



**OFFERING OF SECURITIES
MODULE
Appendix OFS-3**

**Prospectus for Conventional Debt
Securities**

APPENDIX 3

INFORMATION AND PARTICULARS TO BE INCLUDED UNDER ARTICLE 81 OF THE CBB LAW IN A PROSPECTUS FOR OFFERING OF CONVENTIONAL DEBT SECURITIES, WHETHER AN APPLICATION HAS BEEN OR WILL BE MADE TO LIST FOR QUOTATION ON THE LICENSED EXCHANGE OR NOT.

SECTION 1

Front Cover Page

On the front cover page of the Prospectus the following particulars shall be provided:

1. The date of registration of the Prospectus, the supplementary Prospectus, or the replacement Prospectus;
2. The following statements:
 - (i) “This document is important. If you are in any doubt as to the action you should take, you should consult your legal, financial, tax, or other professional advisor.” and;
 - (ii) “A copy of this Prospectus has been submitted and registered by the Central Bank of Bahrain (“the CBB”). Registration of the Prospectus by the CBB does not imply that the CBB Law, or any other legal or regulatory requirements, has been complied with. The CBB has not, in any way, considered the merits of the debt securities being offered for investment.”;
3. A statement to the effect that an application has been or will be made to a licensed exchange to list for quotation or quote the debt securities being offered on that licensed exchange, and the name of such licensed exchange, otherwise give an appropriate negative statement;
4. A statement that no debt securities shall be allotted or allocated on the basis of the Prospectus later than 6 months after the date of registration of the Prospectus by the CBB;
5. The name and the registration number of the issuer in respect of which the debt securities are being offered and its country of incorporation or constitution;
6. The name and logo of the appointed advisors to the offer shall be provided:
 - (i) Type, nature and amount of debt securities;
 - (ii) The guarantor (if any);
 - (iii) The issue manager;
 - (iv) Underwriter, if any;
 - (v) The legal advisor;
 - (vi) The financial advisor;

- (vii) The receiving bank;
- (viii) The paying agent;
- (ix) The custody and/or registrar;
- (x) Rating agency (if any).

7. Provide within the box frame, the following standard prominent and legible disclaimer statement:

THE CENTRAL BANK OF BAHRAIN AND THE [*NAME OF THE LICENSED EXCHANGE] ASSUME NO RESPONSIBILITY FOR THE ACCURACY AND COMPLETENESS OF THE STATEMENTS AND INFORMATION CONTAINED IN THIS DOCUMENT AND EXPRESSLY DISCLAIM ANY LIABILITY WHATSOEVER FOR ANY LOSS HOWSOEVER ARISING FROM RELIANCE UPON THE WHOLE OR ANY PART OF THE CONTENTS OF THIS DOCUMENT.

* For the offers planned to be listed only

SECTION 2

Inside Cover Page

8. (a) Provide within a box frame on the inside cover page the following standard prominent and legible declaration and responsibility statement:

THE DIRECTORS OF THE COMPANY, WHOSE NAMES APPEAR HEREIN, ACCEPT RESPONSIBILITY FOR THE INFORMATION CONTAINED IN THIS DOCUMENT. TO THE BEST OF THE KNOWLEDGE AND BELIEF OF THE DIRECTORS, WHO HAVE TAKEN ALL REASONABLE CARE TO ENSURE THAT SUCH IS THE CASE, THE INFORMATION CONTAINED IN THIS DOCUMENT IS IN ACCORDANCE WITH THE FACTS AND CONTAINS NO OMISSIONS LIKELY TO AFFECT THE IMPORTANCE AND COMPLETENESS OF THE DOCUMENT.

Director's Name:

Signature

- 1.
- 2.
- 3.
- 4.
- 5.
- 6.
- 7.
- 8.

8. (b) The abovementioned standard responsibility statement shall be duly signed by each of the issuer's Board of Directors. In cases where one or more of the directors cannot provide their signature on such statement, the issuer is required to provide to the CBB and disclose hereunder the actual reasons and justification.

SECTION 3

Important Notice

9. The following statements or similar or equivalent statements shall be provided underneath this Section:

This Prospectus (or Private Placement Memorandum (PPM) in respect of Private Placement offerings) both of them hereinafter referred to as “Prospectus” is delivered on behalf of [issuer’s name], by the Lead Manager (or Principal Advisor), referred to in this Prospectus as the “Lead Manager”.

[For PPM], this Private Placement Memorandum is being submitted to selected accredited investors on a confidential basis, so that they may consider the opportunity to purchase shares (name of the issuer). This document is the lawful property (of the name of the issuer) and may not be distributed or copied, in whole or in part, nor may any of its contents be disclosed without prior written permission from (the name of the issuer).

No person has been authorised to make any representations or give any information with respect to [issuer’s name] or the Public Offering (or Private Offering) in respect of Private Placement, both of them hereinafter referred to as “the Offering” except the information contained in this Prospectus. Any representation or information not contained in this Prospectus with respect to [issuer’s name] or the Offering must not be relied upon as having been authorised by the directors of [issuer’s name], or the lead manager. This Prospectus does not constitute an offer to sell or a solicitation of an offer to buy the debt securities in any jurisdiction to any person to whom it is unlawful to make such offer or solicitation in such jurisdiction.

This Prospectus includes details given in compliance with the CBB Law, rules and regulations. The directors, whose names appear in this Prospectus, collectively and individually confirm, having made all reasonable enquiries, that to the best of their knowledge and belief the information contained in this Prospectus is accurate and complete and that there are no other facts or omissions which, if disclosed, would render any statement in this Prospectus materially misleading. Substantial portions of the market and industry information in this Prospectus are derived from the management analysis as well as external sources. The market and industry information contained in this Prospectus has not been independently verified and no representation is made with respect to the accuracy or completeness of any of this information.

While the [issuer's name] and its directors have made all reasonable enquiries as to the accuracy and completeness of the information contained in this Prospectus, such information is subject to change. In particular, the actual financial position of the [issuer's name] and the value of the debt securities may be adversely affected by future developments in inflation, interest rates, taxation, or other economic, political and other factors, over which the [issuer's name] and its directors have no control. Neither the delivery of this Prospectus, nor any oral, written, or printed communication in relation to the debt securities offered is intended to be, or should be construed as or relied upon in any way, as a promise or representation as to future earnings, results or events.

In addition to the lead manager, the directors have appointed [names of other advisors] to carry out the financial due diligence and legal due diligence of the [issuer's name].

None of the directors, their respective officers, agents, employees, the lead managers, and other advisors assume any liability for any representation or warranty (expressed or implied) enclosed within, or omitted from, this Prospectus or any other written or verbal information transmitted to the recipient (or any of their advisors), in the course of the recipient's assessment of any proposed investment.

Each applicant (or accredited investor for Private Placement Offering) both of them hereafter referred to as "Applicant" may, prior to the submission of its application form, ask questions of and seek clarification from the lead manager concerning the [issuer's name] and this Offering. Answers to such questions and clarifications will be provided by the Lead Manager to the extent that the lead manager possesses or can acquire the requisite information without unreasonable effort or expense. The contents of this Prospectus should not be treated as investment, tax, or legal advice by an applicant. All applicants should make their own investigation and evaluation of the opportunity to invest in the [issuer's name], and should seek to consult their own advisors concerning the evaluation of the risks of the investment and its suitability for their individual financial and risk preferences. Prior to making an investment decision, each recipient of this Prospectus is responsible for obtaining independent professional advice in relation to the Offering and for considering the appropriateness of the information contained in this Prospectus with regard to individual objectives, financial situations and needs.

The Prospectus is not to be regarded as a recommendation on the part of the [issuer's name], the directors or any of their advisors to participate in the Offering. Moreover, information provided in this Prospectus is of a general nature and has been prepared without taking into account individual investment objectives, financial situation or particular investment needs.

The Offering is only being made to, and is only capable of acceptance by, applicants of nationalities fulfilling the subscription application requirements. The distribution of this Prospectus and the sale of debt securities offered in a jurisdiction may be restricted by law and therefore persons into whose possession this Prospectus comes should inform themselves about, and observe all such restrictions. Any failure to comply with such restrictions may constitute a violation of the securities law of that jurisdiction. This Prospectus does not constitute an offer to sell or issue or to solicit an offer to buy or for the supply of debt securities in any jurisdiction in which such offer or solicitation is unlawful.

The [issuer's name], the directors, the lead manager and other advisors require recipients of this Prospectus to inform themselves about and observe, all such restrictions. The [issuer's name] and the directors reserve the right to terminate at any time, the further participation of any party in the offering.

Forward Looking Statements

10. Provide the following statements regarding forward looking statements, or any other equivalent statements:

The statements contained in this Prospectus that are not historical facts are “forward-looking statements”. The word “plans”, “estimates”, “believes”, “expects”, “may”, “will”, “should”, “are expected”, “will be”, “anticipates” or the negative or other variation of such terms or comparable technology are intended to identify a number of these forward-looking statements.

These forward-looking statements reflect the current views of the [issuer's name] and its directors with respect to prospective events, and are not a guarantee of future performance. Many factors could cause the actual performance, achievements, or results of [issuer's name] to be significantly different from any prospective performance, achievements or results that may be expressed or implied by such forward-looking statements. Some of the risks and factors that could have such an effect are described in more detail in other Sections of this Prospectus (see “Risk Factors and Investment Considerations” Section 18).

Should any one or more of the risks or uncertainties materialise or any underlying assumptions prove to be inaccurate or incorrect, actual results may vary materially from those described in this Prospectus as anticipated, believed, estimated or expected. As a result of these and other risks, the forward looking events and circumstances discussed in this Prospectus might not occur in the way [issuer's name] expects, or at all. Applicants should consider all forward-looking statements in light of these explanations and should not place undue reliance on forward-looking statements.

[For public offering only], copies of this Prospectus may be obtained from the lead manager, the receiving banks, the underwriters and the registrar.

General Risk Statement

11. A general statement about the risk involved with the investment on the debt securities and the offer shall be provided:

An investment in debt securities involves risk. Prospective investors should consider carefully, together with all other information contained in this Prospectus, the principal risk factors in Section 18 before deciding to invest in debt securities.

Prospective investors should not place undue reliance on any information contained in published news reports, in particular, any financial projections, valuations or other forward-looking information. Prospective investors should not only rely on the information included in this Prospectus and the documents referred to in it or available for inspection to make their investment decision.

Prospective investors should seek professional advice from their relevant advisors regarding their prospective investment in the context of their particular circumstances.

SECTION 4

Applicants Identification and Anti-Money Laundering Requirements

12. Provide the following statement regarding the applicable laws, rules, regulations and practices related to the requirements of money laundering, financial crimes and verification of the potential subscribers' identity, or similar or equivalent statements.

[Issuer's name], the lead manager and the receiving banks reserve the absolute right to require further verification of the identity of each applicant, or that of the person or entity on whose behalf the applicant is applying for the purchase of debt securities.

Each applicant will provide satisfactory evidence of identity and, if so required, the source of its funds within a reasonable time period determined by [issuer's name]. Pending the provision of such evidence, an application to subscribe for debt securities will be postponed.

An applicant may not need to provide documentation to the receiving bank or lead manager if the applicant is an existing shareholder of the [issuer's name] and has already provided documentation.

If an applicant fails to provide satisfactory evidence within the time specified, or if an applicant provides evidence which is not to the lead manager's satisfaction, the application may be rejected immediately, in which event any money received from the applicant will be returned to the applicant without any addition and at the risk and expense of the applicant.

In respect of any Bahraini positional investors, the issuer will comply with Bahrain Legislative Decree No. (4) of 2001 with respect to Prohibition and Combating of Money Laundering and Various Ministerial Orders issued there under including, but not limited to, Ministerial Orders No. (7) of 2001 with respect to Institutions Obligation Concerning the Prohibition and Combating of Money Laundering, in addition to complying with Anti Money Laundering and Combating Financial Crime Module of the CBB Rulebook Volume 6.

[Issuer's name] will also comply with international anti-money laundering requirements as existing from time-to-time. Under the above regulatory requirements [issuer's name] may be obliged to report certain information to regulatory agencies.

SECTION 5

Table of Contents

13. For easy reference, provide separately under this Section, the title and sub-titles of each section of the Prospectus, and the corresponding page number for each.

| Particulars | Page No: |
|-------------|----------|
| | XXX |
| | XXX |
| | XXX |
| | XXX |
| | XXX |

SECTION 6

Glossary of the Defined Terms and Abbreviations

14. All definitions, abbreviations referred to in the Prospectus shall be stipulated in this Section.

Terminologies/Abbreviation:

Definition:

.....XXX
.....XXX
.....XXX
.....XXX
.....XXX

SECTION 7

Resolutions and Approvals

15. All information including the reference number, date and subject related to the required resolutions, either by the issuer's Board of Directors and shareholders' General Assembly, as well as the required approvals from the authorities, shall be provided in full for each resolution and approval separately, underneath of this Section:
- (a) Indicate the name, nature and date of all the resolutions, authorisations and approvals, by virtue of which the securities have been, or will be, offered.
 - (b) For Public Offering the name, nature and the date of the resolutions, authorisations and approvals, by virtue of which the debt securities have been or will be listed should also be given.
 - (c) If there are any special arrangements or conditions pursuant to which the offering and listing of debt securities has been approved, such arrangements or conditions must be presented in the Prospectus.

