Embracing the future for the long-term

2014 Annual Report

alba

Aluminium for the world

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

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

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

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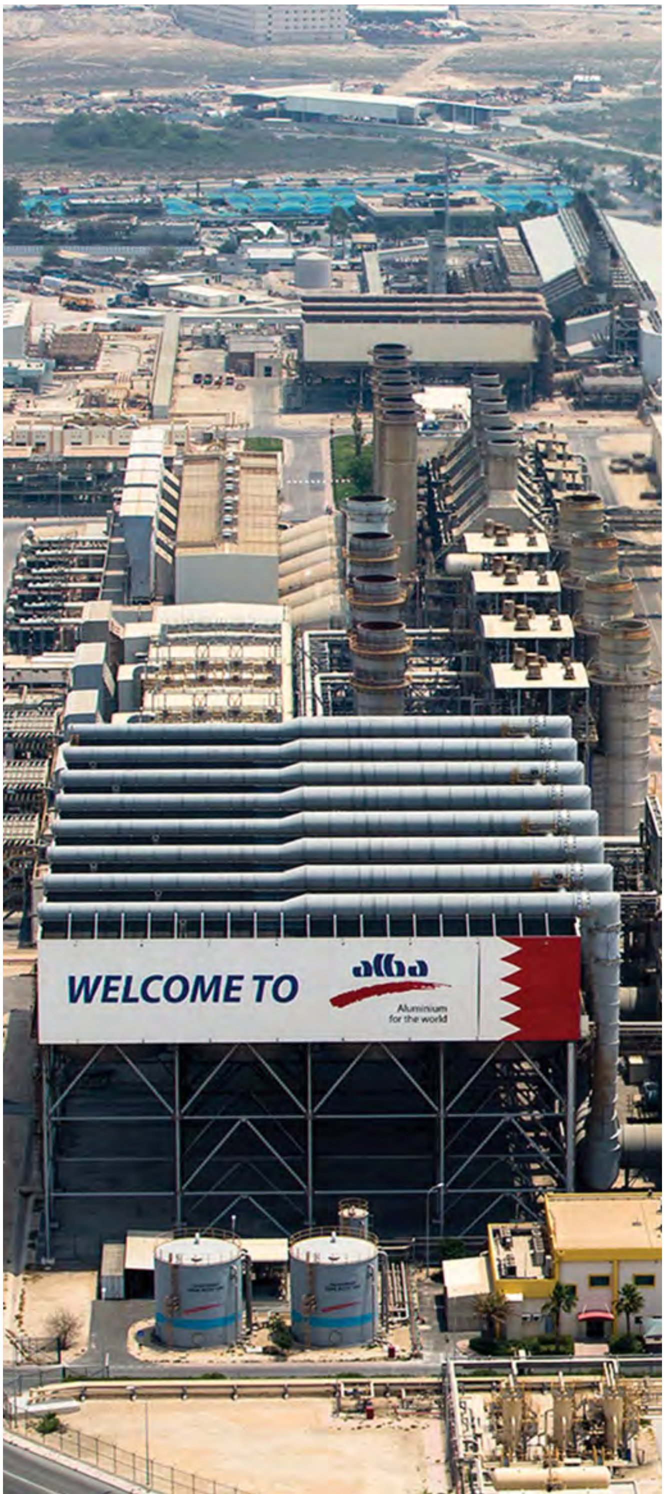


Board of Directors

Shaikh Daij bin Salman bin Daij Al Khalifa
Chairman

Yousif A. Taqi
Director

Osama M. Al Arrayedh
Director

Abdul Aziz Al Humaid
Director

Fahad Nasser Al Hazzani
Director

Dr. Mohamed Kameshki
Director

Tony Robinson
Director

Fahad S. Al Sheaibi
Director

Mutlaq H. Al Morished
Director

Executive Management

Tim Murray
Chief Executive Officer

Isa Al Ansari
Chief Operations Officer

Ali Al Baqali
Chief Financial Officer

Jean-Baptiste Lucas
Chief Marketing Officer

Letter to Shareholders

Dear Shareholders,

It gives me great pleasure to present the 2014 Annual Report of Aluminium Bahrain B.S.C, for the year ended 31st December 2014 on behalf of Alba's Board of Directors.

2014 has been another strong year for Alba as we have been building further on 2013 achievements in delivering predictable and reliable performance as well as fostering a culture of excellence.

Our objective is simple: to create long-term value for you, our shareholders, through our relentless pursuit to operate better and to enhance performance by expanding the Company's production capacity, ensuring safety in the workplace, and reducing cost and increasing profitability.

Alba had a record setting year in terms of production, achieving 931,427 metric tonnes as against 912,700 metric tonnes in 2013 – the highest in the company's history. Our resilient cash flow coupled with our disciplined capital management has allowed us to declare a total dividend of Fils 27 per share for the year 2014, equivalent to BD 38.2 million (US$ 101 million) in total .

Last year, we launched 'Project Titan' with the aim of reducing our underlying cash cost by US$ 150 per metric tonne by January 2016; while we are pleased with our progress to date, we will spare no efforts to continue maintaining Alba's competitive position in the industry by focusing on further improved cost controls across all our operations, seizing the right growth opportunities and optimizing our existing operations.

Good Governance

Good governance is at the core of the company's long-term success, and I am pleased to present Alba's Corporate Governance Report on page 16, which sheds light on how Alba conducts its operations with full compliance to the laws of the Kingdom of Bahrain, the Memorandum and Articles of Association of the Company, its own Board Charter, and the Company's 'Levels of Authority' documentation.

The Year Ahead

As the market conditions are changing at a fast pace, we remain focused on investing for our future growth with Line 6 expansion project – which will further strengthen Alba's position as one of the largest single site smelters in the world, and will enable it to operate even more efficiently whilst at the same time optimising our cost structure as well as creating long-term shareholder value. Safety will always be on top of our mind in everything we do and will continue to remain an integral part of our operations.

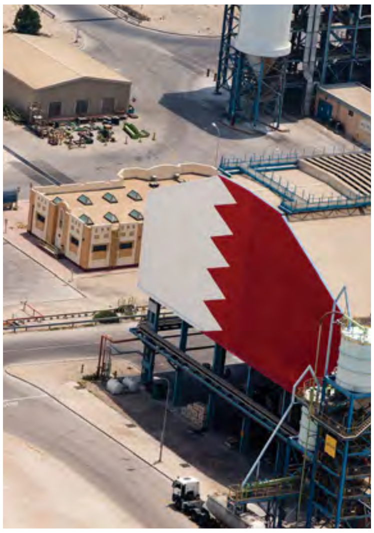
Sustainable and profitable growth is a never-ending journey, and that can only be achieved by having the right people in the right positions; and for this purpose, allow me to express my recognition and appreciation to my colleagues on the Board of Directors Alba's Executive Management, our committed employees and supportive Shareholders, who have made Alba what it is today.

Finally, I would like to take this opportunity to genuinely express my gratitude to His Majesty the King of Bahrain, King Hamad bin Isa Al Khalifa; His Royal Highness the Prime Minister, Prince Khalifa bin Salman Al Khalifa; His Royal Highness the Crown Prince, First Deputy Prime Minister and Chairman of the Bahrain Economic Development Board, Prince Salman bin Hamad Al Khalifa, for their continuous and generous support and wise guidance. I would also like to thank the Government of the Custodian of the Two Holy Mosques for its most valuable support to the Company.

Warm Regards,

Daij bin Salman bin Daij Al Khalifa

Chairman of the Board
Aluminium Bahrain B.S.C



"For 2015, we aim to keep on building the future we want for Alba"

A break-through record in production

931,427 metric tonnes

Free-Cash Flow at
BD 114.7 million

consistent return to our shareholders
27 Fils
per share as total dividend

A defined pathway

Reflection

Over the past two years we have made significant strides in improving Safety, Training and Production along with bringing strong bottom line results. We believe we have laid the foundation for future growth and have positioned Alba to continue as a leader in the Aluminium industry.

In 2014, we managed to make considerable progress on our priorities and were able to deliver against our targets all the while by meeting the changing dynamics of the aluminium industry.

