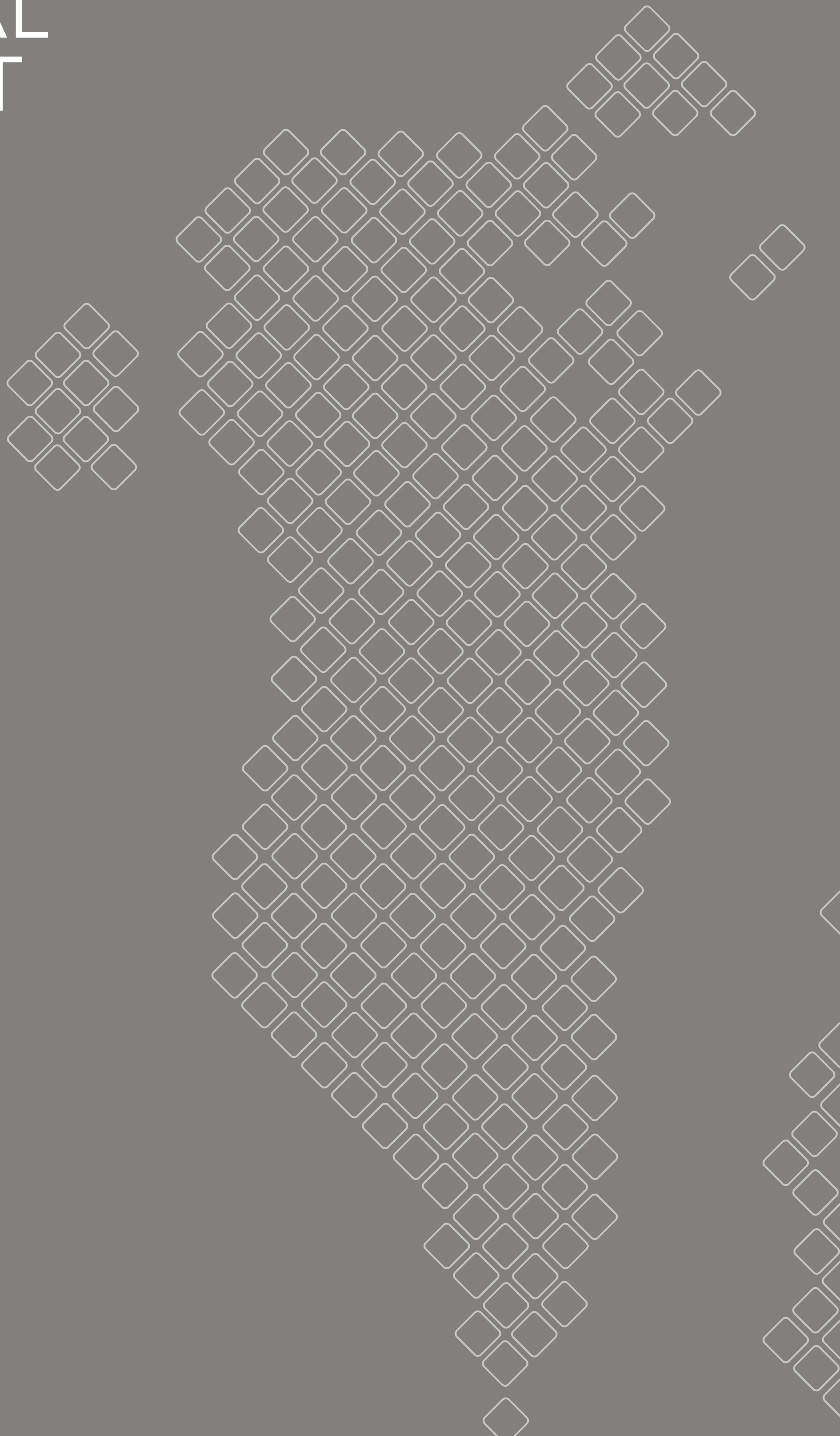
ANNUAL REPORT 2008



BAHRAIN COMMERCIAL FACILITIES COMPANY BSC

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 authorised 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 CBB to operate as a financial institution. Prior to this, the Company was licensed and regulated by the Ministry of Industry & Commerce and was supervised by the CBB.

Consumer Finance
Bahrain Credit is the leading provider of short, medium and long term consumer finance for residents of the Kingdom of Bahrain, including vehicle finance, personal finance and mortgage finance.

Automotive
National Motor Company WLL (NMC) is one of the leading companies in Bahrain for the sale and service of vehicles. The Company has the exclusive national franchise for Honda and General Motors (Chevrolet, GMC, Cadillac and Hummer).

Real Estate
Tas'heelat Real Estate Services Company SPC (TRESCO) was established in 2002, and is actively involved in the valuation and brokerage services of land and properties within the Kingdom of Bahrain.

Insurance
Tas'heelat Insurance Services Company WLL (TISCO) was established in 1997 to arrange a wide range of insurance products and services that include motor, home, life and travel insurance.

CONTENTS

His Highness Shaikh Khalifa Bin Salman Al Khalifa

The Prime Minister of the Kingdom of Bahrain

His Majesty King Hamad Bin Isa Al Khalifa

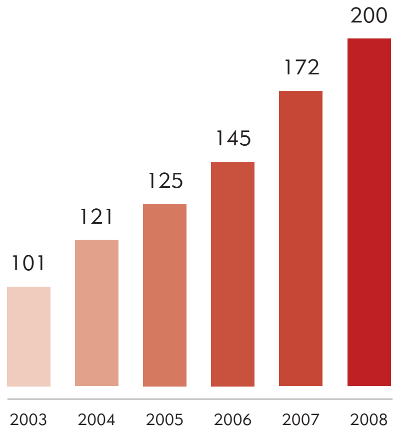
The King of the Kingdom of Bahrain

His Highness Shaikh Salman Bin Hamad Al Khalifa

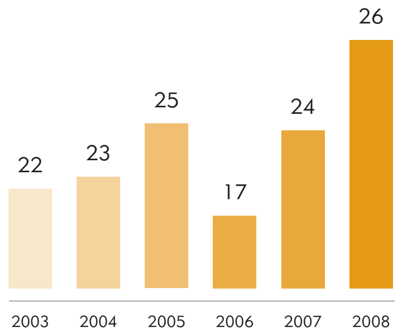
The Crown Prince and Deputy Supreme Commander of the Kingdom of Bahrain

Highlights of the 25th year of the company's operations

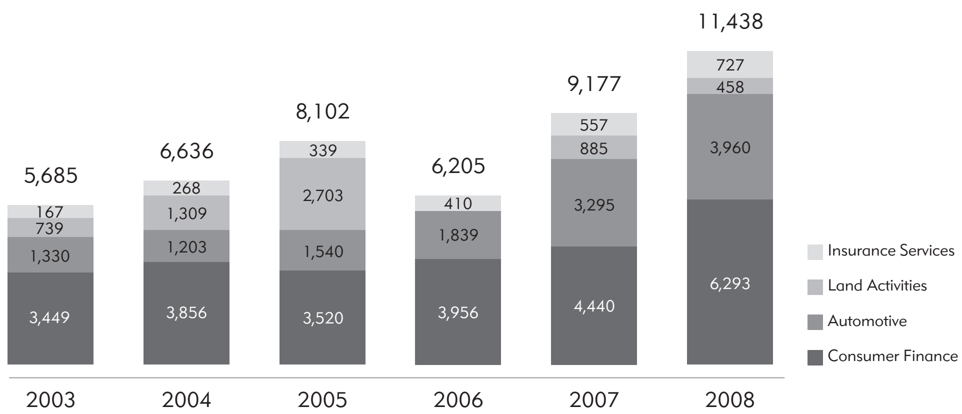
- Rights issue proceeds received in November, increasing shareholder's funds by BD 25 million.
- Group net profit of BD 11.4 million is 24% ahead of last year. Strong performances were recorded by all businesses in a very difficult business environment.
- **Credit:** New lending of BD 95 million was 18% higher than the previous year. Portfolio quality has further improved.
- **Automotive:** National Motor Company with annual sales in excess of 7,000 vehicles held its No. 2 position amongst the Kingdom's automotive distributors. Honda and General Motors continue to provide strong support.
- **Real Estate:** The market is in a downturn and the company, having disposed of its land holdings in the last few years, remains focused on valuation services.
- **Insurance:** Tas'heelat Insurance Services Company had another successful year placing over thirteen thousand policies and delivering a 31% increase in net profits.



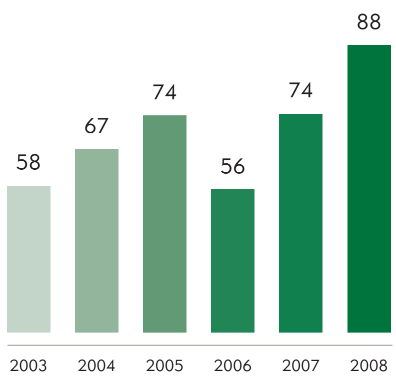
Total Assets (BD million)



Return on Average Equity (%)

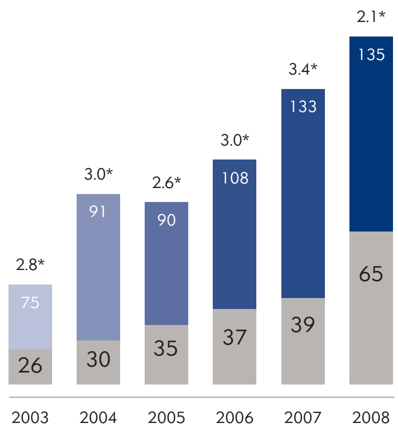


BCFC Net Profit (BD'000)



Earning Per Share (fils)*

* Computed on increased capital base.



