

Mumtalakat
INVESTING FOR BAHRAIN

ANNUAL REPORT 2012
In Pursuit of Opportunities





**His Royal Highness
Prince Khalifa bin Salman
Al Khalifa**

The Prime Minister



**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

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

P.O. Box 820, Manama,
Kingdom of Bahrain

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Integrity

We conduct our day-to-day business with fairness, honesty and reliability.



ABOUT MUMTALAKAT

Bahrain Mumtalakat Holding Company (“Mumtalakat”) was established in June 2006 as an independent holding company for the Government of Bahrain’s stakes in non-oil and gas related assets. Mumtalakat owns stakes in strategic non-oil and gas related assets of Bahrain, which are significant contributors to the Bahraini economy and directly and indirectly support many other businesses in the country and the region.

Mumtalakat’s portfolio of companies spans a variety of sectors, including aluminium production, financial services, telecommunications, real estate, aviation, tourism, and food production.

Mumtalakat was created to help align and implement the execution of the Government’s initiatives to improve governance and transparency, pursue value-enhancing opportunities, and help achieve operational excellence for its state owned non-oil and gas assets. The company is wholly-owned by the Government of Bahrain.

As of December 31, 2012, Mumtalakat held minority and majority stakes in 37 commercial enterprises and held investments in third party managed funds.

OUR VISION

As the investment arm of the Kingdom of Bahrain, Mumtalakat’s vision is to grow the wealth of Bahrain.

OUR MISSION

Value Creation in Strategic Assets

Mumtalakat is driving value creation in the strategic non-oil and gas related assets of Bahrain.

A Well Diversified and Balanced Portfolio

Mumtalakat is seeking investment opportunities across various industry sectors and asset classes, to build a well-diversified and balanced portfolio.

A Well Governed Institution

Mumtalakat is building a best-in-class organisation committed to the highest standards of transparency and corporate governance.

A Dedicated Team

Mumtalakat is attracting, developing and empowering talented individuals, drawn together by a unique culture, based on respect, openness and excellence.

OUR CORE VALUES

Integrity

We conduct our day-to-day business with fairness, honesty and reliability.

Transparency

We maintain the highest standards of international corporate governance and openness always.

Teamwork

We work collaboratively as a team and build upon each other's strengths to achieve our goals.

Accountability

We take responsibility for our decisions and continually strive to improve our performance.

Shareholder Value

We make sound and commercially viable investment decisions.

Corporate Responsibility

We recognise the social and environmental impact of our investment decisions and act as a catalyst for positive change in our community.

“Mumtalakat maintains
the highest standards of
international corporate
governance &
openness.”





CHAIRMAN'S LETTER



Global capital markets demonstrated great resilience in 2012 despite economic uncertainty. The GCC economies performed well, with GDP growth of 5.8%¹, due in part to sustained levels of favourable oil prices and robust demand. The Bahraini economy remained resilient, achieving GDP growth of 3.6%² for the year, with expectation that it will exceed 5% in 2013³ partly due to the recovery of oil prices, a number of planned, large-scale industrial investments and infrastructure spending in the Kingdom and the continued up-swing in the non-oil and gas sectors.

Over the course of 2012, 40 new foreign businesses were attracted to establish a presence in Bahrain. Bahrain's reputation for excellence in financial and professional services, logistics, and the availability of highly educated and trained human capital were key catalysts for these businesses selection of Bahrain as their preferred location. Also Bahrain's strategic position in the region, where it sits in the middle of the GCC economy which is a US\$1.4 trillion GDP economy, adds to its key strengths and offers numerous opportunities. The government's existing plans to diversify

Bahrain's economy continued in 2012, and were supported by the resurgence of the hotels and tourism, services and manufacturing sectors, which buoyed the Kingdom's economic growth for the year. The non-oil and gas sectors recorded steady growth and exhibited continued resilience to external market forces. Their contribution to the GDP grew by 6.7% in 2012, highlighting the strong momentum in the government's efforts to build a diversified economy.

Mumtalakat's fundamentals remained strong throughout the year. In 2012, we implemented several important initiatives in order to better position Mumtalakat to take advantage of our resources and execute on opportunities. We also refined our strategic focus during the year to help unlock the full potential of our existing portfolio companies and drive value creation through new investments. As a further refinement to our investment strategy, we have emphasised development of local investment opportunities, where we can add the most value given our intimate knowledge of the local business environment, our expertise in key industries, and our beneficial status as the investment arm of the Kingdom.