Performance Highlights

A focused marketing strategy coupled with good execution and high facility reliability across our operations contributed to strong financial results in 2014.

- Production rose by 2.1% YoY to reach 931,427 metric tonnes (mt) as we continue to push the limits on operational performance
- Growth in Alba's top-line was underpinned by higher sales volume and physical premiums – total sales grew by 8.8% YoY to reach BD 821.7 million (US$ 2.185 billion) versus BD 749.3 million (US$ 1.993 billion) in 2013.
- EBITDA margin up by 3 percentage points to 21.3% versus 18.2% in 2013.
- Net Income surged to BD 96.4 million (US$ 257 million) compared to BD 79.7 million (US$ 212 million) in 2013 - up by 21% YoY as a result of higher EBITDA.
- Maintaining a sound cash flow generation is a key to deliver solid shareholder returns – our Free-Cash-Flow increased by 35% YoY to

BD 114.7 million (US$ 305 million) which have allowed us to pay a total dividend of BD 37.9 million (US$ 101 million), equivalent to 27 Fils per share.

Safety at the Core of our Operations

At Alba we believe that the Ownership of Safety is everyone's responsibility and that Safety is our number one priority both at the work place and at home. We are committed to promoting the health and well-being of our employees and contractors, fostering a safe workplace as well as protecting the environment for the benefit of current and future generations.

We also believe that good safety performance is linked to improved productivity, which in turn has led to better financial results and this was once again seen in 2014. In 2014 Alba was the 1st place winner of the Gulf Aluminium Council (GAC) Health & Safety Award under the Smelter Category in GCC region which recognises the excellence in health and safety performance for companies implementing best practices.

Delivering Value

Alba remains committed to delivering on its targets for Project Titan– a 2 year program launched in last quarter of 2013 to reduce our cash cost by US$ 150 per mt to further strengthen our position as one of the lowest cost smelters in the world. This focus will continue to be our main priority in light of the downward trend of LME prices we have witnessed in the last quarter of 2014 and which we expect to continue in 2015.

One Company – Global Footprint with a Bahrain Heritage

We are proud of our Human Capital and believe it is our responsibility to develop our people.

We strongly believe that we are in the "People Business" and that the success of our company is tied to the

"...people are our driving force..."

Total revenue up by **8.8%**

Net Income surged to **US$ 257 million**

EBITDA margin at

21.3%

up by 3 percentage points

success of our people. By investing in our people we will continue to drive results to the benefit of all our stakeholders.

Stage Set for Growth - Line 6 Expansion Project

Over the past 2 years we have done many things in order to prepare for the Line 6 Potline expansion. During 2014 through the support of the Bahrain Government we were able to secure required natural gas allocation and we also completed Line 6 Bankable Feasibility Study (BFS). We are still in the process of obtaining all the necessary final approvals and once construction is complete Line 6 will add approximately 400,000 mt to our existing capacity of 931,427 mt - raising Alba's total production output to around 1.3 million mt per annum to be one of the largest single site smelters in the world.

Outlook: To the Future and Beyond

As we move into 2015 and beyond, we aspire to continue building upon the achievements of 2014, carrying momentum forward to continually raise the bar. In this regard, I would like to extend my thanks and gratitude to our workforce and Alba Labour Union – OUR PEOPLE who make things happen in Alba.

I also take the opportunity to thank our Board of Directors for steering Alba to where it is today and for their strategic guidance throughout the years.

We believe that through our drive to achieve we will be able to exceed our goals and make Alba the leading Aluminium smelter in the world.

Total sales grew to reach
US$ 2.185 billion

"We performed against all odds"

Alba and Klaveness reach settlement

Alba launches Project Titan

Alba launches first batch of Women's Vocational Training Programme

Alba wins International Safety Award (The British Safety Council)

Alba's Pot Line 4 upgraded to AP36 technology

Alba promotes more than 600 employees across the plant

Alba shares its safety story at international roundtable

Alba inaugurates new datacentre

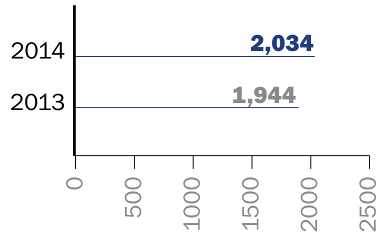
Alba appoints Abdulrahman Janahi as Director of Administration

Operational Highlights

- ALBA wins top USA Safety Award
- Alba boosts Bahrainisation through latest batch of TDP
- Alba wins the prestigious 2014 RoSPA Gold Award for Safety
- Alba wins prestigious International Green Apple Awards 2014
- Alba hosts the 18th International Arab Aluminium Conference (Arabal 2014)
- Alba wins 2014 GAC Health & Safety Award
- Alba wins Best Company for Investor Relations in Bahrain for the 4th year
- Alba Power adds new air compressor to existing fleet
- Alba sets all-time production record of 931,427 mtpa in 2014

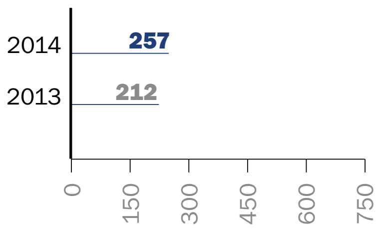
Financial Highlights

Metal Sales



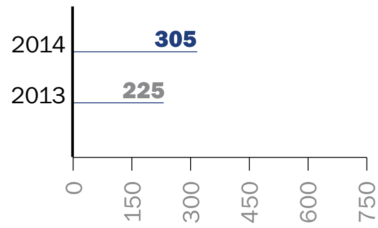
Revenues up by **4.6%** YoY due to higher overall sales' volume and premiums

Net Profit



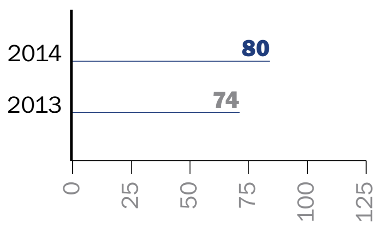
Net Profit amounted **US$257 million** up by **21%** YoY and driven by higher EBITDA levels

Free Cash Flow



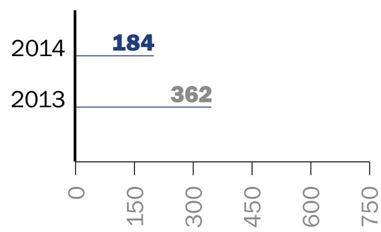
Free Cash Flow surged by **36%** YoY to reach **US$ 305 million** in 2014 due to higher EBITDA and sound Working Capital Management

Equity Ratio



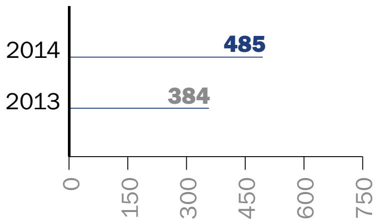
TotalAssets down by **2%** versus 2013 Shareholders' Equity up by **6%** resulting in a boost in Equity ratio

Net Debt



Net Debt down by **49%** YoY compared to 2013. This decrease is mainly attributed to repayments of long-term loans

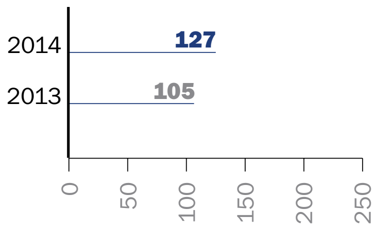
EBITDA*



EBITDA
up by
26% YoY
due to solid physical premiums, higher overall sales and favourable plant performance

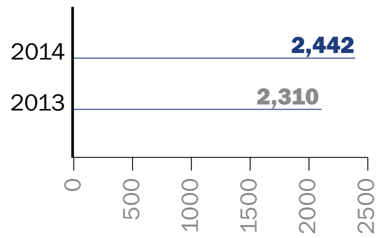
** EBITDA excluding one-off items and Alcoa Settlement*

Cash Payback to Shareholders



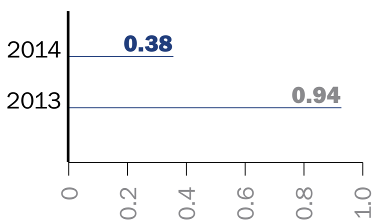
Cash Payback to Shareholders is up by **21%** YoY
Cash Payback to Shareholders is equal to 2013 final dividend tranche (US$ 82 million) and 2014 interim dividend tranche (US$ 45 million)

