BAHRAIN COMMERCIAL FACILITIES COMPANY BSC

Annual Report 2006

Bahrain Commercial Facilities Company BSC was established on August 29,1983 under Bahrain's Commercial Companies Law 1975 (Legislative Decree No 28 of 1975), as a closed Company with an authorized capital of BD 10,000,000 and issued capital of BD 5,000,000 with an objective to act as a specialist finance Company in Bahrain. The duration of the Company, according to its Memorandum and Articles of Association, is 50 years from its date of establishment and is extendable by a resolution of the shareholders passed at an Extraordinary General Assembly Meeting, provided the approval of the Central Bank of Bahrain (CBB) is also obtained.

Effective 26th June 2005, the Company became licensed and regulated by the Central Bank of Bahrain (CBB) (formerly Bahrain Monetary Agency) to operate as a financial institution. Prior to this, the Company was licensed and regulated by the Ministry of Commerce and was supervised by the CBB.

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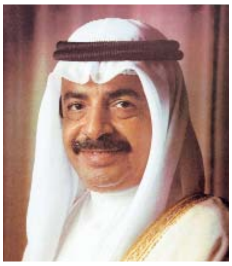
Designed and Produced by THEBRIDGEPARTNERSHIP



His Highness Shaikh
Khalifa bin Salman
Al Khalifa

The Prime Minister

His Majesty King
Hamad bin Isa
Al Khalifa

The King

His Highness Shaikh
Salman bin Hamad
Al Khalifa

The Crown Prince
& Commander-in-Chief of
the Bahrain Defence Force

- Total group net profit of BD 6.086 million. Strong performances from the established businesses: Credit, Automotive, and Insurance. As anticipated at the start of the year, there were no land gains against the extraordinary BD 3 million gains in 2005, excluding which sustainable earnings were 19% ahead.

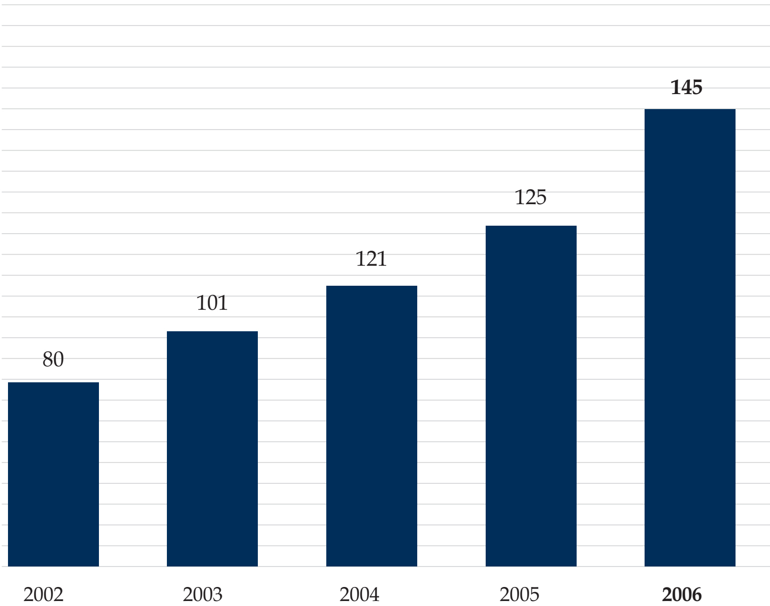
- Credit: New loans were at a record BD 61 million (15% higher than the previous year) at a time when the consumer finance market moderated with the full implementation of the consumer finance guidelines enforced by the Central Bank of Bahrain and the recently established credit bureau.

- Fast friendly service has always been a cornerstone of the Company's success. Expansion of office space at Isa Town (where ease of access and plentiful parking are essential to serve all our stakeholders) and customer focused change in office timings will further improve customer service going forward.

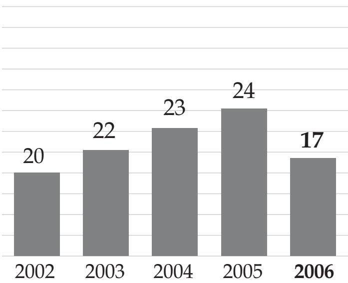
- Automotive: National Motor Company with annual sales of 5,000 vehicles is now one of the Kingdom's leading automotive distributors. It delivered net profit of BD 1.84 Million (20% up over 2005 and now constituting 30% of Group earnings). New model introductions augur well for further market share gains in 2007.

- Insurance: Tas'heelat Insurance Services Company had another successful year with a 21% increase in gross commissions and a 22% increase in net profits.

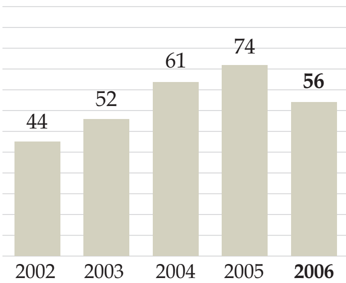
Total Assets (BD Million)



Return on equity (%)

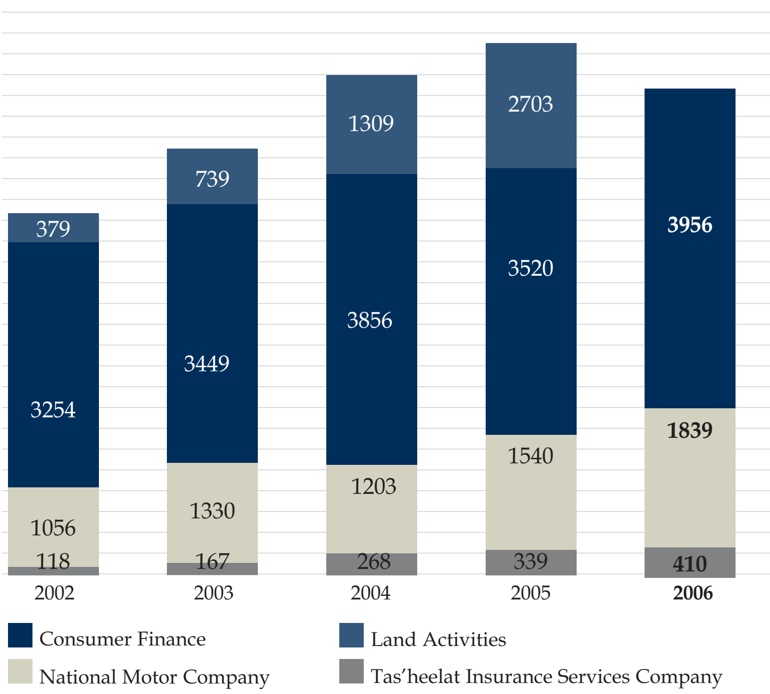


Earnings per share (fils)*



* EPS adjusted for bonus shares

BCFC net profit (BD '000)



On behalf of the Board of Directors, it gives me great pleasure to present to you the Annual Report of Bahrain Commercial Facilities Company BSC, for the financial year ended 31 December 2006.

The annual report includes the consolidated financial results of Bahrain Credit and the Company’s subsidiaries National Motor Company, Tas’heelat Real Estate Services Company and Tas’heelat Insurance Services Company.

Your Company has achieved satisfactory results in 2006 thanks to strong performances from the credit, motor and insurance businesses. Total group net profit of BD 6.08 million is 25% lower than the previous year. This comparison is distorted by the BD 3 million extraordinary land gain in 2005, excluding which sustainable earnings are 19% ahead of the previous year. Per share earnings are 56 fils on the increased capital base, following the 10% bonus share issue which occurred in 2006 versus 74 fils in 2005. Your Board recommends payment of cash dividend to shareholders at the rate of 40 fils per share (40%) (2005: 40 fils per share).

Bahrain Credit produced a very satisfactory performance in a challenging environment. Entering 2006, the consumer finance industry had been expected to moderate with the full implementation of the Central Bank of Bahrain’s consumer finance guidelines and the recently established credit bureau. It is therefore creditable that your Company made new loans 15% higher than the previous year, at a record BD 61 million. It gives the Board great satisfaction to note that this result was achieved whilst Bahrain Credit maintained the highest standards in adhering to the consumer finance guidelines of the Central Bank of Bahrain both in form and spirit.

National Motor Company returned another year of strong growth in 2006, further building on the positive momentum witnessed since the opening of its state-of-the-art sales, service and parts facility at Sitra.

Abdulrahman Yusif Fakhro
Chairman

The Company continued to grow its market presence for all its automotive brands, namely Honda, Chevrolet, GMC, Cadillac and Hummer. In 2006, National Motor Company delivered a net profit of BD 1.839 Million, an increase of 20% over 2005. The Company has proven itself to be an important and reliable contributor to group earnings, a position that is expected to be maintained and improved upon in the years ahead.

As anticipated in last year's report, Tas'heelat Real Estate Services Company has not had any land gains in 2006. Going forward, such opportunities for extraordinary gains are less likely and more risky: TRESCO however has a modest stock of land held for resale which it is expected to profitably dispose of in 2007. The current Bahrain real estate sector is extremely buoyant: TRESCO, which has been looking to build up an investment property portfolio for future sustainable and regular income streams, has noticed a knock on effect on construction and building costs which have increased significantly. The group will therefore commit further investments in this sector only after very careful consideration and due diligence with an eye to avoiding higher than normal costs due to current unfavorable market forces.