*Leverage

Total liabilities Equity

(BD million)

Abdulrahman Yusuf Fakhro
Chairman

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 2008. 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 exceptional results in 2008 in the most depressed global economic conditions witnessed in decades. Total group net profit of BD 11.4 million is 24% ahead of the previous year. Your Board recommends a cash dividend to shareholders at the rate of 35 fils per share (35%) (2007: 40 fils per share). As you know, the shareholders in the 25th anniversary of the company's inception decided to increase the capital of the company and because the new shares issued will also be eligible for dividend, distribution to shareholders will be BD 5.65 million, an increase of 30% on the prior year.

These are difficult times and market conditions are not expected to improve any time soon. Your company anticipated the onset of some of these adverse economic conditions – our last two year's reports to you have expressed our concerns – and it is pleasing to note that action taken, including the timely exit from real estate investments over the past few years, has financially positioned your company better than most to be able to withstand a prolonged economic downturn.

Bahrain Credit produced a strong performance in very difficult circumstances: the cost of borrowings has soared with financial institutions reluctant to lend, official Libor quotes are ignored as the basis for lending resulting in higher rates even though hedging instruments such as our interest rate swaps are in place and general liquidity levels are extremely tight. The recent rights issue could not have been more timely: we thank all our shareholders who subscribed to the issue for their confidence and trust. During 2008, your company provided new loans of BD 95 million (18% higher than the previous year) and continues to apply prudent criteria in the granting of credit: this is reflected in non performing loans as a percentage of the portfolio being currently lower than at the start of 2008. Your company is well placed in terms of managing interest rate and liquidity risks and management continues to focus on maintaining the undoubted financial strength of the group whilst seeking all available new business opportunities.

2008 was a good year for National Motor Company at a time when market sentiment turned negative and the Yen strengthened. The company is a key contributor to group profits and its business model, which emphasizes on post sales service and parts income, is ensuring reliability in earnings: it delivered a contribution of BD 3.9 million, a 20% increase over the 2007 results.

It is gratifying to note that both principals, Honda and General Motors, view our region as a key growth area for their global operations and continue to provide strong support.

YOUR COMPANY HAS ACHIEVED EXCEPTIONAL RESULTS IN 2008 IN THE MOST DEPRESSED GLOBAL ECONOMIC CONDITIONS WITNESSED IN DECADES.

Tas'heelat Real Estate Services Company has been proven right in its assessment over the past few years that the real estate market was fully valued. The main activity will continue to be the provision of valuation services, both necessary and appropriate in this depressed market.

The following are the changes in the composition of the Board during the year: I regret to announce that one of our long serving members, Mr. Khalid R. Al-Zayani resigned in February 2008 having served on the Board from June 1987. Khalid had additionally served on the boards of National Motor Company and Tas'heelat Real Estate Services Company. He was also a member of the Remuneration and Nomination Committee at the time of his departure. The Board places on record its thanks and appreciation to Khalid for his valuable contributions over the years. In March, the Board welcomed Mr. Abdulkarim Ahmed Bucheery, nominated by BBK and Mr. Sayed Abdulghani Hamza Qarooni, elected in the Annual General Meeting.

In accordance with the requirement of Bahrain's Commercial Companies Law 2001, we report the aggregate amount paid to directors during 2008 was BD 331K (BD 246K in 2007) in respect of fees and subsidiary Board and Executive Committee attendance allowances. The total shareholding of the directors in the company is 111.72 million shares (68.4% of paid up capital).

We wish to express our appreciation to our customers and shareholders for their continuing loyal support and confidence and to all our employees for their commitment and hard work. I am also happy to announce the promotion of Dr. Adel Hubail to the position of Deputy Chief Executive Officer. Adel has served us as Secretary to the Board, Group Strategy Development Officer, Head of Information Technology and Human Resources and most recently has managed the consumer finance business with great distinction. I am confident his leadership and managerial abilities will serve the company well in the years ahead.

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 organisations of Bahrain, most particularly the Central Bank of Bahrain and the Ministry of Industry and Commerce.

Abdulrahman Yusuf Fakhro
Chairman
February 2009

BOARD OF DIRECTORS

1. **Abdulrahman Yusuf Fakhro** - Chairman

- Chairman - Yusif Bin Yusif Fakhro BSC (c)
- Chairman - Seef Properties BSC
- Director - Social Insurance Organisation, Bahrain
- Director - Bahrain Real Estate Company BSC(c) (Edamah)
- Director - Bahrain Flour Mills Company BSC

2. **Abdulkarim Ahmed Bucheery** - Vice Chairman
Nominee of BBK BSC

- Chief Executive Officer - BBK
- Chairman - Capinnova Investment Bank BSC (c)
- Chairman - CrediMax BSC (c)
- Director and Chairman of Executive Committee - Securities & Investment Company BSC (c)
- Director - Bahrain Association of Banks (BAB)
- Director - InJaz

3. **Abdulrahman Abdulla Mohamed** - Director
Nominee of NBB BSC

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

4. **Khalid Mohammed Ali Mattar** - Director
Chairman - Executive Committee

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

5. **Sh. Mohammed Bin Isa Al-Khalifa** - Director
Nominee of Social Insurance Organisation (SIO), Bahrain

- Chief Executive Officer - Social Insurance Organisation, Bahrain
- Chairman - Securities & Investment Company BSC (c)
- Chairman - Oasis Capital Bank
- Vice Chairman - Bahrain Telecommunications Company BSC
- Vice Chairman - Umniah Communications (Jordan)
- Vice Chairman - Bahrain International Golf Course Company
- Vice-Chairman - National Motor Company WLL
- Director - BBK BSC
- Director - Bahrain Stock Exchange
- Member Advisory Board - Globespan Capital Partners IV, V

6. **Ebrahim Abdulla Buhindi** - Director
Chairman - Audit Committee

- Director - Bahrain Middle East Bank

7. **Sayed Abdulghani Hamza Qarooni** - Director

8. **Abdulaziz Saleh Al-Saie** - Director
Nominee of Social Insurance Organisation (Pension), Bahrain

- Director of Finance - Social Insurance Organisation (Pension), Bahrain
- Director - Bahrain International Golf Course Company
- Director - Al Ezzel Power Company (AEPC)

9. **Ali Abdulla Ahmadi** - Director

- Managing Director - Ahmadi Industries WLL

10. **Jamal Mohamed Jassim Hejres** - Director
Nominee of BBK BSC

- Chief Executive Officer – Capinnova Investment Bank BSC (c)
- Deputy Chairman – Sakana BSC (c)
- Director – Credimax BSC (c)
- Director - National Motor Company WLL

Executive Committee
Khalid Mohammed Ali Mattar - Chairman, **Sh. Mohammed Bin Isa Al-Khalifa** - Vice Chairman
Abdulrahman Abdulla Mohamed - Member, **Abdulkarim Ahmed Bucheery** - Member

Audit Committee
Ebrahim Abdulla Buhindi - Chairman, **Abdulaziz Saleh Al-Saie** - Vice Chairman, **Ali Abdulla Ahmadi** - Member

Remuneration and Nomination Committee
Abdulrahman Yusuf Fakhro - Chairman, **Ebrahim Abdulla Buhindi** - Vice Chairman,
Sayed Abdulghani Hamza Qarooni - Member, **Jamal Mohamed Jassim Hejres** - Member

Board of Directors

Constituted of ten non-executive members, the Board of Directors of Bahrain Commercial Facilities Company BSC exercise their individual and collective business judgment objectively, transparently and in 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 highest 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, an Audit Committee and a Remuneration and Nomination Committee.

In 2008, the Board of Directors convened six meetings. Additionally, in order to avoid conflicts of interest, a Board Sub-Committee meeting was held to consider Syndicated Loan proposals in 2008.

The Board of Directors also proposed to the shareholders, subject to regulatory approvals, an increase in the Company's issued & paid up capital through a rights issue from BD 12,100,000 to BD 16,335,000. The shareholders approved the proposal and the rights privileged subscription took place from 8th October 2008 until 22nd October 2008. The rights issue proceeds were received on 5th November 2008.

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 six meetings in 2008.

The Audit Committee

The 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 compliances with the group's risk management policies and procedures and the process for monitoring compliance with laws and regulations and the Company's code of

THE BOARD OF DIRECTORS ENSURES THAT DISCLOSURE IS FAIR, TRANSPARENT AND COMPREHENSIVE; AND REFLECTS THE CHARACTER OF THE COMPANY

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 Audit Committee consists of three members of the Board of Directors. All 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 Committee directs the role and assesses the performance of the Internal Audit Department.

The 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 2008, the Audit Committee held quarterly meetings and on each occasion, met with the External Auditor.

