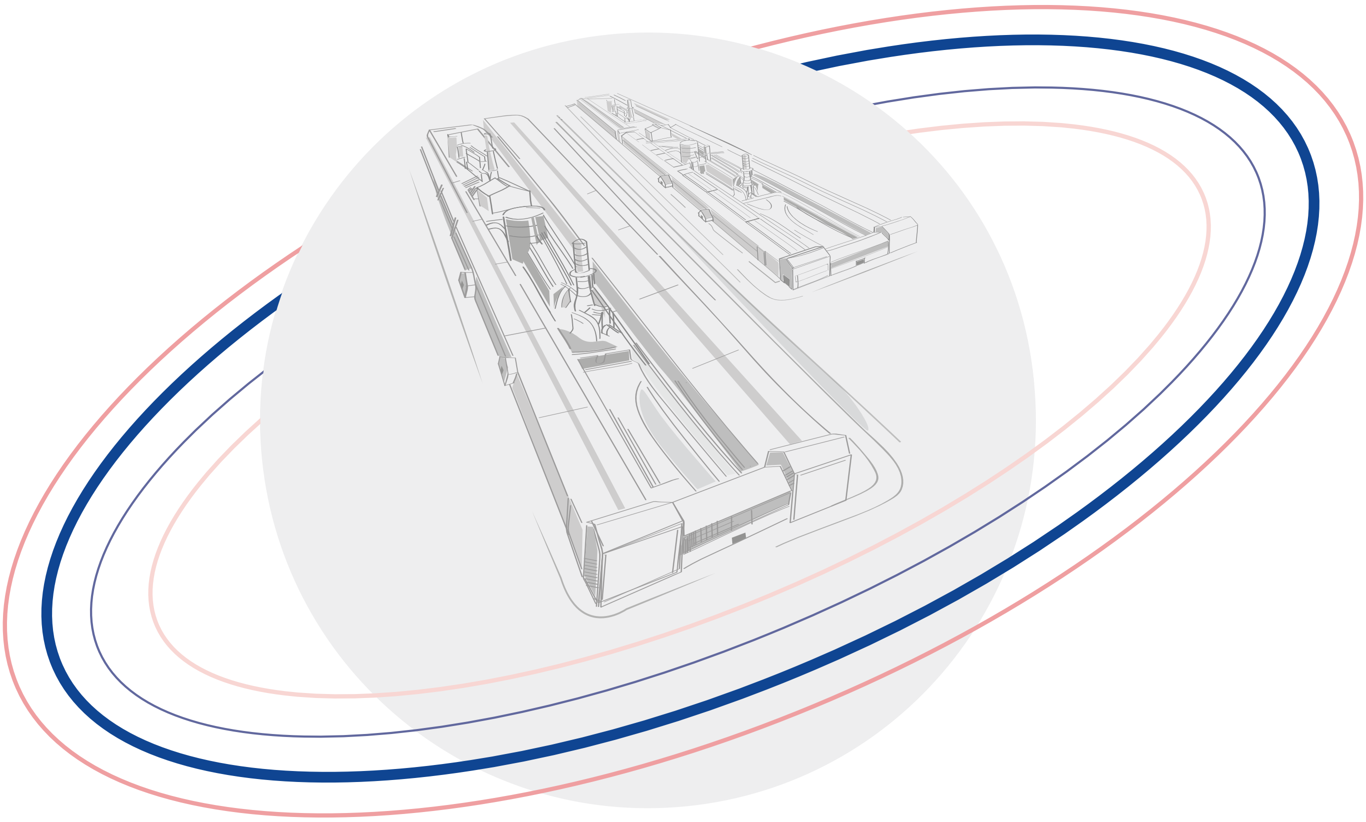
Embracing Changes
and Turning them to Opportunities
Annual Report **2015**

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

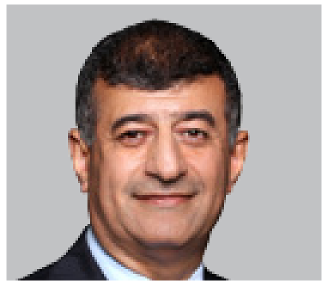
Shaikh Daij bin Salman bin Daij Al Khalifa
Chairman

Yousif A. Taqi
Director

Osama M. Al Arrayedh
Director

Abdul Aziz Al Humaid
Director

Fahad Nasser Al Hazzani
Director



Dr. Mohamed Kameshki
Director

Suha Karzoon
Director

Fahad S. Al Sheaibi
Director

Khalid Al-Garni
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

Khalid A. Latif
Chief Marketing Officer

To Our Shareholders

Achieving the Company's goals and objectives doesn't happen in isolation, it requires alignment and proper execution in addition to the whole-hearted commitment and support of all the stakeholders.

"We are on the threshold to start an ever-lasting chapter in the history of Alba and the Kingdom of Bahrain with the Line 6 Expansion Project"

Highlights

- 2015 has been another busy but active year for Alba
- Our dividend history is a tangible demonstration of operating discipline

Building Momentum

In the face of very difficult market conditions, we remain on track with the Line 6 Expansion Project. The Line 6 Project, upon its completion, will make Alba the largest single site smelter in the world with a production capacity of 1,500,000 metric tonnes per annum (mtpa) with first hot metal in January 2019.

One of the most significant events of the year was the Shareholders' approval of the Line 6 Expansion Project during the Extraordinary General Meeting (EGM) in June. Following this, Alba obtained the environmental approval from the Supreme Council of Environment (SCE), appointed JP Morgan, GIB and NBB as its Line 6 Financial Advisors, secured a 10-year gas supply agreement with Bahrain Petroleum Company (BAPCO) and most recently upgraded its Line 6 Technology to EGA DX+ Ultra, which will boost Line 6 production by 26,000 mtpa bringing Line 6 total production to 540,000 (mtpa).

Performance at a Glance

(year ended 31 December 2015)

The Year 2015 witnessed a step-up in our Company's performance on many fronts despite the tough market conditions and other challenges heavily weighing on the aluminium industry. We, advanced in many areas: our production figures topped 960,643 metric tonnes – the highest recorded metal production in Alba's 45-year history – and a substantial leap from 850,700 metric tonnes in 2010. As a result, our sales figures grew by 2.2% YoY over 2014 to reach 951,944 metric tonnes. We generated Free-Cash Flow of over BD 124 million (US$ 330 million), well above 2014. Our resilient cash flow coupled with operating discipline allowed us to pay a total dividend of Fils 11 per share, equivalent to BD 15.5 million (US$ 41.3 million). We, also, strengthened our balance sheet and cash position to stabilize and position the business for future growth; our year-end total cash balance stood at more than BD 116 million (US$ 309 million).

This financial strength will enable us to continue to invest in our organic growth strategy.

Our Journey Continues

Aluminium Bahrain B.S.C. has been gaining momentum as it positions itself to be the largest single site smelter in the world once Line 6 is fully on stream.

In short, the aluminium industry remains a challenging environment on the back of low LME prices; however, Alba has prepared itself to meet the challenges through the success of our "Project Titan" cost improvement program and the implementation of an Early Retirement Scheme (ERS) at the end of 2015.

Safety will continue to be our number 1 priority within the Company and will play an integral role in everything we do.

I would like to take this opportunity to express my sincere thanks and gratitude to the wise Leadership of the Kingdom of Bahrain and the Government of the Kingdom of Bahrain for their valuable guidance and generous support. I would also like to express my thanks to the Government of the Custodian of the Two Holy Mosques for its most valuable support to the Company.

I am grateful to my fellow Directors on Alba Board and the Executive Management for their active support and guidance which have positioned the Company as a true global leader in the industry. I would like to thank all employees of the Company, the Alba Labour Union and the Alba Trade Union for their commitment and hard work and all our shareholders, contractors, and clients for their valuable support during 2015.

In conclusion, I have no doubt that, in the coming years, Alba will continue its onward march with even greater vigour to ensure a better future for the Company and all its stakeholders.

With warm regards,

Daij bin Salman bin Daij Al Khalifa
Chairman of the Board
Aluminium Bahrain B.S.C.

CEO Message

It is an honour for me to write to you as we embark on our 45th year of operations and my fourth year as the CEO of this great Company.

“Despite all the challenges in the aluminium industry, Alba continued to perform”

Highlights

- Our long-term focus is to grow our business in terms of Sales, Margins and Capital Efficiency
- Our Balance Sheet is in a strong position to support our activities over the coming years

Despite the collapse of all-in-aluminium prices during 2015, Alba's underlying performance continued to exceed expectations. Our will to prepare and push the limits on operational excellence yielded great results in 2015. The success of our "Project Titan" cost improvement program was evident in our financial performance. Our production figures, also, jumped to 960,643 metric tonnes (mt), up by 3.1% YoY versus 931,427 mt in 2014.

FINANCIAL PERFORMANCE

Over the last few years, we managed to establish a simple framework to sustain our long-term success – to perform against all odds, boost our margins and deliver strong cash flows.

REVENUE & EARNINGS

Underlying sales totalled BD 766.7 million (US$ 2.039 billion) with an EBITDA of BD 132.3 million (US$ 352 million). The year's revenues and earnings performance were driven primarily by the collapse of all-in aluminium prices and higher energy cost.

BALANCE SHEET

We have managed to service our loans in the last couple of years at a fast pace to firmly position Alba for Line 6 Expansion Project. Today, our leverage (Net Debt to EBITDA) has fallen to as low as (-0.2 times) which reflects that we are in a strong position to support our major expansion, the sixth potline, over the coming years.

DIVIDEND

Our Board of Directors have declared a final dividend of Fils 5.5 a share and that takes the full-year dividend to Fils 11 a share representing a pay-out ratio of 26%.

We expect 2016 to be, again, a challenging year for the industry and Alba is ready for this challenge. The LME price is forecasted to remain at low levels on the back of strong US dollar, higher Chinese exports; however, the industry is growing rapidly and will provide opportunities for those ready to embrace them.

At Alba, we believe that change equals opportunity. We will stretch our targets and align ourselves to achieve the necessary synergies to take our performance to the highest level.

ALBA'S EXPECTATIONS FOR 2016

SAFETY STRONGER THAN EVER

At Alba, we are in the "People Business". We believe that our employees' safety and well-being are the cornerstone of our success. Safety is an integral part of Alba's history and culture.

The Company undertakes safety-focused events and activities to ensure that everyone stays safe at all times. We launched four significant campaigns this year: Safety Breeze, Safety Jungle, Go to Work and Come Back Home Safe and Back to Basics -- all of which focused on our primary goal of achieving a ZERO accident workplace.