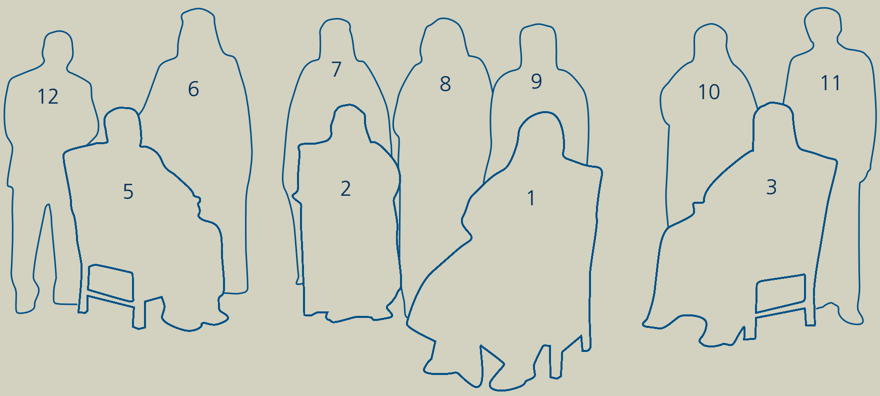
The Board welcomed Mr. Abdulaziz Al-Saie as a member from 1st March 2006. Abdulaziz has been nominated to the BCFC Board by the Pension Fund Commission and is also serving as a member of the Board Audit Committee from such date.

In accordance with the disclosure requirement of Bahrain's Commercial Company Law 2001, the aggregate amount paid to directors during 2006 was BD 245 K (BD 211K in 2005) in respect of fees and subsidiary Board and Board's committes attendance allowances. The total shareholding of the directors in the company is 63.16 million shares (57.42% of paid up capital).

We wish to express our appreciation to the efforts of employees at all levels and to our customers and shareholders for their continuing loyal support and confidence.

Finally, we also gratefully acknowledge the guidance of our nation's wise leadership and the continuing support and co-operation received from the government ministries and organizations of Bahrain, most particularly the Central Bank of Bahrain and the Ministry of Industry and Commerce.

Abdulrahman Yusif Fakhro
Chairman
February 2007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1. Abdulrahman Yusif Fakhro, Chairman

Chairman – Yusif Bin Yusif Fakhro BSC (c)
Director – Bahrain Flour Mills Company BSC
Director – Seef Properties BSC (c)
Director – Bahrain Real Estate Company BSC (c)

2. Abdulrahman Abdulla Mohamed, Vice Chairman
Nominee of National Bank of Bahrain BSC

Deputy General Manager Banking Group – National Bank of Bahrain BSC
Chairman – National Motor Company WLL

3. Khalid Mohammed Ali Mattar, Director

Managing Director – Awal Contracting and Trading Company WLL
Managing Director – Awal Marine Services WLL
Director – Awal Gulf Manufacturing Company BSC (c)

4. Murad Ali Murad, Director *

Chairman - BBK BSC
Chairman - Board of Trustees Human Resources Development Fund for Banking and Finance Sector
Vice Chairman – Bahrain Housing Bank
Vice Chairman – Banader Hotels Company BSC
Director – Bahrain Telecommunications Company BSC
Director – Bahrain Kuwait Insurance Company BSC
Member – Council of Bahrain Institute of Banking and Finance

* Not pictured

5. Ali Abdulla Ahmadi, Director

Managing Director – Ahmadi Industries WLL

6. Abdulaziz Saleh Al-Saie, Director
Nominee of Pension Fund Commission

Director of Finance – Pension Fund Commission
Director – Bahrain International Golf Course Company
Director – Al Essal Power Company (new power station in Hidd)

7. Jamal Mohamed Jassim Hejres, Director
Nominee of BBK BSC

Assistant General Manager - BBK BSC
Chairman – Sakana BSC (c)
Director – Credimax BSC (c)
Director – National Motor Company WLL

8. Sh. Mohammed Bin Isa Al-Khalifa, Director
Nominee of General Organization for Social Insurance

Acting Director General – General Organization for Social Insurance, Bahrain
Chairman – Securities & Investment Company BSC (c)
Vice-Chairman – National Motor Company WLL
Director – Bank of Bahrain & Kuwait BSC
Director – Bahrain International Golf Course Company
Director – Bahrain Telecommunications Company, BSC

9. Khalid R. Al-Zayani, Director

Chairman – Al Zayani Investments WLL
Chairman - Zayani Motors WLL
Chairman – Euro Motors WLL
Chairman – First Motors WLL
Chairman – Intersteel WLL
Chairman – Midal Cables WLL
Chairman – Metalform WLL
Chairman – Aluwheel WLL
Chairman – Gulf Closures WLL
Chairman – Zayani Properties WLL
Chairman – Zayani Hotels Corporation WLL
Chairman – Zayani Leasing WLL
Director – Investcorp Bank EC
Board Member – Economic Development Board

10. Dr. Farid Ahmed Al-Mulla, Director
Nominee of BBK BSC

Chief Executive Officer – BBK BSC
Chairman – Credimax BSC (c)
Chairman – Bankers' Society of Bahrain
Chairman – Injaz Al Bahrain
Director – Specific Council for Vocational Training in Industry
Director – Al Khaleej Islamic Investment Bank

11. Ian Ievack - Chief Executive Officer

12. Dr. Adel Hubail - Secretary to the Board

Executive Committee

Khalid Mohamed Ali Mattar **Chairman**, Sh. Mohammed Bin Isa Al-Khalifa **Vice Chairman**, Abdulrahman Abdulla Mohamed **Member**, Dr. Farid Ahmed Al-Mulla **Member**

Board Audit Committee
Murad Ali Murad **Chairman**, Ali Abdulla Ahmadi **Member**, Abdulaziz Al Saie **Member**

Remuneration and Nomination Committee
Abdulrahman Yusif Fakhro **Chairman**, Murad Ali Murad **Vice Chairman**, Khalid R. Al-Zayani **Member**

Board of Directors

Constituted of ten non-executive members, the Board of Directors of Bahrain Commercial Facilities BSC exercise their individual and collective business judgment objectively, transparently and in a good faith in what they reasonably believe to be in the best interest of the Company, its shareholders and stakeholders.

The Board of Directors oversees the process of disclosure and communications to internal and external stakeholders. The Board of Directors ensures that disclosure is fair, transparent, and comprehensive; and reflects the character of the Company and the nature and complexity of risks inherent in the business activities of the Company.

In compliance with the local statutory requirements, the Board of Directors oversees the exercise of corporate powers and ensures that the Company's business and affairs are well managed to meet its stated goals and objectives. Maintenance of the high standards of corporate conduct, including compliance with applicable laws, regulations, business and ethical standards, receives considerable attention by the Board of Directors.

To fulfill its responsibilities, the Board has in place an Executive Committee, a Board Audit Committee and a Remuneration and Nomination Committee.

In 2006, the Board of Directors convened eight meetings.

Executive Committee

In accordance with Article 23 of the Company's Articles of Association, the Executive Committee is delegated with defined scope of duties and authorities in relation to Bahrain Credit, TRESCO and TISCO.

The Committee is comprised of four non-executive members appointed by the Board of Directors on an annual basis. The Executive Committee has the role of reviewing reports and activities, taking decisions on issues within its defined authorities and recommending to the Board of Directors on other issues that are above its authorities. These responsibilities and authorities cover a wide area ranging from credit approvals, write-offs, strategy, business planning, human resources policies and practices, donations and signing authorities.

To fulfill its assigned responsibilities, the Executive Committee held eight meetings in 2006.

Board Audit Committee

The Board Audit Committee assists the Board of Directors in overseeing the responsibilities for the financial reporting process, the system of internal control, the audit process, monitoring financial risks and the process for monitoring compliance with laws and regulations and the Company's code of conduct. Consistent with this function, the Committee encourages continuous improvement of, and fosters adherence to, the Company's policies, procedures and practices at all levels.

The Board Audit Committee consists of three members of the Board of Directors. All the three members are non-executive directors who are financially literate and independent of the management and free of any business or other relationships (including, without limitations, day to day involvement in the management of the business) which could interfere with the exercise of their independent judgment.

The Board Audit Committee has the authority to conduct or authorize investigations into any matters within its scope of responsibility and has full access to all information required to discharge its functions.

During 2006, the Board Audit Committee met four times. On each occasion the Board Audit Committee met on a quarterly basis with the External Auditor.

Remuneration and Nomination Committee

Comprised of three non-executive directors appointed by the Board on an annual basis, the Remuneration and Nomination Committee provides advice to the Board on matters related to the nomination and appointment of Directors and senior executives.