1. Source: IIF MENA Report

2. Source: The Bahrain Economic Development Board (EDB)

3. Source: The Bahrain Economic Development Board (EDB)



Our portfolio of companies continued to deliver sound performance during 2012. Where appropriate, we worked hand-in-hand with nominee directors of our portfolio companies to help them address changing market realities and adapt to increasingly competitive markets with the goal of achieving sustainable growth and profitability in their businesses.

The Board of Directors and the management team of Mumtalakat are committed to working transparently and have adopted both the Bahrain Code of Corporate Governance and international best practices in governance, while focusing efforts on achieving our business objectives. Mumtalakat's ambitions are fully aligned with that of the Kingdom to promote and enhance a thriving and diversified private sector driven economy that is sustainable for the future of the people of Bahrain.

I would like to take this opportunity to thank all of my Board colleagues for their tireless support and valuable contributions to the performance of the company in 2012. I would also like to

thank Mumtalakat's dedicated executives for their professionalism and on-going enthusiasm for realising our business objectives and I look forward to significant achievements in the future. I am confident in our capability and our commitment to deliver on Mumtalakat's promise of growing the wealth of the Kingdom.

Khalid bin Abdulla Al Khalifa
Chairman of the Board of Directors

“We have refined our strategic focus to help unlock the full potential of our existing portfolio companies & drive value creation through new investments.”

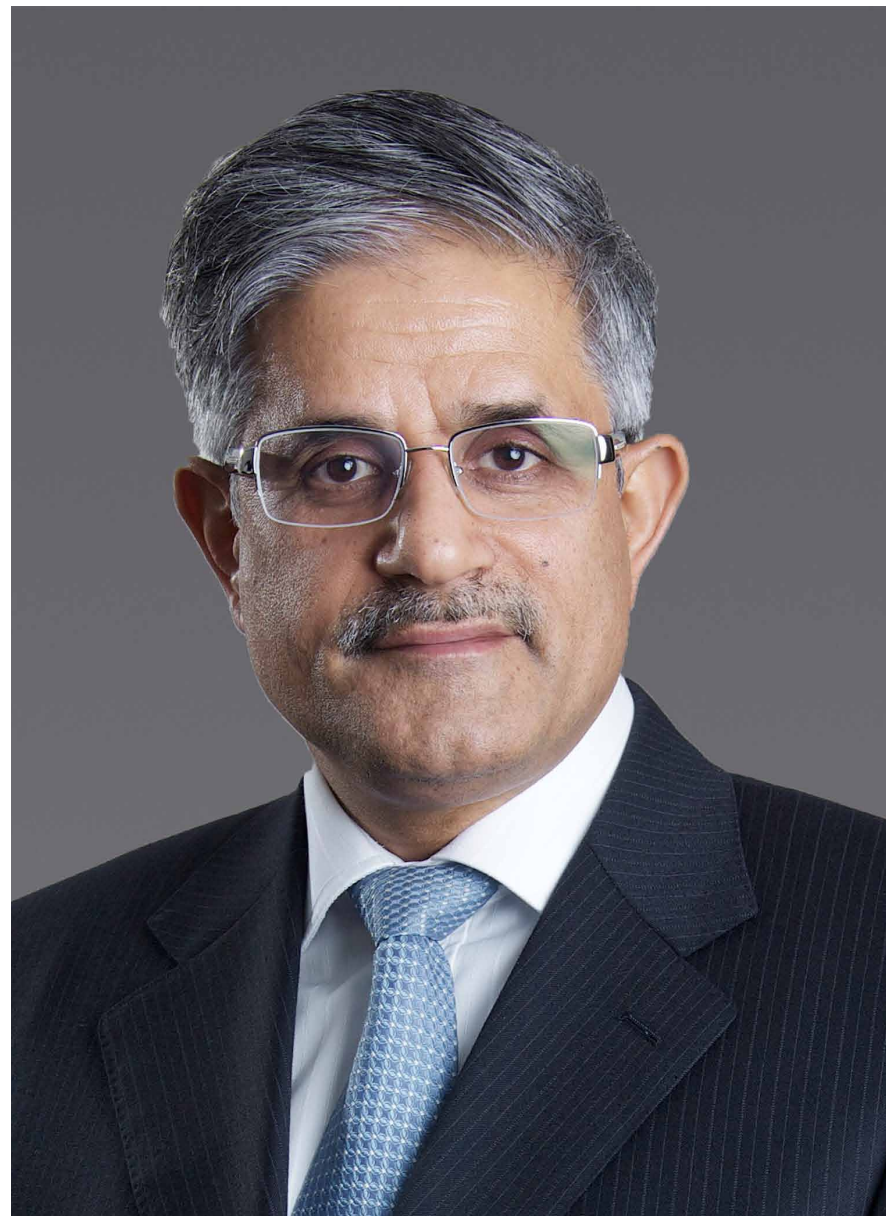


Transparency

We always maintain the highest standards of international corporate governance and openness.