Remuneration and Nomination Committee

Comprised of four 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, the Deputy Chief Executive Officer and the General Manager of National Motor Company WLL; the Secretary to the Boards; Directors to the Boards of the Company's subsidiaries; and membership 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, Deputy Chief Executive Officer, General Manager of National Motor Company WLL 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 three meetings during 2008.

Risk Manager, Compliance Officer and Anti-Money Laundering Officer

Bahrain Commercial Facilities Company BSC has a Risk Manager, Compliance Officer and Anti-Money Laundering Officer. These functions are independent of business lines and the day-to-day running of the various business areas. In addition, these functions are separate from the Internal Audit function.

EXECUTIVE MANAGEMENT

1. Ian Levack
Chief Executive Officer - BCFC

2. Dr. Adel Hubail
Deputy Chief Executive Officer - BCFC

3. Geoff Thomas
General Manger - NMC

4. Rajiv Mittal
Senior Vice President, Head of Operations - BCFC

5. Taleb Al-Shaikh
General Manger - TRESCO

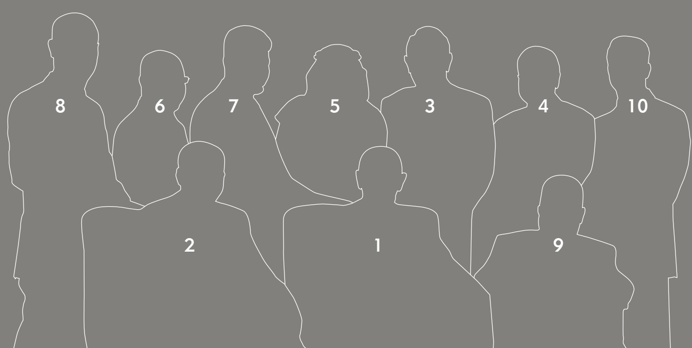
6. Ali Al-Daylami
General Manger - TISCO

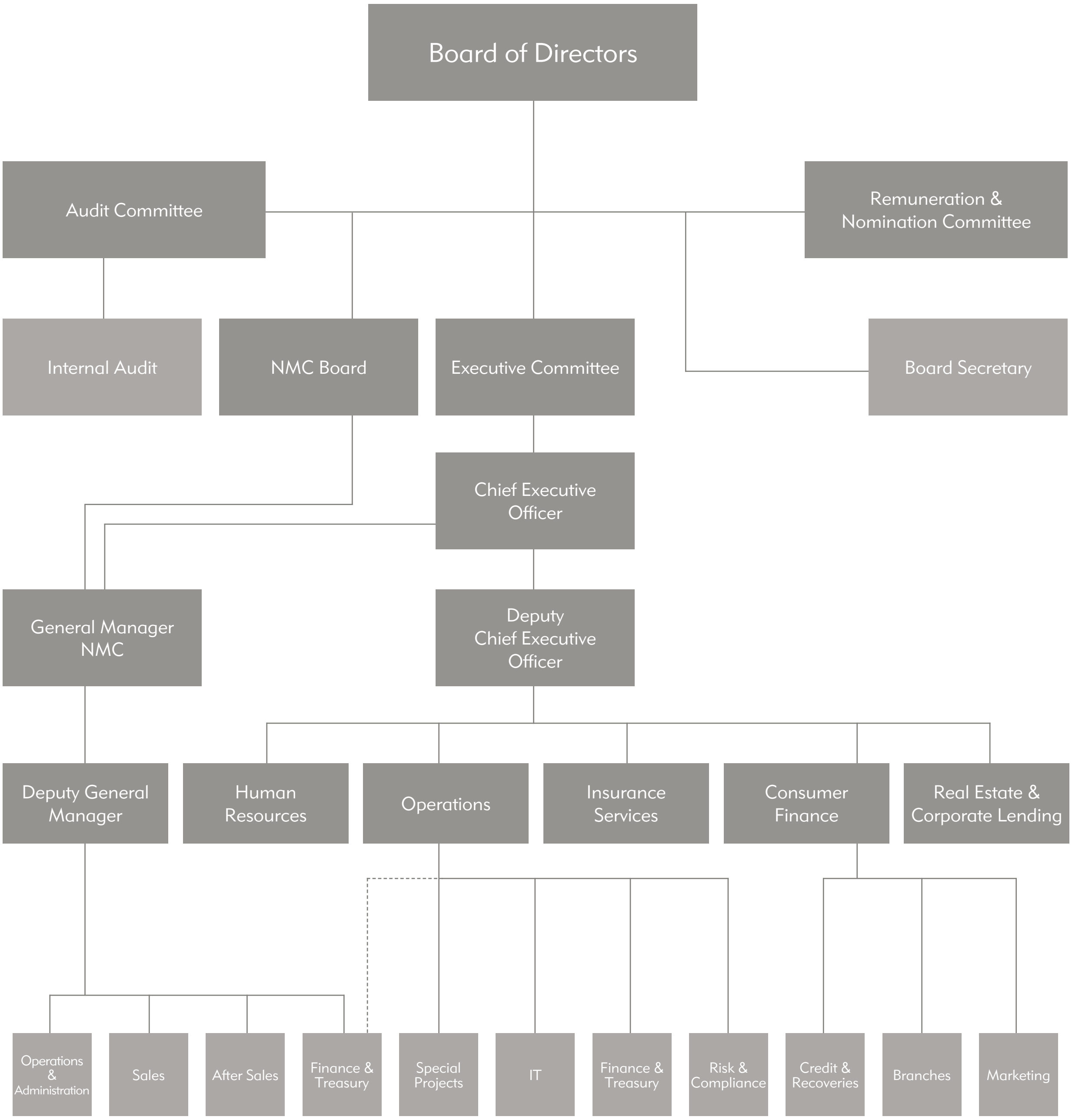
7. Fadhel Al-Mahoozi
Vice President , Head of Credit and Recoveries - Bahrain Credit

8. Abdulla Al-Wedaei
Senior Manger, Head of Sales Operations - NMC

9. Mohamed Fadhel Mahmandar
Senior Manger Operations and Administration - NMC

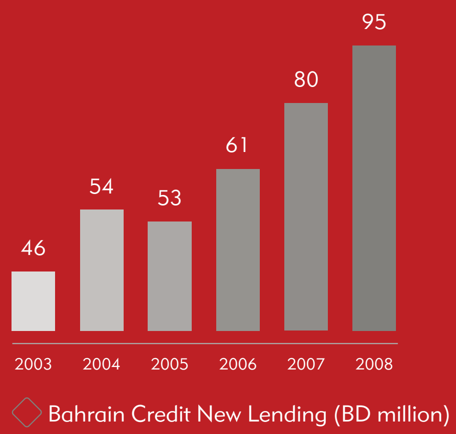
10. Nader Ebrahim
Senior Finance Manager - NMC





Board of Directors
Audit Committee
Remuneration & Nomination Committee
Internal Audit
NMC Board
Executive Committee
Board Secretary
Chief Executive Officer
General Manager NMC
Deputy Chief Executive Officer
Deputy General Manager
Human Resources
Operations
Insurance Services
Consumer Finance
Real Estate & Corporate Lending
Operations & Administration
Sales
After Sales
Finance & Treasury
Special Projects
IT
Finance & Treasury
Risk & Compliance
Credit & Recoveries
Branches
Marketing

EMPOWERING INDIVIDUALS TO ACHIEVE THEIR GOALS



OVERVIEW

Economic conditions during 2008 deteriorated significantly: Despite this the Group delivered its highest ever earnings: Net profits at BD 11.4 million are 24% higher than 2007 reported earnings of BD 9.2 million.

Financial institutions and corporations worldwide are facing extraordinary global economic challenges requiring sizable financial resources and stringent risk management practices to survive and prosper. The BD 25 million equity rights issue in October 2008, strongly supported by our major shareholders: Social Insurance Organisation, BBK and National Bank of Bahrain-has given the company an exceptionally solid capital base: Group leverage is a very low 2.1 at end 2008 as against 3.4 in 2007. This positions us very well to withstand any prolonged economic downturn. It also provides flexibility to consider strategic investments in this depressed market in current and related businesses.

PARENT COMPANY

- Vehicle Loan
- Personal Loan
- Mortagage Loan
- Corporate Loan

In 2008, the company provided BD 95 million of new loans, 18% higher than the previous year. The majority of these loans were in our core product, vehicle finance where we achieved a 31% growth over 2007 and which is a business we will fully support in 2009. As we mentioned in the 2007 Annual Report, we took the view that the real estate market was overheated and were therefore, in 2008, extremely selective and cautious in mortgage lending. The alignment of the businesses into consumer finance and corporate lending and continued emphasis on collection efforts further improved our credit risk management: non-performing loans which were 2.42% of the portfolio at December 2007 declined to 2.29%. We believe that in these turbulent times, focusing on the portfolio quality is more important than portfolio growth.

The company's sound leverage ratio is reinforced by a highly disciplined approach to liquidity management. Although more than one-third of the portfolio will be repaid during 2009, over 75% of our term borrowings are repayable only in 2011 or later. This reliable cash flow also enables the company to re-price the portfolio on a regular basis, whilst providing continuity and certainty to its loyal customers. We additionally access the local banking market and maintain relationships with many premier institutions. It is pleasing to note that at the balance sheet date, only 34% of available limits were being used. Short term line utilisation is expected to further decline in the coming year given more moderate levels of anticipated consumer demand.