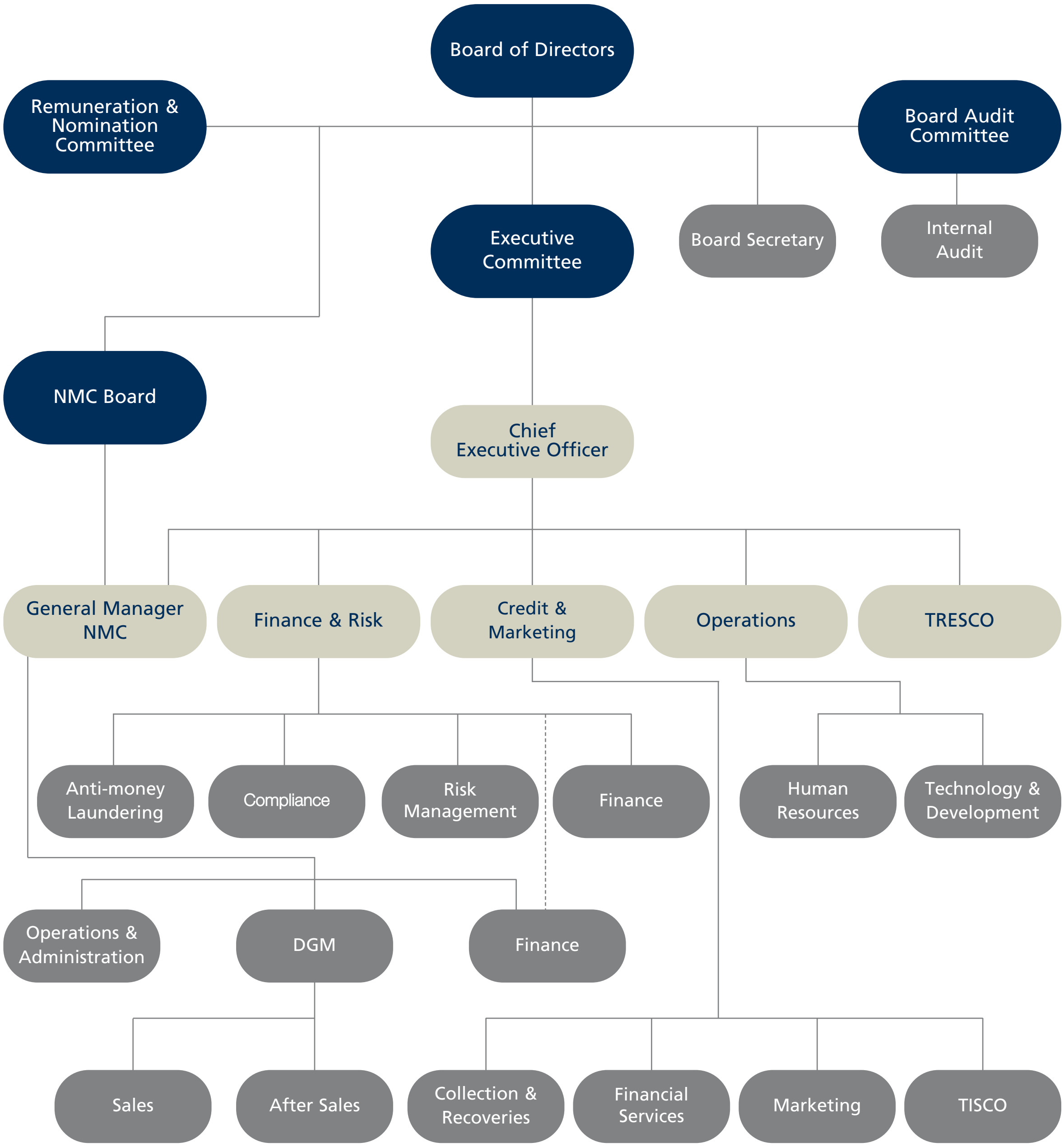
The Committee makes recommendations to the Board on the appointment of Directors, the Chief Executive Officer and the General Managers; the Secretary to the Boards; Directors to the Boards of the Company's subsidiaries; and members to all Committees of the Board.

The Committee reviews and makes recommendations to the Board on all matters of remuneration and compensation of Directors and the remuneration of senior executives, the bonus, share option, redundancy and termination payment policies of the Company. The Committee assesses the roles of the Chief Executive Officer, General Managers and Secretary to the Board. The Committee also ensures that failure is not rewarded and that the duty to mitigate loss is fully recognized. Additionally, the Committee determines the policy for the disclosure of Directors and Executive Management's remuneration.

The Remuneration and Nomination Committee convened two meetings during 2006.

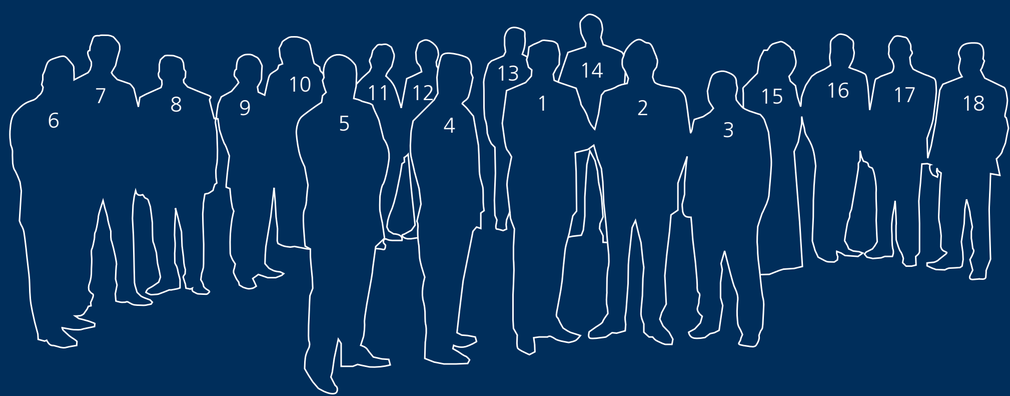
Compliance Officer, Anti-Money Laundering Officer and Risk Manager

Besides fulfilling other licensing requirements, Bahrain Commercial Facilities Company has a compliance officer, an anti-money laundering officer and a Risk Manager.


Board of Directors
Remuneration & Nomination Committee
Board Audit Committee
Executive Committee
Board Secretary
Internal Audit
NMC Board
Chief Executive Officer
General Manager NMC
Finance & Risk
Credit & Marketing
Operations
TRESCO
Anti-money Laundering
Compliance
Risk Management
Finance
Human Resources
Technology & Development
Operations & Administration
DGM
Finance
Sales
After Sales
Collection & Recoveries
Financial Services
Marketing
TISCO

Management team

1. **Ian Levack** – Chief Executive Officer, BCFC
2. **Geoff Thomas** – General Manager, National Motor Company
3. **Ali Al-Daylami** – General Manager, Tas'heelat Real Estate Services Company
4. **Jassim Khalaf** – Senior Vice President – Credit & Marketing, Bahrain Credit
5. **Rajiv Mittal** – Group Head of Finance & Risk, BCFC
6. **Ali Al-Jabal** – Vice President – Technology & Development, Bahrain Credit
7. **Hassan Dhaif** – Assistant Vice President – Finance, Compliance & Anti-money Laundering Officer, Bahrain Credit
8. **Dr. Adel Hubail** – Vice President – Operations, Bahrain Credit
9. **Xavier Stephens** – Head of After Sales, National Motor Company
10. **Taleb Al-Shaikh** – Vice President – Financial Services, Bahrain Credit
11. **Mohd Fadhel Mahmmandar** – Senior Manager Operations and Administration, National Motor Company
12. **Shehab Ahmed** – Vice President – Internal Audit, BCFC
13. **Bala Krishnan** – Marketing Manager, National Motor Company
14. **Jason Stubbings** – Deputy General Manager, National Motor Company
15. **Abdulla Al Wedaei** – Head of Sales Operations, National Motor Company
16. **Mohammed Bushehri** – Assistant Vice President – Human Resource, Bahrain Credit
17. **Nader Ebrahim** – Finance Manager, National Motor Company
18. **Fadhel Al Mahoozi** – Vice President – Collection, Recoveries and Legal, Bahrain Credit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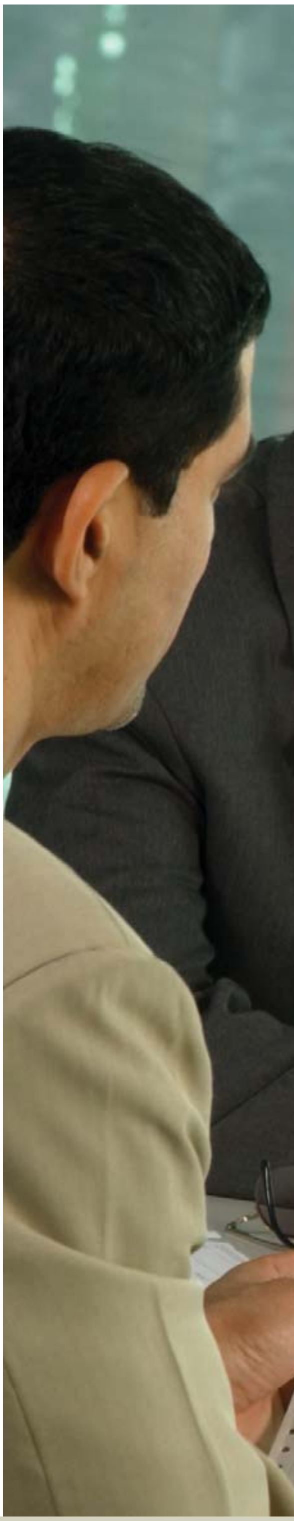
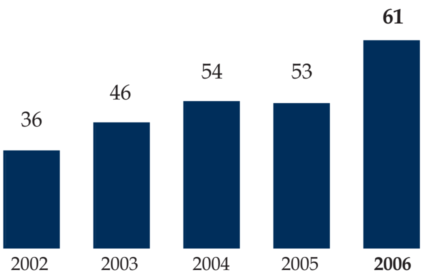
Strong performances from the established credit, motor and insurance brokerage businesses has resulted in BD 6.086 million profits for the year: 25% lower than 2005 reported earnings of BD 8.102 million, but actually a 19% growth over the 2005 comparable results of BD 5.133 million (excluding the BD 2.969 extraordinary one time gain on sale of a land plot).