LETTER FROM THE CEO



In 2012, Mumtalakat launched a comprehensive review of strategy, resources and organisational structure to ensure that we are firmly positioned to execute on our mandate to strengthen and grow our investment portfolio, which represents a key source of future wealth for the people of Bahrain. This process led to a refinement of our investment strategy which now clearly focuses on two key activities: First, value enhancement of existing portfolio companies and Second, value creation through new investments. While we pursue opportunities which take advantage of locally developed core competencies and skills, we remain open to international opportunities. This focused approach will give us and our portfolio of companies greater clarity of purpose and strengthen our position for growth in the years ahead.

Over the course of the year, we proceeded with our goals of building a world-class investment firm. Our investment team has been reorganised under eight specific sectors: Metals, Financials, Technology, Media &

Telecommunications, Real Estate, Aviation, Manufacturing, Tourism & Events, and Food & Healthcare. This realignment of the investment team will accelerate our efforts to create productive networks for sourcing transactions, deepen in-house knowledge of key sectors, and help grow our portfolio in a well-defined manner.

As of end of 2012, Mumtalakat held majority and minority stakes in 37 commercial enterprises and also held investments in third party managed global funds. During the year we were successful in creating value through efficiencies within our existing portfolio by working closely with the Boards of our portfolio companies, supporting them in their strategic plans and providing our knowledge and expertise where needed.

In 2012 we achieved solid performance despite challenging market conditions in the global economy. Our consolidated net profit before impairment losses was BD 45.2 million and the consolidated net loss after impairment losses for the

year was BD 181.7 million, 32.9% lower than in 2011. Impairment losses, which are non-cash in nature, were primarily driven by lower LME aluminium prices affecting the valuation of Mumtalakat's investment in Aluminium Bahrain.

Our portfolio of companies generated overall consolidated revenues of BD 1,163 million which represents broadly a 10% decline year on year driven primarily by cyclically lower LME pricing of aluminium, which impacted revenues of Alba. The lower LME aluminium prices also contributed to a 66.8% reduction in consolidated gross profit for Mumtalakat compared to 2011. Notwithstanding the impact of the aluminium sector, Mumtalakat's diversified investment portfolio, particularly in the financial services and telecommunications sectors contributed to a 9.1% increase in share of profits from associate companies compared to 2011.

Alba, one of Mumtalakat's key portfolio companies and a significant economic contributor to Bahrain, achieved major milestones in 2012. Alba had a record production year, producing 890,217 metric tonnes of aluminium, and generating significant positive cash flow while maintaining its advantage as a global low cost producer. The company initiated a

feasibility study during 2012 to evaluate the opportunities that exist locally in support of the Alba Line 6 expansion project.

At Gulf Air, significant progress has been made in the implementation of key restructuring initiatives that will optimise the route network, rationalise the fleet of aircraft, and reduce operating losses. The work that has been done at Gulf Air in 2012 has resulted in a stronger airline, which better serves the needs of the Kingdom and is poised to achieve sustainable performance into the future.

As the investment arm of the Kingdom of Bahrain, we are focused on building a best-in-class organisation that will benefit us and our portfolio of companies. We remain committed to operating with the financial discipline of the private sector and adhering to the highest standards of transparency and corporate governance. In 2012, we developed a new Directors Handbook to provide a clear point of reference for all of Mumtalakat's nominee directors at the boards of our portfolio of companies, setting forth best practices for corporate governance throughout the organisation. The Handbook is expected to be launched in Q2 2013.

Financially, Mumtalakat remained well positioned throughout the year in terms of

liquidity and capital structure. In July 2012, we established a MYR 3 billion (approximately US\$1 billion) equivalent Sukuk Murabahah programme in Malaysia. The Sukuk programme, which has tenure of 20 years, allows us to issue one or more series of Sukuk Murabahah to Malaysian institutional investors. In the fourth quarter of 2012, we successfully issued a 5-year MYR 300 million Sukuk Murabahah under the programme. The proceeds were used to repay a portion of our existing credit facility.

In conjunction with the establishment of the Sukuk Murabaha programme, we undertook the initiative to establish a local credit rating profile for Mumtalakat in Malaysia. This culminated in the assignment of a strong investment grade rating of AA₂ with stable outlook for Mumtalakat by RAM Rating Services of Malaysia.

I would like to express sincere gratitude to Mumtalakat's Board under the chairmanship of H.E. Shaikh Khalid bin Abdulla Al Khalifa, Deputy Prime Minister, for providing the vision for our institution and executing its role rigorously, while also continuously guiding, empowering and supporting the management team. I would also like to thank the management team and staff at Mumtalakat for

their dedication, commitment and enthusiasm to realising our goals and objectives. We look forward to building and improving on our performance in 2013 and beyond for the benefit of the Kingdom of Bahrain.