Achieving a historic milestone 5 million work hours without Lost Time Injury (LTI) speaks volumes about our attitude towards safety. Alba also won the 2015 Occupational Excellence Achievement Award and 2015 Significant Improvement Award by the National Safety Council – USA; 2015 Gold Award for Occupational Excellence Achievement Award by the Royal Society for the Prevention of Accidents (RoSPA) as well as the 2015 International Safety Award from the British Safety Council.

We believe that the continuous commitment from all levels of an organisation is required to maintain a healthy and sustainable future for all. Hence, our commitment to Safety is lifelong in order to build a solid foundation for the future generations.

LME $ 1,300 CHALLENGE

We expect 2016 to be a difficult year with the LME forecasted to range between US$ 1,400/t - US$ 1,500/t -- levels not seen since 2009. In December 2015, the LME prices averaged US$ 1,494 per tonne on the back of the slow-down of the Chinese economy which has resulted in higher exports into the global market.

Based upon this, we are taking the challenge to prepare Alba to operate at an LME price of US$1,300 per tonne. We expect to see continued appreciation in the US$ dollar which will negatively impact commodity prices as well as the continuous rise in Chinese exports.

DELIVERING ON LINE 6

Alba's sixth potline has a far-reaching impact not just on the landscape of the Kingdom as the world's largest-single site smelter but also in terms of boosting the economy of Bahrain.

The Line 6 Expansion Project, expected to begin production in January 2019, will boost the per-annum production by 540,000 metric tonnes per annum (mtpa), bringing Alba's total production capacity to 1.5 million mtpa. This Project will, also, boost the downstream industry by creating many co-investment opportunities through local and foreign aluminium investments. It will create thousands of jobs, directly and indirectly, which will be a significant economic boost for the Kingdom of Bahrain.

2015 was a landmark year for the Line 6 Expansion Project as Alba secured the natural gas supply for the Project Line 6, as well as received the environmental permission from the Supreme Council for Environment, Kingdom of Bahrain.

We have been preparing many years for this mega project and we see that it as a great opportunity to leverage our expertise to grow the Company. The Line 6 Project is a brown field expansion and will allow Alba to fully leverage the benefits from economies of scale.

ALWAYS DO BETTER THAN NECESSARY

For all our successes, we have our employees to thank. People are our driving force. They are indeed, the greatest asset of our Company, and – ultimately – they are responsible for achieving the Company's goals.

We believe that it is only through continuous education and commitment to professional development that we can continue to grow and achieve success. Our training programmes and development initiatives are rooted in Alba's goals of operational excellence and our social commitment towards developing the community.

At Alba, we believe that with every challenge, there is an opportunity; to that extent, we are a firm believer that by unlocking the full potential of our employees, we will be able to enhance the Company's competitiveness and operational efficiency.

We are proud to have achieved above the industry benchmark of 5% training hours of the total man hours in 2015 for three years in a row. We want Alba to remain a unique and excellent place for our employees to work, and we are committed towards strengthening our learning culture and developing our workforce.

HEADING INTO CHALLENGING TIMES

We are thankful to the Board of Directors led by our Chairman for their unending support and wise leadership. I would, also, like to thank the Management Team along with the Alba Labour Union and the Alba Trade Union for their support throughout the year. Lastly, I would like to thank all the employees and contractors for their hard work and dedication to make Alba a safe and healthy workplace.

Notwithstanding the challenges ahead, Alba is keen to maintain its edge by aligning the Management Team to stay ahead of the competition.

Despite the global uncertainty, we remain optimistic 2016 will bring opportunities and I am confident Alba is aligned and ready to seize upon these opportunities.

Warm Regards,

Tim Murray
Chief Executive Officer
Aluminium Bahrain B.S.C.

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Operational Highlights

In 2015, we managed to make considerable progress on our priorities and were able to deliver on our targets all the while by meeting the changing dynamics of the aluminium industry.

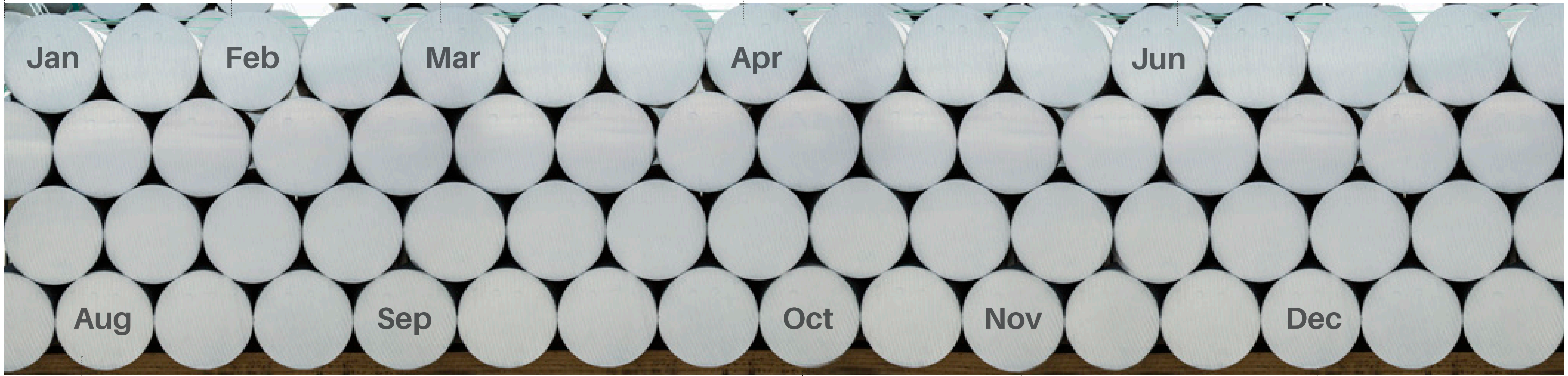
- Alba wins the 2015 Green Era Award

- Alba wins Best Company for Investor Relations, Bahrain 2014
- Alba signs milestone agreement with APM Terminals Bahrain
- Alba adds new rectiformer to Line 5

- Alba Completes Upgrading of Potline Control Systems for Reduction Lines 4 and 5

- Alba CEO Tim Murray named among top 100 CEOs in the GCC
- Alba wins 2015 award for 'Best Corporate Governance' Middle East
- Alba celebrates winning two major awards by British Safety Council

- Alba opens new regional sales office in United States
- Alba approves Line 6 Expansion Project
- Alba appoints financial advisors for Line 6 Expansion Project



- Alba wins RoSPA Gold Award 2015 for Safety & Health
- Alba Line 5 successfully completes a decade of operations

- Alba receives environmental permission for Line 6

- Alba announces new Chief Marketing Officer

- Alba secures natural gas supply for Alba's Line 6

- Alba Chairman receives Lifetime Achievement Award from MEBLSA 2015
- Alba wins Gold at the International Green Apple Awards'

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Financial Highlights

Metal Sales

US$ **1,993 million**

(Dropped by 2.02%Y-o-Y)

2014: US$ 2,034 million

Revenues down by 2.02% YoY due to Lower LME & Premium prices.

EBITDA

US$ **401 million**

(Dropped by 17%Y-o-Y)

2014: US$ 485 million

EBITDA (excluding one-off items) down by 17% YoY due to Lower LME prices.

Net Profit

US$ **159 million**

(Dropped by 38%Y-o-Y)

2014: US$ 257 million

Net Profit amounted US$ 159 million - down by 38% YoY due to collapse of all-in-prices.

Free Cash Flow

US$ **332 million**

(9%Y-o-Y growth)

2014: US$ 305 million

Free Cash Flow up by 9 % YoY to stand at US$ 332 million in 2015 due to efficient Working Capital Management.

Equity Ratio

80%

(1%Y-o-Y growth)

2014: 79%

Equity Ratio up by 1% versus 2014.

Net Debt

US$ **- 71 million**

(Dropped by 139% Y-o-Y)

2014: US$ 184 million

Net Debt down by 139% YoY compared to 2014. This improvement is mainly attributed to servicing Loans and efficient Working Capital Management.

Cash Payback to Shareholders

US$ **77 million**

(Dropped by 39%Y-o-Y)

2014: US$ 127 million

Cash Payback to Shareholders down by 39% year-on-year owing to low Net Profit.

Shareholders' Equity

US$ **2,521 million**

(3%Y-o-Y growth)

2014: US$ 2,442 million

Shareholders' Equity up by 3% YoY to stand at US$ 2,521 million on the back of higher Retained Earnings.

Net Debt to EBITDA

-0.20x

(Dropped by 147%Y-o-Y)

2014: 0.40x

Net Debt to EBITDA continues to strengthen on the back of lower Net Debt levels.

Leverage Ratio

20%

(Dropped by 5%Y-o-Y)

2014: 21%

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

Corporate Governance

The Company operates in line with a set of Board approved 'Corporate Governance Guidelines'.

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 Directors, all of whom are external to the company's management. 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' document.

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. The Board Executive Committee is responsible for assisting the Board in fulfilling its oversight responsibility with respect to strategic initiatives and projects, and business and operational plans in accordance with its Charter.

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, as amended). 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 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, sets out required ethical conduct for all employees and representatives of the Company. It was re-launched during 2015 by the Board and 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 'IntegrityLine' 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.

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

Corporate Governance

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.

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.

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 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 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, 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;

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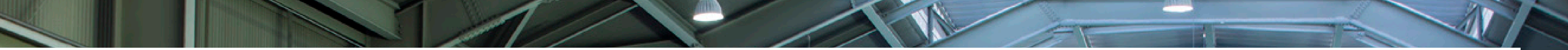
- The loss of either of the Company's two largest customers, or its inability to recover the receivables due from either of them, or the long-term loan extended to one of them may have a material adverse effect on its financial condition and future prospects;
- The Company relies on third-party suppliers 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.



Products and Markets

Aluminium Industry In Focus: Collapse of All-in-Prices

From a macro perspective, global growth remains stuck in uncertainty with developed countries starting to take their recoveries to the next stage while emerging market economies are still quavering. This discrepancy was mainly powered by the developments in United States and China.