PARENT COMPANY

Bahrain Credit achieved BD 61 million in new business – 15% over the previous year with good growth in vehicle and mortgage loans and overall industry market share. What is especially satisfying about the performance is that for some years now the consumer finance market has been thought of as having reached maturity with only marginal incremental growth: the new Central Bank's consumer finance guidelines and the credit reference bureau were and are expected to regulate further growth and increasing competition from current players, newly established finance companies and commercial banks offering consumer finance for the first time means tremendous pressure on maintaining and growing existing market share. Our 24 year association with our loyal good customers and our on-going innovative mix of customer retention programs and flexible marketing strategies to attract newer customers means that we continue to be the consumer lending institution of choice and are well placed to capitalize on business opportunities going forward.

New Loans (BD Million)



The company's portfolio now stands at BD 108 million (13% over 2005).

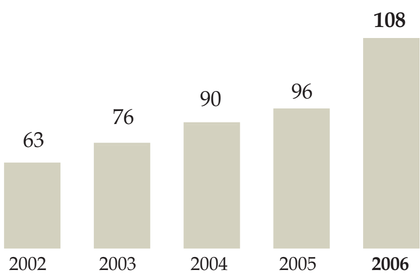
Our 24 year association with our loyal good customers and our on-going innovative mix of customer retention programs and flexible marketing strategies to attract newer customers.

The Company has maintained the quality of its portfolio: as a proportion of the portfolio, non-performing loans are 3.4% and are more than adequately covered by impairment allowances, since most of the Company's lending is made on a partially or fully secured basis.

The introduction of consumer finance guidelines by the Central Bank of Bahrain is a very healthy development. However, it has resulted in consumer finance market witnessing an increase in default levels - this is a short term healthy correction. The Company however has maintained the quality of its portfolio: as a proportion of the portfolio, non-performing loans are 3.4% and are more than adequately covered by impairment allowances, since most of the Company's lending is made on a partially or fully secured basis.

The Company's portfolio now stands at BD 108 million (13% over 2005). The Company's policy as always is to finance its consistent balance sheet growth via diverse funding sources whose maturities are well spread out to mitigate the impact of liquidity risk. The BD 7 million bond issue that matured during the year was replaced by a new BD 10 million issue in June 2006.

Portfolio (BD Million)



The issue was very well received being over-subscribed 2.8 times. A USD 40 million syndicated loan facility now matures in December 2007 and the Company intends to replace this with a similar facility.

During the year, the parent Company purchased additional land and offices in close proximity to the Isa Town headquarters, at a cost of just under BD 1 million. This investment is both opportunistic and strategic – regular feedback received from customers and employees has shown that ease of access to the Company and availability of car parking, particularly during peak traffic hours, is extremely important to them. The Isa Town office has always been rated very high on both counts and with the number of customers and employees increasing over the years, this investment should prove timely in addressing all current and future requirements.

During the year, the parent Company purchased additional land and offices in close proximity to the Isa Town headquarters, at a cost of just under BD 1 million.

TAS'HEELAT REAL ESTATE SERVICES COMPANY

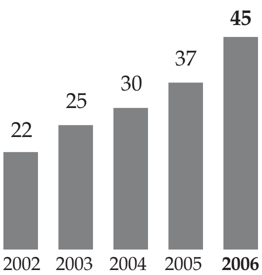
has, as expected, registered a net loss of BD 119 thousand for the year. The Company will finalize its strategic direction in 2007: whilst continuing to explore opportunities for purchase and subdivision and sale of large blocks of land. The Company still has a few plots in its land bank which should be profitably sold in 2007, but the emphasis going forward will be toward more reliable income streams which are annuity style in nature. The Company currently owns investment property which it had planned to quickly develop but adverse market conditions – high property prices coupled with ever increasing construction and raw material costs – now require a review of the timing and extent of such development.

NATIONAL MOTOR COMPANY

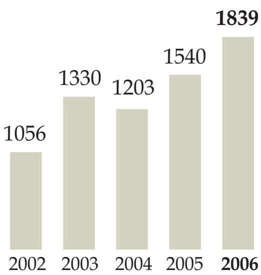
National Motor Company's net profit of BD 1.839 Million constitutes 30% of the Group's net profit.

2006 represented a major challenge for the Company. Whilst management remained focused on further increasing market shares for both Honda and General Motors vehicles, the overall market witnessed only a marginal estimated 2% growth over the previous year and remained relatively flat through most of the year. The Central Bank of Bahrain regulation pertaining to loan eligibility and approvals for individual applicants has had a negative impact on the automotive industry and is a significant factor affecting growth of the market. Particularly hard hit were customers within the small and medium segments of the market, which accounts for some 60% of total volumes. Despite this, Honda sales grew 11% and General Motors (covering a wider market segment with recent expansion of the product range) grew 15% over 2005. With annual sales of five thousand vehicles, NMC is now firmly established as one of Bahrain's leading automotive distributors.

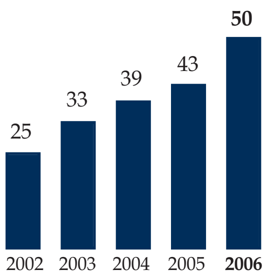
Sales (BD Million)



Net profit (BD'000)



Unit Sales ('00)



National Motor Company's net profit of BD 1.839 Million constitutes 30% of the Group's net profit.

With annual sales of five thousand vehicles, NMC is now firmly established as one of Bahrain's leading automotive distributors.

Within the After-sales operations: Parts, Service and Body shop divisions returned excellent results exceeding their planned objectives for the year by a considerable margin.

In 2006, we materially increased our Honda market share: going forward the new Honda Civic, the Accord and the recently introduced all-new 2007 CR-V will allow us to maintain strong sales momentum and help grow market share.

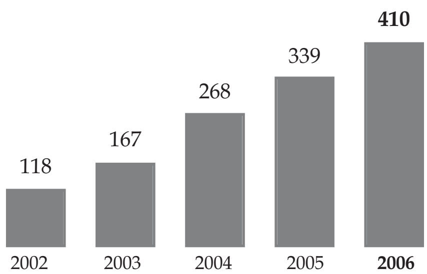
Sales of General Motors vehicles have grown substantially in recent years. The premium brands Cadillac and Hummer in particular made major strides with 44% growth in sales. The Chevrolet and GMC range of passenger cars and sports utility vehicles continue to enjoy very strong and growing customer acceptability in the market with the Chevrolet Trailblazer again proving the most popular vehicle. 2006 saw the introduction of the all-new 2007 model year Chevrolet Tahoe and Suburban along with the GMC Yukon and Yukon XL. Also new for the 2007 model year are the all-new Chevrolet Caprice, Lumina, Epica and Aveo: this wide product offering has contributed significantly to the brand's growing presence in the Bahrain market.

Within the After-sales operations: Parts, Service and Body shop divisions returned excellent results exceeding their planned objectives for the year by a healthy margin. The continued profitable development of the extremely important after-sales operations remains a key priority.

TAS'HEELAT INSURANCE SERVICES COMPANY

has had another successful year with a 21% increase in gross and a 9% increase in net commissions. Net income of this subsidiary was BD 410 thousand, a 22% growth on the prior year.

Insurance Net Profit ('000)



2007 OUTLOOK

In 2007, all businesses are expected to register growth in sales and income. In addition, realization of the existing land bank in the real estate business should see a return to profitability in TRESCO, albeit not to the extraordinary levels of 2005.

The premium brands Cadillac and Hummer in particular made major strides with 44% growth in sales.

The Company has been involved in various charitable activities and has been lending support to these fine social and governmental institutions.

Bahrain Commercial Facilities Company BSC believes that the Company's strategic objectives are not accomplished without all its stakeholders. Our stakeholders are not confined to our shareholders' customers and employees.

A comprehensive perspective is adopted in understanding the stakeholders of BCFC. Beside our shareholders and customers, Governmental institutions, charitable institutions and the Bahraini society at large are also key stakeholders.

We recognize our ethical and social responsibility towards the institutions of Bahrain society. Therefore, we seek to engage in philanthropic activities. In 2006, the Company has extended its list of donations to cover 22 governmental and charitable institutions.

جمعية الهلال الأحمر البحريني
BAHRAIN RED CRESCENT SOCIETY

جمعية الصداقة للمكفوفين
The Friendship Society for the blind

مركز البحرين للدراسات والبحوث
BAHRAIN CENTRE FOR STUDIES & RESEARCH

داريوكو لرعاية الوالدين
UCO PARENTS CARE CENTRE

جمعية البحرين لمكافحة السرطان
BAHRAIN CANCER SOCIETY

جامعة البحرين
UNIVERSITY OF BAHRAIN

دار رعاية الطفولة
Child Care Home

الجمعية البحرينية لمتلازمة داون
Bahrain Down Syndrome Society

معهد الأمل للأطفال المعوقين
HOPE INSTITUTE FOR HANDICAPPED CHILDREN

وزارة الصحة
Ministry of Health

قوة دفاع البحرين – الخدمات الطبية
مركز محمد بن خليفة بن سلمان الخليفة التخصصي للقلب
Bahrain Defence Force - Medical Services
Mohammed Bin Khalifa Bin Salman Al Khalifa Cardiac Centre

مركز المحرق للرعاية الإجتماعية
Muharraq Social Welfare Centre

صندوق الزكاة

مركز الرحمة

الجمعية البحرينية للتخلف العقلي

روضة أزهار الحراك
Azhar Al Herak Nursery

مركز تنمية السمع والنطق
Centre for Hearing & Speech Development

مركز الطفل للرعاية النهارية
Child Day Care Center

أسرة الأدباء والكتاب
Writers' Society

اللجنة العليا لمناصرة الشعب اللبناني
High Commission for Lebanese Solidarity

روضة براعم الحراك
Baram Al Herak Nursery

With a contribution of BD 420,000, the Bahrain Credit Media Center at the University of Bahrain is expected to provide an enriching learning environment.