The company has always proactively managed its interest rate risks and using hedging instruments is one measure we have used for the past several years. The company fixed its interest rate costs for a substantial portion of its borrowings in 2007 swapping the uncertainty of officially quoted Libor (normally used by lenders to rollover all our floating rate borrowings) for a fixed rate. Probably for the first time in living memory, in 2008 banks abandoned quoted Libor as the basis for fixing their lending rates (inter bank offer rates assumed by them in most cases was significantly higher) but retained the same for our swaps, thus further increasing our borrowing costs. Accounting standards require the mark to market valuations of our swaps to be shown in shareholders' equity as a cash flow hedge revaluation reserve. This is a book entry which reflects the market value of the swaps if liquidated at the reporting date – something we manifestly have no intention of doing. The valuation is based on a number of factors including prevailing interest rates and the balance duration of the hedge and is subject to volatility.

NATIONAL MOTOR COMPANY

• Honda • Chevrolet • GMC • Hummer • Cadillac

2008 represented a major challenge for the company. Whilst the automotive market remained robust for most of the year, market sentiment turned negative during the last quarter as a result of the current economic uncertainties. Also during this period, the Japanese Yen appreciated considerably resulting in significant increases in costs of vehicles and parts for our Honda operations.

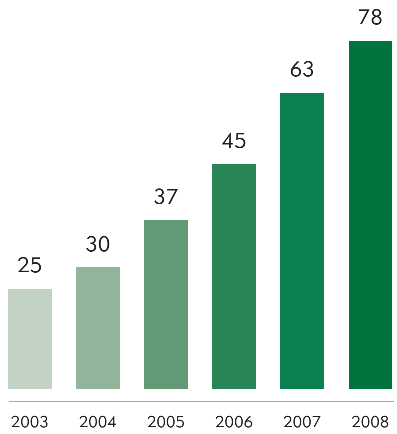
Despite these difficult trading conditions, National Motor company returned another year of strong growth: The Company sold over 7,000 units (a 17% increase over 2007) and its record earnings of BD 3.5 million (excluding non recurring gains) constituted 31% of the Group's earnings.

Honda's core models of Accord, Civic and CR-V continued to experience strong customer demand and contributed significantly to the brand's growing market share. The all-new Honda Pilot and Jazz, introduced in late 2008, have been well received and have strengthened the Honda product portfolio.

Sales of General Motors vehicles were strong: the all-new Cadillac CTS has received an enthusiastic market response and the depth of competitive product offerings from Chevrolet and GMC sport utility vehicles continue to offer a wide choice to customers. During the last quarter of the year, the market was hit by negative press concerning the well documented woes of the American automotive industry. Nevertheless, we continue to enjoy strong support from the Middle East headquarters of General Motors. New product launches and marketing plans are in place and the clear message from General Motors senior management is "Business as Usual".

A significant event took place in July 2008 when a major fire broke out at our Sehla facility which completely destroyed our Central Parts Warehouse. Fortunately there was no loss of life or serious injury. Although Service and Parts operations were heavily impacted, (we were forced to indefinitely close our important and extremely busy AC Delco Service Center at Sehla) disaster recovery measures were placed into effect immediately and we introduced extended working hours at the 85 service bays covering our Sitra and Arad facilities. Service operations returned to normal within record time and the insurance claim against lost assets has already been settled.

The after-sales operation, parts, service and body shop divisions returned excellent results exceeding their planned objectives for the year. The continued profitable development of this vital business segment remains a key priority during 2009.



NMC Sales (BD million)

KEEPING THE NATION IN MOTION

TAS'HEELAT REAL ESTATE SERVICES COMPANY

• Brokerage Services • Valuations • Property Management • Investment

The company has registered a net profit of BD 458 thousand for the year principally arising from realized gains on mezzanine financing. Whilst the company will continue to pursue similar opportunities, in the current environment, such transactions may be considered unusual. The company has no land bank having for some time held the view that the real estate market was fully valued.

As the market corrects, valuations based on fundamentals will be increasingly sought and the company will concentrate on fulfilling this demand. These are difficult times for the industry and it is not unlikely that troubled assets of investors and developers unable to finance their projects will increasingly come to market. The company will continuously seek to generate additional sustainable income streams by building an inventory of rental income generating assets as and when these offer attractive returns on investment.

TAS'HEELAT INSURANCE SERVICES COMPANY

• Motor Insurance • Home Insurance • Life Insurance • Travel Insurance

Tas'heelat Insurance Services Company has had another successful year with a 31% increase in net earnings. Competition in this industry remains intense at a time when the global economic crisis has negatively affected the market. The company remains well positioned to build on its strong market position through its solid reputation - innovation and integrity are the corner stones of the company's philosophy for fulfilling customer needs - and the in house business it generates from Bahrain Credit and National Motor Company.

2009 OUTLOOK

Whilst market sentiment is expected to remain weak since the global financial crisis and the recessionary environment are far from over, with an exceptionally strong financial base and a business model that eschews volatility in favor of reliable returns, the Group remains cautiously optimistic and expects the core businesses to outperform the market and peers.

Supporting Our Community

Contributing to and enrichment of Bahraini society and its institutions is the basis of our corporate social responsibility. We recognize that the existence and success of Bahrain Commercial Facilities Company hinges on the acceptance and support we receive from the society in the broadest sense.

Marking its 25th anniversary, Bahrain Commercial Facilities Company, BSC expanded its philanthropic initiatives. We continue to support those organizations that address the special needs of the Bahraini citizens. Within this category, a total of 17 organisations have been served with donations most notable of which is the full furnishing of a state-of-the-art information technology laboratory at Bahrain Down Syndrome Society.

Empowering the Bahraini citizen through education, training and scientific research has also been our imperative. 2008 saw the inauguration of the Bahrain Credit Media Center at the University of Bahrain. This Center has been constructed and fully equipped by BCFC.

Finally, following our efforts of ensuring that our contribution is widely felt by the Bahraini society, we provided financial support to 78 registered and fully active social charitable funds and organisations.

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 Services Company SPC, which was established in May 2002.

CR Number: 13444

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17 737144

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Road 111, Tubli 701

Branches: Isa Town, GOSI Complex,
Muharraq and Sitra

Board of Directors

Abdulrahman Yusuf Fakhro
Chairman

Abdulkarim Ahmed Bucheery
Vice Chairman

Abdulraham Abdulla Mohamed

Khalid Mohammed Ali Mattar

Sh. Mohammed Bin Isa Al-Khalifa

Ebrahim Abdulla Buhindi

Sayed Abdulghani Hamza Qarooni

Abdulaziz Saleh Al-Saie

Ali Abdulla Ahmadi

Jamal Mohamed Jassim Hejres

Executive Managment

Ian Levack
Chief Executive Officer - BCFC

Adel Hubail
Deputy Chief Executive Officer - BCFC

Geoff Thomas
General Manager - NMC

Rajiv Mittal
Senior Vice President, Head of Operations - BCFC

Taleb Al-Shaikh
General Manager - TRESCO

Ali Al-Daylami
General Manager - TISCO

Banks

BBK
National Bank of Bahrain
Ahli United Bank
Standard Chartered Bank
Gulf International Bank
Raiffeisen Zentralbank Oesterreich AG
BNP Paribas
Arab Banking Corporation (BSC)
Arab Bank
National Bank of Fujairah PSC
First Gulf Bank
The Arab Investment Company
Banque BIA
The Arab investment Bank S.A.A.
Ahlibank QSC
Housing Bank for Trade and Finance

Auditors

KPMG

FINANCIAL STATEMENTS

AUDITORS' REPORT

INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS

Bahrain Commercial Facilities Company BSC
Manama, Kingdom of Bahrain

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 2008, and the consolidated income statement, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory notes.

Responsibility of the Board of Directors for the consolidated financial statements

The Board of Directors of the Company is 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 2008, and 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 2008 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.