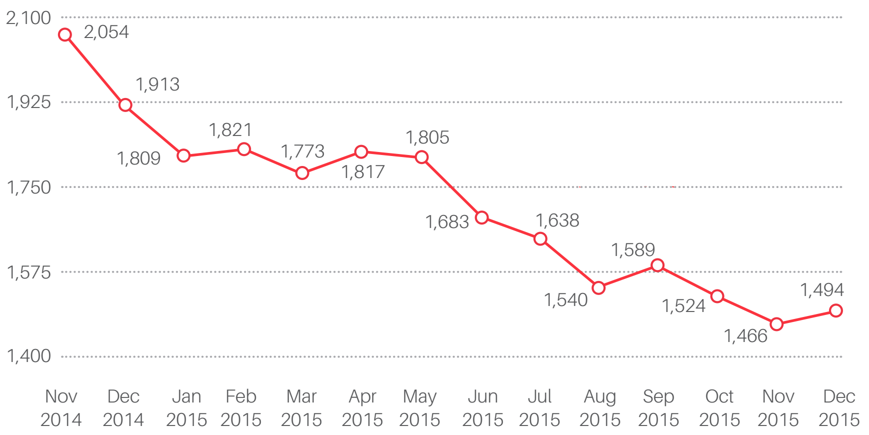
"Aluminium prices continue to remain depressed as oversupply issues continue to dominate the market"

"Concerns over Chinese growth & overcapacity will dominate LME price movements in 2016"

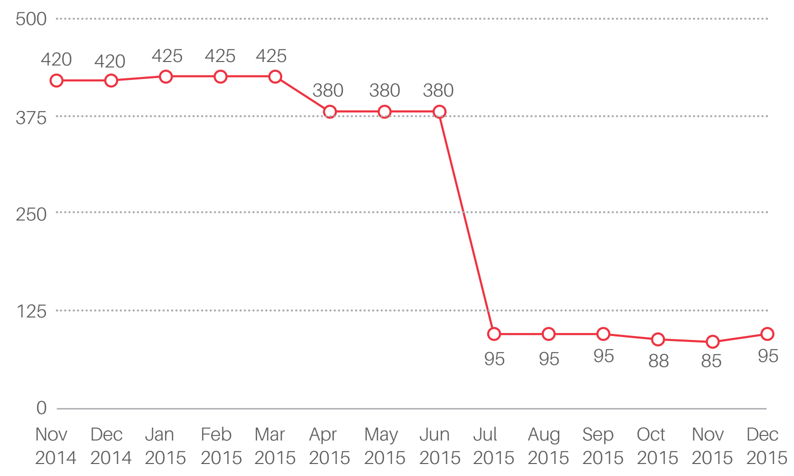
"US$ strength will continue to be the key headwind for commodities'"

- The average LME cash price settled at US$ 1,663 in 2015, down by 11% YoY while prices have fallen to a low of US$ 1,424 making over half of the industry cash-negative.
- LME prices in 2015 have fallen to the lowest level since 2009 and global premiums [US Midwest, DDP and Major Japanese Ports (MJP)] have collapsed.
- The elimination of taxes (15%) by the Chinese government on aluminium rods and bars contributed significantly to an increase of its exports.
- Asian premiums under pressure from high levels of Chinese primary and semis exports as China continues to produce aluminium despite lower growth/demand.
- US$ currency is getting stronger as the Federal Open Market Committee hiked the Federal Rate from 0-25 basis point (bp) to 25-50 bp on the back of declining unemployment and better utilization of labour resources.
- The drop in oil prices by over 50% in 2015 impacted aluminium prices negatively.
- Global market production hit a record high with 57.4 million metric tonnes, up by 6% YoY while world consumption stood at 56.2 million metric tonnes, an increase of 4% YoY.
- Higher Chinese production played a major role in boosting 2015 global surplus.

LME AVERAGE (US$)



MJP AVERAGE (US$)



Products and Markets

Industry Outlook for 2016 – a crunch year for the Aluminium market

Global demand is likely to remain robust as aluminium continues to remain one of the metals with the fastest growing demand profiles. Global demand is projected to grow at an average of 4% in 2016 fuelled by the robust automotive production and sound growth in the construction sector - in United States and China.

- The downward trend in LME prices is likely to continue in 2016 as long as the market doesn't correct its imbalances (Chinese exports and higher global inventories).
- China's structural slowdown is expected to continue and growth will decelerate as the economy is shifting to a more consumer-driven model.
- North American demand to grow at a fast pace of 5.9% led by strong automotive production while consumption in Europe will remain firm in packaging and transport sectors.
- World market production is set to increase at a rate of 2.2%
- Chinese production is projected to increase by around 3% to around 32.3 million metric tonnes due to closures and cutbacks.
- Middle east output is expected to rise despite geopolitical tensions
- The macro picture will continue to remain polarised on the back of weak market sentiment underpinned by weak Chinese growth and rising geopolitical risks in the Middle East.
- Lower LME prices will continue to pressure marginal producers to cut output in North America, Europe and China.

Global demand

North American demand to grow at a fast pace of 5.9% led by strong automotive production while consumption in Europe will remain firm in packaging and transport sectors.

2015 Metal Sales stood at	Metal Sales in metric tonnes (mt) up by	Value-Added Sales topped
US$ 1.99 billion	2.2% YoY	604,540 mt

Sales Performance - 2015

Alba Casthouse sustained its performance despite the weak market sentiment.

- Slab output topped 120,137 metric tonnes (mt) - up by 4%YoY
- Billets production at 371,282 mt, an increase of 1%YoY
- Foundry alloys volumes at 113,121 mt, down by 12% YoY

Alba managed to close 2015 with its Value-Added (VA) sales averaging 64% of total shipments versus 66% in 2014.

Downstream Markets

Our downstream markets continue to boom:

Billets are sold to aluminium extruders which use the versatile properties of aluminium alloys to create profiles in all shapes and sizes mainly used in building applications, such as window frames and structural components.

Slabs are casted in rolling mills to produce foil stock which is re-rolled into household foil or packaging material used mainly in food or pharmaceutical industries. Other types of slabs are rolled into plates or sheets for usage in the general engineering and building industries.

Foundry alloys are used by automotive components manufacturers to cast wheels and engine blocks.

Molten metal is sold primarily to Midal Group - one of the world's leading cable and rod manufacturers.

Products and Sales

Alba exports to more than 25 countries around the world.

By Region

Europe	Americas	Other MENA	Asia	Bahrain
10%	9%	16%	17%	48%

By Product Line

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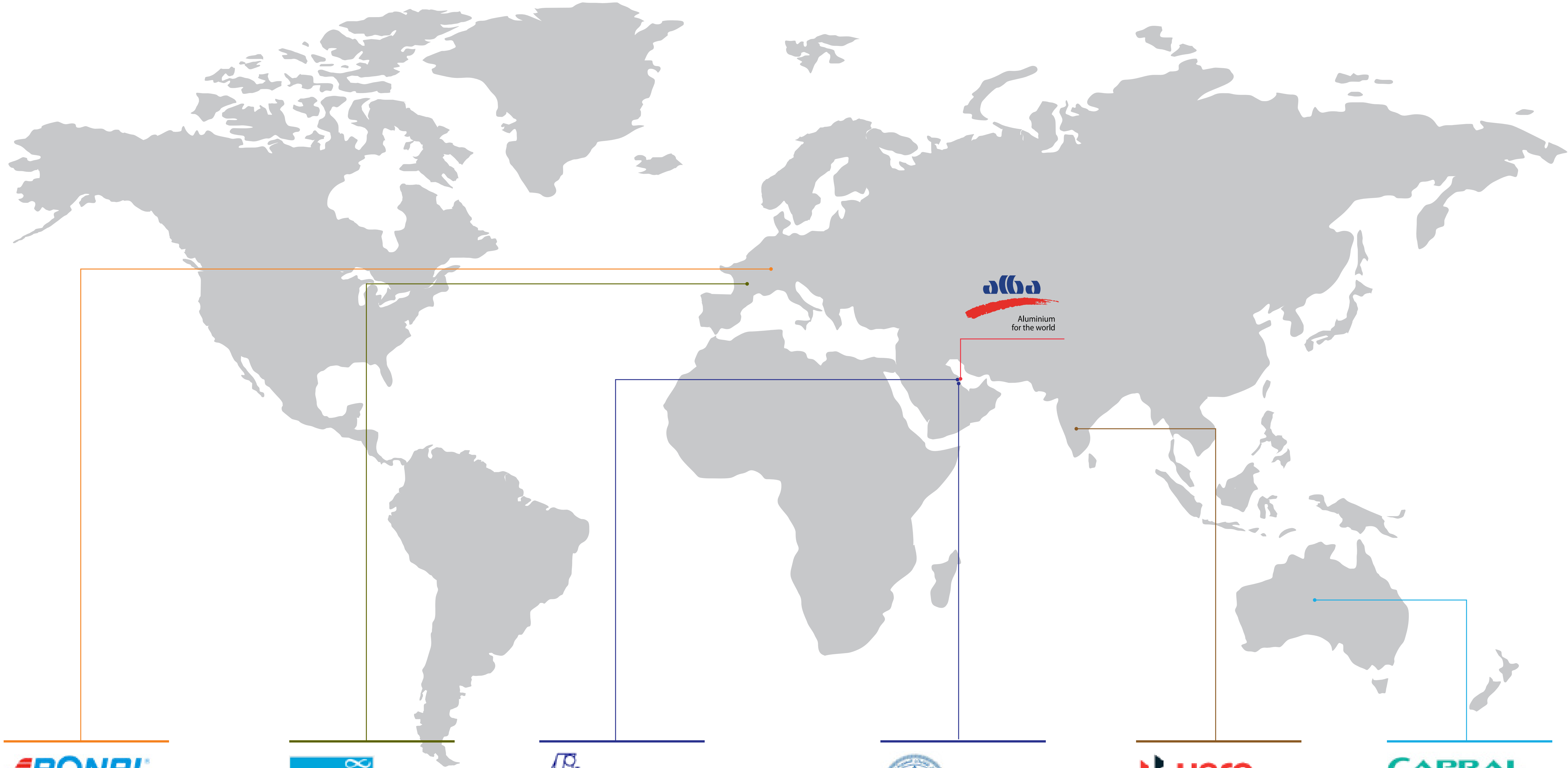
Annual Report 2015

Clientele Profile



RONAL WHEELS

Founded in 1962
RONAL Company is the pioneer of light alloy wheels in the world market. Karl Wirth Born founded the Company in 1962. Since then, Ronal has been applying a high technology, innovative design and quality without compromise for all its products.

MAXION WHEELS

Founded in 1972
Maxion Wheels and its subsidiaries have been supplying OEMs with the highest quality wheels and most innovative technologies for over 100 years.

GARMCO

Founded in 1981
Established in 1981, Gulf Aluminium Rolling Mill Company (GARMCO) is one of the largest downstream aluminium facilities in the Middle East.

MIDAL CABLES LIMITED

Founded in 1997
Midal Cables was established in 1997 and was conceived between Al Zayani investments (Bahrain) and Olex Cables (Australia) with Saudi Cable Company substituting Olex Cables to manufacture Aluminium Rods, Wires and Overhead Conductors for Electrical Transmission.

HERO MOTOCORP INDIA

Founded in 2001
Hero MotoCorp Ltd. (Formerly Hero Honda Motors Ltd.) is the world's largest manufacturer of two - wheelers, based in India.