SECTION 8

Summary of the Offering

16. Principal Terms and Conditions of Debt Securities

16.1 Provide the following information on the debt securities being offered:

- (a) The yield, a summary of the method by which that yield is calculated, the issue and redemption prices, the nominal interest rate and:
 - (i) If the nominal interest rate is a floating rate, how the rate is calculated; or
 - (ii) If several or variable interest rates are provided for, the conditions for changes in the rate;
- (b) The date from which interest accrues and the interest payment dates;
- (c) The procedures for and validity period of claims to payment of interest and repayment of the principal sum;
- (d) The final repayment date and any early repayment dates, specifying whether exercisable at the option of the issuer or of the holder of the debt securities;
- (e) Details of the arrangements for the amortisation or early redemption of the debt securities, including procedures to be adopted;
- (f) A description of any subordination or seniority of the issue to other debts of the issuer already incurred or to be incurred;
- (g) The rights conferred upon the holders of the debt securities, including rights in respect of interest and redemption;
- (h) The particulars of any security;
- (i) The particulars of any significant covenant, including those concerning subsequent issues of other forms or series of debt securities;
- (j) Where applicable, a statement as to whether or not the issuer has the right to create additional charges over any of the assets, subject to a charge to secure the repayment of the debt securities, which will rank in priority to or *pari passu* with the second-mentioned charge, and if there is such a right, particulars of its nature and extent;
- (k) The nature and scope of any guarantee, surety or commitment intended to ensure that the issuer will be duly serviced with regard to both the principal sum of and the interest on the debt securities;
- (l) Any legislation under which the debt securities have been created and the governing law and the competent courts in the event of litigation;
- (m) Definition of events constituting defaults and effect upon acceleration of maturity of the debt securities; and
- (n) Provisions for modifications of terms and conditions of the debt securities.

16.2 Credit Rating

If the issuer, its guarantor entity or the debt securities being offered have been given a credit rating by a credit rating agency, disclose the name of the credit rating agency, the credit rating (including whether it is a short-term or long-term credit rating), whether or not the issuer, its guarantor, entity, or any of their related parties had paid any fee or benefit of any kind to the credit rating agency in consideration for the credit rating, and the date on which the credit rating was given.

16.3 Capitalisation and Indebtedness

Provide a statement of capitalisation and indebtedness as of a date no earlier than 60 days prior to the date of submission of the Prospectus, showing the capitalisation and indebtedness (distinguishing between guaranteed and non-guaranteed, and secured and unsecured indebtedness) of:

- (a) The issuer; or
- (b) If the issuer is the holding company or holding entity of a group, the group, as the case may be, and if applicable, adjusted to reflect the sale of new debt securities being issued and the intended application of the net proceeds therefrom. Indebtedness includes indirect and contingent indebtedness. In the case of a guaranteed debt securities issue, provide also such information in respect of the guarantor entity.

SECTION 9

Offering Statistics and Timetable

17. Provide key information regarding the conduct of any offering and the identification of important dates relating to that offering and/or listing.

17.1 Offering Statistics

For each method of offering state the total expected amount of the issue, including the expected issue price, or the method of determining the price and the number of securities expected to be issued.

17.2 Method and Expected Timetable

For all offerings, and separately for each group of targeted potential investors, state the following information to the extent applicable to the offering procedure:

- (a) State the time at, date on and period during which the offer will be kept open, and where and to whom purchase or subscription applications should be sent. Describe whether the purchase period may be extended or shortened, and the manner and duration of possible extensions to, or shortening of this period.
- (b) Describe the manner in which any extension or shortening shall be made public. If the exact dates or periods are not known when the document is first filed or distributed, describe arrangements for notifying or announcing the final or definitive date or period.
- (c) State the method and time limits for paying the subscription on the securities; where payment is partial, state the manner and dates on which the amounts due will be paid.
- (d) State, where applicable, the methods and time limits for:
 - (i) The book entry transfers of the debt securities being offered in favour of subscribers or purchasers;
 - (ii) The delivery of the documents evidencing title to the debt securities being offered (including temporary documents of title, if applicable) to subscribers or purchasers.
- (e) In the case of pre-emptive purchase rights, state the procedure for the exercise of any right of pre-emption, the negotiability of subscription rights and the treatment of subscription rights not exercised.
- (f) Include a full description of the manner in which results of the distribution of securities will be made public or notified and, when appropriate, the manner for refunding excess amounts paid by applicants (including whether interest will be paid).

SECTION 10

Information on the Issuer

18. Provide information about the issuer's business operations, the products or the services it provides, and the factors that affect its business. Also provide information regarding the adequacy and suitability of the issuer's properties, plant and equipment, as well as its plans for future increases or decreases in such capacity. The issuer is also required to provide current valuations of its properties other than those that are available for sale or held as investment, and any additional information regarding these properties, plant and equipment that are not already disclosed in the financial statements of the issuer.

18.1 Background and History

The following information shall be provided:

- (a) The legal and commercial name of the issuer.
- (b) The date of incorporation and the length of life of the issuer, except where unspecified.
- (c) The domicile and legal form of the issuer, the legislation under which the issuer operates, its country of incorporation and the address, telephone, facsimile numbers and web address of its registered office (or principal place of business, if different from its registered office). Provide the name and address of the issuer's agent in Bahrain, if applicable.
- (d) The length of time for which the business of the issuer, or if the issuer is the holding company of a group, of the group has been carried on and the important events in the development of the business.
- (e) Information concerning the nature and results of any material reclassification, merger or consolidation of the issuer, or any of its significant subsidiaries; acquisitions or dispositions of material assets other than in the ordinary course of business; any material changes in the mode of conducting the business; any material changes in the types of products produced or services rendered; name changes; or the nature and results of any bankruptcy, receivership or similar proceedings with respect to the issuer or significant subsidiaries within the preceding 5 years.
- (f) A description, including the amount invested, of each material expenditure on and divestment of capital investment (including any interest in another corporation) by the issuer or, if the issuer is the holding company of a group, by the group between the beginning of the period comprising the 3 most recent completed financial years and the latest practicable date.

- (g) A description of each material expenditure on and divestment of capital investment by the issuer or, if the issuer is the holding company of a group, by the group which is in progress, including the geographical location of the investment and the method of financing.
- (h) Any public take-over offer by a third party in respect of the issuer's shares or by the issuer in respect of the shares of another corporation or the units of a business trust, which has occurred between the beginning of the most recent completed financial year and the latest practicable date, including the price or exchange terms attaching to such offer and the outcome thereof.

18.2 Principal Activities

Provide the principal activities or objectives of the issuer as stipulated in its Articles of Association, if the issuer's principal activities are altered, changed or amended, providing the date and reason for such change.

18.3 Business Overview and Strategy

- (a) A description of the nature of the issuer's operations and its principal activities, stating the main categories of products sold and/or services performed for each of the last 3 financial years. Indicate any significant new products and/or services that have been introduced, and to what extent the development of new products or services has been publicly disclosed, giving the status of such development.
- (b) A description of the principal markets in which the issuer competes, including a breakdown of total revenue (by category) for each activity and split into different geographical markets for each of the last 3 financial years.
- (c) Whether the main business is seasonal in nature and, if so, details of such seasonal nature.
- (d) A description of the sources and availability of raw materials, including a description of whether prices of principal raw materials are volatile.
- (e) A description of the marketing channels used by the issuer, including an explanation of any special sales methods, i.e. by instalments.
- (f) Whether the business or profitability of the issuer is materially dependent on any patent or license, industrial, commercial or financial contract (including a contract with a customer or supplier) or new manufacturing process.
- (g) The basis for any statements made by the issuer regarding its competitive position shall be disclosed. If the issuer claims a competitive advantage, it should disclose the basis for that claim. If the issuer does not disclose some information based on competitive issues, it should also disclose that fact.
- (h) Any material effects of government regulations on the issuer's business, identifying the regulatory body.

18.4 Industry Analysis and Overview

The Prospectus may include a brief summary about the industry or segment of business where the issuer is operating. Such information may analyse the key factors impacting on the issuer's business, either at the macro-economic, sectoral or sub-sectoral levels.

18.5 Organisational Structure

- (a) If the issuer is part of a group, briefly describe the group, and the issuer's position within the group.
- (b) If the issuer is the holding company of a group, provide information on every subsidiary, subsidiary entity, associated company and associated entity of the issuer, being a subsidiary, a subsidiary entity, an associated company or an associated entity, as the case may be, the absolute amount of the net assets, net liabilities or profit or loss before tax of which accounts for 10% or more of the absolute amount of the net assets, net liabilities or profit or loss before tax, respectively, of the group for any of the 3 most recent completed financial years.
- (c) Such information shall include the name, country of incorporation or constitution, principal place of business, principal activities, proportion of ownership interest of the issuer and if different, proportion of voting power held by the issuer.
- (d) For the purpose of the prospectus requirements, a subsidiary entity or associated entity shall include the Special Purpose Vehicle and off-balance sheet investments or assets, irrespective of whether they are subject to the consolidation requirement, or not and whether located in Bahrain or outside Bahrain.

SECTION 11

Corporate Governance Practices

19. Provide information about the Corporate Governance Code that the issuer is subject to in its home market and/or in other jurisdictions in which the issuer or its subsidiaries, associates or branches are operating or listed. The issuer shall provide detailed information about its corporate governance principles and practices and the corporate governance structure.

19.1 Provide information on the Corporate Governance Code that the issuer is subject to, whether in Bahrain or elsewhere. Such information shall provide a brief summary about such codes and principles, the date, legislative, and the authority(s) issued and promulgating such code.

19.2 Board of Directors and Senior Management

19.2.1 Provide information on the issuer's corporate governance practices regarding:

- (i) Board of directors;
- (ii) Senior management.

19.2.2 Provide information on the issuer's directors and senior managers that will allow investors to assess such individuals, expertise, qualifications and levels of compensation, as well as their relationship with the issuer.

(a) Information on Directors and Senior Management:

The following information shall be disclosed with respect to the issuer's directors, senior management, and any employees holding a controlled function, as defined by the CBB Rulebook. Such information shall also be provided for any employees such as professionals, scientists or designers, upon whose work the issuer depends:

- (i) Name, details of past working experience, educational and professional qualifications, if any, and areas of expertise or responsibility in the issuer or, if the issuer is the holding company of a group, in the group;
- (ii) Each principal business activity performed outside the issuer, or if the issuer is the holding company of a group, the group and each principal directorship held at present or in the last 5 years other than in the issuer;
- (iii) Date of birth or age;
- (iv) The nature of any relationship in respect of insiders' rules:
 - Between any of the persons named above; or
 - Between any of the persons named above and any major shareholder of the issuer;

- (v) Any arrangement or understanding with a major shareholder, customer or supplier of the issuer or other person, pursuant to which any person referred to above was selected as a director or key executive of the issuer.
- (vi) Whether such person is a party to current debt recovery litigation or has a record of being a cheque abuser, or has been involved previously in any bankruptcy, fraud, money laundering, financial crimes or other serious criminal proceedings, as can be ascertained from the CBB's, the licensed exchange's or other similar records in Bahrain or other jurisdictions. If so, disclose circumstances.

(b) Management Reporting Structure:

Provide the management reporting structure of the issuer.

(c) Interest in Debt Securities:

- (i) Provide the names of each major shareholder and director and the chief executive officer of the issuer, and state the number and percentage of debt securities of each class in which each of them has an interest, whether directly or indirectly, as of the latest practicable date and immediately after the offer. Disclose any significant change in the percentage of ownership in the last 3 years prior to the latest practicable date.
- (ii) Indicate whether the debt securities in which the persons referred to in (i) above have interests carrying different voting rights from those debt securities being offered, or provide an appropriate negative statement.
- (iii) To the extent known to the issuer, state whether the issuer is directly or indirectly owned or controlled, whether severally or jointly, by any person or government, and if so, give the name of such person or government, and briefly describe the nature of such control, including the amount and proportion of capital held giving a right to vote.
- (iv) Disclose any contractual undertaking provided by any party to observe a moratorium on the transfer or disposal of his interest, directly or indirectly, in the debt securities of the issuer.
- (v) Describe any known arrangement the operation of which may, at a subsequent date, result in a change in control of the issuer.

(d) Material Background Information:

Disclose the following matters concerning a director, key executive or major shareholder of the issuer:

- (i) Whether at any time during the last 10 years, an application or a petition under any bankruptcy laws of any jurisdiction was filed against him or against a partnership of which he was a partner at the time when he was a partner or at any time within 2 years from the date he ceased to be a partner.

- (ii) Whether at any time during the last 10 years, an application or a petition under any law of any jurisdiction was filed against an entity (not being a partnership) of which he was a director or an equivalent person or a key executive, at the time when he was a director or equivalent person or a key executive of that entity, or at any time within 2 years from the date he ceased to be a director or an equivalent person or a key executive of that entity, for the winding up or dissolution of that entity or, where that entity is the trustee of a business trust, that business trust, on the ground of insolvency.
- (iii) Whether there is any unsatisfied judgment against him.
- (iv) Whether he has ever been convicted of any offence, in Bahrain or elsewhere, involving money laundering, financial crimes, fraud or dishonesty which is punishable with imprisonment, or has been the subject of any criminal proceedings (including any pending criminal proceedings of which he is aware) for such purpose.
- (v) Whether he has ever been convicted of any offence, in Bahrain or elsewhere, involving a breach of any law or regulatory requirement that relates to the capital market in Bahrain or elsewhere, or has been the subject of any criminal proceedings (including any pending criminal proceedings of which he is aware) for such breach.
- (vi) Whether at any time during the last 10 years, judgment has been entered against him in any civil proceedings in Bahrain or elsewhere involving a breach of any law or regulatory requirement that relates to the capital market in Bahrain or elsewhere, or a finding of fraud, misrepresentation or dishonesty on his part, or he has been the subject of any civil proceedings (including any pending civil proceedings of which he is aware) involving an allegation of fraud, misrepresentation or dishonesty on his part.
- (vii) Whether he has ever been convicted in Bahrain or elsewhere of any offence in connection with the formation or management of any entity or business trust.
- (viii) Whether he has ever been disqualified from acting as a director or an equivalent person of any entity (including the trustee of a business trust), or from taking part directly or indirectly in the management of any entity or business trust.
- (ix) Whether he has ever been the subject of any order, judgment or ruling of any court, tribunal or governmental body permanently or temporarily enjoining him from engaging in any type of business practice or activity.
- (x) Whether he has ever, to his knowledge, been concerned with the management or conduct of the affairs of:
 - a. Any corporation which has been investigated for a breach of any law or regulatory requirement governing corporations in Bahrain or elsewhere;

- b. Any entity (not being a corporation) which has been investigated for a breach of any law or regulatory requirement governing such entities in Bahrain or elsewhere;
- c. Any business trust which has been investigated for a breach of any law or regulatory requirement governing business trusts in Bahrain or elsewhere; or
- d. Any entity or business trust which has been investigated for a breach of any law or regulatory requirement that relates to the capital market in Bahrain or elsewhere.

in connection with any matter occurring or arising during the period when he was so concerned with the entity or business trust.