Shareholders' Equity



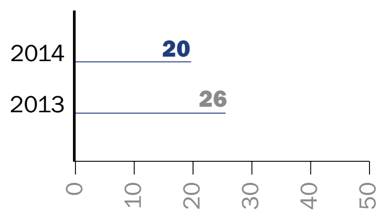
Shareholders' Equity up by **6%** YoY
to stand at
US$ 2,442 million
on the back of boosting Retained Earnings

Net Debt to EBITDA



Net Debt to EBITDA continues to strengthen and is down by **60%**
compared to 2013 on the back of lower Net Debt levels

Leverage Ratio



Leverage ratio stood at **20%**
on the back of higher Equity Ratio and lower Net Debt

Arial shot of the oasis

Monitoring business

Description of the Company's management and supervisory bodies

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

The Board of Directors has three sub-committees. The Board Audit Committee (BAC) carries out the Board's audit functions in accordance with the BAC Charter, and also has responsibilities for risk and corporate governance. It has six members, each of whom has a financial and/or audit background. The Nomination and Remuneration Committee (NRC) carries out the Board's nominating and remuneration functions in accordance with the NRC Charter. It has three members, all of whom are external directors. On 27 February 2014, the Board added a third Board Committee, the Board Executive Committee, and approved its Charter on 11 June 2014. Relevant members of management attend Board and sub-committee meetings.

The Company is headed by a Chief Executive Officer (CEO), who has three

Executives (Chief Financial Officer, Chief Marketing Officer, and Chief Operations Officer) and three Directors reporting to him. Each Executive oversees a number of Managers. The Company has a Corporate Secretary and a Chief Internal Auditor and Risk Officer, who report independently to the Chairman of the Board/ Chairman of the Board Audit Committee respectively.

Corporate governance practices applied by the Company

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

- The Company shall be headed by an effective, collegial and informed Board;
- The directors and officers shall have full loyalty to the Company;
- The Board shall have rigorous controls for financial audit and reporting, internal control, and compliance with law;
- The Company shall have rigorous procedures for appointment, training and evaluation of the Board;
- 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 operates in line with a set of Board approved 'Corporate Governance Guidelines'."

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.

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

Corporate Governance Guidelines - The Company operates in line with a set of Board approved 'Corporate Governance Guidelines'. This document is fully aligned with the above Code, and is published on Alba's website.

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

Code of Conduct - A Board approved 'Code of Conduct', on par with leading international codes of ethics, and setting-out required ethical conduct for all employees and representatives of the Company, has been launched across the Company by the Executive team through a comprehensive communication and training program. Compliance with the Code of Conduct is monitored by Alba's Integrity Task Force, which comprises the Chief Internal Auditor, Legal Manager and Director of Administration, and reports directly to the Board Audit Committee. Monitoring tools include an independently operated confidential hotline and reporting system that provides for reporting in multiple languages by phone and intranet 24 hours a day, every day.

Independent external Board survey, evaluation and training - An independent external Board survey and a training workshop were

Anodes ready for production

"Code of Conduct, on par with leading international codes of ethics" conducted in late 2013 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, and indicated that Alba was both well above regional benchmarks, and had made significant progress across most elements of Corporate Governance.

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

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

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

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

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

Arial shot of the calciner

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

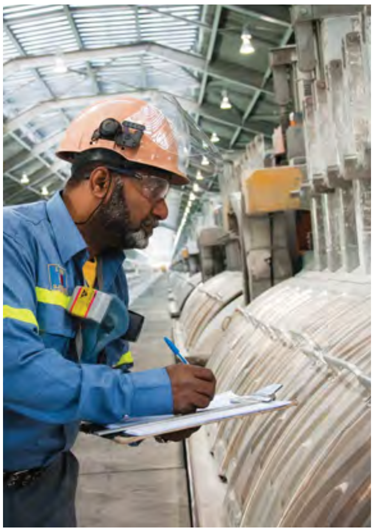
Levels of Authority – In September 2014, the Board approved an updated Levels of Authority document for the Company. This document defines the limits of approvals and decision-making authority designated to specified positions of responsibility within the Company.

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

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

The Board, through the Board Audit Committee (BAC), 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 BAC of the results of the statutory audit, including a review of the financial performance, any changes to disclosure, a subsequent events review, important accounting matters and other internal control matters;
- Review and formal approval of financial results by the CFO, CEO, BAC and Board;
- Co-ordination and review by Public Relations and Investor Relations department of all releases of financial results and other market-sensitive information to the market and to regulators;
- Monitoring by the Risk Management team, of progress against agreed actions for financial and other risks identified through the application of Alba's Board approved Enterprise Risk Management Framework, and with regard to the Risk Appetite set by the Board. The BAC 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 BAC. On a quarterly basis, the BAC reviews and discusses the internal audit findings, recommendations and agreed management actions, as well as progress made against prior audit findings. Additional private meetings are held between



"Alba was both well above regional benchmarks, and had made significant progress across most elements of Corporate Governance."

Ducks at the Oasis

the BAC Chairman and the Chief Internal Auditor and Risk Officer;
- Audits carried out by the National Audit Office, 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. Alba's 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 identify and provide responses to key risks through the establishment of standards and other controls. Any failure of these systems could lead to the occurrence, or re-occurrence, of any of the risks described below:

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

business, financial condition, results of operations and future prospects;

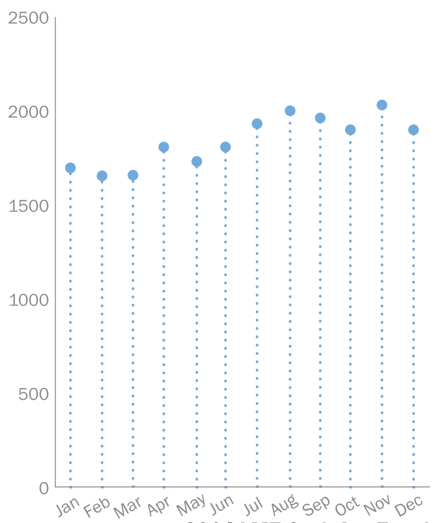
- The Company's business may be affected by shortages of skilled employees (including management), labour cost inflation and increased rates of attrition;
- The Company depends on the provision of uninterrupted transportation of raw materials and finished products across significant distances. Interruption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

Sunset view with aluminium products

Strong growth

Aluminium Industry

- LME prices rallied to a high of $2,114 per tonne in late August from a low of $1,642 per tonne in February before settling back at $1,866 in December 2014 (versus $1,846 per tonne in December 2013). This pullback was mainly attributed to a strong US dollar which has led to a drop in net long positions, as well as low energy prices (oil and coal).
- LME inventories at **4.2 million metric tonnes**, down from 5.4 million metric tonnes in 2013 on the back of faster outflow of the metal in LME registered warehouses. In the last 2 years, premiums have decoupled from LME prices and continued to remain high across the globe
- Total world consumption at record high with **54.1 million metric tonnes**, up by **8% YoY**, while world



2014 LME Cash Avg Trend
(US$ mt)

production stood at **54 million metric tonnes, an increase of 7% YoY** - and that has led the world market to be in a deficit (-12,000 tonnes with China and -984 tonnes without)

- Higher Chinese consumption played a major role in boosting 2014 global deficit
- US demand growth is outpacing the rest of the world excluding China, mainly supported by higher transport demand (F 150 truck)
- LME wins court case and the new warehouse rules are to be implemented on 1st February 2015

Industry Outlook for 2015

Aluminium continues to enjoy strong demand growth - around 5%YoY for the coming 6 to 10 years and emerging markets remain the key driver behind this growth:

