of BD 5,357 thousand (2010: BD 5,714 thousand) were impaired. Movements in the allowance for impairment of trade accounts receivable were as follows:

	2011	2010
	BD '000	*BD'000*
At 1 January	**5,714**	6,232
Reversal for the year	**(357)**	(518)
At 31 December	**5,357**	5,714

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

			Past due but not impaired			
	Total	*Neither past due nor impaired*	*Less than 30 days*	*30-90 days*	*91-120 days*	*Over 120 days*
	BD '000	*BD '000*	*BD '000*	*BD '000*	*BD '000*	*BD '000*
2011	**77,084**	**76,137**	**891**	**56**	**-**	**-**
2010	92,780	88,133	4,105	455	87	-

7 BANK BALANCES AND CASH

	2011	2010
	BD '000	*BD '000*
Cash in hand	**20**	29
Cash at bank		
Current accounts	**5,417**	33,819
Call accounts	**45,150**	22,021
Short term deposits	**48,900**	-
Cash and cash equivalents	**99,487**	55,869
Term deposit	**-**	3,011
Margin deposit	**-**	932
Bank balances and cash	**99,487**	59,812

7 BANK BALANCES AND CASH (continued)

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 2011 were ranging between 0.12% to 0.25% (2010: 0.12% to 0.2%)

Short term deposits were placed with financial institutions in the Kingdom of Bahrain and matured between 3 January 2012 and 9 January 2012. The effective interest rate on these short term deposits as of 31 December 2011 ranged between 0.12% to 0.65%.

8 SHARE CAPITAL

	2011	2010
	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:

	2011			2010		
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%	**59,736,839**	**2,430**	**4.21**	52,010,689	2,572	3.66
1% up to less than 5%	**82,263,161**	**2**	**5.79**	14,175,966	1	1.00
5% up to less than 20%	**-**	**-**	**-**	75,813,345	1	5.34
20% up to less than 50%	**292,804,000**	**1**	**20.62**	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	**2,434**	**100.00**	142,000,000	2,576	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:

	2011		2010	
	No. of Shares	**BD '000**	No. of Shares	BD '000
Held for the Employees' Stock Incentive Plan [(note 15 (c)]	**2,215,000**	**1,274**	2,714,000	2,368
Excess of the shares in Employees' Stock Incentive Plan [note 15 (c)]	**785,000**	**707**	286,000	257
	3,000,000	**1,981**	3,000,000	2,625
Purchased subsequent to the IPO – net of sales	**4,269,253**	**3,048**	1,226,494	1,110
	7,269,253	**5,029**	4,226,494	3,735

10 EARNINGS PER SHARE

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

	2011	2010
	BD '000	BD '000
Profit for the year - BD' 000	**211,903**	138,222
Weighted average number of shares, net of treasury shares - thousands of shares	**1,415,161**	1,403,513
Basic and diluted earnings per share (fils)	**150**	98

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. During the year, the company transferred BD 2,371 thousand (2010: BD 13,822 thousand) to achieve the stipulated percentage and has resolved to discontinue transfers. 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 1 August 2011, the Board of Directors proposed an interim dividend of BD 0.027 per share (excluding treasury shares) totalling BD 38,203 thousand (2010: no interim dividend) which was subsequently paid. On 16 February 2012, the Board of Directors has recommended a final dividend of BD 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 8 March 2012.

On 30 March 2011, the Company's shareholders approved the Board of Directors' proposal to pay a final dividend of BD 0.044 per share (excluding treasury shares) totalling BD 62,294 thousand relating to 2010 from which BD 62,268 thousand was paid (2010: no dividend was paid for 2009).

14 BORROWINGS

	Current maturities	Non-current maturities	**Total 2011**	Total 2010
	BD '000	BD '000	**BD '000**	BD '000
Working capital revolving credit at 1.5% to 3,44% (2010: 2.13% to 5.44%) [1]	60,160	-	**60,160**	75,200
Coke Calcining Project (2010: 0.76% to 1.46%)	-	-	**-**	4,178
Line 5 projects at 0.86% to 1.77% (2010: 0.84% to 2.86%)	19,007	128,762	**147,769**	166,775
Coface loan at 0.78% to 0.9% (2010: 0.78% to 2.23%)	6,492	12,984	**19,476**	25,968
Refinancing loan at 0.89% to1.27% (2010: 0.65% to 1.27%)	58,705	-	**58,705**	99,065
Euro Coface loan at 2.63% to 3.26% (2010: 2.48% to 2.81%) [2]	3,585	17,543	**21,128**	14,132
Euro SERV Loan at 2.48% to 2.98% (2010: 2.15% to 2.49%) [3]	1,784	7,851	**9,635**	3,787
Total borrowings	149,733	167,140	**316,873**	389,105
Payable within one year			**149,733**	145,367
Payable after one year			**167,140**	243,738
			316,873	389,105

[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 of up to 12 month terms. It is the Company's policy to maintain the current level of borrowings under these facilities by issuing new promissory notes in place of maturing notes.