- (xi) Whether he has been the subject of any current or past investigation or disciplinary proceedings, or has been reprimanded or issued any warning by the CBB or any other regulatory authority, exchange, professional body or government agency, whether in Bahrain or elsewhere.

(e) Board Practices:

The following information for the issuer's last 2 completed financial years shall be given with respect to, unless otherwise specified, the issuer's directors and senior management:

- (i) Date of expiration of the current term of office, if applicable, and the period during which the person has served in that office.
- (ii) Details of directors' and senior management service contracts with the issuer or any of its subsidiaries, providing for benefits upon termination of employment, or an appropriate negative statement.

(f) Board's Committees:

In respect of the current financial year, provide details relating to the issuer's primary board committees, including executive committee, audit committee, insiders committee, risk management committee and remuneration committee, including the name of committee members, and a summary of the terms of reference under which each committee operates.

(g) Compensation:

- (i) Provide information on the issuer's compensation policy in respect of Board of Directors, senior management and employees separately.
- (ii) Disclose:
 - a. The amount of compensation paid by the issuer or its subsidiary or subsidiary entity for each of the 2 most recent completed financial years; and

- b. The estimated amount of compensation paid and to be paid by the issuer or its subsidiary or subsidiary entity for the whole of the current financial year to:
 - Each director of the issuer; and
 - Each of the top 5 (in terms of compensation) key executives (not being director) of the issuer or, if the issuer is the holding company of a group, of the group, for services rendered by such a person in all capacities to the issuer or its related corporation or related entity.
- (iii) For the purpose of (ii) above:
 - a. Compensation includes any benefit in kind; and
 - b. Compensation that has already been paid includes any deferred compensation accrued for the financial year in question and payable at a later date.
- (iv) For the purposes of (ii) b above, any estimated amount of compensation that is to be paid pursuant to any bonus or profit-sharing plan or any other profit-linked agreement or arrangement, but which has not yet been paid, may be excluded from the calculation of the estimated amount of compensation in respect of the whole of the current financial year, provided that fact is stated.
- (v) If any portion of the compensation was paid or is to be paid pursuant to any bonus or profit-sharing plan, or any other profit-linked agreement or arrangement, identify the person to whom such compensation was or is to be paid and briefly describe such plan, agreement or arrangement and the basis of such person's participation in the plan, agreement or arrangement.
- (vi) If any portion of the compensation was paid or is to be paid in the form of stock options, identify the persons to whom such compensation was or is to be paid and provide the description and number of debt securities covered by the options, the exercise price, the option purchase price (if any), the period during which the options are exercisable and the expiration date of the options.
- (vii) State the total amounts set aside or accrued by the issuer or its subsidiary or subsidiary entity to provide pension, retirement, or similar benefits, if any.
- (viii) Provide details of any existing or proposed service contract entered or to be entered into by the directors of the issuer and with the issuer or its subsidiary or subsidiary entity which provide for benefits upon termination of employment, or an appropriate negative statement.
- (ix) For a service contract referred to in (viii) above with a fixed term, state the term of each such contract, the unexpired term and the name of the relevant director.

19.3. Employees

- (a) Provide information on the issuer's recruitment policy.
- (b) The following information shall be provided in respect of the issuer's employees:
 - (i) Provide the number of employees at the end of each of the last 3 financial years of the issuer, or if the issuer is the holding company of the group;
 - (ii) Provide a breakdown of persons employed by nationality, main category of activity and geographic location during the most recent full financial year;
 - (iii) Disclose any significant change in the number of employees;
 - (iv) Provide information regarding the relationship between management and any labour committee or union; and
 - (v) If the issuer employs a significant number of temporary employees, include the number of temporary employees on an average during the most recent financial year.

19.4. Share Ownership and Options

- (a) Provide information on the issuer's practices regarding the restrictions and limits on share ownership imposed by laws, rules, regulations and its Articles of Association.
- (b) The following information shall be provided in respect of the directors, senior management and employees:
 - (i) Debt securities ownership for the last 3 completed financial years, including disclosure of the total number of debt securities and percentage of debt securities outstanding of that class, whether they have different voting rights where held by each of the directors and senior management separately, and employees in aggregate.
 - (ii) Provide information as to the options on the debt securities of the issuer granted to each of the directors, senior management separately and the employees in aggregate in respect of each option including:
 - a. The description and number of debt securities covered by the option;
 - b. The exercise price;
 - c. The option purchase price (if any);
 - d. The period during which the option is exercisable; and
 - e. The expiration date of the option.
 - (iii) Describe any arrangement which involves the employees of the issuer and, if the issuer is a holding company, the directors or employees of a subsidiary, a subsidiary entity, an associated company or an associated entity of the issuer, in the share capital of the issuer, including any arrangement that involves the issue or grant of options or debt securities or any other securities of the issuer.

19.5. External Auditor

- (a) Provide information on the corporate governance practices of the issuer in respect of external auditor in terms of appointment, appointment terms, role and responsibilities, selection criteria, regulatory approval, audit partner rotation and any other information related to the external auditor of the issuer.
- (b) Provide the names and addresses of the issuer's external auditor for the preceding 3 financial years, if the external auditor has been changed provide reasons for such change.

19.6. Legal Advisor and other Advisors

Provide the names and addresses of the issuer's principal bankers, legal advisor and other advisors, to the extent that the issuer has a continuous relationship with such advisors.

SECTION 12

Major Shareholders, Related Parties Transactions and Conflict of Interest

20. Provide information regarding the major shareholders and others that control or may control the issuer. Also give information regarding transactions the issuer has entered into with persons affiliated, associated or a related party to the issuer, and advise whether the terms of such transactions are at arms' length to the issuer.

20.1. Information on the Major Shareholders:

Provide the following information:

- (a) The number of holders of each class of debt security and the voting rights attached to each class.

A distribution schedule of each class of debt security, setting out the number of holders and percentage (expressed as a percentage of total outstanding shares of the issuer) in the following categories:

| <i>Category</i> | <i>No. of Shares</i> | <i>No. of Shareholders</i> | <i>% of Total Outstanding Shares</i> |
|-------------------------|----------------------|----------------------------|--------------------------------------|
| Less than 1% | | | |
| 1% up to less than 5% | | | |
| 5% up to less than 10% | | | |
| 10% up to less than 30% | | | |
| 30% up to less than 50% | | | |
| 50% up to less than 75% | | | |
| Above 75% | | | |

- (b) Provide, as of the most recent practicable date in respect of any interim financial period, and as at the record date of the annual general meeting for the last 3 completed financial years, the number of shares held, including shares beneficially owned by the issuer's major shareholders, i.e. shareholders that are the beneficial owners of 5% or more of each class of the issuer's voting debt securities.
- (c) Provide the names and nationalities of the major shareholders, and the number of shares and percentage of outstanding shares of each class owned by each of them as of the most recent practicable date for the last completed financial year, or an appropriately negative statement.
- (d) Disclose any significant change in the percentage ownership held by any major shareholders during the past 3 years and the manor of such changes, i.e. subscription to rights offering, acquisition or disposal of shares in the market, or any other change in shareholding.
- (e) Indicate whether the company's major shareholders have different voting rights, or include an appropriately negative statement.

- (f) Information shall be provided as to the portion of each class of securities held, and the number of recorded shareholders.
- (g) State whether the issuer is directly or indirectly owned or controlled by another corporation(s), by any foreign government, or by any other person(s) separately or jointly, and, if so, give the name(s) of such controlling corporation(s), government or other person(s), and briefly describe the nature of such control, including the amount and proportion of capital held giving a right to vote.
- (h) Describe any arrangements known to the issuer, the existence or operation of which may at a subsequent date, result in a change in control of the issuer.

20.2. Related Parties and Transactions

- (a) Provide the following information for the whole of the issuer's last 3 financial years up to the date of the Prospectus, with respect to transactions or loans between the issuer and:
 - (i) Persons that directly or indirectly through one or more persons, control or are controlled by, or are under common control with the issuer;
 - (ii) Associates, other than those transactions in the ordinary course of business. An associate is an unconsolidated enterprise in which the issuer has a significant influence, or which has significant influence over the issuer, and includes enterprises owned by directors or major shareholders of the issuer and enterprises that have a member of key management in common with the issuer.
Significant influence over an enterprise is the power to participate in the financial and operating policy decisions of the enterprise, but does not have control over those policies. Shareholders beneficially owning 10% or more interest in the voting power of the issuer are presumed to have a significant influence on the issuer.
 - (iii) Individuals owning, directly or indirectly, an interest in the voting power of the issuer that gives them significant influence over the issuer, and close members of any such individual's family. Close members of an individual's family are those that may be expected to influence, or be influenced by that person in their dealings with the issuer.
 - (iv) Key management personnel, i.e. those persons having authority and responsibility for planning, directing and controlling the activities of the issuer, including directors and senior management of issuers, and close members of such individuals' families; and
 - (v) Enterprises in which a substantial interest in the voting power is owned, directly or indirectly, by any person described in (ii) or (iii) above, or over which such a person is able to exercise significant influence.
- (b) Describe the nature and extent of any transactions or currently proposed transactions that are material to the issuer or the related party, or any transactions that are unusual in their nature or conditions, involving goods, services, or tangible or intangible assets to which the issuer or its holding company, or any of its subsidiaries was a party.

- (c) Describe the amount of outstanding loans (including guarantees of any kind) made by the issuer or any of its holding companies or subsidiaries, to or for the benefit of any of the persons mentioned in 20.2 (a) above. The information given should include the largest amount outstanding during the period covered, the amount outstanding as of the latest practicable date, the nature of the loan and the transaction in which it occurred, and the interest rate on the loan.
- (d) For each transaction referred to in (a) above:
 - (i) That has been completed or will be completed at or before the close of the offer, disclose whether or not the transaction has been or will be carried out on an arm's length basis;
 - (ii) That will continue after the close of the offer, disclose:
 - a. Whether or not the transaction has been carried out on an arm's length basis; and
 - b. The procedure undertaken or which will be undertaken to ensure that such transaction will be carried out on an arm's length basis; or
 - (iii) That has been proposed, disclose the procedure which will be undertaken to ensure that such transaction will be carried out on an arm's length basis.
- (e) For each loan referred to in (a) above:
 - (i) That has been repaid or will be repaid at or before the close of the offer, disclose whether or not the loan was made on an arm's length basis;
 - (ii) That is to be repaid, whether partly or wholly, after the close of the offer, disclose:
 - a. Whether or not the loan was made on an arm's length basis; and
 - b. When the loan is intended or required to be repaid; or
 - (iii) That has been proposed, disclose the procedure which will be undertaken to ensure that such loan will be made on an arm's length basis.
- (f) Where transactions or loans between the issuer and a related party of the issuer are similar and recurring in nature or could otherwise be grouped in a meaningful manner, the information required with respect to the transactions or loans in (a), (d) and (e) should be provided on an aggregate basis, if the aggregate of these transactions or loans are material in the context of the offer.

20.3. Conflicts of Interests:

Where a director, major, or controlling shareholder of the issuer or his associate has an interest in any entity carrying on the same business or dealing in similar products or services as the issuer or, if the issuer is the holding company of a group, disclose:

- (a) The name of that entity;
- (b) The name of the director or controlling shareholder involved;
- (c) The nature and extent of his interest in that entity and the extent to which he is involved in the management of that entity either directly or indirectly; and
- (d) Whether any conflict of interests thereby arising has been or is to be resolved or mitigated and, if so, how it has been or is proposed to be resolved or mitigated.

20.4. Interests of Experts and Counsel

If any of the named experts or counsellors:

- (a) Are employed on a contingency basis by the issuer or its subsidiary or subsidiary entity;
- (b) Has a material interest, whether direct or indirect, in the shares of the issuer or its subsidiary, or in the debt interests of its subsidiary entity; or
- (c) Has a material economic interest, whether direct or indirect, in the issuer, including an interest in the success of the offer;

describe the nature and terms of such contingency or interest.

20.5. Interests of Underwriters or Financial Advisors

Describe the nature and terms of the issuer's material relationship with any of its underwriters, financial advisors and any other appointed advisor. Such information shall disclose the business relationship if any, terms and conditions of the underwriting arrangements, fees and commission paid, or will be paid, the rights or options on the current offering or future issues.

20.6. Material Contracts

Provide a summary of each material contract, other than contracts entered into in the ordinary course of business, to which the issuer or any member of the group is a party, for any outstanding contracts at the time of publication of the Prospectus, including dates, parties, general nature of the contracts, terms and conditions, and amount of any consideration passing to or from the issuer, or any other member of the group.

SECTION 13

Key Financial Information

21. Summarise key information about the issuer's financial condition, capitalisation and risk factors. If the financial statements included in the document are restated to reflect material changes in the issuer's group structure or accounting policies, the selected financial data must be restated.

21.1. Selected Financial Data

The issuer shall provide the selected historical financial data for itself for the 5 most recent financial years (or such shorter period as the issuer has been in operation), in the same currency as the financial statements.