The state-of-the-art Bahrain Credit Media Center will be officially opened to the students of Bahrain University in May 2007. The center is recognized as the largest and best equipped academic media center in the Gulf region.

THE COMPANY AND THE GROUP

Bahrain Commercial Facilities Company BSC is a Bahraini Public Shareholding Company. Initially the Company was registered on 29 August 1983 as a B.S.C. (closed). In April 1993, the Company was registered as a Public Shareholding Company following the public offering of its shares.

The Company wholly owns National Motor Company WLL, which was established in March 1988, Tas'heelat Insurance Services Company WLL, which was established in 1997, and Tas'heelat Real Estate Service Company SPC, which was established in May 2002.

CR Number
13444

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Board of Directors
Abdulrahman Yusif Fakhro - Chairman
Abdulrahman A.Mohamed - Vice Chairman
Khalid Mohammed Ali Mattar
Murad Ali Murad
Dr. Farid Al Mulla
Sh. Mohammed Bin Isa Al-Khalifa
Khalid Rashid Al-Zayani
Ali Abdulla Ahmadi
Jamal Mohamed Jassim Hijres
Abdulaziz Al Saie

Chief Executive Officer, Ian Levack
Credit and Marketing, Jassim Khalaf
Group Finance and Risk, Rajiv Mittal
Operations, Dr. Adel Hubail
General Manager (NMC) Geoff Thomas
General Manager (TRESCO) Ali Al-Daylami

Banks
BBK
National Bank of Bahrain
Standard Chartered Bank
Ahli United Bank
BNP Paribas
Arab Bank
Bank Muscat
Gulf International Bank
The Arab Investment Company
National Bank of Kuwait
Commercial Bank of Qatar
Emirates Bank International
The Housing Bank for Trade and Finance

Auditors KPMG

Financial Statements

Contents

Independent auditor's report to the shareholders

Report on the consolidated financial statements

We have audited the accompanying consolidated financial statements of Bahrain Commercial Facilities Company BSC ("the Company") and its subsidiaries (together the "Group"), which comprise the consolidated balance sheet as at 31 December 2006, and the consolidated income statement, the consolidated statement of changes in equity and the consolidated cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory notes.

Responsibility of the directors for the consolidated financial statements

The Directors of the Company are responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of consolidated financial statements that are free from material misstatements, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditors' responsibility

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

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

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

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at 31 December 2006, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards

Report on other legal and regulatory requirements

In addition, in our opinion, the Company has maintained proper accounting records and the consolidated financial statements are in agreement therewith. We have reviewed the accompanying report of the chairman and confirm that the information contained therein is consistent with the consolidated financial statements. We are not aware of any violations of the Bahrain Commercial Companies Law 2001, the Central Bank of Bahrain and Financial Institutions Law 2006, terms of the Company's license or it's memorandum and articles of association having occurred during the year ended 31 December 2006 that might have had a material effect on the business of the Company or on its financial position. Satisfactory explanations and information have been provided to us by the management in response to all our requests.

KPMG

13 February 2007

Manama, Kingdom of Bahrain

Consolidated Balance Sheet

as at 31 December 2006

BD thousands

	Note	2006	2005
Assets			
Cash and cash equivalents		**1,484**	347
Loans	3	**108,027**	96,186
Trade and other receivables		**4,756**	3,488
Inventories	5	**18,338**	14,687
Property and equipment	6	**10,789**	10,323
Investment property	11	**1,416**	-
Other assets		**69**	158
Total assets		**144,879**	125,189
LIABILITIES			
Bank overdrafts		**3,619**	4,730
Trade and other payables		**15,596**	11,764
Term loans	7	**69,131**	56,674
Bonds	8	**19,857**	16,920
Total liabilities		**108,203**	90,088
EQUITY			
Share capital	9	**11,000**	10,000
Treasury shares		**(171)**	(171)
Reserves		**25,847**	25,272
Total equity (page 27)		**36,676**	35,101
Total liabilities and equity		**144,879**	125,189

Abdulrahman Yusif Fakhro
Chairman

Abdulrahman A.Mohamed
Vice Chairman

Ian Levack
Chief Executive Officer

The Board of Directors approved the consolidated financial statements consisting of pages 25 to 41 on 13 February 2007

Consolidated Income Statement

for the year ended 31 December 2006

BD thousands

	Note	2006	2005
Interest income		**11,165**	9,662
Interest expense		**(4,638)**	(3,235)
NET INTEREST INCOME		**6,527**	6,427
Automotive sales		**45,492**	37,478
Cost of sales		**(40,763)**	(33,545)
GROSS PROFIT ON AUTOMOTIVE SALES		**4,729**	3,933
INSURANCE COMMISSION INCOME		**539**	494
GROSS PROFIT ON LAND ACTIVITIES	10	**59**	3,050
OPERATING INCOME OF THE GROUP		**11,854**	13,904
Salaries and related costs		**(2,025)**	(2,266)
General and administrative costs		**(1,535)**	(1,339)
Selling and promotion costs		**(737)**	(738)
Depreciation		**(899)**	(779)
Provision for bad and doubtful loans	3	**(729)**	(843)
Recoveries of loans previously written off		**342**	286
Other financing costs, net	12	**(185)**	(123)
		(5,768)	(5,802)
NET PROFIT FOR THE YEAR		**6,086**	8,102
Earnings per 100 fils share	20	**56 fils**	74 fils
Proposed cash dividend per 100 fils share		**40 fils**	40 fils

Abdulrahman Yusif Fakhro
Chairman

Abdulrahman A.Mohamed
Vice Chairman

Ian Levack
Chief Executive Officer

The consolidated financial statements consist of pages 25 to 41.

BD thousands

	Notes	Share capital	Treasury shares	Statutory reserve	Cash flow hedge revaluation reserve	Donations reserve	General reserve	Retained earnings	Total
2006									
At 1 January 2006 (restated)		10,000	(171)	9,282	143	561	5,000	10,286	35,101
Net change in fair value		-	-	-	(82)	-	-	-	(82)
Total recognised income and expense directly in equity		**-**	**-**	**-**	**(82)**	**-**	**-**	**-**	**(82)**
Net income for the year		-	-	-	-	-	-	6,086	6,086
Total recognised income and expense for the year		**-**	**-**	**-**	**(82)**	**-**	**-**	**6,086**	**6,004**
Bonus shares issued	9	1,000	-	-	-	-	-	(1,000)	-
Directors' fees for 2005		-	-	-	-	-	-	(180)	(180)
Dividend for 2005		-	-	-	-	-	-	(3,954)	(3,954)
Donations paid		-	-	-	-	(295)	-	-	(295)
Transferred to donation reserve (2005)		-	-	-	-	280	-	(280)	-
Transferred to general reserve (2005)		-	-	-	-	-	2,000	(2,000)	-
At 31 December 2006		**11,000**	**(171)**	**9,282**	**61**	**546**	**7,000**	**8,958**	**36,676**
2005									
At 1 January 2005		10,000	(171)	8,300	(594)	430	4,000	8,728	30,693
Refund of interest on staff loans relating to period prior to 31 December 2004	3	-	-	-	-	-	-	(188)	(188)
At 1 January 2005 (restated)		10,000	(171)	8,300	(594)	430	4,000	8,540	30,505
Net change in fair value		-	-	-	737	-	-	-	737
Total recognised income and expense directly in equity		-	-	-	737	-	-	-	737
Net income for the year		-	-	-	-	-	-	8,102	8,102
Total recognised income and expense for the year		-	-	-	737	-	-	8,102	8,839
Directors' fees for 2004		-	-	-	-	-	-	(140)	(140)
Dividend for 2004		-	-	-	-	-	-	(3,954)	(3,954)
Donations paid		-	-	-	-	(149)	-	-	(149)
Transferred to donation reserve (2004)		-	-	-	-	280	-	(280)	-
Transferred to general reserve (2004)		-	-	-	-	-	1,000	(1,000)	-
Transferred to statutory reserve (2004)		-	-	982	-	-	-	(982)	-
At 31 December 2005		**10,000**	**(171)**	**9,282**	**143**	**561**	**5,000**	**10,286**	**35,101**

The consolidated financial statements consist of pages 25 to 41.

consolidated cash flows

for the year ended 31 December 2006

BD thousands

	Note	2006	2005
Operating activities			
Loan repayments, interest and commission receipts		**60,816**	57,652
Automotive sales receipts		**44,186**	36,545
Net receipts from sale of land under inventories	10	**-**	3,050
Cash expended on operations			
Loans disbursed		**(60,994)**	(53,144)
Payments to automotive suppliers		**(40,762)**	(29,628)
Purchase of investment property	11	**(1,416)**	-
Payments of staff salaries and related costs		**(2,025)**	(2,266)
Payments of other operating expenses		**(1,560)**	(1,729)
Interest on staff loans refunded	3	**(188)**	-
Interest paid		**(4,976)**	(3,499)
CASH FLOWS FROM OPERATIONS		**(6,919)**	6,981
Investing activities			
Capital expenditure on property and equipment	6	**(2,871)**	(2,556)
Proceeds from sale of property and equipment	6	**1,073**	174
CASH FLOWS FROM INVESTING ACTIVITIES		**(1,798)**	(2,382)
Financing activities			
Term loans received, net	7	**12,457**	(3,714)
Bonds issued, net	8	**2,937**	1,938
Dividends paid		**(3,954)**	(3,954)
Directors' fees paid		**(180)**	(140)
Donations paid		**(295)**	(149)
CASH FLOWS FROM FINANCING ACTIVITIES		**10,965**	(6,019)
TOTAL CASH FLOWS IN THE YEAR		**2,248**	(1,420)
Cash and cash equivalents at beginning of the year		**(4,383)**	(2,963)
Cash and cash equivalents at 31 December		**(2,135)**	(4,383)
Cash and cash equivalents comprise:			
Cash and balances with banks		**1,484**	347
Bank overdrafts		**(3,619)**	(4,730)
		(2,135)	(4,383)

The consolidated financial statements consist of pages 25 to 41.