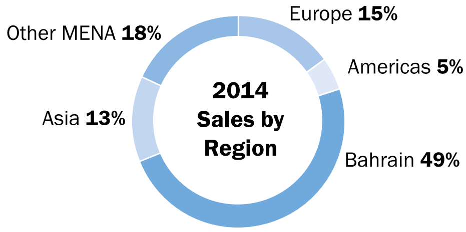
- World consumption remains robust as aluminium gains market share from copper and steel. US demand growth will outpace the rest of the world excluding China (North American demand is expected to rise by 6%YoY in 2015), mainly supported by strong transport/ auto-sheet demand
- Production is projected to increase on the back of lower energy prices and marginal smelters will be tempted to re-activate idle capacity but with low LME prices, their operating margins will be further squeezed
- India will account for half of 2015 growth of the world production excluding China; Chinese production will mainly depend on the 'Big 8'* major projects which will increase China's output by 2.2 million metric tonnes in 2015. The potential to remove the export tax on alloyed aluminium would turn China into an exporter and accordingly offer a lifeline to high cost smelters
- LME prices' volatility will continue as strong US dollar continues to weigh on commodities
- Physical premiums will remain

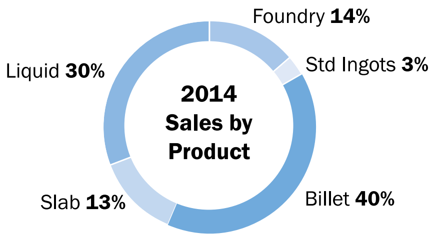
"Strong dollar will continue to weigh on commodities"

2014 Metal Sales at **US$ 2.0 billion**

Metal Sales in metric tonnes (mt) up by **1.3% YoY**

Value-Added Sales reached **613,140 mt**





Carbon 3 at night-time

"Alba sustained its Value-Added Sales at 66% of total shipments in 2014."

at peak levels in the short-run and will soften towards the end of 2015 as the overhaul of LME warehouses frees-up supply; US Midwest will surpass other regional premiums thanks to sound physical demand

Casthouse 2014 Performance

Alba Casthouse constantly raises the bar then soars above its forecasts:

- Record production in billets - **371,197 metric tonnes** (mt), up by **3% YoY**
- Foundry alloys volumes reached **125,704 mt**, up by **2% YoY**
- Slab output at **115,630 mt**, up by **1.5%** versus 2013
- Value-Added production edged-up by **2% YoY** to stand at **612,531 mt**

Alba sustained its Value-Added Sales at 66% of total shipments in 2014.

Downstream Markets

Alba's downstream market continues to boom:

- Billets are sold to aluminium extruders to create profiles in different shapes and sizes used mainly in building applications, such as window frames or structural components;
- Slabs are used by rolling mills to produce foil stock which is re-rolled into household foil or packaging material used in particular in food or pharmaceutical industries. For other applications, slabs are rolled into plates or sheets used in the general engineering and building industries;
- Foundry alloys are used by automotive components manufacturers to cast wheels as well as engine blocks;
- Molten metal is sold primarily to Midal Group - one of the world's leading cable and rod manufacturers.

Foundry alloys volumes up by 2%

Clientele

ALUPCO, Saudi Arabia

Founded in 1975 | The largest aluminium extrusion company in the Middle East

Service Center Metals , USA

Founded in 2003 | Focused on providing metal service centres throughout the US and Canada with standard extrusions

Cortizo, Spain

Founded in 1972 | Prime manufacturer and distributor of industrial aluminium profiles

Midal Cables Limited, Between Bahrain & Australia

Founded in 1977 | Manufacture of aluminium rods and overhead electrical transmission conductors

GARMCO, Northern Gulf

Founded in 1981 | Supply both standard and non-standard cut-to-length, aluminium sheets coils and circles

Hands Corporation Ltd, Korea

Founded in 1972 | Leading the global wheel manufacturing industry

Hyundai Sungwoo Automotive, Korea

Founded in 1987 | Leads the world market with its differentiated competitiveness in the fields of casting, wheel and battery

Aluminium Products Company JSC. (ALUPCO) was established in 1975 to extrude aluminium architectural products in Saudi Arabia.

It has grown to become the largest aluminium extrusion company in the Middle East, one of the top ten extrusion companies in the world, and is one of the top 100 companies in Saudi Arabia.

ALUPCO employs the most experienced and qualified engineering and manufacturing staff, with the total exceeding 900 well-trained personnel. The staff is augmented on a case-by-case basis by the prestigious organization of Alusuisse of Switzerland.

With a total combined annual extrusion capacity of more than 85,000 metric tons, ALUPCO meets a major portion of the demand for high-standard aluminium extrusion products in Saudi Arabia, Europe, and the MENA region (Middle East and North Africa).

Since the establishment of **HANDS CORPORATION. LTD.** under the name of DONGHA and CO. LTD. in 1972, HANDS has been leading the global wheel manufacturing industry. Despite the immense changes in HANDS' history during the last four decades, HANDS was known to be the most credible company for clientele as customers were all always considered a top priority.

Through constant innovation, HANDS is always seeking to adopt the best-class technology with its devoted dedication and efforts to satisfy customers.

"Creative all by HANDS" this is our vision.

HANDS has challenged to the rapidly changing market circumstance and has always overcome its limits. HANDS is trying to convert any trivial ideas into feasible plan without being afraid to fail. HANDS will contribute to our customers with our best products made by creative and progressive HANDS members".

"Hyundai Sungwoo Automotive Korea leads the world market with its differentiated competitiveness in the fields of casting, wheel and battery, which are core parts of automobiles. Based on its unique technology, top-class production technology and best quality competitiveness implemented through continuous investment and R&D, Hyundai Sungwoo Automotive Korea supplies its high quality products to global automobile companies. Hyundai Sungwoo Automotive Korea is investing its efforts to be the best company in terms of satisfying the various demands of the automobile industry, intensifying its systems to handle the flow of the market and supplying differentiated products with its high technology and value-added strategy.

Hyundai Sugnwoo Automotive Korea strengthens its future competitiveness with great passion and challenge for the future. It aims to secure future business capacity for sustainable growth and innovation to leap forward in order to become a global automobile parts manufacturer. In addition, it actively implements corporate social responsibility and contributes to the creation of a healthy society to become an admired company."

Midal Cables Limited was established in 1977 and was conceived between Al Zayani Investments (Bahrain) and Olex Cables (Australia) and later with Saudi Cable Company to manufacture Aluminium Rods, Wires and Overhead Conductors for Electrical Transmission.

Expanded both locally and globally over the years, Midal Cables Limited have participated in numerous transmission and distribution projects by meeting various international technical standards. Midal Cables Limited emerged as one of the top ranking companies in the world with highest reputation of good quality products and excellent customer service in the field of Aluminium and Aluminium Alloy Rods and Conductors manufacturing. Today, Midal Cables Limited has operations in Bahrain, Turkey, Australia, Saudi Arabia and Mozambique and its total capacity is about 450,000 MT per annum and is being ranked amongst the largest rods and conductors manufacturing organization in the world.

Certified with various International Management System Standards like ISO 9001, ISO 17025, ISO 14001 and OHSAS 18001 – Midal Cables Limited is looking forward for continuous growth and improvement in its business processes.

www.midalcable.com

Bahrain-based **Gulf Aluminium Rolling Mill Company (GARMCO)** is the first and one of the largest downstream aluminium facilities in the Middle East for rolling, cutting and fabricating aluminium. With an annual production capacity of 165,000 tonnes, GARMCO specialises in producing high-quality flat rolled aluminium products in various sizes and alloys, including circles, sheets and coils. A separate foil mill, with an annual capacity of 20,000 tonnes, produces semi-rigid container stock and fin stock. These products are exported to key markets around the world – stretching from Australia to the USA – to over 2,000 customers in more than 45 countries.

Underlining the Group's commitment to adopt the highest international standards and global best practices, GARMCO is accredited with ISO 9001:2008 quality management system; ISO 18001:2007 occupational health and safety assessment series; ISO 14001:2004 environmental management system; ISO 27001:2005 business continuity management system; as well as ISO 22301:2012 information security management system.

Established in 1981 by the governments of Bahrain, Iraq, Kuwait, Oman, Qatar and Saudi Arabia, GARMCO has steadily developed into a truly global organisation, with a network of 15 subsidiaries and associate companies spanning the Middle East, Asia, Far East, Australia, Europe and the USA. Today, the Group employs over 900 people worldwide, and has an annual turnover exceeding US$ 450 million.