- (a) Selected financial data for either (or both) of the earliest 2 years of the 5 year period may be omitted, if the issuer declares to the CBB that such information cannot be provided, or cannot be provided on a restated basis, without unreasonable effort or expense.
- (b) If interim period financial statements are included, the selected financial data should be updated for that interim period, which may be unaudited, provided that fact is stated.
- (c) If selected financial data for interim periods are provided, comparative data from the same period in the previous financial year shall also be provided, unless the requirement for comparative balance sheet data is satisfied by presenting the year-end balance sheet information.
- (d) In the provision of this summary of financial information, the issuer is required to state whether the financials:
 - (i) Have been prepared in accordance with International Financial Reporting Standards (IFRS);
 - (ii) Have been audited in accordance with the International Standards on Auditing (ISA), and shall state the type of audit opinion received whether 'unqualified' or 'qualified'.
- (e) For the selected profit and loss data, the specific line items presented must be expressed in the same manner as the corresponding line items in the audited or interim financial statements, as the case may be. Such data must include items generally corresponding to the following:
 - (i) Amount of net sales or revenue;
 - (ii) Amount of profit or loss before tax;
 - (iii) Amount of net profit or loss;
 - (iv) Earnings or loss amount per share; and

- (v) Earnings or loss amount per share, after any adjustment to reflect the sale of new shares,
must be provided and determined in accordance with the body of accounting principles used in preparing the financial statements.
- (f) For the selected balance sheet data, the specific line items presented must be expressed in the same manner as the corresponding line items in the audited annual financial statements or reviewed interim financial statements, as the case may be. Such data must include items generally corresponding to the following:
 - (i) Total assets;
 - (ii) Total liabilities;
 - (iii) Net assets or liabilities; and
 - (iv) Issued and paid-up share capital and reserves.
- (g) Where the financial statements provided in response to Section 15 are prepared in a currency other than the Bahraini Dinar (BHD) or United States Dollar (USD), disclosure of the exchange rate between the financial reporting currency and BHD or USD should be provided, using the exchange rate, if applicable:
 - (i) At the latest practicable date;
 - (ii) The highest and lowest exchange rates for each month during the previous 12 months; and
 - (iii) For at least the last 3 most recent financial years and any subsequent interim period for which financial statements are presented, the average exchange rates for each period, calculated by using the average of the exchange rates on the last day of each month during this period.

SECTION 14

Operating and Financial Review and Prospects

22. Under this Section, provide the following information regarding the development of the issuer's or the issuer's group businesses, operations, and financials.

22.1 The abovementioned information shall cover:

- (a) An explanation (in financial statement line items) of factors that have affected the issuer's financial condition and results of operations for each year, as well as the interim period for which the financial statements are required in the Prospectus, including the causes of these material changes from year-to-year and period-to-period.
- (b) Management's assessment of factors and trends that are anticipated to have a material effect on the issuer's financial conditions and results of operations in the same future period.
- (c) Such information shall be provided in respect of each of the 2 most recent completed financial years and other interim financial periods for which audited and interim financial statements have been included in the Prospectus.
- (d) The information as specified below, as well as any information that is necessary for an investor's understanding of the issuer's business as a whole, including all separate segments of the issuer.

22.2. Operating Results

- (a) For each financial period, provide information regarding significant factors, including unusual or infrequent events or new developments which materially affected profit or loss before tax of the issuer, and indicate the extent to which such profit or loss was so affected. Describe any other significant component of revenue or expenditure necessary to understand the profit or loss before tax for each of these financial periods.
- (b) To the extent that the financial statements disclose material changes in net sales or revenues, provide a narrative discussion of the extent to which such changes are attributable to changes in prices or to changes in the volume, or the amount of products or services being sold, or the introduction of new products or services as compared to the previous corresponding period.
- (c) Describe the impact of inflation, if material. If the currency in which financial statements are presented is from a country that has experienced hyperinflation, a minimum of at least 5 years history of the annual rate of inflation and a discussion of the impact of hyperinflation on the issuer's business shall be disclosed.

- (d) Provide information regarding the impact of foreign currency fluctuations on the issuer, if material, and the extent to which foreign currency net investments are hedged by currency borrowings and other hedging instruments.
- (e) Provide information regarding any governmental economic, fiscal, monetary or political policies or factors that have materially affected, or are expected to materially affect, directly or indirectly, the issuer's operations or investments.

22.3 Liquidity and Capital Resources

The following information regarding the issuer or originator's liquidity (both short and long term), shall be provided for each financial period, including:

- (a) A description of the material sources of liquidity, whether internal or external, and a brief discussion of any material unused sources of liquidity, as of the latest practicable date, including a statement by the directors of the issuer as to whether, in their reasonable opinion, the working capital available to the issuer, or if the issuer is the holding company of a group, to the group, as at the date of submission of the Prospectus is sufficient for present requirements and if insufficient, how the additional working capital considered by the directors to be necessary is proposed to be provided.
- (b) An evaluation of the material sources and amounts of cash flows from operating, investing and financing activities in respect of:
 - (i) Each financial year for which audited cash flow statements have been included in the Prospectus; and
 - (ii) If an interim cash flow statement has been included in the Prospectus, the period covered by the interim cash flow statement.
- (c) The nature and extent of any legal, financial or economic restriction on the ability of a subsidiary or subsidiary entity of the issuer to transfer funds to the issuer in the form of cash dividends, loans or advances and the impact such restrictions have had or are expected to have on the ability of the issuer to meet its cash obligations.
- (d) The level of borrowings as at the end of the most recent completed financial year, or if any interim financial statements have been included, the period covered by the interim financial statements, the extent to which the borrowings are at a fixed rate, and the maturity profile of the borrowings and committed borrowings facility, with a description of any restriction on its use; and
- (e) If the issuer or any other entity in the group is in breach of any of the terms and conditions or covenants associated with any credit arrangement or bank loan which could materially affect the issuer's financial position and results or business operations, or the investments by holders of shares in the issuer:
 - (i) A statement of that fact;
 - (ii) Details of the credit arrangement or bank loan; and
 - (iii) Any action taken or to be taken by the issuer or other entity in the group, as the case may be, to rectify the situation (including the status of any restructuring negotiations or agreement if applicable).

- (f) Provide information on the use of any financial instrument for hedging purposes.
- (g) Provide information on any material commitment for capital expenditures as of the latest practicable date and indicate the general purpose of such commitment and the anticipated source of funds needed to fulfil such commitment.

22.4. Property, Plant, Equipment and Fixed Assets:

Provide information regarding any material tangible fixed assets of the issuer or the issuer's group, including any leased property, and any major encumbrances thereon. The information provided must include:

- (a) In the case of property, a description of the size and use of the property;
- (b) In the case of a production facility, the productive capacity and extent of utilisation of the facility for each of the 3 most recent completed financial years;
 - (i) How the fixed asset is held;
 - (ii) The products produced; and
 - (iii) The location.
- (c) Describe any regulatory requirements or environmental issues that may materially affect the issuer's utilisation of a tangible fixed asset. With regard to any material plans to construct, expand or improve facilities, describe the nature of and reason for the plan, an estimate of the amount of expenditure, including the amount of expenditures already paid, a description of the method of financing the activity, the estimated start dates and completion of the activity, and the increase of production capacity anticipated after completion.

22.5. Research and Development, Patents and Licenses:

Provide a description of the issuer's research and development policies for the last 3 years, where significant, including the amount spent during each of the last 3 financial years on issuer-sponsored research and development activities and the percentage of the net sales or the revenue of the issuer in each of those years spent on such activities.

22.6. Trend Information

- (a) Discuss, for at least the current financial year, the business and financial prospects and any significant recent trends in production, sales and inventory, and in the costs and selling prices of products and services, as well as any other known trends, uncertainties, demands, commitments or events that are reasonably likely to have a material effect on net sales or revenues, profitability, liquidity or capital resources, or that would cause financial information disclosed in the Prospectus to be not necessarily indicative of the future operating results or financial condition of the issuer. If there are no such trends, uncertainties, demands, commitments or events, provide an appropriate statement to that effect.

- (b) Discuss the state of the order book since the end of the most recent period for which annual or interim financial statements have been provided in the Prospectus. Where such information is not relevant to the business of the issuer, provide an appropriate statement to that effect and the reason for this.
- (c) Where a profit forecast is disclosed, state the extent to which projected sales or revenues are based on secured contracts or orders, and the reasons for expecting to achieve the projected sales or revenues and profit, and discuss the impact of any likely change in business and operating conditions on the forecast.
- (d) Where a profit forecast or profit estimate is disclosed, state all principal assumptions, if any, upon which the directors of the issuer have based their profit forecast or profit estimate, as the case may be.
- (e) Where a profit forecast is disclosed, include a statement by an auditor of the issuer as to whether the profit forecast is properly prepared on the basis of the assumptions referred to in (d) above, is consistent with the accounting policies adopted by the issuer, and is presented in accordance with the accounting standards adopted by the issuer in preparation of its financial statements.
- (f) Where the profit forecast disclosed is in respect of a period ending on a date not later than the end of the current financial year of the issuer, provide in addition to the statement referred to in (e) above:
 - (i) A statement by the lead manager to the offer, or if different the financial advisor whose profession or reputation gives authority to the statement made by him, that the profit forecast has been stated by the directors of the issuer after due and careful enquiry and consideration; and
 - (ii) A statement by an auditor of the issuer, prepared on the basis of his examination of the evidence supporting the assumptions referred to in (e) above and in accordance with the International Standards on Auditing (ISA), or such other auditing standards as may be approved in any particular case by the CBB, to the effect that no matter has come to his attention which gives him reason to believe that the assumptions do not provide reasonable grounds for the profit forecast.
- (g) Where the profit forecast disclosed is in respect of a period ending on a date after the end of the current financial year of the issuer, provide in addition to the statement referred to in (e) above:
 - (i) A statement by the lead manager to the offer, or if different, the financial advisor whose profession or reputation gives authority to the statement made by him, prepared on the basis of his examination of the evidence supporting the assumptions referred to in (e) above, to the effect that no matter has come to his attention which gives him reason to believe that the assumptions do not provide reasonable grounds for the profit forecast; or

- (ii) A statement by an auditor of the issuer, prepared on the basis of his examination of the evidence supporting the assumptions referred to in (e) above and in accordance with the International Standards on Auditing or such other auditing standards as may be approved in any particular case by the CBB, to the effect that no matter has come to the attention which gives him reason to believe that the assumptions do not provide reasonable grounds for the profit forecast.
- (h) If the abovementioned forecasts, estimates, or projections are based on or extracted from projected financial statements already in existence, then such forecasts, estimates or projections shall be provided and dealt with under Section 16 “Projected Financial Statements”.

SECTION 15

Audited Consolidated Financial Statements

23. Without the CBB's prior approval, the issuer's audited consolidated financial statements and interim financial statements required to be included in the Prospectus shall be prepared and provide information in accordance with the International Financial Reporting Standards (IFRS), and shall be audited in accordance with International Standards on Auditing (ISA). The following information shall be provided in the Prospectus in respect of the audited consolidated financial statements and interim financial statements:

23.1. Financial Information

- (a) The issuer or the issuer's group as the case may be, audited financial statements shall be presented for the last 2 financial years and the primary statements, including:
 - (i) The balance sheet,
 - (ii) Income statement,
 - (iii) Cash flow statement; and
 - (iv) Change in shareholders' fund for the last 3 financial years (or a shorter period if the issuer has not been in operation that long), must be included in the Prospectus.
- (b) Where there has been a material change to the issuer or issuer's entity or to the issuer's group structure or accounting policies, the financial statements should be restated to show such changes.
- (c) If the last year of audited financial statements are older than 15 months at the time of the registration of the Prospectus, interim period reviewed financial statements, as compared with the same period in the previous financial year, shall also be provided.
- (d) If the financial statements and other financial information are presented in a currency other than Bahraini Dinar (BHD) or United States Dollar (USD), the exchange rate against BHD and /or USD, as well as the inflation rate, shall also be included.

23.2 Audited Consolidated Financial Statements

- (a) The Prospectus must contain audited consolidated financial statements, which should be preceded by an independent auditor's report, comprising of:
 - (i) A balance sheet;
 - (ii) An income statement;
 - (iii) A statement showing either (a) changes in debt other than those arising from capital transactions with owners and distributions to owners; or (b) all changes in debt (including a sub-total of all non-owner movements in debt);

- (iv) A cash flow statement,
 - (v) Related notes and schedules required by the IFRS, pursuant to which the financial statements are prepared; and
 - (vi) If not included in the primary financial statements, a note analysing the changes in each caption of shareholders' debt presented in the balance sheet.
- (b) The Prospectus must include comparative audited financial statements that cover the last 2 financial years.
- (c) The audit report(s) must cover each of the periods for which this Appendix requires audited financial statements. If the auditor has refused to provide a report on the annual accounts, or if the report(s) contain qualifications or disclaimers, such refusal, qualifications or disclaimers shall be reproduced in full and the reasons given, so that the CBB can determine whether or not to accept the financial statements of the Prospectus. An indication of any other information in the Prospectus that has been audited by the auditor should be included.

23.3 Interim Financial Statements

- (a) If the date of submission of the Prospectus is more than 12 months but less than 15 months after the end of the most recent completed financial year for which audited financial statements were prepared, it should contain consolidated interim financial statements covering at least the first 9 months of the most recent completed financial year.
- (b) If the date of submission of the Prospectus is more than 9 months but less than 12 months after the end of the most recent completed financial year for which audited financial statements were prepared, it should contain consolidated Interim Financial Statements covering at least the first 6 months of the most recent completed financial year.
- (c) If the date of submission of the Prospectus is more than 6 months but less than 9 months after the end of the most recent completed financial year for which audited financial statements were prepared, it should contain consolidated Interim Financial Statements covering at least the first 3 months of the most recent completed financial year.
- (d) These statements need not be audited but must be reviewed by an independent auditor and a copy of the auditor's interim review report must be provided in the Prospectus. The Interim Financial Statements should be prepared in accordance with IFRS.
- (e) The interim financial statements provided shall be prepared in a format similar to the format of the audited financial statements provided.

- (f) Include the following in the interim financial statements:
 - (i) Comparative figures (other than balance sheet figures) for the same period in the preceding financial year in respect of the issuer, or if the issuer is a holding company, of the group, unless annual financial statements of the issuer or group, as the case may be, have not been provided for the preceding financial year; and
 - (ii) Selected note disclosures that explain any event or change which is significant to the understanding of any change in the financial position and results of the issuer, or if the issuer is a holding company, of the group since the last annual reporting date.
- (g) Include in the Prospectus:
 - (i) A report by the auditor of the issuer on the audit of the interim financial statements; or
 - (ii) If the interim financial statements are not audited, a report by the auditor on the review of the interim financial statements.

23.4. Restatement of Financial Statements

Where there have been material changes to the issuer's group structure or accounting policies, certain adjustments or reclassifications to the figures previously reported in the financial statements may be required, if the amounts involved are material. Adjustments are required where necessary, in order for the financial statements to be presented on a consistent and comparable basis. The financial statements for earlier years required in the Prospectus shall be restated or reformatted into a combined presentation, and shall include an audit report to reflect such changes.