1. Incorporation and activities

Bahrain Commercial Facilities Company BSC ("the Company") is a public shareholding company incorporated and registered in Bahrain. It provides short-term, medium-term and long-term loans. Effective 26th June 2005, the Company became licensed and regulated by the Central Bank of Bahrain (CBB) (formerly Bahrain Monetary Agency) to operate as a financial institution. Prior to this, the Company was licensed and regulated by the Ministry of Commerce and was supervised by the CBB. The following are the wholly owned subsidiaries of the Company which are incorporated in Bahrain:

National Motor Company WLL which trades in motor vehicles and spare parts and provides after-sales services. It is the agent for General Motors and Honda in Bahrain.

Tasheelat Insurance Services Company WLL provides insurance agency services.

Tasheelat Real Estate Services Company SPC provides real estate related services.

The consolidated financial statements of the Company and its subsidiaries (the "Group") were authorised for issue by the directors on 13 February 2007.

2. Significant accounting policies

a) Statement of compliance

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards and in conformity with Bahrain Commercial Companies Law 2001 and the Central Bank of Bahrain and Financial Institutions Law 2006.

The following is a summary of significant accounting policies used in preparing these consolidated financial statements:

b) Basis of preparation

The consolidated financial statements are prepared on the historical cost basis, except for derivative financial instruments which are carried at fair value.

The accounting policies have been consistently applied by the Group and are consistent with those used in the previous year.

c) Basis of consolidation

These consolidated financial statements include the financial statements of the Company and its subsidiaries, National Motor Company WLL, Tasheelat Insurance Services Company WLL and Tasheelat Real Estate Services Company SPC.

Subsidiaries are those enterprises controlled by the Group. Control exists when the Group has the power, directly or indirectly, to govern the financial and operating policies of an enterprise so as to obtain benefits from its activities.

Intra-group balances and transactions, and any unrealised gains and losses arising from intra-group transactions, are eliminated in preparing the consolidated financial statements.

d) Interest income

Interest income is recognised as it accrues, taking into account the effective yield of the original settlement amount. In compliance with circulars issued by Central Bank of Bahrain, interest income is placed on a non-accrual status when the principal or interest' are 90 days or more past due. Interest on non-accrual facilities is included in income only when received. The suspension of interest income relating to such past due loans is not significant to the Group's net income.

2. Significant accounting policies (continued)

e) Income from sales and commission

Income from sales of land, motor vehicles and spare parts is recognised when an invoice is raised and the customer becomes entitled to take possession of the goods. Revenue from warranty claims is recognised when these are approved by the principals and services have been rendered to the customers under warranty obligations. Insurance commission income is recognised when the insurance cover note is prepared and the customer becomes entitled to the insurance policy.

f) Loans and impairment allowance for losses

Classification

Loans are created by the Group by providing money directly to the borrowers and are initially recognised at cost and subsequently stated at amortised cost, less provision for impairment.

Recognition

Loans are recognised when cash is advanced to the borrower.

Impairment

All loan balances are reviewed at each balance sheet date to determine whether there is objective evidence of impairment. If any such indication exists, the recoverable amount of the loan balance is estimated.

The recoverable amount of loans is calculated as the present value of the expected future cash flows, discounted at the effective interest rate of the loan.

The Group measures impairment allowances on portfolios of homogenous loans with similar risk profiles such as consumer mortgages, personal and vehicle loans. The estimated cash flows for portfolios of similar assets are estimated based on portfolio indicators such as previous credit loss experience, trends in credit quality and late payments of interest or penalties.

Increases and decreases in the loan impairment allowances for losses are recognised in the income statement.

When there is no longer a realistic prospect of recovery the loan is written off.

g) Trade and other receivables

Trade receivables are recognised initially at fair value and subsequently measured at amortised cost, less provision for impairment. Specific impairment allowance for losses is made based on a review of individual balances.

h) Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined on a weighted average basis for spare parts and on a specific identification basis for motor vehicles. Cost includes purchase price, freight, customs duty and other incidental expenditure incurred in acquiring the inventories and bringing them to their existing location and condition.

Land held for resale is carried at the lower of cost and net realisable value determined annually by professional external valuers.

2. Significant accounting policies (continued)

i) Property and equipment

Items of property and equipment are stated at cost less accumulated depreciation and impairment losses, if any. The assets' residual values and useful lives are reviewed and adjusted, if appropriate, at each balance sheet date. An asset's carrying amount is written down immediately to its residual amount if the carrying amount of the asset is greater than its estimated recoverable amount.

j) Depreciation

Depreciation is charged to the income statement on a straight-line basis over the estimated useful lives of items of property and equipment. No depreciation is charged on freehold land. The estimated useful lives are as follows:

Buildings	15 to 20 years from occupation
Furniture, fixtures and equipment	3 to 6 years
Vehicles	4 years

k) Borrowing costs

Interest incurred on bank borrowings related to construction of property and equipment is capitalised until these assets are ready for intended use.

l) Investment properties

Investment properties are stated at cost less accumulated depreciation and impairment losses, if any. No depreciation is charged on freehold land.

m) Foreign currency transactions

i) Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates ('the functional currency'). The consolidated financial statements are presented in Bahraini Dinars, which is the Group's functional and presentation currency.

ii) Transactions in foreign currencies are translated to Bahraini dinars, which is the Group's measurement currency, at the foreign exchange rates ruling at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are translated into Bahraini dinars at the foreign exchange rate ruling at that date. The Group's foreign operations are considered as an integral part of the Group's operations and, accordingly, all foreign exchange differences arising on conversion and translation are recognised in the income statement.

n) Dividends and directors' fees

Dividends and directors' fees payable are recognised as a liability in the period in which they are declared.

o) Statutory reserve and share premium

In accordance with the parent company's Articles of Association and in compliance with the Bahrain Commercial Companies Law 2001, a minimum of 10% of the net profit is appropriated to a statutory reserve, until it reaches 50% of the paid-up share capital (excluding share premium). This reserve is not normally distributable except in certain circumstances.

In accordance with the Bahrain Commercial Companies Law 2001 the share premium of BD 4,282,000 collected as part of the public flotation in 1993, has been merged with the statutory reserve.

2. Significant accounting policies (continued)

p) General reserve

In accordance with the parent company's Articles of Association and the recommendations of the Board of Directors, specific amounts are transferred to the general reserve.

q) Treasury shares

Where the Company purchases its own equity share capital, the consideration paid, including any attributable transaction costs, are deducted from total equity and recorded as treasury shares until they are cancelled. Where such shares are subsequently sold or reissued, any gain or loss is included in equity.

r) Income tax liability

Companies are not liable to income tax in Bahrain.

s) Derivative financial instruments and hedging

The Group uses interest rate caps, swaps and foreign currency option contracts to hedge its exposures to the variability of future cash flows.

Derivative financial instruments are initially recognised at fair value on the date on which a derivative contract is entered into and subsequently remeasured at their fair values. Changes in the fair values of derivative financial instruments that are designated, and qualify, as cash flow hedges are recognised in a separate component of equity. Unrealised gains or losses recognised in equity are transferred to the income statement at the same time that the income or expense of the corresponding hedged item is recognised in the income statement. Unrealised gains or losses on any ineffective portion of cash flow hedging transactions are recognised in the income statement.

The Group does not trade in financial derivatives. Where a derivative financial instrument is used to economically hedge the foreign exchange exposure of a recognised monetary asset or liability, no hedge accounting is applied and any gain or loss on the hedging instrument is recognised in the income statement.

t) Impairment

The carrying amounts of the Group's assets are reviewed at each balance sheet date to determine whether there is any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated and an impairment loss is recognised whenever the carrying amount exceeds the recoverable amount. Impairment losses are recognised in the income statement.

u) Retirement benefits cost

Pensions and other social benefits for Bahraini employees are covered by the General Organization for Social Insurance scheme to which employees and the Group contribute monthly on a fixed-percentage-of salaries basis. The Group's contribution to this scheme, which represents a defined contribution scheme under International Accounting Standard 19 – Employee Benefits, is expensed as incurred.

Expatriate employees on limited-term contracts are entitled to leaving indemnities payable under the Bahrain Labour Law for the Private Sector 1976, based on length of service and final remuneration. Provision for this unfunded commitment which represents a defined benefit plan under International Accounting Standard 19 – Employee Benefits, has been made by calculating the notional liability had all such employees left at the balance sheet date.

v) Term loans and bonds

Interest bearing loans and bonds are recognised initially at cost, net of any transaction costs incurred.