Founded in 1972 in Padron (A Coruña, Spain), **CORTIZO** is the prime manufacturer and distributor of industrial aluminium profiles in Spain and European leader with an annual aluminium profile production of 45.000 tonnes in 2012. CORTIZO puts at their clients' disposal the know-how which has been acquired over a span of 40 years. With a production capacity of 81,500 metric tonnes and 15,000 hours per year dedicated to R & D, the company has placed itself at the forefront with specific solutions for the aluminium industry.

To date, CORTIZO has more than 32,500 dies, different in design for sectors such as automobile, transport, railroad , aeronautical, naval, wind energy, photovoltaic, military, mechanical engineering, electrical engineering, signposts, illumination, air conditioning, interiors, ephemeral architecture, furniture or the signage industries.

Service Center Metals is one of the most recent and modern extrusion companies in the US. Based in Prince George, Virginia, it was founded in 2003 with a particular focus on providing metal service centres throughout the US and Canada with standard and custom extrusions. Operating two presses the company has a production capacity of over 50,000 metric tons and offers more than 1200 products in 6063 and 6061 aluminium alloy. SCM utilizes a high degree of automated processing equipment and innovative operations planning philosophy that enable it to run at rapid turnover and superior productivity whilst maintaining top performance in quality, health and safety standards.

SCM is proud of the rapid growth in its chosen market niche and has built a great reputation for good machinability, high mechanical strength and elongation properties of its products which are put to action in engineering, machining and defense applications.

Our utmost priority

At Alba, employees are our most valuable asset, and their safety and health is our utmost priority.

We constantly implement and update safety procedures to incorporate international safety standards, as well as continuously educate our employees on safe behaviour. We believe that it is important for organisations to make employee safety and health a top priority, one which demands continuous commitment from all levels of an organisation.

Safety

Safety is one of the most important factor that governs Alba's day-to-day operations. We believe that a strong safety programme and the successful financial performance of the Company are closely linked, and hence, constantly endeavour to achieve a zero accident work environment.

Alba continued to further strengthen the safety culture across the organisation with many safety campaigns, the focus of which have been that safety must envelope each and every aspect of an employee's life in order for it to be effective.

The year 2014 began with the plant-wide HSE Week "Elevating Safety to Lightspeed", which symbolised Alba moving to the next level on safety, health and environment. Along with workplace safety, the event focussed significantly on spreading the safety culture beyond Alba - to the families, especially children of all employees.

Alba launched its “Make the right choice for your child’s safety” awareness campaign to educate Alba employees, their families and the community on the importance of using car seats for children.

One of the biggest and most effective campaigns launched was the “Summer Safety Blizzard”, which aimed to promote a safe and healthy working environment during the summer months. Attended by Alba’s Chairman of Board of Directors, Shaikh Daij Bin Salman Bin Daij Al Khalifa, high ranking officials from Bahrain’s leading public and private sector, Alba Board members, Executive Management and senior officials, and Alba Labour Union representatives, each day of the “Summer Safety Blizzard” campaign was held with a different theme and included Heat Stress, Home Safety, Conservation of Energy, Water Activities and A Healthy Ramadan.

“Employee to Employee”, a behaviour-based safety programme was introduced to encourage people to think and behave safely every day on the job. Other safety campaigns that were held included a “Safety Shake-up Campaign” to increase safety awareness of the employees by discussing previous incidents and near misses and “Share your Story” activity wherein employees were encouraged to share with colleagues their personal experiences related to safety and near-misses, whether at work or outside.

“We believe that a strong safety programme and the successful financial performance of the Company are closely linked”

The "Season of Change" campaign was the final plant-wide event, which re-emphasized Alba's ZERO accident principles:

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

Alba won numerous safety awards in 2014, which were a testament to its safety performance – 2014 Occupational Excellence Achievement Award by the National Safety Council – USA; 2014 Gold Award for Occupational Health and Safety by the Royal Society for the Prevention of Accidents (RoSPA) and International Safety Award from the British Safety Council;

One of the biggest 2014 highlights was when Alba won the Gulf Aluminium Council (GAC)'s 1st place award for Health & Safety Award – Smelter Category. Considered the benchmark for the GCC region, this award has only further boosted the Company's resolve to continue implementing best practices in health and safety for the betterment of its employees.

4 million
Working hours
without loss time injury

Occupational Health

Employee health and well-being is a crucial part of Alba's operations as we firmly believe that 'All work related injuries and illnesses are preventable'.

In 2014, many areas that are considered as occupational hazards were given considerable amount of attention such as management of occupational noise wherein plant-wide awareness sessions to increase the awareness of noise hazards, and ensure proper usage of hearing protection devices supplied. Heat stress management was also stressed upon through intensive awareness sessions at plant-wide level for all employees. Alba's heat stress management standards, which complies with both international and national standards, applies best practices such as the use of WBGT (Wet Bulb Globe Temperature) index.

Alba introduced the Hydrogen Fluoride and Total Particulates personal exposure monitoring to ensure that exposure to related health hazards is properly monitored and controlled.

Apart from periodic medical check-ups and occupational health awareness campaigns, Alba also conducted many educative sessions on subjects such as Ebola virus, Healthy Diet and Food, and Breast Cancer with an aim to help build awareness and increase knowledge amongst the employees.

Environment

Alba has earned international repute as an eco-friendly industrial company due to its pioneering environmental protection programmes.

As an organisation, Alba makes continuous efforts to maintain a healthy environment that goes beyond compliance with international regulations. It has taken a keen initiative to invest in environmental programmes that preserve and protect Bahrain's green cover.

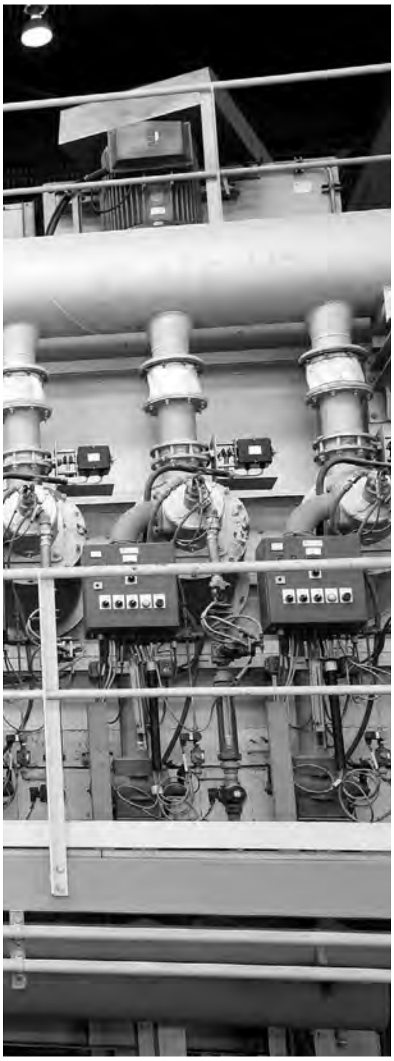
Alba was a major participant in the Gulf Aluminium Council HSE committee in which the projects included Environment Monitoring, Vegetation Monitoring and recycling options.

The Her Royal Highness Princess Sabeeka Oasis, established in 2009 in the southern part of the smelter is one of the most prominent examples of Alba's commitment towards the environment in general and, in particular, towards agriculture.

The artificial lake, which is 22,000 m3, is one of the largest in Bahrain. In 2014, many projects to enhance the Oasis was undertaken including the construction of a new waterfall, which is about 40 meters long and 7-8 meters in height. A small farm was also constructed within the vicinity of the lake, which houses animals such as deer and goats. An uplift was given to the vegetable garden, which is about 2 hectares and contains many types of vegetables. Estimated at more than 6 tonnes per year, various types of vegetables are planted in the garden every season, which are distributed to Alba employees on a regular basis.

Alba's efforts towards sustainability have resulted in numerous prestigious awards – and Gold winner in the Environmental Best Practice category of the prestigious International Green Apple Awards 2014.

Alba continues to maintain its uncompromising stance on environmental issues and continuously strives to remain a leader in employee health and safety.



Quality and skills

Alba believes that the success of any organisation is based on the quality and skills of its employees. Over the past forty three years, Alba's investment in its employees' development has yielded positive results and today Alba ranks as the 5 largest single site smelter in the world.