CAPRAL AUSTRALIA

Founded in 1936
Capral is an Australian company listed on the ASX (Code: CAA). It commenced operations in Australia in 1936 and is Australia's largest manufacturer and distributor of aluminium profiles, with net assets of approximately $110 million.

Clientele Profile

Far East:

Hero MotoCorp India

Hero MotoCorp Ltd. (Formerly Hero Honda Motors Ltd.) is the world's largest manufacturer of two - wheelers, based in India.

In 2001, the company achieved the coveted position of being the largest two-wheeler manufacturing company in India and also, the 'World No.1' two-wheeler company in terms of unit volume sales in a calendar year. Hero MotoCorp Ltd. continues to maintain this position till date.

The story of Hero Honda began with a simple vision - the vision of a mobile and an empowered India, powered by its two wheelers. Hero MotoCorp Ltd., company's new identity, reflects its commitment towards providing world class mobility solutions with renewed focus on expanding company's footprint in the global arena.

Hero MotoCorp's mission is to become a global enterprise fulfilling its customers' needs and aspirations for mobility, setting benchmarks in technology, styling and quality so that it converts its customers into its brand advocates.

The Company's growth in the two wheeler market in India is the result of an intrinsic ability to increase reach in new geographies and growth markets. Hero MotoCorp's extensive sales and service network now spans over to 6000 customer touch points.

http://www.heromotocorp.com/en-in/

Capral Australia

Capral is an Australian company listed on the ASX (Code: CAA). It commenced operations in Australia in 1936 and is Australia's largest manufacturer and distributor of aluminium profiles, with net assets of approximately $110 million.

Capral has a National footprint of world class aluminium extrusion plants, with 8 operating presses with annual capacity of 75KT. Capral is a market leader in supply to fabricators and distributors, focussing on the Residential, Commercial and Industrial segments.

Capral has a comprehensive product range, innovative R&D capability, and is well positioned to take advantage of changing building regulations in Australia.

Capral has an extensive distribution network, consisting of major distribution facilities, as well as regional and metropolitan centres with an extensive range of products and logistics capabilities.

Capral employs around 820 people within its operations throughout Australia, with significant industry skills and expertise.

http://www.capral.com.au/

Bahrain:

GARMCO

Established in 1981, Gulf Aluminium Rolling Mill Company (GARMCO) is one of the largest downstream aluminium facilities in the Middle East. With an annual production capacity of 160,000 tonnes, the Company specialises in producing high-quality rolled aluminium products in various sizes and alloys, including circles, sheets and coils; while a foil mill of 20,000 tonnes capacity produces semi-rigid container stock and fin stock. These products are exported to key markets around the world, stretching from Australia to the USA. Accreditation to all relevant ISO, OSHAS and BCMS standards underlines GARMCO's commitment to quality, health and safety, information security, and protection of the environment. The Company employs over 800 people worldwide, and has an annual turnover exceeding US$ 450 million.

http://www.garmco.com/

MIDAL CABLES LIMITED

Midal Cables was established in 1997 and was conceived between Al Zayani investments (Bahrain) and Olex Cables (Australia) with Saudi Cable Company substituting Olex Cables to manufacture Aluminium Rods, Wires and Overhead Conductors for Electrical Transmission.

Midal Cables Limited has expanded its capacity both locally and globally over the years and has participated in numerous transmission and distribution projects globally meeting various international technical standards. Midal Cables Limited has emerged as one of the top ranking companies in the world in the field of Aluminium and Aluminium Alloy Rods and Conductors manufacturing with a high reputation for good quality products and excellent customer service.

Today, Midal Cables Limited has operations in Bahrain, Turkey, Australia, Saudi Arabia and Mozambique with a total capacity of about 450,000 MT per annum and is 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

Europe:

Maxion Wheels

Maxion Wheels and its subsidiaries have been supplying OEMs with the highest quality wheels and most innovative technologies for over 100 years. During that time, we've acquired some of the most recognizable names in the industry, including Kelsey Hayes, Lemmerz and Fumagalli. Today, we put our combined expertise to work for nearly every OEM and vehicle market in the world.

We're also backed by the strength and security of our parent company, Iochpe-Maxion, which ensures that our customers can count on us for the long-term growth, infrastructure and stability they need.

With an international network of strategically located engineering, technology and production facilities, Maxion is one of the only wheel manufacturers who can deliver on a truly global platform.

This allows us to not only reduce logistical costs — it also allows us to eliminate duplicate processes, and to streamline the complexities that come from managing variation in a single vehicle platform. We're able to implement the same design, technology and controls across multiple production lines, and to ensure a consistent and quality product whenever and wherever you need it.

No matter where a Maxion wheel is made, it's made exactly right

http://www.maxionwheels.com

Ronal Wheels

RONAL Company is the pioneer of light alloy wheels in the world market. Karl Wirth Born founded the Company in 1962. Since then, Ronal has been applying a high technology, innovative design and quality without compromise for all its products. The lasting growth was achieved thanks to the customers' service, continuing innovations and a high standard of quality. For ensuring the highest quality RONAL develops and manufactures its own manufacturing tools, which originate both in Cantanhede Portugal and Härkingen Switzerland.

RONAL Company serves customers in Germany, France, Italy, Mexico, Poland, Spain, the Czech Republic and the USA. Light alloy wheels with own RONAL & SPEEDLINE brands are the lasting leaders on the demanding aftermarket. Both brands are distinguished for their quality and incommutable design. Presence on particular markets; a high technology and a product design; and a state-of-the-art manufacturing equipment help the company to satisfy the customer needs all over the world.

http://www.ronal.com

Line 6 Expansion Project

Aluminium Bahrain B.S.C. (Alba) Line 6 Expansion Project will make the Company the largest single site smelter in the world upon project completion

540,000 MT

Production (metric tonnes/year)

Total CAPEX

US$ 3.5 billion

Line 6 Expansion project (inclusive of Power Station) CAPEX is approximately US$ 3.5 billion

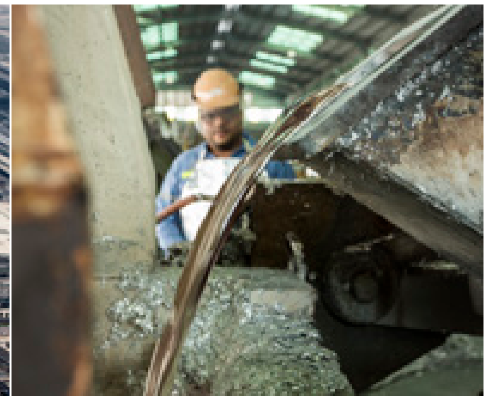
J.P. Morgan, GIB & NBB are Line 6 Financial Advisors

- J.P. Morgan
- Gulf International Bank (GIB)
- National Bank of Bahrain (NBB)

Production

Expected Production to begin by January

2019



Line 6 Technology upgraded to EGA DX+Ultra

EGA DX+ Ultra

state-of-the-art technology

Line 6 will consist of 424 pots

424

are the total number of pots

Line 6 length is around 1.35 km

1.35 Km

Is the Length of Line 6 Expansion

Construction of a fifth power station with a capacity of 1,350 Mega Watts

1,350 Mega Watts

Fifth Power Station

Safety, Health & Environment

"Safety Jungle" Campaign

Alba launched one of its biggest campaigns themed "Safety Jungle", which aimed to promote a safe and healthy working environment during the harsh summer months.

Alba's role as a leading aluminium smelter in the world is characterised by its excellent track record in in the areas of safety, health and environment. Employee safety and health is a top priority for Alba. Employees are our most valuable asset, and we constantly implement as well as update procedures to incorporate international standards of safety, health and environment in order to benefit our workforce.

We believe that continuous commitment from all levels of an organisation is required to maintain a healthy, and sustainable future for all.

Safety

Safety is the topmost priority that drives Alba's day-to-day operations. We believe that a strong safety programme is directly linked to the successful financial performance of the Company.

Alba continued to strengthen its safety culture with many safety-focused campaigns. The year 2015 began with the plant-wide SHE campaign titled "Safety Breeze", which addressed a vast number of topics related to safety, health and environment. The same campaign was coupled with the expectation of 'ZERO LTI'. The ultimate aim of the campaign was to promote the principle of zero harm that is aligned with the organisation's third principle - 'All work related injuries and illnesses are preventable'.

In June, Alba launched one of its biggest campaigns themed "Safety Jungle", which aimed to promote a safe and healthy working environment during the harsh summer months. Under the patronage of Alba's Chairman of Board of Directors, Shaikh Daij Bin Salman Bin Daij Al Khalifa and attended by Board of Directors, Senior management, and Alba Labour Union representatives, each day of the "Safety Jungle" campaign was held with a different theme and included topics such as Heat Stress, Home Safety, Conservation of Energy, Water Activities and A Healthy Ramadan.

Alba endeavoured to promote health and safety outside the organisation when it launched the "Go to Work and Come Back Home Safe" campaign aiming to make the public aware about small acts that could lead to unfortunate incidents. As part of this campaign, Management and SHE representatives visited schools and health care centres around Bahrain addressing these safety issues; they joined employees using Company transportation to discuss the same; and conducted employee home inspection sessions to create awareness about safety at home.

The 'Back to Basics' campaign was the final plant-wide event, which stressed on a zero accident work environment and further reinforced the safety principles – Ownership of Safety is everyone's responsibility; Working safely is a condition of employment and All work related injuries and illnesses are preventable.

Alba ensures to include its contractor workers in all its safety initiatives in order that they too absorb the safety beliefs of Alba and commit themselves to work and maintain a zero accident work environment.

Alba attained tangible results from the initiatives introduced in terms of cultivating health and safety. The health and safety performance indicator showed a huge improvement in terms of reduced number of injuries for 2015. Alba also successfully achieved 5 million work hours without Lost Time Injury (LTI), which was a historic milestone for the organisation.

Al Dana Garden

Located at the north side of the smelter, was inaugurated in 2015. Spread over a green area of more than 1 hectare, it has many Date Palm trees and a small lake.

Alba's safety performance won many awards - 2015 Occupational Excellence Achievement Award and 2015 Significant Improvement Award by the National Safety Council – USA; 2015 Gold Award for Occupational Excellence Achievement Award by the Royal Society for the Prevention of Accidents (RoSPA) and the 2015 International Safety Award from the British Safety Council. Furthermore, one of the Company's employees was also selected as the 2015 Health and Safety Champion by the British Safety Council.

Environment

Alba has earned international repute as an eco-friendly industrial company that invests in environmental programmes that preserve and protect Bahrain's green cover.

Alba successfully carried out the recertification audit for all its departments on both EMS ISO 14001:2004 and OH&S OHSAS 18001:2007, which was done by Bureau Veritas.