2. Significant accounting policies (continued)

w) Cash and cash equivalents

Cash and cash equivalents comprise cash and bank balances. For the purpose of the consolidated statement of cash flows, cash and cash equivalents are presented net of bank overdrafts.

x) Use of estimates and management judgement

The preparation of financial statements requires management to make estimates and assumptions that affect the reported amount of financial assets and liabilities at the date of financial statements and the reported charge to or movements in the provisions for impairment of financial assets for the year.

The use of considerable judgement and estimates is principally required in the estimation of the amount and timing of future cash flows when determining the level of provisions required for individually significant non-performing loans, estimating incurred losses inherent within the loans portfolio and impairment losses for trade receivables and inventories.

3 Loans

	2006	2005
At 31 December	**108,027**	96,186

The effective interest rates (APR) on loans ranges between 9.75% to 11.9% p.a. (2005: 9.5% to 11.7% p.a.) Loans includes staff loans amounting to BD 134 (2005: BD 335) which are interest free. In compliance with Bahrain Labour Law, starting January 2006 the Group ceased to charge interest on staff loans. Interest amounting to BD 188 that was recognised in all previous years was refunded to staff and has been taken to prior period adjustment in retained earnings.

Impairment allowances

	2006	2005
At 1 January	**2,953**	2,748
Net charge to income statement	**729**	843
Loans written-off	**(774)**	(638)
At 31 December	**2,908**	2,953

4 Non-performing loans

	2006	2005
	3,786	3,046

Non-performing loans are defined as those loans on which payments of interest or principal are 90 days or more past due. In compliance with Central Bank of Bahrain requirements, interest on non performing loans is placed on a non-accrual status and interest on such loans is reversed from income and is accounted on a cash received basis. This policy had no material impact on the net income of the Group for the year.

5 Inventories

Automotive stock	2006	2005
Vehicles, net of provisions	**15,501**	11,822
Spare parts, net of provisions	**2,058**	2,086
	17,559	13,908
Land held for resale	**779**	779
At 31 December	**18,338**	14,687

The real estate operations of the Group are handled by Tas'heelat Real Estate Services Company SPC which classifies land held for resale as inventories.

6 Property and equipment

	Land and buildings	Furniture fixtures & equipment	Vehicles	**2006 Total**	2005 Total
Cost					
At 1 January	8,812	1,872	3,083	**13,767**	11,848
Additions	1,087	199	1,585	**2,871**	2,556
Disposals and retirements	-	(27)	(1,575)	**(1,602)**	(637)
At 31 December	9,899	2,044	3,093	**15,036**	13,767
Depreciation					
1 January	1,707	1,132	604	**3,443**	2,834
Charge for the year	343	335	655	**1,333**	779
Disposals and retirements	-	(25)	(504)	**(529)**	(169)
At 31 December	2,050	1,442	755	**4,247**	3,444
Net book value					
At 31 December 2006	**7,849**	**602**	**2,338**	**10,789**	**-**
At 31 December 2005	7,105	740	2,478	**-**	10,323

The cost of fully depreciated assets still in use at 31 December 2006 was BD 1,189 (2005: BD 1,130).
The Group's capital commitments outstanding as at 31 December 2006 was Nil (2005: BD Nil).

7 Term loans

	2006	2005
Repayable within one year	**22,666**	26,665
Repayable after one year	**46,465**	30,009
	69,131	56,674

Term loans have floating interest rates, which are subject to repricing on a quarterly or half-yearly basis. The effective interest rate on term loans inclusive of the effect of the interest rate swaps (Note 13) was 5.89% p.a. (2005: 4.95% p.a.).

8 Bonds

	2006	2005
	19,857	16,920

On 15 June 2005, the Company issued 100,000 bonds with a face value of BD 100 each. The principal terms of the bonds issued are as follows:

Period:	Five years
Interest rate:	0.85% over BIBOR for 6 months deposit in Bahrain dinars, subject to a minimum of 2.5% p.a. Interest is payable six monthly in arrears from the date of issue.
Security:	Unsecured
Redemption:	15 June 2010

8 Bonds (continued)

On 19 June 2006, the Company issued 100,000 bonds with a face value of BD 100 each. The principal terms of the bonds issued are as follows:

Period:	Five years
Interest rate:	0.95% over BIBOR for 6 months deposit in Bahrain dinars, subject to a minimum of 3.0% p.a. Interest is payable six monthly in arrears from the date of issue.
Security:	Unsecured
Redemption:	19 June 2011

9 Share capital

	2006	2005
Authorised share capital		
500,000,000 (2005: 500,000,000) shares of 100 fils each	**50,000**	50,000
Issued and fully paid		
At 1 January : 100,000,000 (2005: 100,000,000) shares of 100 fils each	10,000	10,000
Bonus issue during the year 10,000,000 shares	1,000	-
At 31 December : 110,000,000 (2005: 100,000,000) shares of 100 fils each	**11,000**	10,000
Treasury shares 1,268,300 shares (2005: 1,153,000 shares)	**171**	171

During the year, the Company increased the issued and fully paid share capital by 10,000,000 ordinary shares of 100 fils each by an issue of 1 bonus shares for every 10 shares held. These shares rank pari passu with all other issued shares for future dividends and distributions. This bonus shares issue was made from a transfer from retained earnings.

The Bahrain Commercial Companies Law 2001 permits the holding of up to 10% of issued shares as treasury shares.

Additional information on shareholding pattern

i. Names and nationalities of the major shareholders and the number of equity shares held in which they have an interest of 5% or more of issued and fully paid shares.

	Nationality	**No. of shares**	**% holding**
BBK	Bahrain	22,055,000	20.05%
Pension Fund Commission	Bahrain	16,120,575	14.66%
General Organisation for Social Insurance	Bahrain	13,555,672	12.32%
National Bank of Bahrain	Bahrain	11,431,194	10.39%

ii. The Company has only one class of equity shares and the holders of these shares have equal voting rights.

9 Share capital (continued)

iii. Distribution schedule of equity shares, setting out the number of holders and percentage in the following categories:

Categories*	Number of Shares	Number of shareholders	% of total issued shares
Less than 1%	29,721,835	1,309	27.02%
1% up to less than 5%	17,115,724	8	15.56%
5% up to less than 10%	-	-	-
10% up to less than 20%	41,107,441	3	37.37%
20% up to less than 50%	22,055,000	1	20.05%
Total	**110,000,000**	**1,321**	**100.00%**

* Expressed as a percentage of total issued and fully paid shares of the Company

10 Gross profit on land activities

	2006	2005
Sales of land	-	9,726
Cost of sales	-	(6,710)
Gross profit on sales of land	-	3,016
Brokerage and valuation fees	59	34
	59	3,050

11 Investment property

During the year the Group acquired land for BD1,416 which has been classified as investment property and booked at cost. The fair value of the land as at 31 December 2006 approximates the carrying value.

12 Other financing costs

	2006	2005
Other finance charges	**(349)**	(265)
Foreign exchange gains	**153**	141
Interest income	**11**	1
	(185)	(123)

13 Financial instruments and risk management

Financial instruments

The financial instruments of the Group consist primarily of loans and receivables (balances with banks, loans, trade and other receivables), derivative financial instruments, bank overdrafts, trade and other payables, bonds issued and term loans.

Foreign currency risk

The Group incurs foreign currency risk on purchases and borrowings that are denominated in Japanese Yen.

The Group uses foreign exchange options to hedge its foreign exchange risk on its short-term liabilities denominated in Japanese Yen. The notional amount of the option as at 31 December 2006 was BD2,390 (2005: BD 919).

13 Financial instruments and risk management (continued)

Interest rate risk

Interest rate risk is the risk that the Group's earnings will be affected as a result of movements in interest rates. The Group's interest rate exposures arise from its interest earning assets and interest-bearing liabilities i.e. balances with banks, loans, bank overdrafts, bonds and term loans. The distribution of financial instruments between interest rate categories is summarized below:

	Fixed Rate		Floating Rate		Non-interest Earning		Total	
At 31 December	**2006**	2005	**2006**	2005	**2006**	2005	**2006**	2005
ASSETS								
Cash and bank	**-**	-	**-**	-	**1,484**	347	**1,484**	347
Loans	**50,445**	61,323	**57,448**	34,716	**134**	147	**108,027**	96,186
Trade and other receivables	**-**	-	**-**	-	**4,756**	3,488	**4,756**	3,488
	50,445	61,323	**57,448**	34,716	**6,374**	3,982	**114,267**	100,021
LIABILITIES								
Bank overdrafts	**-**	-	**3,619**	4,730	**-**	-	**3,619**	4,730
Trade and other payables	**-**	-	**-**	-	**15,596**	11,764	**15,596**	11,764
Term loans	**-**	-	**69,131**	56,674	**-**	-	**69,131**	56,674
Bonds	**-**	-	**19,857**	16,920	**-**	-	**19,857**	16,920
	-	-	**92,607**	78,324	**15,596**	11,764	**108,203**	90,088

The Group's instalment loans receivables are predominantly of a fixed rate nature (the Group has, however, reserved the right under the terms of the agreement with customers to vary the rate at its discretion after giving the customer one month's notice) while its bank borrowings and bonds payable are of a floating rate nature. To hedge this risk, the group uses interest rate swaps and caps to reduce exposure to fluctuations of interest rates. The group does not enter into derivative financial instruments other than for economic hedging purposes.

Interest rate swaps are used to hedge cash flow exposures primarily on floating rate term loans by changing interest paid to fixed rates. At 31 December 2006 interest rate risk attributable to the term loans of USD 30 million (BD: 11.31 million) (2005: USD 70 million, BD 26.5 million) has been hedged. The fair value changes of the interest rate swaps are recognised in equity (page 27).