Investing in people through training programmes for Bahraini employees has been an integral part of Alba's operations throughout its history. The Company has a systematic training and development programme for its Bahraini employees, both generic and tailor-made, which have helped create an exceptional work environment where the employees are able to develop skills that match the very best in the world.

Alba works closely with many organisations such as InJaz Bahrain, a non-profit organisation that aims at educating and inspiring young Bahrainis to develop their skills, and the Crown Prince International Scholarship Program (CPISP), which encourages Bahrain's brightest and most talented youth to realise their potential and emerge as future leaders.

Throughout 2014, Alba focussed on enhancing its training programmes for employee development, which addressed a wide range of competencies from technical, safety, health, and environment to management, leadership, language, communication, business and professional education.

Executive Education

Executive Education is a critical part of Alba's leadership strategy. Numerous programmes were designed and conducted in 2014 to provide potential management candidates with skills that will aid their higher growth within the company.

One of the most important aspects of Executive Education was the introduction of the MBA sponsorship programme to allow for the development of the individuals targeted to be the future Executives and Managers within the company.

"Leadership Practices 360 Feedback Process" was one of the vital trainings held for all Senior Management. The three-day programme enabled Alba's leaders to identify their strengths and areas for improvement, and involved intensive self-assessment and inputs from co-workers over the course of the programme.

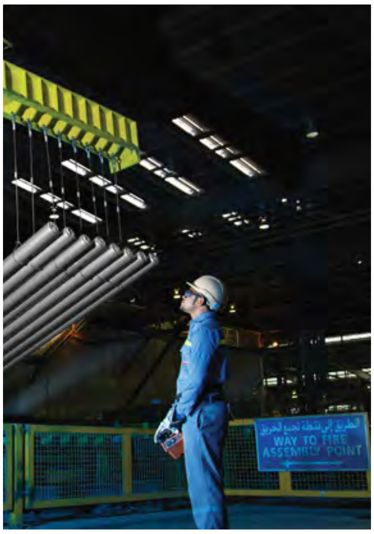
Some of the other courses under Executive Education included Coaching & Mentoring, Leadership Development and Public Speaking.

Soft Skills Courses

Soft skills courses to enhance an individual's career prospects and job performance were held for all levels of employees of Alba.

Some of the courses held were: Supervisory Management Development, Industrial and Employee Relationships, Leadership and Influence, High Performance Leadership, Leadership & Change Management, a workshop on High Impact Leadership, Six Sigma Green Belt Training for Management and a Team Building Programme for Non-Management.

"Zero-accidents work environment"



Technical Trainings

Specialised Technical Training Programmes are a crucial part of smelter operations, and Alba has continuously designed and delivered such trainings through specialised instructors to the respective employees.

The operation and maintenance staff in Alba are regularly given refresher courses to keep up craft-job skills and to apprise them with upgrades and modifications as well as to enhance their knowledge and skills. In this major initiative, training is delivered on equipment and processes, and a training needs analysis is carried out every year for each department.

Safety, Health & Environment Trainings

At Alba, employees' safety and health is the number one priority and as part of this commitment, an extensive amount of time is dedicated to training for safety, health and environment.

In 2014, among standard SHE courses, various other topics were also covered such as Job Safe Practices (JSP) and Planned Job Observation, Risk Assessment, Permit to Work, Working at Height and Leadership in Safety.

Near miss reporting was given a big push where employees were urged to report high potential near misses or an accidents, encountered by themselves, family and friends in order to avoid such hazards in the future. Also, refresher courses on employee behavioural observations were conducted for Alba employees and contractors across all departments and sections of the company.

All courses undoubtedly carried the message that safety is a way of life and covered both management and non-management employees, thus ensuring that every employee becomes an ambassador of safety.

Strengthening the Future

One of the founding principles of Alba was to develop its national workforce and bring employment opportunities to the people of Bahrain. Staying true to this, Alba today has nearly 3,000 employees, of which, Bahraini nationals comprise nearly 87 per cent of the workforce.

There are many channels through which the Company successfully achieves its Bahrainisation goals.

Vocational Training

Alba's Vocational Training Programme has been in operation for over 25 years and presents a highly structured and focused approach towards achieving the Company's Bahrainisation goals. Its success can be measured by the fact that many of its graduates have been absorbed into the workforce and some of them occupy senior decision making roles in the company.

It was a moment of pride for Alba when it launched the maiden Women's VT Programme in 2014, which aimed to provide women with necessary skills and hands-on training, as well as to encourage them to boost their future careers. As part of the programme, 10 Bahraini women have been inducted to undergo a structured training programme of two years during which they will be trained on all aspects of the job in the assigned department.

Alba was honoured with the Her Royal Highness Princess Sabeeka Award for Bahraini Women Empowerment 2014 for its efforts and commitment to gender equality and equal opportunity at the workplace.

Training & Development Programme (TDP)

One of the most successful and promising employee programmes is Alba's TDP, which is a key part of the Company's succession planning to develop the future generations of leaders.

The TDP identifies a select group of Bahraini employees based on their knowledge, abilities, initiatives and demonstration of potential growth. They are then given wholesome development in educational, functional as well as management and leadership areas, which enable the selected employees to apply for positions in both middle and senior level management.

In 2014 as many as 96 candidates were selected for TDP programmes at the completion of which they are promoted to higher positions mainly replacing retirees or other open management positions.

Welding at Alba's workshop

Looking Ahead

Alba ranks amongst the top ten aluminium producers in the world; this has been accomplished primarily due to the hard work, loyalty and commitment of its employees.

Since the very beginning, Alba has been widely regarded as an employer of choice in Bahrain and we will continue to work committedly to remain at the top. We shall strive to deliver a wide range of employee training and developmental programmes and provide a world-class environment for them to grow and prosper.

"We believe that the success of any organisation is based on the quality and skills of its employees."

Contribute positively

As one of the main contributors to the national economy and one of the world's most modern aluminium smelters, Alba has a long history of corporate social responsibility (CSR).

Alba recognises that success is not only about improving the bottom line but also about the impact the Company leaves on the larger community. This belief stems from a sense of duty to the country, a desire to contribute positively to society and to strengthen our forty-year legacy.

In the past year, Alba has accomplished many activities in CSR, and partnered and worked closely with many Non-Governmental Organizations (NGO) and community services towards worthy causes and development of the society. It demonstrated its support by active participation, sponsorships and donations, marketing and branding as well as in-kind services.

Alba's CSR activities are mostly spearheaded by the Alba Community Service Committee, which plays a key role in encouraging the spirit of philanthropy amongst Alba employees while enhancing Kingdom-wide appreciation of its CSR initiatives. Comprising of nearly 200 volunteers, the Committee, along with the participation of their families, serves the community through different activities

While in 2014, numerous public activities related to road safety awareness, general health awareness, blood donation campaigns, visiting patients, and planting trees were undertaken. The most significant of them all was the "Make the right choice for your child's safety" awareness campaign to educate Alba employees, their families and the community on the importance of using car seats for children. This one-of-a-kind initiative in Bahrain also involved the general population by distributing free child car seats at popular malls and hospitals.

The Company also provided financial backing to various organisations in Bahrain such as Alia for Early Intervention, Sh. Ebrahim Centre, Shaikha Sabeeka Social Centre, Aisha Yateem Family Counselling Centre, and Dar Al Manar for Parents Care which was towards their community developmental programmes.

Alba also provided support for events and activities that aimed at youth empowerment such as the BTI's Career Week 2014 and the University of Bahrain's 14th Careers Day, both of which offer students excellent career opportunities available in Bahrain and, in Alba.

Alba, as part of developing the youth of the Kingdom, backed sports events in Bahrain – Annual Charity Raft Race 2014, one of the biggest charity events in Bahrain in which the Company's teams won the first and third place in the Lagoon (Mixed teams) and the top honours in Open Sea (Men) category; Alba Golf Championship, which is a major part of Bahrain's golf calendar; third Flex Bodybuilding Championship, a national sporting event and the Khalid bin Hamad Horseracing Cup, which reflects Bahrain's equestrian tradition.