[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.

14 BORROWINGS *[continued]*

[3] Euro SERV Loan
On 20 June 2010, the Company has entered into SERV facility agreement with a syndicate of financial institutions for Euro 22.4 million. BNP Paribas (Suisse) SA, Switzerland is the 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:

	2011	*2010*
	BD '000	*BD '000*
Provision as at 1 January	**972**	991
Provided during the year (note 20)	**789**	904
Employees' end of service benefits paid	**(821)**	(923)
Provision as at 31 December	**940**	972

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

	ALBA Savings Benefit Scheme		*Social Insurance Organisation*	
	2011	*2010*	**2011**	*2010*
	BD '000	*BD '000*	***BD '000***	*BD '000*
Provision as at 1 January	**1,528**	1,876	**989**	666
Expense recognised in the statement of comprehensive income (note 20)	**3,301**	3,561	**5,225**	5,404
Contributions paid	**(3,240)**	(3,909)	**(4,927)**	(5,081)
Provision as at 31 December (note 17)	**1,589**	1,528	**1,287**	989

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. The number of employees eligible for this plan were 2,215 (2010 : 2,714) and the excess of 785,000 shares is held as treasury shares as of 31 December 2011 (2010 : 286,000 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 13,084 thousand (2010: BD 6,813 thousand) (note 6). The effective interest rates as of 31 December 2011 ranged between 0.92% to 2.55% (2010: 2.3% to 3%).

17 ACCOUNTS PAYABLE AND ACCRUALS

	2011	*2010*
	BD '000	*BD '000*
Trade payables	**53,488**	50,057
Retentions payable	**124**	148
Employee related accruals	**32,152**	20,652
Accrued expenses	**11,269**	9,256
Advances from customers	**221**	2,135
Alba Savings Benefit Scheme [note 15 (b)]	**1,589**	1,528
Social Insurance Organisation [(note 15 (b)]	**1,287**	989
	100,130	84,765

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 2011 and 31 December 2010 are as follows:

	2011		*2010*	
	Assets	***Liabilities***	*Assets*	*Liabilities*
	BD '000	***BD '000***	*BD '000*	*BD '000*
Commodity options	**-**	**55,599**	1,440	131,391
Commodity futures	**-**	**715**	912	-
Interest rate collars and knockout swaps	**-**	**8,318**	-	13,530
Forward foreign exchange contracts	**-**	**338**	-	1,335
Total	**-**	**64,970**	2,352	146,256

Classified in the statement of financial position as follows:

Non-current portion:				
Commodity options	**-**	**29,911**	-	95,211
Interest rate collars and knockout swaps	**-**	**4,366**	-	7,531
Forward foreign exchange contracts	**-**	**47**	-	-
	-	**34,324**	-	102,742
Current portion:				
Commodity options	-	**25,688**	1,440	36,180
Commodity futures	-	**715**	912	-
Interest rate collars and knockout swaps	-	**3,952**	-	5,999
Forward foreign exchange contracts	-	**291**	**-**	1,335
	-	**30,646**	2,352	43,514

18 DERIVATIVE FINANCIAL INSTRUMENTS *[continued]*

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.

	2011	2010
	BD '000	BD '000
Revaluation:		
Commodity options	**74,352**	11,385
Commodity futures	**(1,627)**	46
Interest rate collars and knockout swaps	**5,212**	1,415
Forward foreign exchange contracts	**997**	(325)
	78,934	12,521
Realised:		
Commodity options	**(34,241)**	(14,997)
Commodity futures	**(270)**	803
Interest rate collars and knockout swaps	**(7,525)**	(8,685)
	(42,036)	(22,879)
Net gain (loss) on fair valuation taken to statement of comprehensive income	**36,898**	(10.358)

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

Commodity options
The Company entered into commodity options to offset the premium payable on the interest rate collars. The exposure to the Company is that if the LME price of aluminium exceeds US$ 1,658 (2010: 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 (2010: 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 13,900 metric tonnes (2010: 14,375 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 2011 was US$ 513,097 thousand (2010: US$ 606,451 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 2,179 thousand (2010: BD 10,783 thousand) as of 31 December 2011. These contracts expire on 8 March 2013.