Mahmood Hashim Al Kooheji
Chief Executive Officer



Teamwork

We work collaboratively as a team and build upon each others strengths to achieve our goals.

MUMTALAKAT'S INVESTMENT STRATEGY

Mumtalakat was created to align and implement the Government's initiatives to pursue value-enhancing opportunities, improve transparency and help achieve operational excellence for its state owned non-oil and gas assets. In addition, Mumtalakat's mandate is to grow the wealth of Bahrain through its investment related activities.

Mumtalakat's investment strategy has been developed to meet these important aspirations by focusing on key initiatives, including:

- Implementation of value-enhancing initiatives at its key strategic portfolio companies
- Origination of new investment opportunities that leverage Mumtalakat's core competencies within Bahrain and across our target investment sectors
- Identification and execution of new investment opportunities internationally
- Ongoing diversification and balancing of the investment portfolio through select asset monetization initiatives and investments in new assets

As the investment arm of the Kingdom of Bahrain, Mumtalakat's strategy is based fully on commercial principles. The company is uniquely positioned to identify and capitalize on local opportunities, and has identified eight key sectors which present significant areas of investment growth. Mumtalakat's investment team has been realigned to focus on these specific sectors with the mandate to drive new investment activity locally as well as globally.

A key strategy of Mumtalakat is to attract strong partners to develop investments within Bahrain and the Gulf region. Mumtalakat offers significant resources, geographic and sector expertise and a broad network, combined with a strong dedication to corporate governance and high standards of transparency.

For international investments, Mumtalakat seeks opportunities where it can take a meaningful direct investment that will allow it to have board representation and influence as a shareholder. Mumtalakat is an active investor and will focus on those opportunities where it can add value. Typically, in international transactions, Mumtalakat will seek to align itself with a strong partner that will provide complimentary skills, resources and perspective.

Mumtalakat's investment platform is organized around two key clusters which are comprised of four sectors each:

- Industrials Cluster: Metals, Aviation, Food & Healthcare, and Manufacturing
- Services Cluster: Financial Services, Technology, Media & Telecommunications (TMT), Tourism & Events, and Real Estate

MUMTALAKAT’S PORTFOLIO

Mumtalakat’s portfolio of companies includes a wide variety of commercial entities across a broad range of industry sectors. Companies such as Aluminium Bahrain (“Alba”), Gulf Air, Batelco, and National Bank of Bahrain (“NBB”) represent some of the largest and most established businesses in Bahrain, with multiple decades of operating history and a track record of leadership and innovation within their industries. Other portfolio companies represent newer entities which have been created to address local and regional opportunities with potential for strong and sustainable growth. Finally, our international investments include stakes in companies such as McLaren Automotive Limited and McLaren Group Limited.

Overall, Mumtalakat’s group of companies represent a significant portion of Bahrain’s non-oil and gas economy. Alba’s exports represented 22% of Bahrain’s non-oil and gas exports in 2012. Gulf Air is the national flag carrier for the Kingdom and, along with Bahrain Airport Company (“BAC”), another of Mumtalakat’s strategic portfolio companies, are critical for ensuring the global and regional connectivity required by Bahrain in support of the country’s economic aspirations and objectives. Mumtalakat’s portfolio company, Bahrain International Circuit (“BIC”), was first to bring Grand Prix racing to the Middle East and continues to enjoy a prominent position in the Formula 1 race calendar. In all, Mumtalakat and its group of portfolio companies represent a major source of employment in Bahrain, with over 10,000 locally based employees as of 2012.

The Industrial Cluster:

Within Mumtalakat’s Industrial cluster of companies, four industry sectors are represented with direct investments in 17 operating companies.

The Industrial Cluster	Metals	Aluminium Bahrain B.S.C. (“Alba”) Gulf Aluminium Rolling Mill Company B.S.C. (c) (“GARMCO”)
	Aviation	Bahrain Airport Company B.S.C. (c) Gulf Air B.S.C.(c) Gulf Aviation Academy B.S.C. (c) Gulf Technics B.S.C. (c)
	Food & Healthcare	Arab Company for Drug Industries & Medical Appliances (“ACDIMA”) Bahrain Flour Mills Company B.S.C. Bahrain Food Holding Company S.P.C. Bahrain Livestock Company B.S.C. (c) General Poultry Company B.S.C.
	Manufacturing	Arab Maritime Petroleum Transport Company Arab Petroleum Services Company (“APSCO”) Arab Shipbuilding & Repair Yard Company (“ASRY”) McLaren Automotive Ltd McLaren Group Ltd United Arab Shipping Company S.A.G. (“UASC”)

The Services Cluster:

Within Mumtalakat’s Services cluster of companies, four industry sectors are represented with direct investments in 20 operating companies.