Alba's consistent support to the numerous community oriented programmes and social activities has underlined its status as one of Bahrain's leading industrial organisations that remains fully committed to its corporate social responsibility. We will continue to seek different ways to bring value to the communities in which we operate and play a transformative role that serves to benefit our customers, employees, and the community.

"Alba encourages the spirit of philanthropy amongst employees."

An important event

One of the most important events in the global aluminium industry Arab International Aluminium Conference (Arabal) - a significant event that brought the Middle East's aluminium smelters together.

Arabal has set a reputation of being the only event that focuses on the Middle East aluminium industry but caters to the global aluminium business. It brings together experts from across the world to speak and address various subjects related to aluminium.

Since the first Arabal event hosted by Kuwait Aluminium Company in 1983, this premier trade event has represented the potential of this region in the global aluminium industry.

Arabal 2014, which was hosted by Aluminium Bahrain B.S.C (Alba) - the first aluminium smelter in the Gulf region, was held under the patronage of His Royal Highness the Prime Minister of the Kingdom of Bahrain, Prince Khalifa bin Salman Al Khalifa.

Held from November 25 to 27, 2014 in the Kingdom of Bahrain, Arabal 2014 was officially inaugurated by His Excellency Sheikh Khalid bin Abdullah Al Khalifa, Deputy Prime Minister of the Kingdom of Bahrain and witnessed the presence of distinguished guests from the

Kingdom of Bahrain and the global aluminium industry.

As the host, Alba ensured that the event was a success. The event saw more than 700 delegates from across the world participating in various sessions, keynote addresses and presentations that formed part of Arabal's activities. Delegates examined the state of the regional and global aluminium industry and discussed challenges and opportunities facing the industry, safety, raw material supply, environmental issues and training.

One of the most important aspects highlighted during Arabal 2014 was Bahrain's downstream aluminium industry along with the country's success in strengthening this sector.

Arabal delegates also had the opportunity to visit Alba, the first aluminium smelter in the Middle East and today, the fourth largest single-site smelter in the world.

The three-day Arabal 2014 event was one of the best events of the year for both the aluminium industry and Alba, and it received praise for the various initiatives taken to strengthen the aluminium sector.

www.arabal.com

More than

700

delegates attented from across the world

Financial Statements

31 December 2014

Ernst & Young
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www.ey.com/mena
C.R. No. 6700

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

Report on the Financial Statements

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

Board of Directors' Responsibility for the Financial Statements

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

Auditors' Responsibility

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

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

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

Opinion

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

Report on Other Regulatory Requirements

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

a) the Company has maintained proper accounting records and the financial statements are in agreement therewith; and

b) the financial information contained in the Report of Board of Directors is consistent with the financial statements.

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

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

Ernst + Young

Statement of Financial Position
At 31 December 2014

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

Daij Bin Salman Bin Daij Al Khalifa
Chairman

Tim Murray
Chief Executive Officer

Yousif Taqi
Director

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

Statement of Comprehensive Income
Year ended 31 December 2014

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

Daij Bin Salman Bin Daij Al Khalifa
Chairman

Tim Murray
Chief Executive Officer

Yousif Taqi
Director

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

Statement of Cash Flows
Year ended 31 December 2014

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

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

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

Statement of Changes in Equity

Year ended 31 December 2014

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

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

1 ACTIVITIES

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

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

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

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

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

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

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

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

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

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

Investment Entities (Amendments to IFRS 10, IFRS 12 and IAS 27)
These amendments provide an exception to the consolidation requirement for entities that meet the definition of an investment entity under IFRS 10 Consolidated Financial Statements and must be applied retrospectively, subject to certain transition relief. The exception to consolidation requires investment entities to account for subsidiaries at fair value through profit or loss. These amendments have no impact on the Company since the Company does not qualify as an investment entity under IFRS 10.

Offsetting Financial Assets and Financial Liabilities - Amendments to IAS 32
These amendments clarify the meaning of "currently has a legally enforceable right to set-off" and the criteria for non-simultaneous settlement mechanisms of clearing houses to qualify for offsetting and is applied retrospectively. These amendments have no impact on the Company, since the Company does not have any offsetting arrangements.

Novation of Derivatives and Continuation of Hedge Accounting – Amendments to IAS 39
These amendments provide relief from discontinuing hedge accounting when novation of a derivative designated as a hedging instrument meets certain criteria and retrospective application is required. These amendments have no impact on the Company as the Company has not novated its derivatives during the current or prior periods.

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES [continued]

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

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

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

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

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

IAS 24 Related Party Disclosures
The amendment is applied retrospectively and clarifies that a management entity (an entity that provides key management personnel services) is a related party subject to the related party disclosures. In addition, an entity that uses a management entity is required to disclose the expenses incurred for management services.

Annual improvements 2011-2013 Cycle
These improvements are effective from 1 July 2014 and are not expected to have a material impact on the Company. They include:

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES [continued]
Standards issued but not yet effective (continued)

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

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

Foreign currencies
Transactions in foreign currencies are recorded at the exchange rate prevailing on the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the rate of exchange prevailing at the reporting date. All exchange differences are taken to the statement of comprehensive income.
Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates as at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value is determined.

Current versus non-current classification
The Company presents assets and liabilities in statement of financial position based on current/non-current classification. An asset is presented as current when it is:
- Expected to be realised or intended to be sold or consumed in a normal operating cycle;
- Held primarily for the purpose of trading;
- Expected to be realised within twelve months after the reporting period, or
- Cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period.

All other assets are classified as non-current. A liability is presented as current when:
- It is expected to be settled in a normal operating cycle;
- It is held primarily for the purpose of trading;
- It is due to be settled within twelve months after the reporting period, or
- There is no unconditional right to defer the settlement of the liability for at least twelve months after the reporting period.

The Company classifies all other liabilities as non-current.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES [continued]

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

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

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

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

The principal or the most advantageous market must be accessible by the Company.
The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

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

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

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

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

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

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

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES [continued]

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

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

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

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

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

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

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

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES [continued]
Impairment of non-financial assets (continued)

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

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

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

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

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

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

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

Financial assets consist of bank balances and cash and receivables.

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

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES [continued]
Subsequent measurement (continued)

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

- The rights to receive cash flows from the asset have expired, or

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

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

Impairment of financial assets is determined as follows:

- For assets carried at fair value, impairment is the difference between cost and fair value, less any impairment loss previously recognised in the statement of comprehensive income;

- For assets carried at cost, impairment is the difference between carrying value and the present value of future cash flows discounted at the current market rate of return for a similar financial asset; and

- For assets carried at amortised cost, impairment is the difference between the carrying amount and the present value of future cash flows discounted at the original effective interest rate.

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

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

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES [continued]

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

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

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

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

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

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

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

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

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

- at the inception of the hedge there is formal documentation of the hedging relationship and the Company's risk management objective and strategy for undertaking the hedge. That documentation should include identification of the hedging instrument, the related hedged item or transaction, the nature of the risk being hedged, and how the Company will assess the hedging instrument's effectiveness in offsetting the exposure to changes in the hedged item's fair value or the hedged transaction's cash flows that is attributable to the hedged risk;
- the hedge is expected to be highly effective in achieving offsetting changes in fair value or cash flows attributable to the hedged risk, consistent with the originally documented risk management strategy for that particular hedging relationship;

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES [continued]
Derivative financial instruments and hedging activities (continued)

- for cash flow hedges, a forecasted transaction that is the subject of the hedge must be highly probable and must present an exposure to variations in cash flows that could ultimately affect reported net profit or loss;
- the effectiveness of the hedge can be reliably measured, that is, the fair value or cash flows of the hedged item and the fair value of the hedging instrument can be reliably measured; and
- the hedge must be assessed on an ongoing basis and determined to have actually been highly effective throughout the financial reporting period.

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

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

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

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

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

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES [continued]

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

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

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

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

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

Other income
Other income is recognised as the income accrues.