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19 OTHER INCOME

	2011	2010
	BD '000	BD '000
Interest on bank deposits and receivable	**392**	533
Sale of water	**1,973**	1,617
Miscellaneous	**5,276**	4,010
	7,641	6,160

20 PROFIT FOR THE YEAR

Profit for the year is stated after charging:

	2011	2010
	BD '000	BD '000
Staff costs:		
Wages and salaries	**83,475**	64,865
Employees' end of service benefits [note 15 (a)]	**789**	904
Alba savings benefit scheme [note 15 (b)]	**3,301**	3,561
Social Insurance Organisation [note 15 (b)]	**5,225**	5,404
Indirect benefits (housing, education)	**532**	517
Payments to contractors	**2,580**	2,328
Cost of Employees' Stock Incentive Plan	**645**	75
Others	**297**	336
	96,844	77,990
Inventories recognised as an expense in cost of sales	**392,312**	315,475

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

	2011	2010
	BD '000	BD '000
Cost of sales	**82,942**	67,112
Administrative expenses	**12,414**	9,680
Selling and distribution expenses	**1,488**	1,198
	96,844	77,990
Finance costs:		
Interest on borrowings and short term loans	**6,563**	7,244
Bank charges	**670**	389
	7,233	7,633

21 COMMITMENTS AND CONTINGENCIES

a) Commitments

	2011	2010
	BD '000	BD '000
Physical metal commitments		
Sales commitments:		
14,480 metric tonnes (2010: 7,250 metric tonnes)	**13,853**	7,268

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 amounting to BD 5,000 thousand. As of 31 December 2011, the Company has a remaining commitment of BD 1,500 (2010: BD 3,000 thousand) towards the purchase of its own shares.

Capital expenditure
Estimated capital expenditure contracted for at the reporting date amounted to BD 21,995 thousand (2010: BD 28,197 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 2011 were BD 10,752 thousand (2010: BD 3,873 thousand). The commitments are expected to be settled within 1 year.

At 31 December 2011, the Company's bankers have issued letters of credit to counterparties for derivative transactions amounting to BD 11,290 thousand (2010: BD 24,440 thousand).

b) Contingencies
The Company has issued guarantees to banks in the Kingdom of Bahrain in respect of the Albaskan Scheme, amounting to BD 11,974 thousand (2010: BD 9,705 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 and timing of any payments at this stage. Hence no provision has been recognised in these financial statements.

ii) On 27 February 2008, the Company filed a suit in a U.S. Federal District Court against Alcoa, Inc., Alcoa World Alumina LLC and members of its senior management (together, "Alcoa"). In the complaint, the Company alleges that Alcoa conspired to bribe certain former members of its senior management and officials of the Government of the Kingdom of Bahrain to ensure that Alcoa continued to benefit from the Company's alumina purchases at inflated prices. Among other remedies, the Company is seeking damages in excess of (BD 376 million) US$ 1 billion for illicit activities that took place from 1993 to 2008.

The U.S. Government had in March 2008 been granted an unopposed motion to intervene and to stay discovery to allow the U.S. Government to conduct a criminal investigation into the allegations without interference from the ongoing civil litigation. The stay was lifted in November 2011 and the suit is still ongoing.

21 COMMITMENTS AND CONTINGENCIES *(continued)*

c) Legal claims *(continued)*
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. Therefore, it is not clear whether the Company in fact will be able to collect any damages from the defendants. The criminal conviction was pardoned by a Royal Decree. However the Company's civil claim is still pending under a civil court proceeding.

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

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

22 OPERATING SEGMENT INFORMATION

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

a) Product

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

	2011	2010
	BD '000	BD '000
Aluminium	**866,791**	734,768
Calcined coke	**16,526**	16,051
Total sales revenue	**883,317**	750,819

22 OPERATING SEGMENT INFORMATION *[continued]*

b) Geographic information

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

	2011	2010
	BD '000	BD '000
Kingdom of Bahrain	405,807	350,841
Asia	131,512	150,636
Rest of the Middle East and North Africa	203,230	154,287
Europe	142,768	95,055
Total sales revenue	883,317	750,819

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 301,733 thousand (2010: BD 262,062 thousand), each being more than 10% of the total sales revenue for the year.

23 RELATED PARTY TRANSACTIONS

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

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

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

	2011	2010
	BD '000	BD '000
Other related parties		
Revenue and other income		
Sale of metal	130,665	108,695
Sale of water	1,502	1,227
Interest on long term receivable	286	373
Total sales revenue	132,453	110,295
Cost of sales and expenses		
Purchase of natural gas and diesel	63,494	59,635
Royalty	3,653	3,526
	67,147	63,161

23 RELATED PARTY TRANSACTIONS *[continued]*

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

	2011	2010
	BD '000	BD '000
Other related parties		
Assets		
Long term receivables	17,191	20,630
Bank balances	13,834	15,040
Receivables	8,400	10,531
	41,436	46,201
Liabilities		
Borrowings	7,520	-
Payables	9,283	14,661
	16,803	14,661

Outstanding balances at year-end arise in the normal course of business. For the year ended 31 December 2011, the Company has not recorded any impairment on amounts due from related parties (2010: nil).