The Services Cluster	Financial Services	Arab Petroleum Investment Corporation (“APICORP”) Dar Almal Al Islami Trust Gulf International Bank B.S.C. Gulf Investment Corporation G.S.C. National Bank of Bahrain B.S.C. Oasis Capital Bank B.S.C. OCB Education Solution The Arab Investment Company S.A.A
	Real Estate	Al Awali Real Estate Company B.S.C. Bahrain Real Estate Company B.S.C.(c) (“Edamah”) Durrat Khaleej Al Bahrain B.S.C. (c) Hawar Island Development Company B.S.C. (c) Southern Area Development Company B.S.C.(c)
	TMT	Arab Satellite Communications Organization (“ARABSAT”) Bahrain Telecommunications Company B.S.C. (“Batelco”) Hawar Holdings Co S.P.V.
	Tourism & Events	Atbahrain B.S.C. (c) Bahrain International Circuit Company S.P.C. (“BIC”) Bahrain International Golf Course Company B.S.C. (c) Jazeera Tourism Company B.S.C. (c)

CORPORATE GOVERNANCE

Mumtalakat is committed to operating with the financial discipline and rigor of the private sector and adheres to the highest standards of transparency and corporate governance. The development of a well governed institution is a core priority for Mumtalakat and is central to the vision of growing Bahrain's private sector economy.

As a shareholder, Mumtalakat is committed to achieving a high level of corporate governance at both the holding company level and portfolio company level and believes that good governance combined with skilled managers and capable board members will increase shareholder value. Furthermore, well-governed companies benefit employees, partners and the community as a whole.

In keeping with its commitment to corporate governance, Mumtalakat expects its nominee directors to ensure that portfolio companies are governed in accordance with the Bahrain Code of Corporate Governance and international best practices.

In 2012, Mumtalakat completed its "Directors' Handbook", which provides guidance and clear direction on the roles and responsibilities of the shareholder, the nominee directors and executive management. The Handbook is designed to be a reference guide for directors when executing their roles and overall fiduciary responsibilities. The Directors' Handbook will be launched officially in 2013.

“Mumtalakat offers significant resources, geographic and sector expertise, a broad network & a strong dedication to corporate governance and high standards of transparency.”



BOARD OF DIRECTORS



**H.E. Shaikh Khalid bin
Abdulla Al Khalifa**
*Deputy Prime Minister &
Chairman of the Board of
Directors*



**H.E. Mr. Kamal bin
Ahmed Mohammed**
*Transport Minister & Deputy
Chairman of the Board of
Directors*



Dr. Esam Abdulla Fakhro



**H.E. Shaikh Ahmed bin
Mohammed Al Khalifa**
*Minister of Finance for the
Kingdom of Bahrain*



**H.E. Mr. Essam Abdulla
Khalaf**
Minister of Works



Dr. Samer Al Jishi



**H.E. Shaikh Mohammed
bin Essa Al-Khalifa**
*Political and Economic Affairs
Advisor at HRH Crown
Prince's Court*



**Mr. Mahmood Hashim
Al Kooheji**
*Chief Executive Officer,
Mumtalakat*



Mr. Redha Abdulla Faraj

BOARD COMMITTEES

Board Investment Committee:

H.E. Kamal Ahmed
Committee Chairman

Dr. Essam Fakhro
Committee Member

Dr. Samer Al Jishi
Committee Member

Board Audit and Risk Committee:

H.E. Shaikh Mohammed bin Essa Al Khalifa
Committee Chairman

Dr. Essam Fakhro
Committee Member

Mr. Redha Faraj
Committee Member

Board Governance and Compensation Committee:

H.E. Sheikh Ahmed bin Mohammed Al Khalifa
Committee Chairman

H.E. Essam Khalaf
Committee Member

H.E. Shaikh Mohammed bin Essa Al Khalifa
Committee Member

SENIOR MANAGEMENT

Mr. Mahmood Hashim Al Kooheji
Chief Executive Officer, Mumtalakat

Mr. Zulfe Ali
VP – Corporate Finance

Mr. Arvind Mathur
VP - Legal

Mr. Serge Lepine
Chief Investment Officer

Mr. Damien Balmet
VP - Corporate Development

Mr. Antony Robinson
Chief Financial Officer

Ms. Lamees Al Baharna
VP - Risk

RISK MANAGEMENT

Risk management is at the core of Mumtalakat's business. The proper management of risk is inherent to achieving the investment objectives of Mumtalakat. The risk management process focuses on the review of investment strategies and processes developed to maximise the risk/reward trade-off within the different areas of Mumtalakat. Risk management processes are designed to be an integral part of the daily activities across the departments and as such are embedded in the business for maximum effectiveness.

Mumtalakat's aim is to develop a balanced portfolio over time that generates sustainable and favorable risk adjusted returns while reducing risk through geographic, sectorial and asset class diversification. Mumtalakat's risk management framework requires that all material and relevant risks impacting the company's investments, operations and financial position are identified, continually assessed and mitigated as appropriate. All business line decisions must pro-actively consider risk and departments are accountable for the effectiveness of the risk framework.

“Risk management processes are designed to be an integral part of the daily activities across the departments and as such are embedded in the business for maximum effectiveness.”



A black and white photograph of a woman wearing a dark hijab, sitting at a desk in an office. She is smiling and talking on a coiled telephone. In the background, two other people are visible: a man in a suit and a woman in a white thobe and ghutra. The office has large windows and modern furniture.

Corporate Responsibility

We recognize the social and environmental impact of our investment decisions and act as a catalyst for positive change in our community.

CORPORATE SOCIAL RESPONSIBILITY (“CSR”)

Mumtalakat and its portfolio companies play a substantial role in supporting social and developmental endeavours in the Kingdom through strategically identified corporate social responsibility initiatives that aim to:

- Support the development of a well-educated young generation in Bahrain
- Support entrepreneurial initiatives involving small and mid-sized businesses that create employment opportunities in Bahrain
- Support needy communities in Bahrain with the objective of improving their well-being and social development.

A key aspect of Mumtalakat’s CSR efforts in 2012 was supporting entrepreneurship in Bahrain and encouraging Bahrain’s visionary businessmen and women to realise their dreams. In February 2012, Mumtalakat was the strategic sponsor of the GCC Future Entrepreneur’s Forum, an event launched by the Bahrain Development Bank with the aim of enhancing GCC economic growth through encouraging future SMEs by way of sharing knowledge, skills and experiences.

In November 2012, Mumtalakat became platinum sponsor of ‘Bahrain Startup Weekend’, a global grassroots movement of active and empowered entrepreneurs who are learning the basics of founding a business and launching successful ventures. This was followed by Mumtalakat’s support of the second MENA Angel Investor Forum, which focused on providing “high-potential” companies from across the Middle East and North Africa with an opportunity to pitch their ideas to investors.

Mumtalakat also reaffirmed its commitment towards gender equality through its support for the Supreme Council for Women in the celebration of Bahraini Women’s Day in December 2012.



“A key aspect of Mumtalakat’s CSR efforts in 2012 was supporting entrepreneurship in Bahrain & encouraging Bahrain’s visionary businessmen and women to realise their dreams.”



Shareholder Value

We make sound and commercially viable investment decisions.

FINANCIAL SUMMARY

Mumtalakat's financial results for the year ending 31 December, 2012, showed a positive consolidated operating income for the year, in addition to a significantly reduced net loss for the group.

Mumtalakat reported a consolidated operating income for 2012 of BD 23.2 million, compared to a consolidated operating loss of BD 5.9 million in 2011. Despite the strong increase in operating profit, Mumtalakat's 2012 consolidated revenue and gross profit decreased by 9.9% and 66.8% respectively. This decrease was due primarily to a lower than expected London Metal Exchange (LME) prices of aluminium, which negatively affected the performance of Alba, a key group company. Mumtalakat achieved a net profit before impairments of BD 45.2 million.

In 2012, Mumtalakat's share of profit from associate companies increased by 9.1%, predominantly as a result of an improvement in the operating performance of certain associate companies. This, coupled with lower impairment losses (BD 226.9 million in 2012 compared to BD 316.5 million in 2011), resulted in a lower net loss for the Group, amounting to BD 181.7 million in 2012 compared to BD 270.6 million in 2011.

Throughout 2012, a number of key portfolio companies achieved measurable success during the year:

- Alba achieved its highest production output in its 41 year history of 890,217 metric tonnes. Alba also settled its suit against Alcoa Inc., which has a total value to Alba of \$447 million and will be realized in a combination of cash and a long-term alumina sales agreement.