- 23.4.1 If any audited annual financial statements to be provided in the Prospectus under paragraph 23.2 relate to a period other than 12 months due to a change in the financial year end of the issuer or the group, as the case may be, the annual financial statements in respect of that financial year and the financial years preceding that financial year shall be provided on a restated 12-month basis, so that the financial year end of each of the restated financial statements corresponds to the financial year end for the most recent completed financial year.
- 23.4.2 Where the issuer or any other entity in the group has acquired any asset or any entity, business or business trust (other than a common control entity, common control business or common control business trust), the annual financial statements to be provided in the Prospectus under paragraph 23.2 shall include such asset, entity, business or business trust only from the date of its acquisition by the issuer or the other entity in the group, as the case may be.

- 23.4.3 Each of the audited annual financial statements provided in the Prospectus under paragraph 23.2 must be:
- (a) Prepared in accordance with IFRS or any other body of accounting accepted by the CBB;
 - (b) Where the annual financial statements are not prepared either in accordance with IFRS or any other body of accounting standards accepted by the CBB:
 - (i) Restated in accordance with IFRS;
 - (ii) If no material adjustments are required to restate the audited annual financial statements in accordance with IFRS, accompanied by an opinion from the auditor that this is so; or
 - (iii) Prepared in accordance with such other body of accounting standards accepted by the CBB.
- 23.4.4 State, in respect of each financial year, the body of accounting standards that was adopted by the issuer in the preparation of the annual financial statements to be provided in the Prospectus under paragraph 23.2 for that financial year, and where the annual financial statements have been restated pursuant to sub-paragraph 23.4.3 (b) (i), the body of accounting standards in accordance with which the underlying financial statements have been restated.
- 23.4.5 Each of the audited annual financial statements to be provided in the Prospectus under paragraph 23.2, or where the annual financial statements have been restated pursuant to sub-paragraph 23.4.3 (b) (i), the underlying financial statements must be audited in accordance with International Standards on Auditing (ISA).
- 23.4.6 State, in respect of each financial year, the body of auditing standards that was adopted by the auditor of the issuer in the audit of the annual financial statements to be provided under paragraph 23.2 for that financial year, or where the annual financial statements have been restated pursuant to sub-paragraph 23.4.3 (b) (i), the body of auditing standards that was adopted in the audit of the underlying financial statements.
- 23.4.7 Where any audited annual financial statements to be provided in the Prospectus under paragraph 23.2 or, if the annual financial statements have been restated pursuant to sub-paragraph 23.4.3 (b) (i), the underlying financial statements are audited in accordance with any body of auditing standards accepted by the CBB, include in the Prospectus as opinion from the auditor of the issuer that there are no material differences between the body of auditing standards adopted in the audit of the annual financial statements or underlying financial statements as the case may be, and the IAS to the extent applicable to the audit of the annual financial statements or underlying financial statements.

23.4.8 Subject to paragraph 23.4.9 below, each of the annual financial statements to be provided under paragraph 23.2 shall be accompanied by:

- (a) The audit report in respect of the annual financial statements or, if the auditor has refused to issue an audit report in respect of the annual financial statements, a statement highlighting and providing the reasons for the auditor's refusal;
- (b) A statement identifying the audit partner who audited the annual financial statements and the membership or memberships of the audit partner in any professional body or bodies; and
- (c) If the audit report in respect of the annual financial statements contains any material qualification, modification or disclaimer, a statement highlighting and providing the reasons for the qualification, modification or disclaimer in the Prospectus.

23.4.9 Where any annual financial statements have been restated pursuant sub-paragraph 23.4.3 (b) (i), state that fact and include in the Prospectus in respect of each of the restated financial statements:

- (a) An opinion from the auditor of the issuer that nothing has come to its attention that causes it to believe that the restated annual financial statements have not been properly restated in all material respects in accordance with the IFRS;
- (b) A statement of reconciliation between the restated annual financial statements and the audited underlying financial statements;
- (c) A statement identifying the audit partner who audited the underlying financial statements and the membership or memberships of the audit partner in any professional body or bodies;
- (d) A statement that the underlying financial statements have been audited in accordance with the IAS;
- (e) Either of the following:
 - (i) A statement that the audit report for the underlying financial statements does not contain any material qualification; or
 - (ii) If the audit report for the underlying financial statements contains any material qualification, modification or disclaimer, a statement setting out in full and providing the reasons for the qualification, modification or disclaimer, as the case may be;
- (f) A statement that the auditor for the underlying financial statements has given, and has not withdrawn, his written consent to the issue of the Prospectus with the inclusion of the statements referred to in sub-paragraphs (c), (d) and (e) above in the form and context in which they are included in the Prospectus; and

- (g) A statement that copies of the audited underlying financial statements are available for inspection at a specified place in Bahrain for a period of at least 6 months from the date of registration of the Prospectus by the CBB.

23.4.10 The annual financial statements to be provided under paragraph 23.2, or where annual financial statements have been restated pursuant to sub-paragraph 23.4.3 (b) (i), the underlying financial statements shall be made up to a date not earlier than 12 months before the date of submission of the Prospectus.

23.5. Pro-Forma Financial Information

23.5.1 Where:

- (a) The issuer, or if the issuer is a holding company, the issuer or any other entity in the group has:
 - (i) Acquired or disposed of any asset or any entity, business or business trust (other than a common control entity, common control business or common control business trust); or
 - (ii) Entered into any agreement to acquire or dispose of any asset or any entity, business or business trust (whether or not that entity, business or business trust is a common control entity, common control business or common control business trust),

during the period between the beginning of the most recent completed financial year and the date of registration of the Prospectus by the CBB and:

- (A) The net book value, or the absolute amount of the profit or loss before tax, of that asset, entity, business or business trust has or would have accounted for 10% or more of the absolute amount of the net assets or net liabilities, or the profit or loss before tax, respectively, of the issuer or of the group (after adjusting for the effects of the group restructuring, where applicable), as the case may be, in respect of the most recent completed financial year; or
- (B) The total net book value, or the total absolute amount of the profit or loss before tax, of all of those assets, entities, businesses and business trusts together have or would have accounted for 20% or more of the absolute amount of the net assets or net liabilities, or the profit or loss before tax, respectively, of the issuer or of the group (after adjusting for the effects of the group restructuring, where applicable), as the case may be, in respect of the most recent completed financial year; or

- (b) Any significant change to the capital structure (including any material distribution) of the issuer, or if the issuer is a holding company, of the issuer or of any other entity or any business trust in the group, has occurred during the period between the end of the most recent completed financial year and the date of registration of the Prospectus by the CBB, provide pro forma financial statements for the most recent completed financial year and, if interim financial statements of the issuer or of the group have been included in the Prospectus, for the period covered by the interim financial statements.

23.5.2 The pro forma profit and loss statement and pro forma cash flow statement shall be prepared:

- (a) For the most recent completed financial year; and
- (b) Where any interim financial statements have been provided under paragraph 23.3 above, for the period covered by the interim financial statements, as if the acquisition, disposal or significant change had occurred at the beginning of the most recent completed financial year.

23.5.3 The pro forma balance sheet shall be prepared:

- (a) As at the end of the most recent completed financial year as if the acquisition, disposal or significant change had occurred at the end of that financial year; and
- (b) Where any interim financial statements have been provided under paragraph 23.3 above, as at the end of the period covered by the interim financial statements, as if the acquisition, disposal or significant change had occurred at the end of the period.

23.5.4 Where the pro forma profit and loss statement, cash flow statement or balance sheet in respect of the most recent completed financial year or, where any interim financial statements have been provided under paragraph 23.3 above, in respect of the period covered by the interim financial statements, is the same, in all material respects, as the audited annual or interim profit and loss statement, cash flow statement or balance sheet of the issuer, or the audited annual or interim consolidated profit and loss statement, cash flow statement or balance sheet of the issuer, or the audited annual or interim combined profit and loss statement, cash flow statement or balance sheet of the group, as the case may be, which has been included in the Prospectus, the pro forma profit and loss statement, cash flow statement or balance sheet, as the case may be, for that financial year or period need not be provided.

23.5.5 In respect of the pro forma financial statements required under paragraph 23.5.1 above, state:

- (a) That they are prepared for illustrative purposes only and are based on certain assumptions, after making certain adjustments, to show:

- (b)
 - (i) What the financial results and cash flows of the issuer or the group, as the case may be, for the most recent completed financial year and, where applicable, the period covered by the interim financial statements would have been, if the acquisition, disposal or significant change had occurred at the beginning of that financial year or period; and
 - (ii) What the financial position of the issuer or the group, as the case may be, would have been:
 - (A) As at the end of the most recent completed financial year, if the acquisition, disposal or significant change had occurred at the end of that financial year; and
 - (B) Where applicable, as at the end of the period covered by the interim financial statements, if the acquisition, disposal or significant change had occurred at the end of that period,
- (c) That because of their nature, they may not give a true picture of the actual financial position or results of the issuer or the group, as the case may be;
- (d) The basis upon which they are prepared, including the source of each item of information; and
- (e) Any material adjustment made to any information used in the preparation of the pro forma financial statements and the reason for making that adjustment.

23.5.6 Where pro forma financial statements have been provided for any reason referred to in sub-paragraph 23.5.1 (a) of this Section, with respect to the pro forma financial statements:

- (a) Identify each asset, entity, business or business trust referred to in sub-paragraph 23.5.1 (a) (i) and (ii) of this Section;
- (b) Provide a statement that the pro forma financial statements included in the Prospectus have been properly prepared from financial statements relating to:
 - (i) The assets, entities, businesses and business trusts in the group; and
 - (ii) The assets, entities, businesses and business trusts referred to in sub-paragraph 23.5.1 (a) (i) and (ii) of this Section;
- (c) Provide a statement:
 - (i) That the financial statements relating to the assets, entities, businesses and business trusts referred to in sub-paragraph 23.5.1 (a) (i) and (ii) of this Section (each being an asset, an entity, a business or a business trust which has been or will be acquired by the issuer or any other entity in the group) which were used in the preparation of the pro forma financial statements were prepared in accordance with the IFRS; or

- (ii) Where the financial statements relating to any asset, entity, business or business trust referred to in sub-paragraph 23.5.1 (a) (i) and (ii) of this Section (being an asset, an entity, a business or a business trust which has been or will be acquired by the issuer or any other entity in the group) which were used in the preparation of the pro forma financial statements were not prepared in accordance with the IFRS, in respect of each such asset, entity, business or business trust:
 - (A) That the financial statements relating to that asset, entity, business or business trust were restated in accordance with the IFRS;
 - (B) That the financial statements relating to that asset, entity, business or business trust were prepared in accordance with such other equivalent body of accounting standards as may be approved in any particular case by the CBB; or
 - (C) If no material adjustments are required to restate the financial statements relating to that asset, entity, business or business trust in accordance with the IFRS, that no material adjustments would be required to restate those financial statements to be in accordance with the IFRS,

and that the financial statements relating to all other assets, entities, businesses and business trusts referred to in sub-paragraph 23.5.1 (a) (i) and (ii) of this Section (each being an asset, an entity, a business or a business trust which has been or will be acquired by the issuer or any other entity in the group) which were used in the preparation of the pro forma financial statements were prepared in accordance with the IFRS;

- (d) State, in respect of each of the financial statements relating to the assets, entities, businesses and business trusts referred to in sub-paragraph 23.5.1 (a) (i) and (ii) of this Section (each being an asset, an entity, a business or a business trust which has been or will be acquired by the issuer or any other entity in the group) which were used in the preparation of the pro forma financial statements, that the IFRS was adopted in the preparation of the financial statements, and where the financial statements have been restated in pursuant to sub-paragraph (c) (ii) (A) above, the financial statements have been restated in accordance with the IFRS.

23.5.7 In respect of each of the financial statements relating to the assets, entities, businesses and business trusts referred to in sub-paragraph 23.5.1 (a) (i) and (ii) of this Section (each being an asset, an entity, a business or a business trust which has been or will be acquired by the issuer or any other entity in the group) which are used in the preparation of the pro forma financial statements, state whether or not the financial statements are audited.

23.5.8 In respect of each of the audited financial statements relating to the assets, entities, businesses and business trusts referred to in sub-paragraph 23.5.1 (a) (i) and (ii) of this Section (each being an asset, an entity, a business or a business trust which has been or will be acquired by the issuer or any other entity in the group) which are used in the preparation of the pro forma financial statements:

- (a) State that International Standards on Auditing (ISA) were adopted by the auditor in the audit of the financial statements; and
- (b) Provide a statement identifying the audit partner who audited the financial statements, together with the membership or memberships of the audit partner in a professional body.

23.5.9 Include in the Prospectus:

- (a) A statement that the audit reports for the financial statements referred to in paragraph 23.5.8 of this Section do not contain any material qualification; or
- (b) If any of those audit reports contains any material qualification, modification or disclaimer, a statement:
 - (i) Setting out in full the qualification, modification or disclaimer; and
 - (ii) Providing the reason for the qualification, modification or disclaimer.

23.5.10 Include in the Prospectus, an opinion from the auditor of the issuer that:

- (a) The pro forma financial statements have been properly prepared:
 - (i) On the basis referred to in sub-paragraph 23.5.5 (c) of this Section; and
 - (ii) Where the pro forma financial statements have been provided for any reason referred to in sub-paragraph 23.5.1 (a) of this Section, in accordance with the matters referred to in the statements under sub-paragraphs 23.5.6 (b) and (c) of this Section; and
- (b) Each material adjustment made to the information used in the preparation of the pro forma financial statements is appropriate for the purpose of preparing such financial statements and in accordance with the IFRS.

23.5.11 The pro forma financial statements to be provided under paragraph 23.5.1 of this Section shall:

- (a) In the case of annual financial statements, be made up to the date to which the audited financial statements of the issuer or the group for the most recent completed financial year have been made up; and
- (b) In the case of interim financial statements, be made up to the date to which the interim financial statements of the issuer or the group have been made up.

23.5.12 If the date of submission of the Prospectus is less than 3 months after the end of the most recent completed financial year:

- (a) The pro forma financial statements for the most recent completed financial year need not be provided under paragraph 23.5.1 of this Section; and

- (b) The reference to the most recent completed financial year in paragraphs 23.5.1 to 23.5.5 and 23.5.11 shall be construed as a reference to the financial year immediately preceding the most recent completed financial year.