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

	2011	2010
	BD '000	BD '000
Short term benefits	1,321	1,179
End of service benefits	103	70
Contributions to Alba Savings Benefit Scheme	17	29
Other benefits	-	377
	1,441	1,655

Directors' fees during the year amounted to BD 200 thousand (2010: BD 195 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.

24 RISK MANAGEMENT *[continued]*

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 2011.

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

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

	Interest on call accounts and short term deposit		*Interest on borrowings (after giving effect for derivatives financial instruments)*	
	Increase / decrease in basis points	Effect on results for the year	Increase / decrease in basis points	Effect on results for the year
		BD '000		*BD '000*
2011	**25** **-25**	**235** **(235)**	**25** **-25**	**1,018** **(1,018)**
2010	25 -25	65 (65)	25 -25	(2,418) 2,418

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 2011, with all other variables held constant.

24 RISK MANAGEMENT *[continued]*

	Increase/ decrease in LME	*Effect on results for the year*
	price	*BD '000*
2011	**+30%** **-30%**	**(16,894)** **16,049**
2010	+30% -30%	(38,712) 36,776

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.

The table below indicates the Company's unhedged foreign currency exposures at 31 December 2011, 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 instruments	***Currency***	***2011***	*2010*
		BD '000	*BD '000*
Bank balances	Euro	**2,067**	8,106
	Great Britain Pound	**35**	35
Receivables	Euro	**5,294**	18,140
Borrowings	Euro	**31,899**	17,919
Payables	Euro	**728**	2,288
	Great Britain Pound	**-**	39

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.

	2011		*2010*	
	Increase in currency	***Effect on results for the year***	*Increase in currency*	*Effect on results for the year*
	BD	***BD '000***	*BD*	*BD '000*
Euro	**+10%**	**(2,527)**	+10%	604
Great Britain Pounds	**+10%**	**4**	+10%	-
		(2,523)		604

24 RISK MANAGEMENT *[continued]*

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.

Provision 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 53.57% of outstanding accounts receivable at 31 December 2011 (2010: 42%).

As of 31 December 2011, the Company has a significant concentration of credit risk to Gulf Aluminium Rolling Mill Company B.S.C. (c) which consists of:

	2011	*2010*
	BD '000	*BD '000*
Long term receivable	**17,191**	20,630
Trade accounts receivable	**8,159**	9,982
	25,350	30,612

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

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	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**
Short term loans	**11,657**	**1,427**	**-**	**-**	**13,084**
Derivative financial instruments	**8,122**	**24,363**	**36,383**	**-**	**68,868**
Accounts payable and accruals	**59,668**	**-**	**-**	**-**	**59,668**
Total	**144,758**	**113,865**	**208,321**	**-**	**466,944**

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

Capital management
Capital comprises share capital, statutory reserve, capital reserve, retained earnings less treasury shares, and is measured at BD 808,793 thousand as at 31 December 2011 (2010: BD 698,682 thousand).

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

The Company manages its capital structure and makes adjustments to it in light of changes in economic conditions. To maintain or adjust the capital structure, the Company may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. No changes were made in the objectives, policies or processes for managing capital during the years ended 31 December 2011 and 31 December 2010.

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, payables and amounts due to shareholders. Derivative financial instruments consist of interest rate collars, knockout swaps, forward exchange contracts and commodity options.

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

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

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

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

25 FAIR VALUES OF FINANCIAL INSTRUMENTS *[continued]*

As at 31 December 2011, the Company's derivative financial instruments, consisting of interest rate swaps, are measured at fair value. These are Level 2 as per the hierarchy above for the years ended 31 December 2011 and 31 December 2010. 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 2011, gross trade accounts receivable were BD 82,441 thousand (2010: BD 98,494 thousand), and the provision for impairment was BD 5,357 thousand (2010: BD 5,714 thousand). Any difference between the amounts actually collected in future periods and the amounts expected will be recognised in the statement of comprehensive income.

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

At 31 December 2011, stores stock was BD 23,132 thousand (2010: BD 22,433 thousand) with provisions for old and obsolete items of BD 1,200 thousand (2010: 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 charge would be adjusted where the management believes the useful lives differ from previous estimates.

27 ALBA SAVINGS BENEFIT SCHEMES

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.

27 ALBA SAVINGS BENEFIT SCHEMES *[continued]*

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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