17 February 2009
Manama, Kingdom of Bahrain

CONSOLIDATED BALANCE SHEET

AS AT 31 DECEMBER 2008

BAHRAINI DINARS THOUSANDS

	Notes	2008	2007
ASSETS			
Cash and cash equivalents		**1,144**	2,379
Loans	7	**149,769**	129,955
Trade and other receivables		**5,041**	5,580
Inventories, net of provision	9	**29,833**	23,010
Property and equipment	10	**13,473**	11,490
Other assets		**436**	28
Total assets		**199,696**	172,442
LIABILITIES			
Bank overdrafts		**2,971**	3,330
Trade and other payables		**30,411**	25,188
Term loans	11	**81,800**	84,927
Bonds	12	**19,928**	19,890
Total liabilities		**135,110**	133,335
EQUITY			
Share capital	13	**16,335**	11,000
Treasury shares		**(464)**	(171)
Reserves and retained earnings		**48,715**	28,278
Total equity (page 26)		**64,586**	39,107
Total liabilities and equity		**199,696**	172,442

Abdulrahman Yusuf Fakhro
Chairman

Abdulkarim Ahmed Bucheery
Vice Chairman

Ian Levack
Chief Executive Officer

The Board of Directors approved the consolidated financial statements consisting of pages 24 - 48 on 17 February 2009

CONSOLIDATED INCOME STATEMENT

FOR THE YEAR ENDED 31 DECEMBER 2008

BAHRAINI DINARS THOUSANDS

	Notes	2008	2007
Interest income		**16,906**	13,291
Interest expense		**(6,415)**	(5,384)
Net interest income		**10,491**	7,907
Automotive sales		**77,623**	62,952
Cost of sales		**(69,252)**	(55,810)
Gross profit on automotive sales		**8,371**	7,142
Insurance commission income		**927**	712
Gross profit on land activities	14	**598**	1,062
OPERATING INCOME OF THE GROUP		**20,387**	16,823
Salaries and related costs		**(3,403)**	(2,607)
General and administrative costs		**(1,790)**	(2,099)
Selling and promotion costs		**(1,329)**	(972)
Depreciation		**(1,158)**	(1,028)
Provision for bad and doubtful loans	7	**(1,228)**	(1,204)
Recoveries of loans previously written off		**457**	381
Financing cost		**(833)**	(596)
Foreign exchange (loss)/gain		**(361)**	254
Other operating income, net	15	**273**	225
Total operating expenses		**(9,372)**	(7,646)
PROFIT FROM OPERATIONS		**11,015**	9,177
Other income	16	**423**	-
PROFIT FOR THE YEAR		**11,438**	9,177
Basic earnings per 100 fils share	21	**88 fils**	74 fils
Proposed cash dividend per 100 fils share		**35 fils**	40 fils

Abdulrahman Yusuf Fakhro
Chairman

Abdulkarim Ahmed Bucheery
Vice Chairman

Ian Levack
Chief Executive Officer

The consolidated financial statements consist of pages 24 - 48.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2008
BAHRAINI DINARS THOUSANDS

	Share capital	**Treasury shares**	**Statutory reserve**	**Cash flow hedge revalution reserve**	**Donations reserve**	**General reserve**	**Retained earnings**	**Total**
At 1 January 2008	11,000	(171)	9,782	(1,985)	710	7,500	12,271	**39,107**
Net change in fair value	-	-	-	(6,170)	-	-	-	**(6,170)**
Total recognised income and expense directly in equity	**-**	**-**	**-**	**(6,170)**	**-**	**-**	**-**	**(6,170)**
Profit for the year	-	-	-	-	-	-	11,438	**11,438**
Total recognised income and expense for the year	**-**	**-**	**-**	**(6,170)**	**-**	**-**	**11,438**	**5,268**
Bonus shares issued	1,100	-	-	-	-	-	(1,100)	**-**
Rights issue	4,235	-	-	-	-	-	-	**4,235**
Purchase of own shares - rights issue	-	(293)	-	-	-	-	-	**(293)**
Premium on rights issue	-	-	21,010	-	-	-	-	**21,010**
Directors' fees for 2007	-	-	-	-	-	-	(220)	**(220)**
Dividend for 2007	-	-	-	-	-	-	(4,349)	**(4,349)**
Donations paid	-	-	-	-	(172)	-	-	**(172)**
Transferred to donation reserve (2007)	-	-	-	-	280	-	(280)	**-**
Transferred to general reserve (2007)	-	-	-	-	-	2,500	(2,500)	**-**
At 31 December 2008	**16,335**	**(464)**	**30,792**	**(8,155)**	**818**	**10,000**	**15,260**	**64,586**

	Share capital	Treasury shares	Statutory reserve	Cash flow hedge revalution reserve	Donations reserve	General reserve	Retained earnings	Total
At 1 January 2007	11,000	(171)	9,282	61	546	7,000	8,958	36,676
Retained earnings adjustment of subsidiary	-	-	-	-	-	-	(55)	(55)
Net change in fair value	-	-	-	(2,046)	-	-	-	(2,046)
Total recognised income and expense directly in equity	-	-	-	(2,046)	-	-	-	(2,046)
Net income for the year	-	-	-	-	-	-	9,177	9,177
Total recognised income and expense for the year	-	-	-	(2,046)	-	-	9,177	7,131
Directors' fees for 2006	-	-	-	-	-	-	(180)	(180)
Dividend for 2006	-	-	-	-	-	-	(4,349)	(4,349)
Donations paid	-	-	-	-	(116)	-	-	(116)
Transferred to donation reserve (2006)	-	-	-	-	280	-	(280)	-
Transferred to general reserve (2006)	-	-	-	-	-	500	(500)	-
Transferred to statutory reserve (2006)	-	-	500	-	-	-	(500)	-
At 31 December 2007	11,000	(171)	9,782	(1,985)	710	7,500	12,271	39,107

The consolidated financial statements consist of pages 24 - 48.

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31 DECEMBER 2008

BAHRAINI DINARS THOUSANDS

	Notes	2008	2007
Operating activities			
Loan repayments, interest and commission receipts		**86,864**	70,667
Automotive sales receipts		**78,161**	62,128
Cash expended on operations			
Loans disbursed		**(95,188)**	(80,399)
Payments to automotive suppliers		**(72,077)**	(53,298)
Sale of land		**-**	3,241
Payments of staff salaries and related costs		**(3,403)**	(2,607)
Payments of other operating expenses		**(2,193)**	(1,803)
Interest paid		**(6,415)**	(5,619)
CASH FLOWS FROM OPERATIONS		**(14,251)**	(7,690)
Investing activities			
Capital expenditure on property and equipment	10	**(4,070)**	(3,034)
Proceeds from sale of property and equipment	10	**360**	757
CASH FLOWS FROM INVESTING ACTIVITIES		**(3,710)**	(2,277)
Financing activities			
Term loans (paid) / received, net	11	**(3,126)**	15,796
Dividends paid		**(4,349)**	(4,349)
Directors' fees paid		**(220)**	(180)
Donations paid		**(172)**	(116)
Treasury shares purchased		**(293)**	-
Rights issue proceeds, net		**25,245**	-
CASH FLOWS FROM FINANCING ACTIVITIES		**17,085**	11,151
NET (DECREASE) / INCREASE IN CASH AND CASH EQUIVALENTS		**(876)**	1,184
Cash and cash equivalents at beginning of the year		**(951)**	(2,135)
CASH AND CASH EQUIVALENTS AT 31 DECEMBER		**(1,827)**	(951)
Cash and cash equivalents comprise:			
Cash and balances with banks		**1,144**	2,379
Bank overdrafts		**(2,971)**	(3,330)
		(1,827)	(951)

The consolidated financial statements consist of pages 24 - 48.

1. Reporting entity

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). The consolidated financial statements of the Company as at and for the year ended 31 December 2008 comprise the Company and its subsidiaries (together referred to as "the Group").

2. Basis of preparation

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 consolidated financial statements of the Group were authorised for issue by the directors on 17 February 2009.

b) Basis of measurement

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

c) Functional and presentation currency

These consolidated financial statements are presented in Bahraini Dinars, which is the Group functional currency. Except as indicated, financial information presented in Bahrain Dinar has been rounded of to nearest thousands.

d) Foreign currencies transaction and balances

Transactions in foreign currencies are converted to Bahraini Dinars at rates of exchange prevailing at the date of the transactions. Monetary assets and liabilities denominated in foreign currencies are translated to Bahraini Dinars at the market rates of exchange prevailing at the balance sheet date. Realised and unrealised foreign exchange profits and losses are included in foreign exchange (loss) / gain.

e) Use of estimates and judgements

The preparation of these consolidated financial statements requires management to make judgements, estimates and assumptions that affects the application of accounting policies and reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised and in any future periods affected. In particular, information about significant areas of estimation, uncertainty and critical judgements in applying accounting policies that have the most significant effect on the amount recognised in the consolidated financial statements are described in notes 4 and notes 5.

3. Significant accounting policies

The accounting policies set out below have been applied consistently to all periods presented in these consolidated financial statements, and have been applied consistently by Group entities.

a) Basis of consolidation

Subsidiaries:

Subsidiaries are entities controlled by the Group. Control exists when the Group has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. The financial statements of subsidiaries are included in the financial statements from the date that control commences until the date that control ceases.

The consolidated financial statements of the Group comprise the Company and its fully owned subsidiaries which are incorporated in Kingdom of Bahrain as listed below:

- National Motor Company WLL ("NMC"): trades in motor vehicles and spare parts and provides after-sales services. NMC is the agent in Bahrain for General Motors and Honda vehicles.

- Tas'heelat Insurance Services Company WLL: provides insurance agency services.

- Tas'heelat Real Estate Services Company SPC: provides real estate related services.

Transactions eliminated on consolidation:

The carrying value of the Company's investment in each subsidiary and the equity of each subsidiary are eliminated on consolidation. All significant intra-group balances, and unrealised income and expenses arising from intra-group transactions, are eliminated on consolidation.

b) 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.

c) 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.

d) Financial assets and liabilities

Recognition:

The financial instruments of the Group consist primarily of loans (balances with banks, loans, trade and other receivables), derivative financial instruments, bank overdrafts, trade and other payables, bonds issued and term loans. The Group initially recognises loans and advances on the date that they are originated. All other financial assets and liabilities are initially recognised on the balance sheet when, the Group becomes a party to the contractual provisions of the instrument.