23.6. Subsidiary's Separate Financial Statements

For better and adequate presentation of the issuer's financial condition, or where necessary for the protection of the investor, separate financial information of an acquired subsidiary, SPVs, off-balance sheet assets or businesses, or where the acquirer has a controlling interest of 20% or more, which is not held for resale and which is not consolidated in the financial statements of the issuer, a brief summary about such entities shall be provided in the Prospectus, including the amount and percentage of the issuer's holding in addition to the financial statements of such entities being made available for inspection.

23.7 Change in Accounting Policies

Where there has been any material change to the issuer's accounting policies, provide a summary of the material change and the reason for and quantitative impact of such change on the financial results of the issuer or, if the issuer is a holding company, of the group for each of the 3 most recent completed financial years. If the date of submission of the Prospectus is less than 3 months after the end of the most recent completed financial year, the reference to the 3 most recent completed financial years in this paragraph shall be a reference to the 3 most recent completed financial years immediately preceding the most recent completed financial year.

23.8 Material Changes

Disclose any event (other than any matter disclosed under paragraph 23.5.1) that has occurred from the end of the period covered by the most recent financial statements included in the Prospectus (whether such financial statements are annual financial statements or interim financial statements) to the latest practicable date which may have a material effect on the financial position and results of the issuer or, where the issuer is a holding company, the group or, if there is no such event, provide an appropriate negative statement.

23.9. Disputes, Legal Proceedings and Litigations

Provide information on any litigations, legal or arbitration proceedings, including those relating to money laundering, financial crimes, bankruptcy, receivership or similar proceedings, and any material dispute those involving any third party, which are expected to have, or have had in the last 12 months immediately preceding the date of submission of the Prospectus, material effects on the issuer's financial position or profitability. This includes governmental proceedings pending, or known to be contemplated.

23.10. Distributions and Dividends

23.10.1 Disclose the amount of dividends per share, if any, paid by the issuer in respect of each class of shares for each of the 3 most recent completed financial years, giving particulars of each such class of shares and of any case in which no dividends have been paid in respect of any class of shares for any of those years.

23.10.2 Describe the issuer's dividend policy or, if it does not have a fixed policy, state so.

23.11 Secured Debt Securities

23.11.1 Provide, in relation to an offer of secured debt securities, a summary by the auditor of the issuer showing in tabular form:

- (a) The aggregate value of the tangible assets owned by the issuer;
- (b) The aggregate value of the tangible assets owned by each, or jointly owned by 2 or more, of its guarantor entities; and
- (c) The aggregate value of the tangible assets jointly owned by the issuer and one or more of its guarantor entities,

which have been charged to secure the repayment of all or any moneys payable in respect of the secured debt securities, including an explanation of any adjustment made for the purpose of providing a true and fair view of those assets.

23.11.2 Show also, in the summary:

- (a) The amounts outstanding of the aggregate amounts borrowed by the issuer and by each of its guarantor entities, distinguishing between those amounts outstanding which will rank for repayment in priority to the amount under the proposed issue and those amounts outstanding which will rank for repayment *pari passu* with the amount under the proposed issue;
- (b) Where any charge is for a liability the amount of which may vary from time-to-time, the actual amount of the liability as at the date on which the summary is made and any further amount which may be advanced under that charge; and
- (c) The aggregate amount of advances by the issuer to related corporations or related entities of the issuer, distinguishing between advances which are secured and advances which are unsecured.

23.11.3 The auditor of the issuer may explain or qualify, by way of notes or otherwise, any of the matters set out in the summary.

23.11.4 Where the tangible assets referred to above are in the form of property, provide information on a report of the valuation of the interest of the issuer and of each of its guarantor entities in each property charged, showing the nature and extent of the interest of the issuer and of each of its guarantor entities, such report to be made not more than 6 months before the date of submission of the prospectus by an independent qualified valuer.

SECTION 16

Projected Financial Statements

24. For the purpose of this Module, the projected financial statements mean projected or estimated financial statements including a balance sheet, income statement and cash flow statement that attempt to present a reasonably accurate idea of what a firm's financial situation would be if the present trends continue or certain assumptions hold true. Pro forma statements are used routinely in preparing 'what if' scenarios, formulating business plans, estimating cash requirements, or when submitting financing proposals.

The projected financial statements shall be distinguished from any forecasts, estimates or projections in respect of profit or sales that might be provided and dealt with under paragraph 22.6 "Trend Information".

- 24.1 The projected financial statements for future 3 financial years must be included in the Prospectus for any new business venture, small and medium enterprises and start-up. In venture capital parlance, start-up is the earliest stage at which a venture capital investor or investment pool will provide funds to an enterprise, usually on the basis of a business plan detailing the background of the management group along with market and financial projections. The projected financial statements and other contents of the Prospectus for such businesses shall be reproduced in accordance with the issuer's future business plan approved by the relevant authorised body within the issuer, or issuer's group.
- 24.2 For the issuers who have historical financial statements and track records, the projected financial statements are not mandatory for inclusion in the Prospectus.
- 24.3 The projected financial statements disclosed in the Prospectus have to be adequately justified, examined and reported on by an independent auditor, reporting accountant, expert, or accountants whose profession or reputation gives authority to the statement made by him.
- 24.4 The auditor's report prepared on the basis of his examination of the evidence supporting the assumptions used by the issuer, directors or management, or any other person involved in the preparation of the projected financial statements, in accordance with the International Standards on Assurance and Engagement, or other such international standards as may be accepted in any particular case by the CBB from time-to-time.

- 24.5 The auditor or the accountant shall include in his report that no matter has come to the attention which gives him reason to believe that the assumptions used do not provide reasonable grounds for the projected financial statements, or any part thereof.
- 24.6 The auditor or the accountant shall withdraw his consent at any time during the validity of the Prospectus and shall immediately notify the CBB when he believes or it has come to his attention that there are some matters which gives him reason to believe that the assumptions used cannot provide reasonable grounds for the projected financial statements, due to any facts, evidence or change in the condition or circumstances at the time of preparation of the projected financial statements.

SECTION 17

Offering and Listing

25.1 Offer Details:

- (a) Indicate the issue premium or discount at which the debt securities are being offered and the amount of any expense specifically charged to the subscriber or purchaser.
- (b) Indicate whether the debt securities being offered are in registered or bearer form.
- (c) Describe the arrangement for transfer and any restriction on the free transferability of the debt securities being offer.

25. 2. Listing Details

- (a) If the offer is, or planned to be listed on other regulated exchanges, state the name of any other stock exchange(s) on which the issuer's securities (debt or debt) are listed, or are planned to be listed. Indicate the stock exchange(s) where the issuer will have its primary listing. Indicate the trading, clearing and settlement arrangements between such exchanges.
- (b) Indicate the price at which the debt securities will be offered, or the method for determining the price and the amount of any expenses specifically charged to the subscriber or purchaser.
- (c) If there is no established market for the securities, the document shall contain information regarding the manner of determination of the offering price, as well as of the exercise price of warrants, and the conversion price of convertible securities, including identifying the persons who established the price, or who is formally responsible for the determination of the price, the various factors considered in such determination and the parameters or elements used as a basis for establishing the price.
- (d) If the issuer's shareholders or any part thereof have pre-emptive purchase rights and where the exercise of the right of pre-emption of shareholders is restricted, withdrawn, or waived, the issuer shall indicate the basis for the issue price, if the issue is for cash, together with the reasons for such restriction, withdrawal or waiver and the beneficiaries of such restriction, withdrawal, or waiver if intended to benefit specific persons.
- (e) Information regarding the price history where available, of the security to be offered or listed shall be disclosed as follows:
 - (i) For at least the last 3 most recent financial years: the annual highest and lowest closing prices;
 - (ii) For the last most recent financial year and any subsequent period: the highest and lowest closing prices for each full financial quarter;
 - (iii) For the last 6 months: the highest and lowest closing prices for each month;

- (iv) For pre-emptive issues, the closing prices for the first trading day in the last 6 months, for the last trading day before the announcement of the offering, and (if different) for the latest practicable date prior to publication of the document.

If the security is listed on another regulated exchange(s), the abovementioned information shall be provided separately.

- (f) Information shall be given with respect to the closing price on the exchanges mentioned above, and the principal trading market in other exchange(s). If any trading suspensions occurred in the previous 3 years, these should also be disclosed. If the securities are not regularly traded in an organised market, information must be given about any lack of liquidity.
- (g) State the type and class of the securities being offered or listed, and provide the following information:
 - (i) In the case of shares, provide the number of shares to be issued and made available to the market for each type of share. The nominal par or equivalent value should be given on a per share basis, and where applicable, a statement of the minimum offer price. Describe the coupons attached, if applicable;
 - (ii) Describe arrangements for transfer and any restrictions on the free transferability of the shares.
- (h) If the rights evidenced by the securities being offered or listed are, or may be materially limited or qualified by the rights evidenced by any other class of securities, or by the provisions of any contract or other documents, include this information and its effect on the rights evidenced by the securities to be offered or listed.
- (i) With respect to securities other than common or ordinary shares to be offered or listed, outline briefly the rights evidenced thereby as follows:
 - (i) If subscription warrants or rights are to be offered or listed, state the title and amount of securities called for; the amount of warrants or rights outstanding; provisions for changes to or adjustments in the exercise price; the period during which and the price at which the warrants or rights are exercisable; and any other material terms of such warrants or rights.
 - (ii) Where convertible securities or stock purchase warrants to be offered or listed are subject to redemption or call, the description of the conversion terms of the securities or material terms of the warrants should include whether the right to convert or purchase the securities will be forfeited, unless it is exercised before the date specified in the notice of redemption or call; the expiration or termination date of the warrants; the kind, frequency and timing of notice of the redemption or call, including where the notice will be published.

25.3. Plan of Distribution

- (a) Provide the names and addresses of underwriters.
- (b) Indicate whether major shareholders, directors or members of the issuer's management, supervisory or administrative bodies intend to subscribe to the offering, or whether any person intends to subscribe to 5% or more of the offering.
- (c) Identify any group of targeted potential investors to whom the securities are offered. If the offering is being made simultaneously in the markets of two or more countries and if a tranche has been, or is being reserved for certain of these, indicate any such tranche.
- (d) If securities are reserved for allocation to any group of targeted investors, including offerings to existing shareholders, directors, or employees and past employees of the issuer or its subsidiaries, provide details of these and any other preferential allocation arrangements.
- (e) Indicate whether the amount of the offering could be increased, such as by the exercise of an underwriter's over-allotment option or "greenshoe", and by how much.
- (f) Indicate the amount, and briefly outline the plan of distribution of any securities that are to be offered other than through underwriters. If the securities are to be offered through the selling efforts of the lead manager, describe the plan of distribution and the terms of any agreement or understanding with such entities. If the offer is not fully underwritten, identify the lead manager or co-lead manager that will participate in the offering and state the amount to be offered through each.
- (g) If the securities are to be offered in connection with the writing of exchange-traded call options, briefly describe such transactions.
- (h) If simultaneously, or almost simultaneously, with the creation of shares for which admission to official listing is being sought, shares of the same class are subscribed for or privately placed, or if shares of other classes are created for public or private placing, provide details of the nature of such operations and of the number and characteristics of the shares to which they relate, particularly in respect of the issuer's holding company, subsidiaries, associates, or any other related party, or major shareholders.
- (i) Unless otherwise described under the response to the requirement of Material Contracts, describe the features of the underwriting relationship, together with the amount of securities being underwritten by each underwriter in accordance with the terms of contract with the issuer or selling shareholders. The foregoing information should include a statement as to whether the underwriters are, or will be committed to take and pay for all of the securities, if any are taken, or whether it is an agency or the type of "best efforts" arrangement, under which the underwriters are required to take and pay for only such securities as they may sell to the public.
- (j) Describe the nature and terms of any relationship, other than those in the ordinary course of business, with any underwriters or other financial advisors.

25.4. Expenses of the Issue

The following information shall be provided:

- (a) The total amount of discount or commission agreed upon by the underwriters, lead manager or selling agents and the issuer or selling shareholders, as well as the percentage such commissions represent of the total amount of the offering, and the amount of discounts or commissions per share.
- (b) Provide the amount and percentage of any fees, charges, commission or any expenses incurred in connection with the issuance and distribution of the securities to be listed or offered, and by whom the expenses are payable, if other than the issuer. If any of the securities are to be offered for the account of a selling shareholder, indicate the portion of such expenses to be borne by him. The information may be given subject to future contingencies. If the amounts of any items are not known, estimates (identified as such) shall be given.

SECTION 18

Risk Factors and Investment Considerations

26. Provide all information in respect of risk factors that have or might have an impact on the issuer's business, to enable the investors to make an informed decision regarding the investment and subscription of the offering.

26.1. Reasons for the Offer and Use of Proceeds

- (a) Disclose the estimated amount of the proceeds from the offer (net of the estimated amount of expenses incurred in connection with the offer) referred to in this paragraph and (b) below as the net proceeds. Where only a part of the net proceeds will go to the issuer, indicate the amount of the net proceeds that will be raised by the issuer. If none of the proceeds will go to the issuer, provide a statement of that fact.
- (b) Disclose how the net proceeds raised by the issuer from the offer will be allocated to each principal intended use. If the anticipated proceeds will not be sufficient to fund all of the intended uses, disclose the order of priority of such uses, as well as the amount and sources of other funds needed. Disclose also how the proceeds will be used pending their eventual utilisation for the proposed uses.
- (c) Where specific uses are not known for any portion of the proceeds, disclose the general uses for which the proceeds are proposed to be applied.
- (d) Where the offer is not fully underwritten on a firm commitment basis, state the minimum amount which, in the reasonable opinion of the directors of the issuer, must be raised by the offer of debt securities.
- (e) State the estimated amount that will be allocated to each principal intended use and the estimated amount that will be used to pay for expenses incurred in connection with the offer as an amount and percentage of the total proceeds, as well as the amount and percentage of offering price per share.
- (f) If the proceeds are being used directly or indirectly to acquire or refinance assets other than in the ordinary course of business, briefly describe the assets and their cost. If the assets will be acquired from affiliates of the issuer or their associates, disclose the persons from whom they will be acquired, and how the cost to the issuer will be determined.
- (g) If the proceeds may, or will be used to finance acquisitions of other businesses, give a brief description of such businesses and information on the status of the acquisitions.
- (h) If any material part of the proceeds is to be used to discharge, reduce or retire indebtedness, describe the interest rate and maturity of such indebtedness, and for indebtedness incurred within the past year, the uses to which the proceeds of such indebtedness were put.
- (i) In the Section containing the information referred to in paragraphs (a) to (h) above, or in an adjoining Section:

- (j) (i) Disclose the amount of discount or commission per debt security agreed upon between the underwriter or lead manager or selling agent in relation to the offer and the issuer, or holder of debt securities in the issuer selling such debt securities.
- (ii) Provide a reasonably itemised statement of the major expenses incurred in connection with the offer, the issue and distribution of the debt securities being offered (in absolute terms and as a percentage of the total amount of the offer) that are payable by, or on behalf of, the issuer.
 - (iii) Where any of the debt securities are being offered by a holder of such debt securities provide information on the expenses to be paid by, or on behalf of, such holder.
 - (iv) If any expenses are to be paid by a person on behalf of the issuer or holder of debt securities in the issuer selling such debt securities, identify the person and;
 - (v) Indicate the amount of any expense specifically charged to the subscriber or purchaser of the debt securities being offered.