Alba's efforts towards sustainability have resulted in numerous prestigious awards with the most recent "Gold in the Environmental Best Practice category" of the prestigious International Green Apple Awards 2015.

As a major industrial company in Bahrain, Alba participated in several National workshops on the environment including Strategic Approach to International Chemicals Management (SAICM) and Natural Occurring Radioactive Material arranged by Supreme Council of Environment, all of which highlighted environmental health.

Alba is an active member of the National Environmental Standards Review Committee. The Company has formed an internal team to review and meet the stringent current standards of this Committee. This demonstrates our commitment and leadership role to the wellbeing and sustainability of the environment in the Kingdom.

Alba is also a member of the Industrial Environmental Network Committee consisting of members from the major industries in the Kingdom to discuss and share latest environmental developments in each company, and national developments that could affect the companies and the various challenges and opportunities for a better future.

Alba's Her Royal Highness Princess Sabeeka Oasis, established in 2009 in the Southern part of the smelter is a source of pride for the Company as it provides a picture of the Company's commitment towards the environment in general and, in particular towards agriculture.

In collaboration with Alba Laboratory, the filtration and water purification systems were upgraded in the artificial lake as well as the waterway in order to monitor and control the PH levels in water. Construction of a new waterfall of more than 40 square meters has been commissioned in the south side of the Lake. A number of fountains were added to the Lake, which, not only improve the circulation of the water but also add to the picturesque beauty.

The Al Dana Garden, located at the north side of the smelter, was inaugurated in 2015. Spread over a green area of more than 1 hectare, it has many Date Palm trees and a small lake.

Alba remains committed to towards creating and maintaining a sustainable environment, thus fostering a healthy work environment for its employees.

Training and Development

Empowering our Employees

Alba believes that employees are the key to its success, and the quality of employees and their development through training and education are major factors in determining the Company's long-term profitability.

The Company has been successful in training and developing its workforce, which is critical to Alba remaining competitive in the difficult world of commodities.

The Company's Training & Development initiatives provide the foundation to Bahrainisation and empower the nationals with necessary skills to boost their calibre as professionals, thus boosting their opportunities for career advancement. Alba began comprehensive training of its Bahraini employees right from the start of its operations, which equipped them with work-related skills through accredited and specially developed training courses. Today, Alba has become a leader in the Gulf for optimising human resources and enabling employees to reach or exceed their potential.

Alba continues to partner 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 2015, Alba continued to focus 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.

Development Programmes

Alba has become a leader in the Gulf for optimising human resources and enabling employees to reach or exceed their potential.

Training & Development Courses

Throughout 2015, various employee training and development programmes were conducted for all levels of employees. It is a matter of great pride that Alba achieved above the industry benchmark of 5% training hours (in 2015) for three years in a row.

Executive Development Series: Executive development is a critical part of Alba's leadership strategy, and numerous programmes were designed and conducted to provide management candidates with skills for future growth within the Company. Some of the vital trainings were: Leadership Practices 360 Feedback Process; Advanced Public Speaking; Advanced Leadership; The 5 laws of Stratospheric Success and 5 Dysfunction of a Team.

Soft Skills Courses: Soft skills -- ability to communicate, problem solving, delegating, motivating, and team building -- are an important part of employee training and development at Alba. Courses such as Supervisory Management Development Programme; Industrial and Employee Relationship programme; Leadership and Influence; High Performance Leadership Training; Leadership & Change Management Programme for Management; Problem Solving & Decision Making for Management and Miracle Team Building Programme were conducted for the employees.

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 'Craft Job-Skills Training' to keep up craft job skills and apprise them with the upgradations and modifications as well as to enhance their knowledge and skills. In this major initiative, a training need analysis is carried out every year for each department and training is delivered on equipment and processes.

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.

Safety, Health & Environment Trainings

Developing its safety culture across the plant and achieving a zero accident work environment remains Alba's priority. Numerous training programmes in Safety, Health and Environment were held throughout 2015, which ensured that all employees were made aware on being responsible and safe in all aspects of their life.

An extensive amount of time was dedicated to trainings for safety, health and environment. In 2015, among other standard SHE courses, various subjects were also covered such as Accident Investigation, JSP and Planned Job Observation, Risk Assessment, Permit to Work, Working at Height, Be a Leader in Safety and a week-long in-house made movie festivals.

Continuing Development Programmes

Academic Education

Alba places great importance on higher education, which is a key element of training and development for succession at management positions. Over the past few years, numerous employees were sponsored for BS degrees and MBA programmes to prepare them with a business mind set needed to compete in the global business environment.

We believe that in the long run, education is critical to the success of the company; this has been amply demonstrated by the efficacious transition of the graduating candidates into Alba's succession planning with many of them being assigned to higher roles.

Today, all of Alba's Executives are MBA graduates, and many on its management team have either completed or are in the process of graduating with an MBA degree.

Training & Development Programme (TDP)

One of the most successful and promising employee programmes is Alba's TDP wherein Bahraini employees are selected to take up higher responsibilities and/or middle and senior level management roles 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 them to satisfy the criteria for the position they will take up.

In 2015, as many as 90 candidates were selected for TDP at the completion of which they will be promoted to higher positions mainly replacing the national retirees and expatriates.

Training and Development

A new Training Centre

Built in the early 1970's, Alba's Training Centre underwent a radical change to make way for a state-of-the-art Training Centre, which was opened in 2015. This new Centre continues to focus on strengthening core skills of existing employees and train new joiners with skills as required in the smelting industry.

The Training Centre consists of Training Administration Building and Training Workshops Building, which houses nine smart classrooms, and workshops dedicated to each of the five maintenance disciplines -- Automotive, Mechanical, Electrical, Instrumentation and Hydraulics & Pneumatics.

The workshops focus on practical training and have state-of-the-art equipment that are currently being used within the Alba plant as well as simulators, both of which will ensure that trainees are competent to work within designated areas of the smelter. Both in-house and external experts in various disciplines deliver required expertise and training to the trainees.

Tim's Book Club

A new initiative by the Executive Management of Alba, Tim's Book Club was established with the sole purpose of developing a reading culture in Alba. Through this Club, employees can access well-known business/management books, which will help them enhance their skills and capabilities. Brining more value to the reading experience, books with the highest reading rate are converted into workshops, thus giving insights about the author, the book and lessons from it. To assert the value of reading, Tim's Book Club was integrated into the TDP.

Training Workshops Building

The Training Centre consists of Training Administration Building and Training Workshops Building, which houses nine smart classrooms, and workshops dedicated to each of the five maintenance disciplines -- Automotive, Mechanical, Electrical, Instrumentation and Hydraulics & Pneumatics.

Investing in our People

Alba considers its people as the most valuable resource. Employee training and development is an indispensable function within the Company where enormous value is placed on providing employees with new skills and sharpening existing ones, all of which lead to increased productivity and better leaders.

Alba will continue to push the envelope on training and development and endeavour to provide the employees with a compressive range of new training programmes as well as opportunities for development and education. This approach will empower Alba employees to stretch their capabilities and aim for opportunities that will create a bright future, for themselves and the Company.

Corporate Social Responsibility (CSR)

Alba's CSR reflects its best efforts towards making the society in which we operate a better place, while creating sustainable value for our customers, stakeholders and our employees.

Alba's CSR initiatives cover a wide range of activities in charity, sports, environment and culture that focus upon issues that are most important to our business and our society.

We firmly believe that in addition to creating economic value through our business activities, we are duty bound to play an active role towards the overall improvement of society as a responsible corporate citizen. We continue to provide considerable financial and practical support to the local community in Bahrain.

Alba has a well-formulated CSR strategy to communicate its approach and objectives. In the past year, Alba has accomplished many activities in CSR, and partnered and worked closely with many NGOs, government organisations and community services towards worthy causes and development of the society. It demonstrated its support by way of active participation, sponsorships and donations, marketing and branding as well as in-kind services.

Alba was a key sponsor as well as participant for well-known events such as Second Bahrain International Corporate Social Responsibility Conference and Exhibition, Bahrain Training Institute's Career Week 2015 and University of Bahrain's 15th Careers Day.

Moreover, the Company also supported and conducted various sporting events to highlight the importance of sports -- Annual Raft Race 2015; National Day Basketball Tournament; Bahrain Ladies Basketball Tournament and the first ever Ironman 70.3 Middle East Championship.

A significant CSR activity undertaken by Alba was a tree planting campaign as part of its commitment to promote sustainability, and maintain a green and clean environment within the smelter. Around 100 tissue culture Palm trees were planted by employees inside Alba over a few months.

Alba also spearheaded many community events -- one- day event for kidney patients' kids with the support of Bahrain Kidney Patients Friendship Society; a day out for elderly retired people in cooperation with Al Hekma Society for Retired; activities and programmes for visually-impaired students; participating in Bahrain Consumer awareness campaign; participating in walkathon for Bahrain Diabetic Society; and safety awareness sessions in schools around Bahrain.

In line with Alba's long standing policy of supporting social development in the Kingdom, it has strong ties with inJAz Bahrain, one of the most innovative, non-profit organizations aimed at educating and empowering Bahrainis with skills for the future. Alba has been a consistent supporter of inJAZ Bahrain not only through sponsorships but also by way of participation as volunteers in its various empowerment programmes.

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 remain vigilant in unleashing different ways to bring value to the communities in which we operate. We are determined to play a transformative role that would serve to benefit our customers, employees, and the community.

Annual Raft Race 2015

The Company also supported and conducted various sporting events to highlight the importance of sports including the Annual Raft Race 2015;

Financial Statements

Building a better working world

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C.R. No. 6700

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

Report on the financial statements

We have audited the accompanying financial statements of Aluminium Bahrain B.S.C. ('the Company'), which comprise the statement of financial position as at 31 December 2015, 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 2015 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 the 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 2015 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. 45
18 February 2016
Manama, Kingdom of Bahrain

Ernst + Young

Statement of Financial Position
At 31 December 2015

	Note	2015 BD '000	2014 BD '000
ASSETS			
Non-current assets			
Property, plant and equipment	4	811,377	837,757
Long term receivable	5	-	3,439
Other asset	6	4,512	4,704
		815,889	845,900
Current assets			
Inventories	7	146,404	152,469
Current portion of long term receivable	5	3,439	3,438
Trade and other receivables	8	100,698	92,888
Bank balances and cash	9	116,009	67,198
		366,550	315,993
TOTAL ASSETS		1,182,439	1,161,893
EQUITY AND LIABILITIES			
Equity			
Share capital	10	142,000	142,000
Treasury shares	11	(4,905)	(3,696)
Statutory reserve	13	71,000	71,000
Capital reserve	14	249	249
Retained earnings		731,698	687,387
Proposed dividend	15	7,768	21,200
Total equity		947,810	918,140
Non-current liabilities			
Borrowings	16	33,024	64,137
Employees' end of service benefits	17 (a)	1,349	1,265
		34,373	65,402
Current liabilities			
Borrowings	16	56,373	72,351
Trade and other payables	18	143,844	101,378
Derivative financial instruments	19	39	4,622
		200,256	178,351
Total liabilities		234,629	243,753
TOTAL EQUITY AND LIABILITIES		1,182,439	1,161,893

Daij Bin Salman Bin Daij Al Khalifa
Chairman

Tim Murray
Chief Executive Officer

Yousif Taqi
Director

The attached notes 1to 27 form part of the sefinancial statements.