3. Significant accounting policies (continued)

d) Financial assets and liabilities (continued)

Derecognition:

The Group derecognises a financial asset when the contractual rights to the cash flows from the asset expire, or it transfers the rights to receive the contractual cash flows on the financial asset in a transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred.

The Group derecognises a financial liability when its contractual obligations are discharged or cancelled or expire.

Offsetting:

Financial assets and liabilities are set off and the net amount reported in the balance sheet when the Group has a legal right to set off the amounts and intends either to settle on a net basis or to realise the asset and settle the liability simultaneously.

Amortised cost measurement:

The amortised cost of a financial asset or liability is the amount at which the financial asset or liability is measured at initial recognition, minus principal repayments, plus or minus the cumulative amortisation using the effective interest method.

Identification and measurement of impairment:

At each balance sheet date and periodically during the year the Group assesses whether there is any objective evidence that financial assets not carried at fair value through profit or loss are impaired. Financial assets are impaired when objective evidence indicates that a loss event has occurred after the initial recognition of the asset, and that the loss event has an impact on the future cash flows on the asset that can be estimated reliably.

The Group considers evidence of impairment at both a specific asset and collective level. All significant assets found not to be specifically impaired are then collectively assessed for any impairment that has been incurred but not identified. Assets that are not individually significant are then collectively assessed for impairment by grouping together financial assets (carried at amortised cost) with similar credit risk characteristics.

In assessing collective impairment the Group uses statistical modelling of historical trends of the probability of default, timing of recoveries and the amount of loss incurred, adjusted for management's judgement as to whether current economic and credit conditions are such that the actual losses are likely to be greater or less than suggested by historical modelling. Default rates, loss rates and the expected timing of future recoveries are regularly benchmarked against actual outcomes to ensure that they remain appropriate.

e) 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.

f) 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.

g) 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.

h) Property and equipment
Recognition:
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.

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, fixture and equipment	3 to 6 years
Vehicles	4 years

Impairment:
The carrying amounts are reviewed at each balance sheet date for indication of impairment. If any such indication exists then the asset's recoverable amount is estimated. An impairment loss is recognised in the income statement to the extent that carrying values exceed the recoverable amounts.

3. Significant accounting policies (continued)

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

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

k) 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 collected as part of public floating in 1993 and BD 21,010 net of expenses collected as a part of rights issues in October 2008, has been merged with statutory reserve.

l) 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.

m) 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.

n) Income tax liability
Companies are not liable to income tax in Bahrain.

o) 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 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.

p) Impairment on other assets

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.

q) Retirement benefits cost

Pensions and other social benefits for Bahraini employees are covered by the General Organisation 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.

r) Term loans and bonds

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

s) 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.

t) Earnings per share

The Group presents basic earnings per share (EPS) data for its ordinary shares. Basic EPS is calculated by dividing the profit or loss attributable to ordinary shareholders of the parent company by the weighted average number of ordinary shares outstanding during the year.

u) Segment reporting

A segment is a distinguishable component of the Group that is engaged either in providing products or services (business segment), or in providing products or services within a particular economic environment (geographical segment), which is subject to risks and rewards that are different from those of other segments. The Group's primary format for segment reporting is based on business segments.

4. Financial risk management

a) Introduction and overview

The Group has exposure to the following risks from its use of financial instruments:

- credit risk
- liquidity risk
- market risk
- operational risk

This note presents information about the Group's exposure to each of the above risks, the Group's objectives, policies and processes for measuring and managing risk.

4. Financial risk management (continued)

a) Introduction and overview (continued)

Risk management framework
The Group's risk management policies are established to identify and analyse the risks faced by the Group, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly, on an ongoing basis, to reflect changes in market conditions, products and services offered.

The Group Audit Committee is responsible for monitoring compliance with the Group's risk management policies and procedures, and for reviewing the adequacy of the risk management framework. The Group audit committee is assisted in these functions by the Internal Audit.

b) Credit risk

Credit risk is the risk that counter party 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.

Management of credit risk

The Group's credit risk management framework includes:

- Establishment of authorisation structure and limits for the approval and renewal of credit facilities;
- Reviewing and assessing credit exposures in accordance with authorisation structure and limits, prior to facilities being committed to customers. Renewals and reviews of facilities are subject to the same review process;
- Diversification of lending activities;
- Reviewing compliance, on an ongoing basis, with agreed exposure limits relating to counterparties and reviewing limits in accordance with risk management strategy and market trends.

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 lending and with a comprehensive review of information which includes the Credit Bureau report. The Group is also subject to single obligor limits as specified by the Central Bank. Credit review procedures are in place 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.

Exposure to credit risk
The Group is not exposed to any significant concentration of credit risk arising from exposures to a single debtor or 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.

Regular audits of business units and Group credit processes are undertaken by Internal Audit and Compliance Division.

The Group measures its exposure to credit risk by reference to the gross carrying amount of financial assets less amounts offset, interest suspended and impairment losses, if any. The maximum credit risk exposure of the loans is the carrying value amount net of the deferred income and net of impairment allowance.

LOANS	**2008**	2007
Carrying amount	**149,769**	129,955
Individually impaired		
Gross amount	**4,500**	3,747
Interest suspended	**(344)**	(270)
Specific allowance for impairment	**(2,125)**	(1,845)
Carrying amount	**2,031**	1,632
Past due but not impaired		
Watch list – overdue by less than 90 days	**4,220**	3,081
Collective impairment allowance	**(675)**	(530)
Carrying amount	**3,545**	2,551
Neither past due nor impaired		
Gross amount	**145,293**	126,665
Collective impairment allowance	**(1,100)**	(893)
Carrying amount	**144,192**	125,772
Carrying amount	**149,769**	129,955

Impaired loans
Impaired loans are financial assets for which the Group determines that it is probable that it will be unable to collect all principal and interest due according to the contractual terms of the agreements.

The Group's exposure to credit risk from trade receivables in the automotive business is influenced mainly by the individual characteristics of each customer.

The Group has established policies and procedures under which each customer is analyzed individually for creditworthiness. At the year end, trade receivables of BD 1,811 (2007: BD 1,609) were past due against which BD 176 (2007: BD 144) was the collective impairment allowance. Substantially all commercial past due receivables are less than one year.

4. Financial risk management (continued)

b) Credit risk (continued)

Allowances for impairment
The Group establishes an allowance for impairment losses that represents its estimate of incurred losses in its loan portfolio. The main components of this allowance are a specific loss component that relates to individually significant exposures, and a collective loan loss allowance established for groups of homogeneous assets in respect of losses that have been incurred but have not been identified on loans subject to individual assessment for impairment.

Write-off policy
The Group writes off any loans (and any related allowances for impairment) when the loans are deemed to be uncollectible.

Collateral
The Group generally holds collateral against loans which may be in the form of mortgage interests over property with custody of title deeds, joint registration of vehicles and/or additionally post dated cheques/promissory notes and personal guarantees.

Management estimates the fair value of collaterals and other security enhancements held against individually impaired loans are reasonably sufficient to cover the value of such loans at the reporting date. The Group monitors concentrations of credit risk by product.

Credit risk concentration
All loans are made to borrowers resident in Bahrain. Credit risk concentration of loans at the reporting date is 100% consumer loans, over 95% of which are to individual Bahraini citizens.

Settlement risk
The Group's activities may give rise to risk at the time of settlement of transactions and trades. Settlement risk is the risk of loss due to the failure of a counter party to honour its obligations to deliver cash, securities or other assets as contractually agreed.

Derivative related credit risk
Credit risk in respect of derivative financial instruments arises from the potential for a counterparty to default on its contractual obligations and is limited to the positive market value of instruments that are favourable to the Group which are included in other assets. The positive market value is also referred to as the "replacement cost" since it is an estimate of what it would cost to replace transactions at prevailing market rates if a counterparty defaults. The Group's derivative contracts are entered into with other financial institutions.

Credit risk related to trade receivables
Credit risk related to trade receivables arises from the potential for a counterparty to default from repayment of their dues. The Group has established an appropriate authorisation structure with limits for the approval and renewal of credits.

c) Maturity and Liquidity risk

Maturity profile
The maturity profile of the Group's assets and liabilities based on the contractual repayment arrangements is given below. The contractual maturities of assets and liabilities have been determined on the basis of the remaining period at the balance sheet date to the contractual maturity date.

At 31 December	Within 1 Year		1 year to 5 years		Over 5 years		Total	
	2008	2007	**2008**	2007	**2008**	2007	**2008**	2007
ASSETS								
Cash and cash equivalents	**1,144**	2,379	**-**	-	**-**	-	**1,144**	2,379
Loans	**51,414**	47,791	**94,751**	77,723	**3,604**	4,441	**149,769**	129,955
Trade and other receivables	**5,041**	5,580	**-**	-	**-**	-	**5,041**	5,580
Inventories	**29,833**	23,010	**-**	-	**-**	-	**29,833**	23,010
Property and equipment	**-**	-	**2,044**	2,031	**11,429**	9,459	**13,473**	11,490
Other assets	**436**	28	**-**	-	**-**	-	**436**	28
	87,868	78,788	**96,795**	79,754	**15,033**	13,900	**199,696**	172,442
LIABILITIES								
Bank overdrafts	**2,971**	3,330	**-**	-	**-**	-	**2,971**	3,330
Trade and other payable	**30,411**	25,188	**-**	-	**-**	-	**30,411**	25,188
Term loans	**19,688**	78,576	**62,112**	6,351	**-**	-	**81,800**	84,927
Bonds	**-**	-	**19,928**	19,890	**-**	-	**19,928**	19,890
	53,070	107,094	**82,040**	26,241	**-**	-	**135,110**	133,335

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. The maturity profile is monitored by the management to ensure adequate liquidity is maintained.