The information may be given subject to future contingencies. Where the amount of any item is not known, estimates (identified as such) shall be given.

26.2. Risk Factors

Under this Section, the Prospectus shall prominently disclose all risk factors that are specific to the issuer or its industry, as well as the debt securities being offered which had materially affected or could materially affect directly or indirectly, the issuer's financial position and results and business operations and investments by holders of debt securities in the issuer, and which might make the offering speculative or one of high risk. In case of a guarantee debt securities issue, also provide such information respect of guarantor entity. Among other things, such factors shall include:

- (a) The nature of the business in which it is engaged or proposes to engage;
- (b) Factors relating to the countries in which it operates;
- (c) The absence of profitable operations in recent periods;
- (d) The financial position of the issuer, or the issuer's group;
- (e) The possible absence of a liquid trading market for the issuer's securities;
- (f) Reliance on the expertise of management;
- (g) Potential dilution;
- (h) Unusual competitive conditions pending expiration of material patents, trademarks or contracts;
- (i) Dependence on a limited number of customers or suppliers; or
- (j) Any other risk factors which are related to the issuer's business, or its industry.

SECTION 19

Subscription Terms and Conditions

27. Provide all information, instructions and procedures that enable the subscribers or category of subscribers to understand their rights and obligations in relation to the offer and how to successfully accomplish the submission of the required information and documents, subscription forms, payment of the subscription amount, as well as the places and timeframe of each process or stage, starting with the offering period and ending with the receipt of the securities title and the refund of the excess subscription amount.

Such information, instructions and procedures shall be stated in full on the Subscription Form, which includes:

(a) Note on Ignorance of Law is no Defence:

Provide a statement to the extent that all applicants must carefully read the Prospectus and the terms and conditions stipulated to the Subscription Application Forms prior to signing and submission of the Subscription Application Form.

(b) Application procedures:

Provide information on:

- (i) The language(s) in which the application form should be completed;
- (ii) According to which instruction the subscription form should be completed;
- (iii) Period during which such application needs to be submitted;
- (iv) Name and type of identity documents required for each applicant;
- (v) Right of the receiving bank to verify identification documents;
- (vi) The requirement to have an account with the securities depositories;
- (vii) Right and conditions to represent minors.

(c) Subscription restrictions:

Provide information on:

- (i) Whether the issuer has any restriction regarding the ownership of its debt securities whether by nationality, or by category of applicant;
- (ii) Title evidence and depository arrangements made with clearing houses or depository institutions;
- (iii) Any other restrictions that the offer, ownership of the issuer's securities, or the offer in general will be subject to.

(d) Subscription period:

Provide information on:

- (i) The date and time of the opening of the offering period;
- (ii) The date and time of the closing of the offering period;
- (iii) If applicable, whether the offering period will be subject to extension or not, if yes, provide information related to such extension requirements and conditions.

(e) Receiving bank:

Provide information on:

- (i) The application of the designated receiving bank(s) to receive the completed subscription application forms, together with the subscription funds;
- (ii) Name, address, location, contact and telephone numbers of the designated branches of the receiving bank(s).

(f) Mode of payment:

Provide information on:

- (i) The currency in which the required payments need to be made;
- (ii) The modes of payment that the applicant can use to pay the subscription amount;
- (iii) The details of the designated receiving bank's account in which the subscription amount needs to be credited;
- (iv) Specify the amount of the receiving bank's fees and charges that might be charged for each mode of payment.

(g) Rejected applications:

Provide information on:

- (i) Right of the issuer, lead manager and receiving bank to reject any subscription application;
- (ii) Factors that might be taken into account in making the decision regarding the rejection of any application;
- (iii) The date at which such applicants will be informed or notified, and by whom.

(h) Allotment:

Provide information on:

- (i) Time and date of the allotment;
- (ii) The allotment basis used to allot the offering of the debt securities;
- (iii) If applicable, provide the allotment basis for each category of applicant;
- (iv) If different from the allotment basis declared in the Prospectus, provide information about the regulatory approval on the allotment;
- (v) Allotment announcement date to declare the outcome of the subscription in terms of total subscription as compared with the total number of offered debt securities;

- (vi) Notifying the date of refunding and dispatching of debt securities title and excess subscription funds in the abovementioned public announcement;
- (vii) If applicable, date of resuming the trade on the debt securities offered.

(i) Dispatching and refunds:

Provide information on:

- (i) The date in which the applicants will receive their debt securities title and excess amount of subscription, if any;
- (ii) The address where the applicants can collect the title of allotted debt securities and excess subscription amount they paid;
- (iii) Whether the applicants will be paid interest for any delay in dispatching and refunding of the excess subscription amount;
- (iv) The expected date at which the net proceeds will be transferred to the issuer.

(j) Announcements, Notifications and Acknowledgements:

Provide the date and nature of the general content of each announcement, notification or acknowledgement that the issuer, lead manager or any other appointed advisor plans to issue in respect of the offering, as stipulated in the Prospectus.

SECTION 20

Additional information

28. Provide the following information:

28.1 Capital Structure

The following information shall be given as of the date of the most recent balance sheet included in the financial statements, and as of the latest practicable date:

- (a) The amount of issued capital and, for each class of share capital:
 - (i) The number of shares authorised;
 - (ii) The number of shares issued and fully paid-up and issued but not fully paid-up;
 - (iii) The par value per share and
 - (iv) A reconciliation of the number of shares outstanding at the beginning and end of the year.
- (b) If more than 10% of capital has been paid for with assets other than cash within the past 5 years, that fact should be stated.
- (c) If there are shares not representing capital, the number and main characteristics of such shares shall be stated.
- (d) Indicate the number, book value and face value of shares in the issuer, held by the issuer directly or indirectly, or by subsidiaries of the issuer.
- (e) Where there is authorised but unissued capital, or an undertaking to increase the capital in connection with warrants, convertible obligations, or other outstanding debt-linked securities or subscription rights granted, indicate:
 - (i) The amount of outstanding debt-linked securities and of such authorised capital or capital increase and, where appropriate, the duration of the authorisation;
 - (ii) The categories of persons having preferential subscription rights for such additional portions of capital; and
 - (iii) The terms, arrangements and procedures for the share issue corresponding to such portions.
- (f) The persons to whom any capital of the issuer is under option, or agreed conditionally or unconditionally to be put under option, including the title and amount of securities covered by the options; the exercise price; the purchase price; if any, and the expiration date of the options. Where options have been granted, or agreed to be granted to all the holders of shares or debt securities, or of any class thereof, or to employees under an employees' share scheme, it will be sufficient so far as the names are concerned, to record that fact without giving names.

- (g) A history of share capital for the last 3 years, identifying the events during that period which have changed the amount of issued capital and/or the number and classes of shares of which it is composed, together with a description of changes in voting rights, attached to the various classes of shares during that time. If there is any share capital issued for consideration other than cash, details on the price and terms of such issue (including information regarding discounts, special terms or instalment payments) should be given. If there are no such issues, an appropriately worded statement must be made. The reason for any reduction of the amount of capital and the ratio of capital reductions shall also be given.

28.2 Memorandum and Articles of Association

A copy of the Memorandum and Articles of Association, or constituent documents should be incorporated by reference in the Prospectus.

The following information shall be provided:

- (a) With respect to directors, provide a summary of any provisions of the issuer's Articles of Association, or charter and by-laws with respect to:
- (i) A director's power to vote on a proposal, arrangement or contract in which the director is materially interested;
 - (ii) The directors' power, in the absence of an independent quorum to vote for compensation to themselves, or any members of their body;
 - (iii) Borrowing powers exercisable by the directors, and how such borrowing powers can be varied;
 - (iv) Retirement or non-retirement of directors under an age limit requirement; and
 - (v) Number of shares, if any, required for the director's qualification.
- (b) Describe the rights, preferences and restrictions attached to each class of shares, including:
- (i) Dividend rights, including the time limit after which dividend entitlement lapses and an indication of the party in whose favour this entitlement operates;
 - (ii) Voting rights, including whether directors stand for re-election at staggered intervals, and the impact of that arrangement where cumulative voting is permitted or required;
 - (iii) Rights to share in the issuer's profits;
 - (iv) Rights to share in any surplus in the event of liquidation;
 - (v) Redemption provisions;
 - (vi) Sinking fund provisions;
 - (vii) Liability to further capital calls by the issuer; and
 - (viii) Any provision discriminating against any existing or prospective holder of such securities as a result of such shareholder owning a substantial number of shares.

- (c) Describe what action is necessary to change the rights of holders of the shares, indicating where the conditions are more significant than is required by law.
- (d) Describe the conditions governing the manner in which annual general meetings and extraordinary general meetings of shareholders are convened, including the conditions of admission.
- (e) Describe any limitations on rights to own securities, including the rights of foreign shareholders to hold, or exercise voting rights on the securities imposed by foreign law, or by the charter or other constituent document of the issuer or state that there are no such limitations if that is the case.
- (f) Describe the limitations, if any, on voting power in annual general meetings of shareholders, including such limitations on the voting power of brokerage firms, nominees, portfolio managers and any other person who holds or manages the portfolios on behalf of others.
- (g) Describe briefly any provision of the issuer's Articles of Association that would have the effect of delaying, deferring or preventing a change in control of the issuer or that would operate only with respect to a merger, acquisition, or corporate restructuring involving the issuer (or any of its subsidiaries).
- (h) Describe provision in the Articles of Association, if any, governing the ownership threshold above which shareholder ownership must be disclosed.
- (i) With respect to paragraphs 31.1.1 through 31.1.8 above, if the law applicable to the issuer in these areas is significantly different from that in the Kingdom of Bahrain, the effect of the law in these areas should be explained.
- (j) Describe the conditions imposed by the Memorandum and Articles of Association governing changes in the capital, where such conditions are more stringent than is required by law.

28.3 Material Contracts

Provide a summary of each material contract, other than contracts entered into in the ordinary course of business, to which the issuer or if the issuer is the holding company of a group, any member of the group is a party, for the period of 2 years before the date of submission of the Prospectus, including parties to the contract, the dates and general nature of the contract, terms and conditions and the amount of any consideration passing to or from the issuer, or any other member of the group, as the case may be.

28.4 Exchange Controls

Describe any governmental law, decree or regulatory requirement or any other requirement which may affect the repatriation of capital and the remittance of profits by or to the issuer. Also, explain how they would impact on the availability of cash and cash equivalents for use by the issuer and the remittance of dividends, interest or other payments to shareholders of the issuer.

28.5 Taxation

The issuer shall provide information regarding taxes (including withholding provisions) to which shareholders in Bahrain and in the host country(s) may be subject. Information should be included as to whether the issuer assumes responsibility for the withholding of tax at source and regarding applicable provisions of any reciprocal tax treaties between the home country and the host countries or a statement, if applicable, that there are no such treaties.

28.6 Dividends

Disclose any dividend restrictions, the date on which the entitlement to dividends arises, if known, and any procedures for non-resident holders to claim dividends. Identify the financial organisations, which at the time of admission of shares to the official listing are the paying agents of the issuer in the countries where admission has taken place, or is expected to take place.

28.7 Statement by Experts

Where a statement or report attributed to a person as an expert is included in the Prospectus, provide such person's name, address and qualifications. Where the Prospectus contains any statement (including what purports to be a copy of, or extract from, a report, memorandum or valuation) made by an expert:

- (a) State the date on which the statement was made;
- (b) State whether or not it was prepared by the expert for the purpose of incorporation in the Prospectus; and
- (c) Include a statement that the expert has given, and has not withdrawn, his written consent to the issue of the Prospectus with the inclusion of the statement in the form and context in which it is included in the Prospectus.

28.8 Subsidiary Information

Information relating to the issuer's subsidiaries eligible for consolidation under IAS must be provided, if such information is not otherwise called for by the International Accounting Standards used in preparing the financial statements.