Statement of Comprehensive Income
Year ended 31 December 2015

	Note	2015 BD '000	2014 BD '000
Sales	23(a)	766,686	821,715
Cost of sales		(663,428)	(673,947)
GROSS PROFIT		103,258	147,768
Other income	20	3,701	1,865
Gain on foreign exchange translation		728	671
Administrative expenses		(32,417)	(29,546)
Selling and distribution expenses		(12,187)	(19,885)
Finance costs	21	(3,176)	(4,449)
Directors' fees	24	(210)	(190)
Gain on revaluation/settlement of derivative financial instruments (net)	19	264	211
PROFIT FOR THE YEAR	21	59,961	96,445
Other comprehensive income for the year		-	-
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		59,961	96,445
Basic and diluted earnings per share (fils)	12	42	68

Daij Bin Salman Bin Daij Al Khalifa
Chairman

Tim Murray
Chief Executive Officer

Yousif Taqi
Director

The attached notes 1to 27 form part of the sefinancial statements.

Statement of Cash Flows
Year ended 31 December 2015

	Note	2015 BD '000	2014 BD '000
OPERATING ACTIVITIES			
Profit for the year		59,961	96,445
Adjustments for:			
Depreciation	4	73,775	79,419
Amortisation of other asset	6	192	96
Provision for employees' end of service benefits - net	17 (a)	1,476	1,403
Provision for impairment of inventories - net	7	177	73
Provision for impairment of receivables - net		197	(4)
Gain on revaluation of derivative financial instruments	19	(4,583)	(5,481)
Loss on disposal of property, plant and equipment		1,114	1,549
Interest income	20	(142)	(188)
Interest on borrowings	21	2,749	3,733
Cost of Employees' Stock Incentive Plan - net	21	-	(92)
		134,916	176,953
Working capital changes:			
Inventories		5,888	(7,612)
Trade and other receivables		(8,007)	(7,509)
Trade and other payables (refer note a below)		42,586	3,608
Cash from operations		175,383	165,440
Employees' end of service benefits paid	17 (a)	(1,392)	(1,068)
Net cash flows from operating activities		173,991	164,372
INVESTING ACTIVITIES			
Purchase of property, plant and equipment	4	(48,575)	(50,550)
Proceeds from disposal of property, plant and equipment		66	143
Interest received	20	142	188
Net cash flows used in investing activities		(48,367)	(50,219)
FINANCING ACTIVITIES			
Repayment of long term receivable		3,438	3,438
Borrowings availed		103,400	231,240
Borrowings repaid		(150,491)	(295,586)
Interest on borrowings paid (refer note below)		(2,869)	(3,923)
Dividends paid	15	(28,963)	(47,998)
Purchase of treasury shares		(1,933)	(2,020)
Proceeds from resale of treasury shares		605	3,354
Net cash flows used in financing activities		(76,813)	(111,495)
INCREASE IN BANK BALANCES AND CASH		48,811	2,658
Bank balances and cash at 1 January		67,198	64,540
BANK BALANCES AND CASH AT 31 DECEMBER	9	116,009	67,198

Non-cash item:
Movements in unpaid interest on borrowings amounting to BD 120 thousand is excluded from the movement in trade and other payables (2014: BD 190 thousand).

The attached notes 1to 27 form part of the sefinancial statements.

Statement of Changes In Equity
Year ended 31 December 2015

	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 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		-	-	-	-	(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
Total comprehensive income for the year		-	-	-	-	59,961	-	59,961
Net movement in treasury shares		-	(1,209)	-	-	-	-	(1,209)
Loss on resale of treasury shares		-	-	-	-	(119)	-	(119)
Final dividend for 2014 approved and paid	15	-	-	-	-	-	(21,198)	(21,198)
Excess of final dividend for 2014 reversed		-	-	-	-	2	(2)	-
Interim dividend for 2015 proposed and paid	15	-	-	-	-	(7,765)	-	(7,765)
Proposed final dividend for 2015	15	-	-	-	-	(7,768)	7,768	-
Balance at 31 December 2015		142,000	(4,905)	71,000	249	731,698	7,768	947,810

The attached notes 1to 27 form part of the sefinancial statements.

Notes to the Financial Statements
At 31 December 2015

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 and in the United States of America.

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 18 February 2016.

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 2015

The accounting policies adopted are consistent with those of the previous financial year, except for the following amended IFRSs effective as of 1 January 2015 which had no significant impact on the Company's financial position, performance or its disclosures:

Annual Improvements 2010-2012 Cycle

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 by either adjusting the gross carrying amount of the asset to market value or by determining the market value of the carrying value and adjusting the gross carrying amount proportionately so that the resulting carrying amount equals the market value.

Notes to the Financial Statements
At 31 December 2015

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Annual Improvements 2010-2012 Cycle *(continued)*

In addition, the accumulated depreciation or amortisation is the difference between the gross and carrying amounts of the asset. This amendment is not relevant for the Company as the Company's property, plant and equipment are stated at cost less accumulated depreciation and/or impairment losses.

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. This amendment is not relevant for the Company as it does not receive any management services from other entities.

Annual Improvements 2011-2013 Cycle

These improvements are effective from 1 July 2014 and have no 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 IAS 39. This amendment is not relevant for the Company.

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: Classification and Measurement

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 is currently assessing the impact of IFRS 9 and plans to adopt the new standard on the required effective date.

Amendments to IFRS 11 Joint Arrangements: Accounting for Acquisitions of Interests

The amendments to IFRS 11 require that a joint operator accounting for the acquisition of an interest in a joint operation, in which the activity of the joint operation constitutes a business must apply the relevant IFRS 3 principles for business combinations accounting. The amendments also clarify that a previously held interest in a joint operation is not remeasured on the acquisition of an additional interest in the same joint operation while joint control is retained. In addition, a scope exclusion has been added to IFRS 11 to specify that the amendments do not apply when the parties sharing joint control, including the reporting entity, are under common control of the same ultimate controlling party.

The amendments apply to both the acquisition of the initial interest in a joint operation and the acquisition of any additional interests in the same joint operation and are prospectively effective for annual periods beginning on or after 1 January 2016, with early adoption permitted. These amendments are not expected to have any impact to the Company.

IFRS 14 Regulatory Deferral Accounts

The standard permits an entity which is a first-time adopter of International Financial Reporting Standards to continue to account, with some limited changes, for 'regulatory deferral account balances' in accordance with its previous Generally Accepted Accounting Principles, both on initial adoption of IFRS and in subsequent financial statements (effective for annual periods beginning on or after 1 January 2016). This standard has no impact on the Company.

Notes to the Financial Statements
At 31 December 2015

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Standards issued but not yet effective *(continued)*

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 2018 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.

Amendments to IAS 16 and IAS 38: Clarification of Acceptable Methods of Depreciation and Amortisation

The amendments clarify the principle in IAS 16 and IAS 38 that revenue reflects a pattern of economic benefits that are generated from operating a business (of which the asset is part) rather than the economic benefits that are consumed through use of the asset. As a result, a revenue-based method cannot be used to depreciate property, plant and equipment and may only be used in very limited circumstances to amortise intangible assets. The amendments are effective prospectively for annual periods beginning on or after 1 January 2016, with early adoption permitted. These amendments are not expected to have any impact on the Company given that the Company has not used a revenue-based method to depreciate its non-current assets.

IFRS 16 Leases

The International Accounting Standards Board (IASB) has published a new standard, IFRS 16 'Leases'. The new standard brings most leases on-balance sheet for lessees under a single model, eliminating the distinction between operating and finance leases. Lessor accounting however remains largely unchanged and the distinction between operating and finance leases is retained. IFRS 16 supersedes IAS 17 'Leases' and related interpretations and is effective for periods beginning on or after 1 January 2019, with earlier adoption permitted if IFRS 15 'Revenue from Contracts with Customers' has also been applied.

Annual Improvements 2012-2014 Cycle

These improvements are effective for annual periods beginning on or after 1 January 2016 and are not expected to have a material impact on the Company's financial statements. They include:

IAS 1 Presentation of Financial Statements: Disclosure Initiative

The amendments to IAS 1 Presentation of Financial Statements clarify, rather than significantly change, existing IAS 1 requirements. The amendments clarify:

- the materiality requirements;
- that entities have flexibility as to the order in which they present the notes to financial statements;
- that specific line items in the statements of income, comprehensive income and financial position may be disaggregated; and
- that the share of other comprehensive income of associates and joint ventures accounted for using the equity method must be presented in aggregate as a single line item, and classified between those items that will or will not be subsequently reclassified to the statement of income.

Furthermore, the amendments clarify the requirements that apply when additional subtotals are presented in the statements of financial position, income and other comprehensive income. These amendments are effective for annual periods beginning on or after 1 January 2016, with early adoption permitted. These amendments are not expected to have any impact on the Company's financial statements.

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

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.

Notes to the Financial Statements
At 31 December 2015

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Foreign currencies *(continued)*

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

Current versus non-current classification

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

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

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

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

The Company classifies all other liabilities as non-current.

Fair value measurement

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

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

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

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

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

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

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

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

Notes to the Financial Statements
At 31 December 2015

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Fair value measurement *(continued)*

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

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

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

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

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

Property, plant and equipment

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

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

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

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

Borrowing costs

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

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.

Aluminium Bahrain B.S.C. (Alba)
Annual Report 2015

Notes to the Financial Statements
At 31 December 2015

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Property, plant and equipment *(continued)*

Impairment of non-financial assets

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

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

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

Inventories

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

Raw materials	Purchase cost on a weighted average basis.
Finished goods and work in process	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 trade and other receivables.

Notes to the Financial Statements
At 31 December 2015

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Subsequent measuremen

Trade and other receivables

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

Cash and cash equivalents

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

Derecognition

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

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

Impairment of financial assets

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

Impairment of financial assets is determined as follows:

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

Financial liabilities

Initial recognition and measurement

Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit or loss, loans and borrowings, trade and other 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 trade and other payables, loans and borrowings and derivative financial instruments.