- Gulf Air continued its major restructuring initiative at the end of 2012 to optimize the airline's fleet, network and strategy. The execution of this restructuring strategy is expected to yield a significant improvement of Gulf Air's operational performance throughout 2013.
- Bahrain Telecommunications Company ("Batelco") continued to diversify its revenue sources outside of Bahrain, with the total subscriber base growing to 7.8 million across six markets, representing 18% growth year-on-year. Batelco further pushed its international growth strategy with the acquisition of Cable & Wireless' Islands telecom businesses.
- National Bank of Bahrain ("NBB") achieved another successful year with net profits rising to BD 47.5 million, an increase 4.1% over 2011. Despite a highly competitive local market, NBB recorded strong revenue growth, and together with prudent expense management, achieved an operating profit before provisions of BD 59.3 million for the year, an increase of 11.2% over 2011.
- McLaren Automotive increased its production of the MP4 12C sports car from 400 units to 1,587 units during 2012. Additionally, the number of independent dealerships increased from 36 to 49 dealers over the course of 2012, mostly located in the Far East markets where demand for high end road cars remains strong.

Mumtalakat's portfolio of externally managed funds also achieved a number of key milestones in 2012, with currently 13 specialized managers being allocated across ten different asset classes invested globally. The external portfolio was substantially fully deployed by the end of 2012, and generated strong returns for the year while maintaining a highly liquid profile.

FINANCIAL STATEMENTS

Consolidated Statement of Financial Position

31 December 2012

	2012 BD '000	2011 BD '000
ASSETS		
Cash and bank balances	290,146	259,765
Derivative financial instruments	104	-
Trade accounts receivable, prepayments and other assets	181,204	160,598
Inventories	158,919	174,996
Investments carried at fair value through statement of income	73,412	62,664
Non-trading investments	211,573	204,771
Investment in associates	879,493	859,762
Investment properties	219,207	213,588
Property, plant and equipment	1,338,645	1,340,745
Other assets	161,738	154,514
Goodwill	581,117	787,778
TOTAL ASSETS	4,095,558	4,219,181
LIABILITIES AND EQUITY		
Liabilities		
Borrowings	930,813	1,014,210
Derivative financial instruments	38,771	64,970
Trade accounts payable, accruals and other liabilities	567,980	390,144
Employees' end of service benefits	13,275	13,230
Obligations relating to acquired entities	143,107	171,352
TOTAL LIABILITIES	1,693,946	1,653,906
Equity attributable to shareholder of the parent		
Share capital	1,845,635	1,845,635
Capital contribution	1,132,906	1,116,937
Statutory reserve	21,252	21,252
Other reserves	14,949	(9,637)
Accumulated deficit	(872,663)	(661,102)
	2,142,079	2,313,085
Non-controlling interests	259,533	252,190
TOTAL EQUITY	2,401,612	2,565,275
TOTAL LIABILITIES AND EQUITY	4,095,558	4,219,181

Consolidated Statement of Income

Year ended 31 December 2012

	2012 BD '000	2011 BD '000
Revenue	1,162,758	1,291,223
Direct costs	1,116,195	1,150,862
GROSS PROFIT	46,563	140,361
Dividend income	1,128	978
Gain (loss) on investments carried at fair value through statement of income	5,908	(1,548)
Other operating income	42,772	42,803
Government assistance	196,473	11,637
Selling and distribution expenses	(87,242)	(92,458)
Administrative expenses	(100,157)	(100,176)
Other operating expenses	(82,205)	(7,539)
OPERATING INCOME (LOSS)	23,240	(5,942)
Share of profit of associates	45,766	41,955
Interest income	8,482	10,050
Interest expense	(38,166)	(37,080)
Fair value gain on revaluation/settlement of derivatives (net)	5,860	36,898
Impairment losses	(226,911)	(316,531)
NET LOSS FOR THE YEAR	(181,729)	(270,650)
Attributable to:		
Shareholder of the parent	(211,561)	(335,816)
Non-controlling interests	29,832	65,166
	(181,729)	(270,650)

Consolidated Statement of Comprehensive Income

Year ended 31 December 2012

	2012 BD '000	2011 BD '000
LOSS FOR THE YEAR	(181,729)	(270,650)
Other comprehensive income		
Movement in cumulative changes in fair values	7,498	(2,269)
Transfer to consolidated statement of income	-	2,417
Share of changes in equity of associates	11,890	(9,522)
Foreign currency translation	5,399	(578)
Total other comprehensive income (loss) for the year	24,787	(9,952)
TOTAL COMPREHENSIVE LOSS FOR THE YEAR	(156,942)	(280,602)
Attributable to:		
Shareholder of the parent	(186,975)	(345,821)
Non-controlling interests	30,033	65,219
	(156,942)	(280,602)