Liquidity risk
Liquidity or funding risk is the risk that the Group will encounter difficulty in meeting obligations associated with financial liabilities. Liquidity risk can be caused by market disruptions or credit downgrades which may cause certain sources of funding to dry up immediately.

Management of liquidity risk
The Group's approach to managing liquidity risk is to ensure that the Group secures funding significantly larger than present and future requirements. The Group continuously monitors the extent to which contractual receipts exceed contractual payments and the levels of new advances are correlated to the levels of liquidity.

4. Financial risk management (continued)

c) Maturity and Liquidity risk (continued)

The residual future contractual maturity of financial assets and liabilities are summarised in the table below. The future contractual undiscounted cash flows of financial assets and financial liabilities have been disclosed at the carrying value and prevailing interest rates at the reporting date until their final maturities.

At 31 December 2008	**Carrying amount**	**Contractual undiscounted cash flows**	**Within 1 Year**	**1 year to 5 years**	**Over 5 years**
ASSETS					
Cash and cash equivalents	1,144	1,144	1,144	-	-
Loans	149,769	210,313	67,889	138,027	4,397
Trade and other receivables	5,041	5,041	5,041	-	-
	155,954	**216,498**	**74,074**	**138,027**	**4,397**
LIABILITIES					
Bank overdrafts	(2,971)	(2,990)	(2,990)	-	-
Trade and other payable	(21,132)	(21,132)	(21,132)	-	-
Term loans	(81,800)	(115,466)	(23,743)	(91,723)	-
Bonds	(19,928)	(26,583)	(918)	(25,666)	-
	(125,831)	**(166,172)**	**(48,783)**	**(117,389)**	**-**

At 31 December 2007	Carrying amount	Contractual undiscounted cash flows	Within 1 Year	1 year to 5 years	Over 5 years
ASSETS					
Cash and cash equivalents	2,379	2,379	2,379	-	-
Loans	129,955	181,379	62,086	113,875	5,418
Trade and other receivables	5,580	5,580	5,580	-	-
	137,914	189,338	70,045	113,875	5,418
LIABILITIES					
Bank overdrafts	(3,330)	(3,351)	(3,351)	-	-
Trade and other payable	(22,218)	(22,218)	(22,218)	-	-
Term loans	(84,927)	(89,718)	(24,209)	(65,509)	-
Bonds	(19,890)	(32,077)	(1,115)	(30,962)	-
	(130,365)	(147,364)	(50,893)	(96,471)	-

d) Market risks

Market risk is the risk that the Group's income and / or value of a financial instrument will fluctuate because of changes in market prices such as interest rates.

Management of market risks

Market risks are closely monitored by the risk management division and reported to the Assets and Liabilities Committee (ALCO) and the Board.

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. balance with banks, loans, bank overdrafts, bonds and term loans. The distribution of financial instruments between interest rate categories is summarised below:

At 31 December	**Fixed Rate**		**Floating Rate**		**Non-interest Earning**		**Total**	
	2008	2007	**2008**	2007	**2008**	2007	**2008**	2007
ASSETS								
Cash and cash equivalents	**-**	-	**-**	-	**1,144**	2,379	**1,144**	2,379
Loans	**149,630**	129,803	**-**	-	**139**	152	**149,769**	129,955
Trade and other receivables	**-**	-	**-**	-	**5,041**	5,580	**5,041**	5,580
	149,630	129,803	**-**	-	**6,324**	8,111	**155,954**	137,914
LIABILITIES								
Bank overdrafts	**-**	-	**2,971**	3,330	**-**	-	**2,971**	3,330
Trade and other payables	**-**	-	**-**	-	**30,411**	25,188	**30,411**	25,188
Term loans	**-**	-	**81,800**	84,927	**-**	-	**81,800**	84,927
Bonds	**-**	-	**19,928**	19,890	**-**	-	**19,928**	19,890
	-	-	**104,699**	108,147	**30,411**	25,188	**135,110**	133,335

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. At 31 December 2008 interest rate risk attributable to the term loans of USD 220 million (BD: 82.94 million) (2007: USD 220 million, BD 82.94 million) has been hedged. The fair value changes of the interest rate swaps are recognised in equity (page 26). The cash flows relating to the interest rate swaps are expected to occur over a period of 4 years from the balance sheet date. The Group does not enter into derivative financial instruments other than for economic hedging purposes.

The unhedged portion of the floating rate borrowing is sensitive to changes in the interest rates. As at 31 December 2008 a change in variable rate financial instruments by 100 basis points will increase/ (decrease) net profits by BD 218.

4. Financial risk management (continued)

d) Market risks (continued)

Currency risk
Currency risk is the risk that the value of a financial instrument will fluctuate due to changes in foreign exchange rates and arises from financial instruments denominated in a foreign currency.

The Group had the following significant net exposures denominated in foreign currency relating to its subsidiary trading in motor vehicles as of 31 December.

	2008	2007
Japanese Yen	**3,105**	-
US Dollars	**6,977**	16,847

The Bahraini dinar is effectively pegged to the Dollar, thus currency risk occurs mainly in respect of Japanese Yen.

A 10 percent strengthening of the Bahraini Dinar against the Japanese Yen at 31 December would have increased (decreased) equity by JPY 143 thousand subject to all other variables, in particular interest rates, remain constant.

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 2008 was BD 1,680 (2007: BD 673).

e) Operational risks
Operational risk is the risk of direct or indirect loss arising from a wide variety of causes associated with the Group's processes, personnel, technology and infrastructure, and from external factors other than credit, market and liquidity risks such as those arising from legal and regulatory requirements and generally accepted standards of corporate behaviour. Operational risks arise from all of the Group's operations and are faced by all business entities.

The Group's objective is to manage operational risk so as to balance the avoidance of financial losses and damage, to the Group's reputation with overall cost effectiveness and to avoid control procedures that restrict initiative and creativity.

The Group has established a framework of policies and procedures to identify, assess, control, manage and report risks. The Group's risk management division employs clear internal policies and procedures to reduce the likelihood of any operational losses. Where appropriate, risk is mitigated by way of insurance.

f) Capital management
The Group's policy is to maintain a strong capital base. The Central Bank of Bahrain sets and monitors capital requirements for the Group. The conventional financing company license granted by the Central Bank of Bahrain limits borrowings to five times the capital and reserves (shareholders equity) of the Company. Such rate as at 31 December 2008 for the Company was 2.1 (2007:3.4).

5. Use of estimates and judgements

In the process of applying the Group's accounting policies management has made the following estimates and judgements, which have the most significant effect on the amounts recognised in the consolidated financial statements.

Key sources of estimation uncertainty:

(i) Impairment charge on loans

Impairment losses are evaluated as described in accounting policy 3(d). The Group evaluates impairment on loans on an ongoing basis and a comprehensive review on a monthly basis to assess whether an impairment charge should be recognised in the income statement. In particular, considerable judgement by management is required in the estimation of the amount and timing of future cash flows when determining the level of impairment charge required. In estimating these cash flows, management makes judgements about counterparty's financial situation and other means of settlement and the net realizable value of any underlying collateral. Such estimates are based on assumptions about several factors involving varying degrees of judgement and uncertainty, and actual results may differ resulting in future changes to such impairment charges.

(ii) Collective impairment charge on loans

In addition to specific impairment charge against individually impaired assets, the Group also maintains a collective impairment allowance against portfolios of loans with similar economic characteristics which have not been specifically identified as impaired. In assessing the need for collective impairment charge, management considers concentrations, credit quality, portfolio size and economic factors. In order to estimate the required allowance, assumptions are made to define the way inherent losses are modelled and to determine the required input parameters, based on historical and current economic conditions.

(iii) Contingent liability arising from litigations

Due to the nature of its operations, the Group may be involved in litigations arising in the ordinary course of business. Provision for contingent liabilities arising from litigations is based on the probability of outflow of economic resources and reliability of estimating such outflow. Such matters are subject to many uncertainties and the outcome of individual matters is not predictable with assurance.

6. Fair value of financial instruments

The Group's consolidated financial statements are measured at amortised cost 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.

7. Loans

	2008	2007
At 31 December	**149,769**	129,955

The effective interest rates (APR) on loans ranges between 9.50% to 12.50% p.a. (2007: 9.75% to 11.9% p.a.)

Impairment allowances		
At 1 January	**3,268**	2,908
Net charge to income statement	**1,228**	1,204
Loans written-off	**(596)**	(844)
At 31 December	**3,900**	3,268

8. Non-performing loans

	2008	2007
At 31 December	**3,520**	3,219

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.