Aluminium Bahrain B.S.C. (Alba)
Annual Report 2015

Notes to the Financial Statements
At 31 December 2015

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Subsequent measurement

Trade and other payables

Trade and other 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 'trade and other payables'.

Offsetting of financial instruments

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

Derecognition

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

Derivative financial instruments and hedging activities

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

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

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

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

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

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

Notes to the Financial Statements
At 31 December 2015

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Derivative financial instruments and hedging activities *(continued)*

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

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

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

Provisions

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

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

Treasury shares

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

Leases

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

Company as a lessee

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

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.

Notes to the Financial Statements
At 31 December 2015

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Revenue recognition

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

Sale of goods

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

Other income

Other income is recognised as the income accrues.

Employee benefits

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

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

Alba Savings Benefit Scheme

The Company operates a compulsory savings 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 AND ESTIMATES

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.

Notes to the Financial Statements
At 31 December 2015

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES (continued)

Judgements *(continued)*

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.

Estimates

Impairment of trade and other receivables

An estimate of the collectible amount of trade and other receivables 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 2015, gross trade receivables were BD 95,584 thousand (2014: BD 86,782 thousand), and the provision for impairment was BD 4,744 thousand (2014: BD 4,547 thousand) and gross other receivables were BD 7,128 thousand (2014: BD 7,615 thousand), and the provision for impairment was BD 45 thousand (2014: BD 45 thousand). Any difference between the amounts actually collected in future periods and the amounts expected will be recognised in the statement of comprehensive income.

Impairment of inventories

Inventories are held at the lower of cost and net realisable value. When inventories of spares 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 2015, stores stock was BD 27,194 thousand (2014: BD 27,102 thousand) with provisions for old and obsolete items of BD 1,727 thousand (2014: BD 1,550 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.

Impairment of property, plant and equipment

The Company assesses at each reporting date whether there is any indication that an asset may be impaired. If any such indication exists, or when annual impairment testing for an asset is required, the Company makes an estimate of the asset's recoverable amount. An asset's recoverable amount is 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. Where the carrying amount of an asset exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a discount rate that reflects current market assessment of the time value of money and the risks specific to the assets. The management do not believe that there is any impairment of property, plant and equipment as at 31 December 2015 and 31 December 2014 respectively.

Notes to the Financial Statements
At 31 December 2015

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 2015	272,595	435,004	1,181,294	87,655	1,976,548
Additions	392	3	4,332	43,848	48,575
Transfers	3,004	3,729	50,111	(56,844)	-
Disposals	(146)	(527)	(3,037)	-	(3,710)
At 31 December 2015	275,845	438,209	1,232,700	74,659	2,021,413
Depreciation:					
At 1 January 2015	111,638	245,068	782,085	-	1,138,791
Charge for the year	6,767	16,986	50,022	-	73,775
Relating to disposals	(81)	(472)	(1,977)	-	(2,530)
At 31 December 2015	118,324	261,582	830,130	-	1,210,036
Net carrying value:					
At 31 December 2015	157,521	176,627	402,570	74,659	811,377

	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

a) Land and buildings include freehold land at a cost of BD 453 thousand as at 31 December 2015 (2014: 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.

Notes to the Financial Statements
At 31 December 2015

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 2015 was 1.44% (2014: 1.34%).

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

	2015 BD '000	2014 BD '000
Current portion	3,439	3,438
Non-current portion	-	3,439
	3,439	6,877

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.

	2015 BD '000	2014 BD '000
At 1 January / 1 July	4,704	4,800
Amortised during the year / period	(192)	(96)
At 31 December	4,512	4,704

7. INVENTORIES

	2015 BD '000	2014 BD '000
Raw materials	24,197	27,855
Work-in-process	48,648	45,262
Goods in transit	29,268	41,189
Finished goods	18,824	12,611
Stores stock [net of provision of BD 1,727 thousand (2014: BD 1,550 thousand)]	25,467	25,552
	146,404	152,469

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

	2015 BD '000	2014 BD '000
At 1 January	1,550	1,477
Charge for the year	181	252
Write off against provision	(4)	(179)
At 31 December	1,727	1,550

Notes to the Financial Statements
At 31 December 2015

8. TRADE AND OTHER RECEIVABLES

	2015 BD '000	2014 BD '000
Trade receivables - others [net of provision of BD 4,744 thousand (2014: BD 4,547 thousand)]	71,667	70,849
Trade receivables - related parties (note 24)	19,173	11,386
	90,840	82,235
Other receivables [net of provision of BD 45 thousand (2014: BD 45 thousand)]	7,083	7,570
Prepayments	2,775	3,083
	100,698	92,888

As at 31 December 2015, trade receivables of BD 4,744 thousand (2014: BD 4,547 thousand) and other receivables of BD 45 thousand (2014: BD 45 thousand) were impaired. Movements in the provision for doubtful trade and other receivables were as follows:

	Trade receivables		Other receivables	
	2015 BD '000	2014 BD '000	2015 BD '000	2014 BD '000
At 1 January	4,547	4,551	45	45
Charge for the year	360	-	-	-
Write off against provision	(163)	(4)	-	-
At 31 December	4,744	4,547	45	45

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

			Past due but not impaired	
	Total BD '000	Neither past due nor impaired BD '000	Less than 30 days BD '000	Over 30 days BD '000
2015	90,840	81,927	8,913	-
2014	82,235	81,955	280	-

Subsequent to the year end, unimpaired trade receivables of BD 8,519 thousand were collected and the balance is expected, on the basis of past experience, to be fully recoverable.

9. BANK BALANCES AND CASH

	2015 BD '000	2014 BD '000
Cash at bank:		
Current accounts	78,871	46,942
Call accounts	37,111	20,232
Cash in hand	27	24
	116,009	67,198

Notes to the Financial Statements
At 31 December 2015

9. BANK BALANCES AND CASH (continued)

A major portion of the bank balances is held with financial institutions 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 2015 ranged between 0.11% to 0.12% (2014: 0.12% to 0.22%).

10. SHARE CAPITAL

	2015 BD '000	2014 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:

	2015			2014		
Categories	Number of shares	Number of shareholders	% of total outstanding share capital	Number of shares	Number of shareholders	% of total outstanding share capital
Less than 1%	79,302,516	3,547	5.58	78,135,321	3,683	5.51
1% up to less than 5%	62,697,484	2	4.42	63,864,679	2	4.49
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	3,551	100.00	1,420,000,000	3,687	100.00

11. TREASURY SHARES

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

	2015		2014	
	No of shares	BD '000	No of shares	BD '000
Excess of the shares in Employees› Stock Incentive Plan [note 17 (c)]	697,000	627	697,000	627
Purchased subsequent to the IPO - net of sales	8,776,694	4,278	5,962,458	3,069
	9,473,694	4,905	6,659,458	3,696

Notes to the Financial Statements
At 31 December 2015

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:

	2015 BD '000	2014 BD '000
Profit for the year	59,961	96,445
Weighted average number of shares, net of treasury shares - thousands of shares	1,412,616	1,411,575
Basic and diluted earnings per share (fils)	42	68

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 2015. 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 18 February 2016, the Board of Directors recommended a final dividend of BD 0.0055 per share (excluding treasury shares) totalling BD 7,768 thousand. The final dividend is subject to the approval of the Company's shareholders at the Annual General Meeting to be held in March 2016.

On 1 March 2015, the Company's shareholders approved the Board of Directors' proposal to pay a final dividend of BD 0.015 per share (excluding treasury shares) totalling BD 21,198 thousand relating to 2014 which was fully paid as of 31 March 2015.

On 29 July 2015, the Board of Directors proposed an interim dividend of BD 0.0055 per share (excluding treasury shares) totalling BD 7,765 thousand which was fully paid as of 30 September 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 fully paid as of 31 December 2014.

Notes to the Financial Statements
At 31 December 2015

16. BORROWINGS

	Current BD '000	Non-current BD '000	Total 2015 BD '000	Total 2014 BD '000
Working capital revolving credit at 1.43 % to 1.67 % (2014: 1.30 % to 1.48 %) [1]	26,320	-	26,320	33,840
Refinancing loan at 2.58 % to 2.73 % (2014: 2.58 % to 2.68 %) [2]	9,024	9,509	18,533	35,369
Line 5 projects at 0.73 % to 0.80 % (2014: 0.73 % to 1.34 %) [3]	9,112	9,112	18,224	27,335
Working capital term loan at 1.23 % to 1.33 % (2014: 1.23 % to 1.24 %) [4]	6,893	6,820	13,713	20,567
Euro Coface loan at 1.60 % to 1.73 % (2014: 1.73 % to 1.87 %) [5]	3,486	6,888	10,374	15,250
Euro SERV Loan at 1.43 % to 1.51 % (2014: 1.43 % to 1.57 %) [6]	1,538	695	2,233	4,127
Total borrowings	56,373	33,024	89,397	136,488
Payable within one year			56,373	72,351
Payable after one year			33,024	64,137
			89,397	136,488

1. 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.
2. 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.
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.
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.

Notes to the Financial Statements
At 31 December 2015

17. EMPLOYEE BENEFITS

a) Defined benefit scheme - leaving indemnity

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

	2015 BD '000	2014 BD '000
Provision as at 1 January	1,265	930
Provided during the year (note 21)	1,476	1,403
Employees' end of service benefits paid	(1,392)	(1,068)
Provision as at 31 December	1,349	1,265

b) Defined contribution schemes

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

	ALBA Savings Benefit Scheme		Social Insurance Organisation	
	2015 BD '000	2014 BD '000	2015 BD '000	2014 BD '000
Provision as at 1 January	1,032	501	744	801
Expense recognised in the statement of comprehensive income (note 21)	4,322	4,105	7,122	6,171
Contributions paid	(4,300)	(3,574)	(6,734)	(6,228)
Provision as at 31 December (note 18)	1,054	1,032	1,132	744

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 allocated 1,000 shares each to its 2,714 employees as of 1 December 2010 and these shares vested after a period of three years. As of 31 December 2015, no employees are eligible for this plan (2014: 2,303) and the excess of 697,000 shares is held as treasury shares as of 31 December 2015 (2014: 697,000 shares). In 2014, the shares allocated to the employees had fully vested.

18. TRADE AND OTHER PAYABLES

	2015 BD '000	2014 BD '000
Trade payables - others	52,021	44,207
Trade payables - related parties (note 24)	29,228	9,647
	81,249	53,854
Retentions payable	-	94
Employee related accruals	44,166	26,653
Accrued expenses	15,927	16,406
Advances from customers	316	2,595
Alba Savings Benefit Scheme [note 17 (b)]	1,054	1,032
Social Insurance Organisation [(note 17 (b)]	1,132	744
	143,844	101,378

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

Notes to the Financial Statements
At 31 December 2015

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 2015 and 31 December 2014 are as follows:

	2015		2014	
	Assets BD '000	Liabilities BD '000	Assets BD '000	Liabilities BD '000
Commodity options	-	-	-	3,750
Commodity futures	-	39	-	806
Interest rate collars	-	-	-	66
Total	-	39	-	4,622
Classified in the statement of financial position as follows:				
Current portion:	-	39	-	4,622

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.