Credit risk

Credit risk is the risk that counterparty to a transaction will fail to discharge an obligation and cause the Group to incur a financial loss. The Group is exposed to credit risk primarily on the loans receivable.

All loans are with local individuals and locally incorporated entities. The credit risk on these loans is actively managed and rigorously monitored in accordance with well-defined credit policies and procedures. The creditworthiness of each borrower is evaluated prior to sanctioning of facilities. Credit review procedures are in place for corporate customers to identify at an early stage, exposures which require more detailed monitoring and review. Appropriate procedures for follow-up and recovery (including recourse to legal action) are in place to monitor the credit risk on loans.
The Group also has adequate security cover on its vehicle loans, mortgage loans and hire purchase loans.

The Group is not exposed to any significant concentration of credit risk arising from exposures to a single debtor or to Groups of debtors having similar characteristics such that their ability to meet their obligations is expected to be affected similarly by changes in economic or other conditions.

13 Financial instruments and risk management (continued)

The maximum credit risk exposure of the loans receivable is the carrying value amount net of the deferred income and net of impairment allowance.

14 Fair values

The Group's consolidated financial statements are compiled under the historical cost method except for derivative financial instruments, which are carried at fair value. Fair values represent the amount at which an asset could be exchanged, or a liability settled, in a transaction between knowledgeable, willing parties in an arm's length transaction.

Underlying the definition of fair value is a presumption that an enterprise is a going concern without any intention or need to liquidate, curtail materially the scale of its operations or undertake a transaction on adverse terms.

The Company's loans are within the normal range of market rates prevailing at the balance sheet date and therefore, their fair values are considered to approximate their carrying values. The fair value of the derivatives, which are not exchange traded, is estimated at the amount the Group would receive or pay to terminate the contract at the balance sheet date taking into account current market conditions and the current credit worthiness of the counterparties. The fair values of all other financial instruments approximated their respective book values due to their short-term nature or because they are at floating rates of interest.

15 Distribution of assets and liabilities

The geographic distribution of predominantly all assets and liabilities of the Group is in Bahrain. The assets and liabilities of the Group are not concentrated in any particular industry sector.

16 Maturity profile of financial assets and liabilities

	Within 1 Year		1 year to 5 years		Over 5 years		Total	
At 31 December	**2006**	2005	**2006**	2005	**2006**	2005	**2006**	2005
ASSETS								
Cash and bank	**1,484**	347	**-**	-	**-**	-	**1,484**	347
Loans	**43,376**	38,685	**59,988**	50,609	**4,663**	6,892	**108,027**	96,186
Trade and other receivables	**4,756**	3,488	**-**	-	**-**	-	**4,756**	3,488
	49,616	42,520	**59,988**	50,609	**4,663**	6,892	**114,267**	100,021
LIABILITIES								
Bank overdrafts	**3,619**	4,730	**-**	-	**-**	-	**3,619**	4,730
Trade and other payable	**15,596**	11,764	**-**	-	**-**	-	**15,596**	11,764
Term loans	**22,666**	26,665	**46,465**	30,009	**-**	-	**69,131**	56,674
Bonds	**-**	6,960	**19,857**	9,960	**-**	-	**19,857**	16,920
	41,881	50,119	**66,322**	39,969	**-**	-	**108,203**	90,088

The maturity profile is based on contractual repayment arrangements, which do not take account of the Group's practice of "rolling over" the term loans at maturity, depending on the available liquidity.

17 Segmental information

	Parent Company		National Motors		Tasheelat Real Estate		Tasheelat Insurance		Total	
At 31 December	**2006**	2005	**2006**	2005	**2006**	2005	**2006**	2005	**2006**	2005
Operating income	**6,527**	6427	**4,729**	3,933	**59**	3,050	**539**	494	**11,854**	13,904
Operating costs	**(2,571)**	(2,907)	**(2,890)**	(2,393)	**(178)**	(347)	**(129)**	(155)	**(5,768)**	(5,802)
Net profit for the year	**3,956**	3,520	**1,839**	1,540	**(119)**	2,703	**410**	339	**6,086**	8,102
Assets (Liabilities)										
Cash and bank	**46**	-	**1,394**	259	**13**	7	**31**	81	**1,484**	347
Loans	**108,027**	96,186	**-**	-	**-**	-	**-**	-	**108,027**	96,186
Trade and other receivables	**-**	-	4,756	3,488	**-**	-	**-**	-	**4,756**	3,488
Inter company balances	**(6,247)**	(6,603)	**599**	1,290	**4,123**	4,248	**1,525**	1,065	**-**	-
Inventories	**-**	-	**17,559**	13,908	**779**	779	**-**	-	**18,338**	14,687
Investment properties	**1,416**	-	**-**	-	**-**	-	**-**	-	**1,416**	-
Property & equipment	**1,428**	457	**9,361**	9,866	**-**	-	**-**	-	**10,789**	10,323
Other assets	**69**	158	**-**	-	**-**	-	**-**	-	**69**	158
Bank overdrafts	**(356)**	(973)	**(3,263)**	(3,757)	**-**	-	**-**	-	**(3,619)**	(4,730)
Trade and other payables	**(4,861)**	(3,775)	**(10,735)**	(7,989)	**-**	-	**-**	-	**(15,596)**	(11,764)
Term loans	**(61,513)**	(49,833)	**(7,618)**	(6,841)	**-**	-	**-**	-	**(69,131)**	(56,674)
Bonds	**(19,857)**	(16,920)	**-**	-	**-**	-	**-**	-	**(19,857)**	(16,920)
Equity	**(18,152)**	(18,697)	**(12,053)**	(10,224)	**(4,915)**	(5,034)	**(1,556)**	(1,146)	**(36,676)**	(35,101)
Capital expenditure	**1,075**	35	**1,796**	2,521	**-**	-	**-**	-	**2,871**	2,556
Depreciation charge	**92**	90	**1,241**	689	**-**	-	**-**	-	**1,333**	779

18 Transactions with related and associated parties

Trading transactions, where the customer or supplier is controlled or significantly influenced by a director of the Company, are conducted on an arms-length basis on normal commercial term. The Company is an associate of BBK, which owns 20.05% of its share capital. The balances due to the BBK at 31 December 2006 are BD 3,091 (2005: BD 4,194) for term loans and BD 356 (2005: BD 586) for overdrafts. The interest expense paid to BBK during the year by the Group amounts to BD 256 (2005: BD 220).

The balances due to the National Bank of Bahrain at 31 December 2006 are BD 5,048 (2005: BD 6,100) for term loans and BD 24 (2005: BD 763) for overdrafts. The interest expense paid to National Bank of Bahrain during the year by the Group amounts to BD 348 (2005: BD 312).

18 Transactions with related and associated parties (continued)

Transactions with key management personnel

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the Group. The key management personnel comprise members of the Board of Directors, the Chief Executive, the Group Head of Finance and the General Managers and their short term compensation is BD 655 (2005: 788) and their termination benefit is BD 27 (2005: BD 20).

Loans include BD 47 (2005: BD 35) due from directors. In accordance with the requirement of the Bahrain Commercial Companies Law 2001, details of amount paid to directors during 2006 are Directors' fees BD 180 (2005: BD 140) and executive committee attendance fees BD 65 (2005: BD 71).

19 Retirement benefits cost

The Group's contributions in respect of Bahraini employees for the year amounted to BD 120 (2005: BD 107).

The Group's provision for expatriate employees' leaving indemnities at 31 December 2006 was BD 479 (2005: BD 401). The Group employed 511staff at 31 December 2006 (2005:447).

20 Earnings per share

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

	2006	2005
Net profit attributable to shareholders	**6,086**	8,102
Qualifying ordinary shares in issue attributable to ordinary shareholders (excluding treasury shares) at 1 January	98,847,000	98,847,000
Effect of bonus shares issued during 2006	9,884,700	9,884,700
Number of shares at 31 December (2005: adjusted for bonus shares issued in 2006)	**108,731,700**	108,731,700
Basic earnings per share	**56 fils**	74 fils

Diluted earnings per share have not been presented as the Company has no instruments convertible into ordinary shares that would dilute earnings per share.

21 Contingent liabilities and commitments

The parent company has provided guarantees of BD 32,507 (2005: BD 31,557) to various banks for banking facilities or other financial accommodation to its subsidiary, National Motor Company WLL, which includes letters of credit outstanding at 31 December 2006 amounting to BD 9,733 (2005: BD 7,960).

22. New international financial reporting standards and interpretations not yet adopted

During the year following new/amended IFRS's and interpretations have been issued which will be applicable with effect from January 2007:

- IFRS 7 Financial instruments: Disclosures
- IAS 1 Presentation of Financial Statements (amended)
- IFRIC 9 Reassessment of Embedded Derivatives
- IFRIC 10 Interim Financial Reporting and Impairment

The adoption of these standards and interpretations are not expected to have any material impact on the consolidated balance sheet and income statement.

23 Proposed appropriations

The Board of Directors has proposed the following appropriations for 2006. These appropriations are subject to approval by the shareholders at the Annual General Meeting.

	2006	2005
Proposed dividends	**4,349**	3,954
Directors' fees	**180**	180
Donations	**280**	280
General reserve	**500**	2,000
Statutory reserve	**500**	-
	5,809	6,414

24 Comparative figures

Comparative figures have been reclassified to conform with the current year's presentation. Such reclassification has not affected the reported net profit, net assets or equity.