9. Inventories

	2008	2007
Automotive stock Vehicles, net of provisions	**27,952**	21,123
Spare parts, net of provisions	**1,881**	1,887
At 31 December	**29,833**	23,010

10. Property and equipment

	Land and buildings	Furniture fixtures & equipment	Vehicles	2008 Total	2007 Total
Cost					
At 1 January	10,658	2,314	3,568	**16,540**	15,193
Additions	1,415	810	1,845	**4,070**	3,034
Disposals and retirements	(88)	(370)	(891)	**(1,349)**	(1,687)
At 31 December	**11,985**	**2,754**	**4,522**	**19,261**	16,540
Depreciation/Amortization					
1 January	2,400	1,453	1,197	**5,050**	4,404
Charge for the year	370	421	935	**1,726**	1,576
Disposals and retirements	(78)	(369)	(541)	**(988)**	(930)
At 31 December	**2,692**	**1,505**	**1,591**	**5,788**	5,050
Net book value					
At 31 December 2008	**9,293**	**1,249**	**2,931**	**13,473**	
At 31 December 2007	8,258	861	2,371		11,490

The cost of fully depreciated assets still in use at 31 December 2008 was BD 1,994 (2007: BD 1,667).

11. Term loans

	2008	2007
Repayable within one year	**3,770**	78,576
Repayable after one year	**78,030**	6,351
	81,800	84,927

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 4) was 5.91% p.a. (2007: 5.20% p.a.).

12. Bonds

	2008	2007
Face value	**20,000**	20,000
Less: Unamortised cost of issue	**(72)**	(110)
	19,928	19,890

12. Bonds (continued)

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 Bahraini 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

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 Bahraini 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

13. Share capital

	2008	2007
Authorised share capital		
500,000,000 (2007: 500,000,000) shares of 100 fils each	**50,000**	50,000
Issued and fully paid		
At 1 January :	**11,000**	11,000
Bonus share issued during the year	**1,100**	-
Rights issue during the year	**4,235**	-
At 31 December	**16,335**	11,000
Treasury shares 1,883,426 shares (2007: 1,268,300 shares)	**464**	171

On 15 March 2008, a bonus issue of 11,000,000 shares amounting to BD 1,100 in the ratio of 1:10 was effected by capitalising retained earnings.

On 22 October 2008, a rights issue of 42.35 million shares (35 shares for every 100 shares held) was effected at an exercise price of 600 fils per share (at a premium of 500 fils per share) which was fully subscribed.

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	37,618,691	23.03%
Social Insurance Organisation (Pension)	Bahrain	26,625,078	16.30%
Social Insurance Organisation (Gosi)	Bahrain	24,020,511	14.70%
National Bank of Bahrain	Bahrain	19,471,477	11.92%

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

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%	35,341,495	1,275	21.64%
1% up to less than 5%***	20,272,748	7	12.41%
5% up to less than 10%	-	-	-
10% up to less than 20%	19,471,477	1	11.92%
20% up to less than 50%*	88,264,280	2	54.03%
Total	**163,350,000**	**1,285**	**100.00%**

* Social Insurance Organisation combined shareholding (Pension and Gosi) is 31% of total issued shares
** Expressed as a percentage of total issued and fully paid shares of the Company
*** Includes 1,883,426 treasury shares

14. Gross profit on land activities

Gross profit on land activities includes profit share on mezzanine financing: BD 500 (2007: BD nil), which may be non-recurring in nature.

15. Other operating income, net

	2008	2007
Net gain on sale of property and equipment-Vehicles	**126**	98
Incentives	**98**	83
Other operating income	**49**	44
	273	225

16. Other income

During the year National Motor Company's central warehouse containing spare parts was destroyed in a fire and BD 423 was received in excess of the carrying value of the assets lost.

17. 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.

18. Segmental information

At 31 December	Consumer finance		Automotive		Real Estate		Insurance		Total	
	2008	2007	**2008**	2007	**2008**	2007	**2008**	2007	**2008**	2007
Operating income	**10,491**	7,907	**8,371**	7,142	**598**	1,062	**927**	712	**20,387**	16,823
Operating costs	**(4,198)**	(3,467)	**(4,411)**	(3,847)	**(140)**	(177)	**(200)**	(155)	**(8,949)**	(7,646)
Net profit for the year	**6,293**	4,440	**3,960**	3,295	**458**	885	**727**	557	**11,438**	9,177
Assets (Liabilities)										
Cash and bank	**276**	142	**773**	2,090	**6**	5	**89**	142	**1,144**	2,379
Loans	**149,769**	129,955	**-**	-	**-**	-	**-**	-	**149,769**	129,955
Trade and other receivables	**-**	-	**4,597**	5,580	**-**	-	**-**	-	**4,597**	5,580
Inter company balances	**(3,910)**	(3,552)	**735**	1,685	**2,324**	1,795	**851**	72	**-**	-
Inventories	**-**	-	**29,833**	23,010	**-**	-	**-**	-	**29,833**	23,010
Property & equipment	**1,573**	1,448	**11,900**	10,042	**-**	-	**-**	-	**13,473**	11,490
Other assets	**436**	28	**444**	-	**-**	-	**-**	-	**880**	28
Bank overdrafts	**(70)**	(650)	**(2,901)**	(2,680)	**-**	-	**-**	-	**(2,971)**	(3,330)
Trade and other payables	**(14,342)**	(7,922)	**(16,069)**	(17,266)	**-**	-	**-**	-	**(30,411)**	(25,188)
Term loans	**(71,719)**	(77,738)	**(10,081)**	(7,189)	**-**	-	**-**	-	**(81,800)**	(84,927)
Bonds	**(19,928)**	(19,890)	**-**	-	**-**	-	**-**	-	**(19,928)**	(19,890)
Equity	**(42,085)**	(21,821)	**(19,231)**	(15,272)	**(2,330)**	(1,800)	**(940)**	(214)	**(64,586)**	(39,107)
Capital expenditure	**254**	130	**3,816**	2,904	**-**	-	**-**	-	**4,070**	3,034
Depreciation charge	**130**	95	**1,597**	1,481	**-**	-	**-**	-	**1,727**	1,576

19. 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 23.03% of its share capital. The balances due to the BBK at 31 December 2008 are BD 6,039 (2007: BD 11,640) for term loans and BD 1,070 (2007: BD 652) for overdrafts. The interest expense paid to BBK during the year by the Group amounts to BD 458 (2007: BD 184).

The Company is an associate of NBB, which owns 11.92% of its share capital. The balances due to the National Bank of Bahrain at 31 December 2008 are BD 3,071 (2007: BD 5,584) for term loans and BD 333 (2007: BD 46) for overdrafts. The interest expense paid to National Bank of Bahrain during the year by the Group amounts to BD 168 (2007: BD 210).

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 Officer, the Deputy Chief Executive Officer, the Senior Vice President and the General Managers and their short term compensation and termination benefit charge for the year was BD 1,118 (2007: BD 829) and BD 174 (2007: BD 69) respectively. The short term compensation includes directors fees of BD 220 (2007: BD180) as approved by shareholders and board committee attendance fees BD 111 (2007: BD 66). Loans include BD 45 (2007: BD 52) due from directors.

20. Retirement benefits cost

The Group's contributions in respect of Bahraini employees for the year amounted to BD 420 (2007: BD 378).

The Group's provision for expatriate employees' leaving indemnities at 31 December 2008 was BD 831 (2007: BD 613). The Group employed 642 staff at 31 December 2008 (2007: 587).

21. 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:

	2008	2007
Profit for the year	**11,438**	9,177
Weighted average number of equity shares (In 000's)	**130,415**	124,205
Basic earnings per share	**88 fils**	74 fils

As per IAS 33, in the case of bonus issue and rights issue, the number of ordinary shares used for the computation of earning per share for the current year, and previous year has been adjusted.

Diluted earnings per share is same as the basic earning per share as the Company has no instruments convertible into ordinary shares that would dilute earnings per share.

22. Contingent liabilities

The Group has contingent liabilities for standby letters of credit issued in the normal course of the automotive business amounting to BD 13,800 (2007: BD 9,700).

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

During the year following new/amended IFRS's standards and interpretations relevant to the activities of the Group have been issued which are not yet mandatory for adoption by the Group:

- IAS 1 Presentation of Financial Statements (effective for financial periods beginning on or after 1 January 2009).
- IFRS 8 Operating Segments (effective for financial periods beginning on or after 1 January 2009).
- Amended IAS 27 - Consolidated and separate financial statements (effective for financial periods beginning on or after 1 January 2009).
- Amendments to IFRS 2 - Share- based payment – vesting conditions and cancellations (effective for financial periods beginning on or after 1 January 2009).
- The IASB made certain amendments to existing standards as part of its financial improvements project. The effective dates for these amendments vary by standard and most will be applicable to the Group's 2009 consolidated financial statements.

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

24. Proposed appropriations

The Board of Directors has proposed the following appropriations for 2008. These appropriations are subject to approval by the shareholders at the Annual General Meeting.

	2008	2007
Proposed dividends	**5,651**	4,349
Bonus shares (1 share for every 10 shares held)	**-**	1,100
Directors' fees	**220**	220
Donations	**280**	280
General reserve	**1,250**	2,500
Statutory reserve	**1,250**	-
	8,651	8,449

25. Comparatives

Certain comparatives have been reclassified to conform with the current year's presentation. Such reclassification did not affect the previously reported net profit, net assets or equity.