	2015 BD '000	2014 BD '000
Revaluation:		
Commodity options	3,750	5,613
Commodity futures	767	(768)
Interest rate collars	66	636
	4,583	5,481
Realised:		
Commodity options	(1,988)	(4,487)
Commodity futures	(2,265)	91
Interest rate collars	(66)	(874)
	(4,319)	(5,270)
Net gain on fair valuation taken to statement of comprehensive income	264	211

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 futures

The Company entered into commodity futures contracts to reduce the price risk on behalf of its customers for 12,550 metric tonnes (2014: 18,500 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 expired on 17 February 2015.

The notional amount outstanding as at 31 December 2015 was nil (2014: US$ 90,000 thousand).

Notes to the Financial Statements
At 31 December 2015

20. OTHER INCOME

	2015 BD '000	2014 BD '000
Interest income	142	188
Sale of water	1,453	1,345
Settlement from legal case	1,128	-
Miscellaneous	978	332
	3,701	1,865

21. PROFIT FOR THE YEAR

Profit for the year is stated after charging:

	2015 BD '000	2014 BD '000
Staff costs:		
Wages and salaries	94,653	80,722
Social Insurance Organisation [note 17 (b)]	7,122	6,171
Alba Savings Benefit Scheme [note 17 (b)]	4,322	4,105
Payments to contractors	3,017	2,697
Employees' end of service benefits [note 17 (a)]	1,476	1,403
Indirect benefits (housing, education)	389	476
Reversal of Employees' Stock Incentive Plan	-	(92)
Others	627	444
	111,606	95,926
Inventories recognised as an expense in cost of sales	455,481	468,784

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

	2015 BD '000	2014 BD '000
Cost of sales	91,460	80,379
Administrative expenses	17,907	13,930
Selling and distribution expenses	2,239	1,617
	111,606	95,926
Finance costs:		
Interest on borrowings	2,749	3,733
Bank charges	427	716
	3,176	4,449

Notes to the Financial Statements
At 31 December 2015

22. COMMITMENTS AND CONTINGENCIES

a) Commitments

	2015 BD '000	2014 BD '000
Physical metal commitments		
Sales commitments :		
12,550 metric tonnes (2014: 18,500 metric tonnes)	7,090	13,492

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 (2014: BD 10,000 thousand). As of 31 December 2015, the Company has a remaining commitment of BD 4,000 thousand (2014: 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 24,263 thousand (2014: BD 19,204 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 2015 were BD 7,264 thousand (2014: BD 333 thousand). The commitments are expected to be settled within 1 year.

At 31 December 2015, the Company had outstanding letters of credit to counterparties for derivative transactions amounting to BD 150 thousand (2014: nil).

b) Contingencies

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 17,176 thousand (2014: BD 15,082 thousand).

c) Legal claims

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

ii) The Company's lawsuit in the United States against Victor Dahdaleh which was ongoing since 2008 was settled during the year, on terms favourable to the Company, effectively bringing this litigation to a close.

iii) During 2009 the Company filed a complaint with the Public Prosecutor, who initiated a criminal proceedings against former employees of Alba Marketing (ALMA). The Company joined the proceedings as a civil right claimant. In its submission the Company claimed that the former employees earned money from criminal activities and received commissions in contravention of the Prohibition of and Combating Money Laundering Law of Bahrain ("PCMLL"). In its civil right claim the Company sought recourse against the defendants for all the damages incurred as a result of the acts committed. In November 2010, the Bahrain criminal court found the defendants guilty under the PCMLL. The criminal convictions were pardoned by a Royal Decree. The Company's civil claim has been partially settled, the remainder is still pending under a civil court proceeding. It is not practical to estimate the effect of this law suit on the financial statements at this stage.

Notes to the Financial Statements
At 31 December 2015

22. COMMITMENTS AND CONTINGENCIES (continued)

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:

	2015 BD '000	2014 BD '000
Within one year	31	31
After one year but not more than five years	126	126
After five years	598	629
Aggregate operating lease expenditure contracted for at the statement of financial position date	755	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:

	2015 BD '000	2014 BD '000
Aluminium	749,203	764,611
Alumina trading	11,171	52,238
Calcined coke	6,312	4,866
Total sales revenue	766,686	821,715

b) Geographic information

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

	2015 BD '000	2014 BD '000
Kingdom of Bahrain	345,904	344,340
Asia	121,863	103,179
Rest of the Middle East and North Africa	135,643	169,814
Europe	99,407	159,729
Americas	63,869	44,653
Total sales revenue	766,686	821,715

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

c) Customers

Sales revenue from two customers of the Company amounted BD 280,388 thousand (2014: BD 276,567 thousand), each being more than 10% of the total sales revenue for the year.

Notes to the Financial Statements
At 31 December 2015

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.

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

	2015 BD '000	2014 BD '000
Other related parties		
Revenue and other income		
Sale of metal	111,486	105,437
Sale of water	1,305	1,162
Interest on long term receivable	85	127
	112,876	106,726
Cost of sales and expenses		
Purchase of natural gas and diesel	110,734	99,787
Purchase of electricity	1,469	1,729
Royalty	3,982	3,861
	116,185	105,377

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

	2015 BD '000	2014 BD '000
Other related parties		
Assets		
Long term receivable	3,439	6,877
Bank balances	9,469	13,505
Trade receivables (note 8)	19,173	11,386
	32,081	31,768
Liabilities		
Borrowings	3,760	7,520
Trade payables (note 18)	29,228	9,647
Other payables	122	241
	33,110	17,408

Outstanding balances at year-end arise in the normal course of business. For the year ended 31 December 2015, the Company has not recorded any impairment on amounts due from related parties (2014: nil).

Notes to the Financial Statements
At 31 December 2015

24. RELATED PARTY TRANSACTIONS (continued)

Compensation of key management personnel

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

	2015 BD '000	2014 BD '000
Short term benefits	1,117	1,254
End of service benefits	46	66
Contributions to Alba Savings Benefit Scheme	67	60
Other benefits	650	64
	1,880	1,444

Directors' fees during the year amounted to BD 210 thousand (2014: 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 2015.

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

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

Notes to the Financial Statements
At 31 December 2015

25. RISK MANAGEMENT (continued)

Interest rate risk *(continued)*

	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 BD '000	Increase/ decrease in basis points	Effect on results for the year BD '000
2015	25	93	25	223
	(25)	(93)	(25)	(223)
2014	25	51	25	275
	(25)	(51)	(25)	(275)

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, with all other variables held constant.

	Increase/ decrease in LME price	Effect on results for the year BD '000
2015	+30%	12
	-30%	(11)
2014	+30%	1,367
	-30%	(1,298)

Foreign currency risk

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

The Company's financial instruments are mainly denominated in Bahraini Dinars, US Dollars, Euros, Swiss Francs and Great Britain Pounds. The Company uses forward foreign exchange contracts to hedge againt foreign currency payables. As of 31 December 2015 and 31 December 2014 there were no outstanding forward foreign exchange contracts.

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:

Notes to the Financial Statements
At 31 December 2015

25. RISK MANAGEMENT (continued)

Foreign currency risk *(continued)*

Financial instruments	Currency	2015 BD '000	2014 BD '000
Bank balances	Euro	15,617	10,746
	Swiss Francs	54	10
	Great Britain Pounds	-	35
Receivables	Euro	5,998	5,967
Borrowings	Euro	12,606	19,377
Payables	Euro	5,479	1,483
	Swiss Francs	583	-
	Great Britain Pounds	192	-

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.

	2015		2014	
Currency	Increase in currency rate to the BD	Effect on results for the year BD '000	Increase in currency rate to the BD	Effect on results for the year BD '000
Euro	+10%	353	+10%	(415)
Swiss Francs	+10%	(53)	+10%	1
Great Britain Pounds	+10%	(19)	+10%	4
		281		(410)

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 derivative financial instruments.

Bank balances and financial intruments

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

Trade and other receivables

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.

Provision for doubtful receivables is made whenever risks of default are identified.

Notes to the Financial Statements
At 31 December 2015

25. RISK MANAGEMENT (continued)

Credit risk *(continued)*

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

Credit risk concentration
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 44% of outstanding trade receivables at 31 December 2015 (2014: 46%).

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.

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.

31 December 2015	Less than 3 months BD '000	3 to 12 months BD '000	1 to 5 years BD '000	Total BD '000
Borrowings (including interest payable)	38,958	18,188	33,602	90,748
Derivative financial instruments	39	-	-	39
Trade and other payables	83,435	-	-	83,435
Total	122,432	18,188	33,602	174,222
31 December 2014				
Borrowings (including interest payable)	49,394	24,751	65,339	139,484
Derivative financial instruments	2,055	2,567	-	4,622
Trade and other payables	55,724	-	-	55,724
Total	107,173	27,318	65,339	199,830

Capital management

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 2015 and 31 December 2014.

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.

Capital comprises share capital, statutory reserve, capital reserve, retained earnings and proposed dividend less treasury shares, and is measured at BD 947,810 thousand as at 31 December 2015 (2014: BD 918,140 thousand).

Notes to the Financial Statements
At 31 December 2015

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 trade and other receivables. Financial liabilities consist of borrowings, short term loans and trade and other payables. Derivative financial instruments consist of interest rate collars and commodity options and futures.

Set out below is an overview of financial instruments, other than bank balances and cash, held by the Company as at 31 December 2015:

	Loans and receivables		Fair value through profit or loss	
	2015 BD '000	2014 BD '000	2015 BD '000	2014 BD '000
Financial assets:				
Trade and other receivables	97,923	88,802	-	-
Financial liabilities:				
Borrowings	89,397	136,488	-	-
Trade and other payables	83,435	55,724	-	-
Derivative financial instruments	-	-	39	4,622
	172,832	192,212	39	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 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 2015, 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 Company's own non-performance risk. As at 31 December 2015, 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 2015 was assessed to be insignificant.

Notes to the Financial Statements
At 31 December 2015

26. FAIR VALUES OF FINANCIAL INSTRUMENTS (continued)

Fair value hierarchy

As at 31 December 2015, 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 2015 and 31 December 2014. The Company does not have financial instruments qualifying for Level 1 or Level 3 classification.
During the years ended 31 December 2015 and 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 (2014: 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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