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

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

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES [continued]
Employee benefits (conitinued)

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

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

3 SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS

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

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

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

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

At 31 December 2014, gross trade accounts receivable were BD 86,782 thousand (2013: BD 77,528 thousand), and the provision for impairment was BD 4,547 thousand (2013: BD 4,551 thousand) and gross other receivables were BD 7,615 thousand (2013: BD 9,865 thousand), and the provision for impairment was BD 45 thousand (2013: BD 45 thousand). Any difference between the amounts actually collected in future periods and the amounts expected will be recognised in the statement of comprehensive income.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES [continued]
Estimates and assumptions (conitinued)

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

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

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

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

4 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 2014	268,928	417,053	1,166,569	81,093	1,933,643
Additions	648	34	3,546	46,322	50,550
Transfers	3,019	19,652	17,089	(39,760)	-
Disposals	-	(1,735)	(5,910)	-	(7,645)
At 31 December 2014	272,595	435,004	1,181,294	87,655	1,976,548
Depreciation:					
At 1 January 2014	105,187	229,670	730,468	-	1,065,325
Charge for the year	6,649	16,807	55,963	-	79,419
Relating to disposals	(198)	(1,409)	(4,346)	-	(5,953)
At 31 December 2014	111,638	245,068	782,085	-	1,138,791
Net carrying value:					
At 31 December 2014	**160,957**	**189,936**	**399,209**	**87,655**	**837,757**

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

4 PROPERTY, PLANT AND EQUIPMENT [continued]

a) Land and buildings include freehold land at a cost of BD 453 thousand as at 31 December 2014 (2013: 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.

5 LONG TERM RECEIVABLE

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

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

	2014	*2013*
	BD '000	*BD '000*
Current portion	**3,438**	3,438
Non-current portion	**3,439**	6,877
	6,877	10,315

6 OTHER ASSET

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

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

7 INVENTORIES

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

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

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

8 ACCOUNTS RECEIVABLE AND PREPAYMENTS

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

8 ACCOUNTS RECEIVABLE AND PREPAYMENTS [continued]

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

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

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

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

9 BANK BALANCES AND CASH

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

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

10 SHARE CAPITAL

	2014	2013
	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:

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

11 TREASURY SHARES

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

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

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

	2014		2013	
	Number of shares	***BD '000***	*Number of shares*	*BD '000*
Excess of the shares in Employees' Stock Incentive Plan [note 17 (c)]	**697,000**	**627**	595,000	536
Purchased subsequent to the IPO – net of sales	**5,962,458**	**3,069**	8,899,321	4,621
	6,659,458	**3,696**	9,494,321	5,157

12 EARNINGS PER SHARE

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

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

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

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

13 STATUTORY RESERVE

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

14 CAPITAL RESERVE

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

15 DIVIDEND PROPOSED AND PAID

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

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

16 BORROWINGS

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

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

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

[3] Line 5 projects
In 2004, the Company obtained a term loan from a financial institution for USD 300 million. This loan is repayable in twenty four semi-annual instalments and the repayment dates have been agreed with the facility agent after the last drawdown.

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

16 BORROWINGS [continued]

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

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

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

17 EMPLOYEE BENEFITS

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

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

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

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

17 EMPLOYEE BENEFITS [continued]

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

18 ACCOUNTS PAYABLE AND ACCRUALS

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

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

19 DERIVATIVE FINANCIAL INSTRUMENTS

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

	2014		*2013*	
	Assets	***Liabilities***	*Assets*	*Liabilities*
	BD '000	***BD '000***	*BD '000*	*BD '000*
Commodity options	**-**	**3,750**	-	9,364
Commodity futures	**-**	**806**	-	38
Interest rate collars	**-**	**66**	-	701
Total	**-**	**4,622**	-	10,103

Classified in the statement of financial position as follows:

Non-current portion:				
Commodity options	**-**	**-**	-	5,232
Interest rate collars	**-**	**-**	-	81
	-	**-**	-	5,313
Current portion:				
Commodity options	**-**	**3,750**	-	4,132
Commodity futures	**-**	**806**	-	38
Interest rate collars	**-**	**66**	-	620
	-	**4,622**	-	4,790

19 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.

	2014	2013
	BD '000	BD '000
Revaluation:		
Commodity options	**5,613**	25,061
Commodity futures	**(768)**	(143)
Interest rate collars	**636**	2,254
Forward foreign exchange contracts	**-**	47
	5,481	27,219
Realised:		
Commodity options	**(4,487)**	(5,636)
Commodity futures	**91**	(1,204)
Interest rate collars	**(874)**	(2,508)
	(5,270)	(9,348)
Net gain on fair valuation taken to statement of comprehensive income	**211**	17,871

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

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

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

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

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

20 OTHER INCOME

	2014	2013
	BD '000	BD '000
Interest income	**188**	249
Sale of water	**1,345**	1,863
Miscellaneous	**332**	5,192
	1,865	7,304

21 PROFIT FOR THE YEAR

Profit for the year is stated after charging:

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

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

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

22 COMMITMENTS AND CONTINGENCIES

a) Commitments

	2014	2013
	BD '000	BD '000
Physical metal commitments		
Sales commitments :		
18,500 metric tonnes (2013: 14,900 metric tonnes)	**13,492**	10,024

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

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

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

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

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

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

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

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

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

22 COMMITMENTS AND CONTINGENCIES [continued]

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

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

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

d) Operating lease commitments

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

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

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

23 OPERATING SEGMENT INFORMATION

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

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

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

b) Geographic information
An analysis of the sales revenue by geographic location is as follows:

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

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

c) Customers
Sales revenue from two customers of the Company amounted to BD 276,567 thousand (2013: BD 270,964 thousand), each being more than 10% of the total sales revenue for the year.

24 RELATED PARTY TRANSACTIONS

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

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

24 RELATED PARTY TRANSACTIONS [continued]
Transactions with shareholders (continued)

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

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

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

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

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

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

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

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

25 RISK MANAGEMENT

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

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

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

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

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

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

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

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

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

25 RISK MANAGEMENT [continued]

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

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

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

The following table demonstrates the sensitivity of the statement of comprehensive income to reasonably possible changes in the LME price on derivatives outstanding as of 31 December 2014, with all other variables held constant.

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

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

25 RISK MANAGEMENT [continued]
Foreign currency risk (continued)

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

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

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

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

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

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

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

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

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

25 RISK MANAGEMENT [continued]
Credit risk (continued)

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

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

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

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

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

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

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

Liquidity risk
Liquidity risk, also referred to as funding risk, is the risk that an enterprise will encounter difficulty in raising funds to meet commitments associated with financial instruments. Liquidity risk may result from an inability to sell a financial asset quickly at or close to its fair value.

The 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.

25 RISK MANAGEMENT [continued]
Liquidity risk (continued)

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

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

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

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

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

26 FAIR VALUES OF FINANCIAL INSTRUMENTS

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

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

26 FAIR VALUES OF FINANCIAL INSTRUMENTS [continued]

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

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

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

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

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

- Long-term fixed-rate and variable-rate receivables/borrowings are evaluated by the Company based on parameters such as interest rates, specific country risk factors, individual creditworthiness of the customer and the risk characteristics of the financed project. Based on this evaluation, allowances are taken into account for the expected losses of these receivables. As at 31 December 2014, the carrying amounts of such receivables, net of allowances, were not materially different from their calculated fair values.

- The Company enters into derivative financial instruments with various counterparties, principally financial institutions. Derivatives valued using valuation techniques with market observable inputs are mainly interest rate swaps and commodity forward contracts. The most frequently applied valuation techniques include forward pricing and swap models, using present value calculations. The models incorporate various inputs including the credit quality of counterparties and forward rates, interest rate curves and forward rate curves of the underlying commodity. All derivative contracts are fully cash collateralised, thereby eliminating both counterparty and the Group's own non-performance risk. As at 31 December 2014, the marked-to-market value of derivative asset positions is net of a credit valuation adjustment attributable to derivative counterparty default risk. The changes in counterparty credit risk had no material effect on the hedge effectiveness assessment for derivatives designated in hedge relationships and other financial instruments recognised at fair value.

- Fair values of the Company's interest-bearing borrowings and loans are determined by using DCF method using discount rate that reflects the issuer's borrowing rate as at the end of the reporting period. The own non-performance risk as at 31 December 2014 was assessed to be insignificant.

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

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

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

27 ALBA SAVINGS BENEFIT SCHEME

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

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

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

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