Consolidated Statement of Cash Flows

Year ended 31 December 2012

	2012 BD '000	2011 BD '000
OPERATING ACTIVITIES		
Net loss for the year	(181,729)	(270,650)
Adjustments for:		
Depreciation	107,771	108,274
Fair value gain on derivatives	(5,860)	(36,898)
(Gain) loss on investments carried at fair value through statement of income	(5,909)	1,548
Gain on non-trading investments	-	(762)
Gain on sale of investment in associate	-	(21,748)
Share of profits of associates	(45,766)	(41,955)
Impairment losses	226,911	316,531
Provision for impairment on trade accounts and other receivables	1,237	3,230
Loss on disposal and write-off of property, plant and equipment	11,435	7,603

	2012 BD '000	2011 BD '000
OPERATING ACTIVITIES (CONTINUED)		
Interest income	(8,482)	(10,050)
Interest expense	38,166	37,079
Employees' end of service benefits	2,421	2,427
Operating profit before changes in operating assets and liabilities	140,195	94,629
Changes in operating assets and liabilities:		
Inventories	14,867	(5,361)
Trade accounts receivable, prepayments and other assets	(15,825)	10,587
Trade accounts payable, accruals and other liabilities	176,556	86,453
Cash from operating activities	315,793	186,308
Interest paid	(38,258)	(37,079)
Derivative financial instruments	(20,443)	(42,036)
Employees' end of service benefits paid	(2,376)	(1,837)
NET CASH FROM OPERATING ACTIVITIES	254,716	105,356
INVESTING ACTIVITIES		
Investment in associates	(9,311)	(15,105)
Purchase of non-trading and other investments	(4,915)	(62,151)
Proceeds from sale of non-trading investments and other investments	741	1,479
Purchase of property, plant and equipment	(140,942)	(123,383)
Investment in properties	(24)	(150)
Proceeds from disposal of property, plant and equipment	20,431	19,244
Other assets	(7,527)	(15,045)
Dividends from associates	34,424	38,243
NET CASH USED IN INVESTING ACTIVITIES	(107,123)	(156,868)
FINANCING ACTIVITIES		
Capital contribution	15,346	14,650
Proceeds from borrowings	342,666	200,275
Repayment of borrowings	(426,560)	(343,175)
Dividend paid to non-controlling interests	(23,241)	(30,935)
Movement in non-controlling interests (net)	551	(1,321)
Interest received	2,464	4,478
Margin deposits with brokers and other deposits	20,248	(16,359)
Obligations relating to acquired entities	(28,245)	(24,751)
NET CASH USED IN FINANCING ACTIVITIES	(96,771)	(197,138)
Increase (Decrease) in Cash and Cash Equivalents	50,822	(248,650)
Cash and cash equivalents at beginning of the year	226,613	475,263
CASH AND CASH EQUIVALENTS AT END OF THE YEAR	277,435	226,613

Consolidated Statement of Changes in Equity

Year ended 31 December 2012

	Attributable to shareholder of the parent						Non-controlling interests	Total equity
	Share capital	Capital contribution	Statutory reserve	Other reserves	Accumulated deficit	Total		
	BD '000	BD '000	BD '000	BD '000	BD '000	BD '000	BD '000	BD '000
Balance at 31 December 2010	1,845,635	1,486,415	21,252	368	(325,286)	3,028,384	219,227	3,247,611
(Loss) profit for the year	-	-	-	-	(335,816)	(335,816)	65,166	(270,650)
Other comprehensive (loss) income	-	-	-	(10,005)	-	(10,005)	53	(9,952)
Total comprehensive (loss) income	-	-	-	(10,005)	(335,816)	(345,821)	65,219	(280,602)
Contribution by the shareholder	-	14,650	-	-	-	14,650	-	14,650
Distribution of assets to the shareholder	-	(384,128)	-	-	-	(384,128)	-	(384,128)
Dividend paid to non-controlling interests	-	-	-	-	-	-	(30,935)	(30,935)
Movement in non-controlling interests	-	-	-	-	-	-	(1,321)	(1,321)
Balance at 31 December 2011	1,845,635	1,116,937	21,252	(9,637)	(661,102)	2,313,085	252,190	2,565,275
(Loss) profit for the year	-	-	-	-	(211,561)	(211,561)	29,832	(181,729)
Other comprehensive income	-	-	-	24,586	-	24,586	201	24,787
Total comprehensive income (loss)	-	-	-	24,586	(211,561)	(186,975)	30,033	(156,942)
Contribution by the shareholder	-	15,969	-	-	-	15,969	-	15,969
Dividend paid to non-controlling interests	-	-	-	-	-	-	(23,241)	(23,241)
Movement in non-controlling interests	-	-	-	-	-	-	551	551
Balance at 31 December 2012	1,845,635	1,132,906	21,252	14,949	(872,663)	2,142,079	259,533	2,401,612