- (a) Provide information in respect of the matters mentioned below, relating to unconsolidated subsidiaries that are not held for resale and that are likely to have a significant effect on the assessment of the issuer's own assets and liabilities, financial position or profits and losses:
 - a) The name and address of the registered office;
 - b) The principal activities;
 - c) The proportion of capital held;

- d) The issued capital;
 - e) The reserves;
 - f) The profit or loss arising out of ordinary activities after tax (if any), for the last 3 financial years,
 - g) The value at which the issuer shows in its accounts the interest held;
 - h) Any amount still to be paid up on shares held;
 - i) The amount of dividends received in the course of the last 3 financial years in respect of shares held; and
 - j) The amount of the debts owed to and by the issuer, with regard to the undertaking.
- (b) The items of information listed above must be given in any event, for every undertaking in which the issuer has a direct or indirect participating interest, if the book value of that participating interest represents at least 20% of the consolidated net assets (or capital and reserves of the company's own accounts, if required to be provided), or accounts for at least 20% of the consolidated net profit or loss of the group (or the issuer's own accounts, if required to be provided). The information required by (e) and (f) above may be omitted where the undertaking in which a participating interest is held does not publish annual accounts.
- (c) With the permission of the CBB, the information required by (d) to (i) above may be omitted if the annual accounts of the undertakings in which the participating interests are held are consolidated into the group's annual accounts, or if the value attributable to the interest under the debt method or its fair value evaluation is disclosed in the annual accounts, provided that the omission of the information is not likely to mislead the public with regard to the facts and circumstances, knowledge of which is essential for the assessment of the security in question. With the permission of the CBB, the information provided for under points (g) and (j) may be omitted, if such omission does not mislead investors.
- (d) Provide individual details relating to the undertakings not referred to in paragraph 31.8.1 above, in which the issuer holds at least 20% of the share capital. The name and registered office of the undertaking and the proportion of the capital held may be omitted when they are of negligible importance.
- (e) When the document includes consolidated annual financial statements, provide disclosure:
- a) Of the consolidation principles applied (which must be described in detail); where such principles are not consistent with International Financial Reporting Standards;

- b) Of the names and registered offices of the undertakings included in the consolidation, and where this information is important for the purpose of assessing the assets and liabilities, the financial position and the profits and losses of the issuer. It is sufficient to distinguish them by a symbol in the list of undertakings of which details are required in item paragraph 31.8.1 above; and
- c) for each of the undertakings referred to in paragraph 31.8.5 above:
 - (i) The total proportion of third-party interest, if annual accounts are wholly consolidated;
 - (ii) The proportion of the consolidation calculated on the basis of interests, if consolidation has been effected on a pro rata basis.

28.9 Covenants

State the particulars of any significant covenant of the issuer concerning capital increases.

SECTION 21

Additional Information Required for Convertible Debt Securities

29. Information on Convertible Debt Securities

- 29.1 Provide information concerning the nature of the securities, equity interests or property offered by way of conversion, exchange, subscription or purchase and the rights attached thereto, including in particular, the voting rights, entitlement to share in profits and in the event of liquidation, any surplus and any other special rights.
- 29.2 Provide information on the terms, conditions and procedures for conversion, exchange, subscription or purchase and details of the circumstances under which they may be amended, including the following information:
- (a) The total number or value of securities, equity interests or property which is the subject of the conversion, exchange, subscription or purchase;
 - (b) The period during which the conversion, exchange, subscription or purchase right may be exercised and the date on which this right commences;
 - (c) The amount payable on the exercise of the conversion, exchange, subscription or purchase right;
 - (d) Any arrangement for the transfer or transmission of the conversion, exchange, subscription or purchase right;
 - (e) The rights of the holders of the debt securities in respect of the conversion, exchange, subscription or purchase right on the liquidation of the entity the securities, equity interests or property of which is the subject of the conversion, exchange, subscription or purchase;
 - (f) Any arrangement for the variation in the subscription price of the securities, equity interests or property which is the subject of the conversion, exchange, subscription or purchase, or in the exercise price of the convertible debt securities, or in the number or value of securities, equity interests or property which is the subject of the conversion, exchange, subscription or purchase, in the event of any alteration in the capital of the entity the securities, equity interests or property of which is the subject of the conversion, exchange, subscription or purchase; and
 - (g) If there is no established market for the securities, equity interests or property which is the subject of the conversion, exchange, subscription or purchase, the manner of determining the subscription or exercise or conversion price, including who establishes the price or is responsible for the determination of the price, the various factors considered in such determination and the parameters or elements used as a basis for determining the price.

SECTION 22

Additional Information Required for a Debt Securities Issuance Programme

30. Any Prospectus for the debt securities issuance programme must contain all the information required in the Prospectus under this Appendix (which shall be, in this case referred to as Base Prospectus), subject to the following additions and exceptions.
- 30.1 The base Prospectus for the debt securities issuance programme must contain the following additional information:
- (a) The maximum amount of debt securities to be offered under the programme;
 - (b) The terms and conditions applicable to all offers under the programme;
 - (c) The duration of the programme;
 - (d) A statement that the documents available for inspection under Section 23 below, are available for inspection throughout the duration of the programme; and
 - (e) A statement that the base Prospectus, as well as any supplementary base Prospectus in respect of the programme issued since the base Prospectus was published, are available for inspection for as long as offers are made under the programme.
- 30.2 If the base Prospectus does not contain any information referred to in:
- (a) Paragraph 6 (vii) to (x) of Section 1 of this Appendix in respect of registrar and agents;
 - (b) Paragraph 17 under Section 9 of this Appendix in respect of offer statistics and timetable;
 - (c) Paragraph 16.1 (a) to (e) of Section 8 of this Appendix in respect of principal terms and conditions;
 - (d) Paragraphs 16.2 and 16.3 of Section 8 of this Appendix in respect of credit ratings and capitalisation;
 - (e) Paragraphs 25.1 to 25.3 of Section 17 of this Appendix in respect of offer details and planned distribution respectively;
- it must contain a prominent statement that such information shall be published from time-to-time by way of a pricing statement in relation to each offer under the programme.
- 30.3 The reference to 6 months after the date of registration of the Prospectus in paragraph 4 of Section 1 of this Appendix shall be read as a reference to 24 months after that date.
- 30.4 If the base Prospectus does not contain any of the information referred to in paragraph 30.2 above, the pricing statement for each offer under the debt securities issuance programme must contain that information as well as the following statements:

- (a) “This offer is made on the basis of information contained in this statement as well as in the base Prospectus and supplementary base Prospectus or Prospectuses, if any, in respect of the programme.”;
- (b) “Copies of the base Prospectus and supplementary base Prospectus or Prospectuses, if any, and this statement are available for collection at the times and places specified in this statement.”; and
- (c) “A copy of this statement has been submitted with and registered by the Central Bank of Bahrain (the “CBB”) together with the base Prospectus. The CBB assumes no responsibility for the contents of this statement. Registration of this statement together with the base Prospectus with the CBB does not imply that the CBB Law, or any other legal or regulatory requirements have been complied with. The CBB has not, in any way, considered the merits of the debt securities being offered as an investment”.

30.5 The contents of the pricing statement for each offer under the debt securities issuance programme, when read together with the base Prospectus and any supplementary base Prospectus, must contain the material terms and conditions of the offer to which it relates.

30.6 The pricing statement for any offer under the debt securities issuance programme must not contain any information other than:

- (a) Information specified in paragraphs 30.2 and 30.4 of this Appendix;
- (b) Information already contained in the base Prospectus or any supplementary base Prospectus;
- (c) An elaboration of information on the use of proceeds contained in the base Prospectus or any supplementary base Prospectus; and
- (d) Other information permitted by the CBB which is specific and relevant only to that particular offer.

SECTION 23

Documents Available for Inspection

The Prospectus shall provide the date, time and address in Bahrain in which the documents referred to in the Prospectus can be inspected by the potential subscriber. Exhibits and documents on display should generally be translated into Arabic and/or English. Such documents, as well as the Prospectus, must be made available by the issuer, lead manager or any other principal advisor in Bahrain simultaneously with the public offering or listing. Such documents shall be made available for a period of at least 6 months from the date of the registration of the Prospectus with the CBB at a specified place in Bahrain.

The following documents, or copies thereof, where applicable, include:

- (a) Any trust deed, fiscal agency agreement or other document constituting the debt securities;
- (b) The Memorandum and Articles of Association or constituent documents of the issuer;
- (c) Every material contract referred to in the Prospectus, or where the contract is not reduced into writing, a memorandum giving full particulars thereof;
- (d) The directors' service contracts referred to in the Prospectus;
- (e) Every report, memorandum, letter, valuation, statement or other document by any expert any part of which is included or referred to in the Prospectus;
- (f) If the issuer is not the holding company of a group, the audited financial statements of the issuer for each of the financial years for which audited financial statements of the issuer have been included in the Prospectus;
- (g) If the issuer is the holding company of a group, the respective audited financial statements of the entities, businesses or business trusts in the group (being entities, businesses or business trusts which have audited financial statements) for each of the financial years for which audited financial statements of the issuer have been included in the Prospectus;
- (h) If the issuer is the holding company of a pro forma group and pro forma financial statements have been included in the Prospectus, the respective audited financial statements of the entities, businesses or business trusts in the pro forma group (being entities, businesses or business trusts which have audited financial statements), other than the entities, business or business trusts referred to in (f) above, for the financial year in respect of which pro forma financial statements have been included in the Prospectus;
- (i) Any interim financial statements of the issuer, group or pro forma group, as the case may be, which are included in the Prospectus;
- (j) In the case of a corporation incorporated in Bahrain, all notes, reports or information relating to the financial statements referred to in paragraphs (e), (f), (g) and (h) which are required to be prepared under the CBB Law;

- (k) Where the financial statements referred to have been restated pursuant to Section 15 of this Appendix, the restated annual financial statements and the audited annual financial statements which form the basis for the restated annual financial statements;
- (l) The restated annual financial statements and the audited annual financial statements which form the basis for the restated annual financial statements; and
- (m) In the case of a guaranteed debt securities issue, documents (or copies thereof) referred to in Section 8 of the guarantor entity.

SECTION 24

Each final printed Prospectus shall provide as an attachment the printed debt securities subscription form, which shall include, as a minimum, information on the following particulars:

Offering Subscription Application Form

[Name of Issuer]

[Eligible Subscribers]

[Total Number of Offered Shares]

Initial Public Offering of [total number or range of number of shares offered] Ordinary Shares of Nominal Value BD.... each with an over-allotment option of up to additional Ordinary Shares of Nominal Value BD... each to be offered in case of oversubscription.

***Application
No.***

Date

Words and phrases defined in the Prospectus issued in relation to the offering of Ordinary Shares in [name of issuer] (the “Prospectus”), shall have the same meanings where used herein unless the context otherwise requires.

To: [Name of issuer], P.O. Box, Manama, Kingdom of Bahrain.

I/we the undersigned (the “Applicant”) having read the Prospectus issued in relation to the Offer of Ordinary Shares in the Company, wish to apply for Ordinary Shares in the Company subject to the Subscription Terms and Conditions as defined in the Prospectus and in this Offering Subscription Application Form. I/we acknowledge, represent and warrant that I/we have read, understand and accept the Prospectus including the Subscription Terms and Conditions and have had an opportunity to seek independent professional advice in relation to the Offer. Upon executing this Offering Subscription Application Form, I/we agree to be bound by this Offering Subscription Application Form, the Prospectus and the Subscription Terms and Conditions.

1. Investor Details:

A) For Individuals

Investor Name:

Nationality:Passport No.:.....

Identification Number:

Date of Issue: Place of Issue:

Employer:Occupation:

Residential Address:

House/Flat:Building:

Road/Lane:Block:.....

P.O. Box:City:Country:

Facsimile:

Business Address:

Company:Building:

Road/Lane:Block:.....

P.O. Box:City:Country:

Preferred Mailing Address: Residential Business

Tel:Fax:.....

Mobile:Email:.....

B) For Institutions

Registered Name:

Registration No:Country Registered:

Institution Type:Headquarters:

P.O. Box:City:Country:

Mailing Address:

P.O. Box:City:Country:

Tel (1):Tel (2):.....

Fax:Email:.....

2. Subscription Details:

| | |
|-----------------------------------------------------------------------------------------------------------------------------------------------|------------------|
| A) Number of Ordinary Shares applied for (Minimum shares and multiples of shares thereafter, up to a maximum of shares) | A |
| B) Subscription Price per Ordinary Share (in Bahraini Dinar) | B |
| C) Total Subscription Amount to be paid (in Bahraini Dinar) | C = A x B |

3. Clearing House or Depository Arrangements Details:

| | |
|-----------------------------------|--|
| Name of Clearing House/Depository | |
| Identity Number | |

4. Payment Details:

By Cheque: Enclosed cheque No.:(drawn on).....

By transfer from account No.:(held with).....

Account Authorised Signatory:

| |
|--|
| |
|--|

Bank Stamp
Signature

Account authorised signatory

Representative Signature

Subscriber

| | | | |
|--|--|--|--|
| | | | |
|--|--|--|--|

SECTION 25

Accredited Investor Status Confirmation Form

Each final printed PPM shall provide as an attachment an Accredited Investors Status Confirmation Form, which shall include as minimum information the following particulars:

IN WITNESS WHEREOF I/we confirm that I/we am/are (an) accredited investor(s) (as defined below), and further confirm that I/we have read and understood the definition of “accredited investor” as set out below. Furthermore, I/we have read the “risk factors” section of the Private Placement Memorandum dated _____, and understand the risk nature of the financial instruments on offer.

An accredited investor is defined as:

| Category | Please tick [<input checked="" type="checkbox"/>] as appropriate |
|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--------------------------------------------------------------------|
| Individuals holding financial assets (either singly or jointly with their spouse) of US\$ 1,000,000 or more, excluding that person’s principal place of residence: or | |
| Companies, partnerships, trusts or other commercial undertakings, which have financial assets available for investment of not less than US\$1,000,000; or | |
| Governments, supranational organisations, central banks or other national monetary authorities, and state organisations whose main activity is to invest in financial instruments (such as state pension funds). | |

THE PURCHASER HAS EXECUTED THIS AGREEMENT ON:/...../2010

A. Subscription and Payment Arrangement:

(i) Number of shares to be purchased @ BD/US\$ each: _____ shares
(Number in words)

(ii) Purchase price to be paid for shares BD/US\$ _____
(Amount in words)

(iii) Arrangement Fee @ % of (i) BD/US\$ _____

(iv) Placement Fee @ % of (i) BD/US\$ _____

(v) Total Funds to be Remitted: BD/US\$ _____
(Sum of (ii), (iii), (iv))

B. Applicant's Details:

Printed Name of Applicant/Entity:

Signature of Applicant:

Signature of Authorised Representative:
(For non-individual subscribers)

Title:

Capacity:

Printed Address:

Telephone:

Mobile:

Facsimile:

C. Designated Bank's Details:
(For deposit/transfer of proceeds)

Bank Name:

SWIFT:

A/C No.:

A/C Name:

D. In the Presence of:

Signature of Witness:

Printed Name of Witness:

In the Presence of:

Signature of Witness:

Printed Name of Witness: