ANNUAL REPORT
2009

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.

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).

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.

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.

CONTENTS

His Royal Highness Prince Khalifa Bin Salman Al Khalifa

The Prime Minister of the Kingdom of Bahrain

His Majesty King Hamad Bin Isa Al Khalifa

The King of the Kingdom of Bahrain

His Royal Highness Prince Salman Bin Hamad Al Khalifa

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

OPERATIONAL HIGHLIGHTS

- The company has outperformed the market in its core businesses, the financial position remains extremely strong and the business fundamentals of the Group remain solid.

- The Group has reported net profits of BD 9.6 Million, some 16% lower than the BD 11.4 Million earnings of 2008 under extremely adverse and challenging economic conditions.

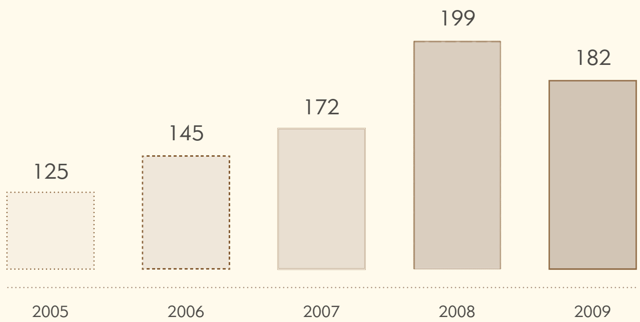
- **Consumer Finance:** New lending of BD 62 million. Portfolio quality remained good. Bahrain Credit maintained caution in lending particularly in mortgage loans.

- **Automotive:** National Motor Company whilst affected like all major car dealers by lower demand for cars and the strong Japanese Yen retained its No. 2 position amongst the Kingdom's automotive distributors.

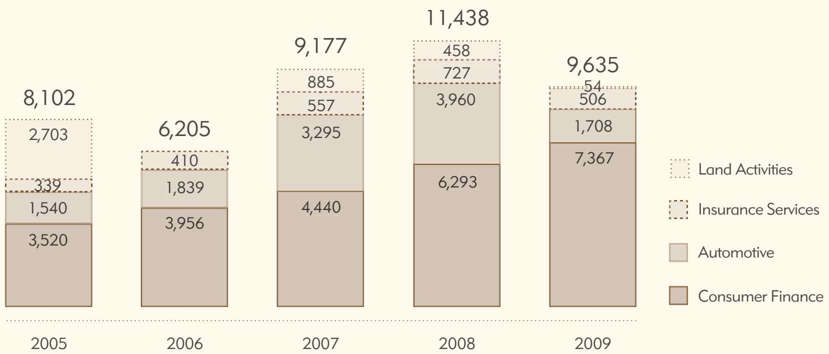
- **Insurance:** Tas'heelat Insurance Services Company maintained its customer base whilst placing over thirteen thousand policies.

- **Real Estate:** The Company remained cautious with no real estate holdings and focused on valuation services.

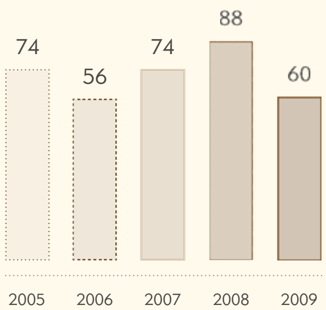
FINANCIAL HIGHLIGHTS



Total Assets (BD million)

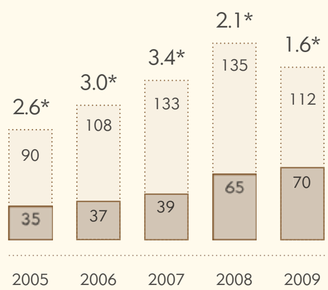


BCFC Net Profit (BD'000)



Earning Per Share (fils)*

* Computed on increased capital base.



*Leverage

Total liabilities Equity

(BD million)

CHAIRMAN'S REPORT

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 2009. 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 2009 in extremely adverse conditions: a reflection of its robust business model. Total group net profit of BD 9.6 million (2008: BD 11.4 million) has resulted in a return on equity of 14%. Your Board recommends a cash dividend to shareholders at the rate of 35 fils per share (35%) (2008: 35 fils per share).

The Bahraini economy has not been immune to the global economic recession caused by the massive financial crisis and subsequent acute loss of confidence. The real estate sector in the GCC, which was the biggest beneficiary of the economic boom till mid - 2008 has witnessed a particularly heavy correction. Your company's rights issue in November 2008 continues to be proven timely: it has resulted in a sound liquidity position for the Group in a difficult period for capital markets, further, it has resulted in savings in interest costs that has favorably impacted reported earnings.

In 2009, Bahrain Credit achieved net profits of BD 7.4 million (2008: BD 6.3 million) and provided new loans of BD 62 million (2008: BD 95 million). The company focused on its core product, vehicle loans whilst consciously reducing its lending to the real estate sector (mortgage lending in 2009 was 74% lower at BD 11 million against BD 42 million in 2008). Your company continues to apply prudent criteria in the granting of credit and non performing loans at 2.57% of the portfolio remain well controlled.

2009 proved to be an extremely challenging year for National Motor Company which has reported profits of BD 1.7 Million (2008: BD 3.9 million). The results include BD 1 million received against an insurance policy for business interruption caused by the serious fire in our Sehla facility in 2008 which crippled operations in the key after sales division for a substantial length of time. The automotive industry in Bahrain felt the effect of the economic downturn in terms of a substantial reduction in market demand for vehicles. The strong Japanese Yen resulted in a very real increase in the price of Honda vehicles and the negative press that surrounded General Motors affected customer confidence in the brand for the first eight months of the year. Encouragingly in such a difficult market, our important Service and Parts After sales operation continued to grow, returning profits some 20% ahead of 2008 results.

Your company has recently finalised its strategic direction for the next three years. This exercise is timely considering the current difficult circumstances. The Plan focuses on prudent growth and protection of shareholder wealth in all market conditions, profitable increase in market share in existing businesses, organic growth through introduction of new products and services and maintaining the financial strength of the group whilst seeking all available new business opportunities in core businesses.

There have been no changes in the composition of the Board during the year. In accordance with the requirement of Bahrain's Commercial Companies Law 2001, we report the aggregate amount paid to directors during 2009 was BD 328 K (BD 331K in 2008) in respect of fees and subsidiary Board and Executive Committee attendance allowances. The total shareholding of the directors in the company is 111.9 million shares (68.5% of paid up capital).

Mr. Ian Levack, Chief Executive Officer had for sometime expressed his desire to retire and the Board of Directors has accepted his decision effective 31 December 2009. Mr. Levack joined the company in 1998 and the Board places on record its sincere appreciation for his services to the company over the years and wishes him happiness in his retirement. In line with the company's succession plan, I am happy to announce the appointment of Dr. Adel Hubail as Chief Executive Officer. Dr. Hubail, a Bahraini national has amply demonstrated his leadership and managerial skills under challenging circumstances and in various capacities. I am confident the company will continue to excel under his stewardship.

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 pleased to state that 94% of Bahrain Credit's workforce comprises of Bahraini nationals. In November 2009, the Gulf Cooperation Council of Labor and Social Affairs recognised the human resources development efforts of the Company with a certificate and award.

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 2010

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 Flour Mills Company BSC

2 *Abdulkarim Ahmed Bucheery* - Vice Chairman, Nominee of BBK BSC
- Chief Executive Officer - BBK BSC
- Director - BBK Executive Committee
- Chairman - Capinnova Investment Bank BSC(c)
- Chairman - CrediMax BSC (c)
- Director - Bahrain Association of Banks (BAB)
- Board Member - InJaz
- Director - Naseej

3 *Abdulrahman Abdulla Mohamed* - Director
Nominee of National Bank of Bahrain BSC
- General Manager 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, 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
- Vice-Chairman - 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)
- Director - Al Dur Holding Company

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

CORPORATE GOVERNANCE

Bahrain Commercial Facilities Company BSC is committed to best practices of corporate governance to meet legal and regulatory requirements. In pursuit of further maintaining its high standards in corporate governance and in anticipation of the new Corporate Governance Code proposed to be implemented by the Central Bank of Bahrain, Bahrain Commercial Facilities Company BSC proactively and independently had its own corporate governance framework reviewed by a professional firm to ensure full compliance with best practice. As the direct responsibility of the Board of Directors, this voluntary review undertaken has proved the company's adherence to strong corporate governance practices, which will help in enhancing compliance at all levels.

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 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 2009, the Board of Directors convened five meetings, attended as follows:

Board of Directors	*17 Feb*	*14 Mar*	*21 Jul*	*27 Oct*	*8 Dec*	*Total*
Abdulrahman Yusuf Fakhro	✓	✓	✓	✓	✓	5
Abdulkarim Ahmed Bucheery	✓	✓	✓	✓	✓	5
Abdulrahman Abdulla Mohammed	✓	✓	✓	✓	✓	5
Khalid Mohammed Ali Mattar	✓	✓	✓	✓	✓	5
Sh. Mohammed Bin Isa Al-Khalifa	✓	✓		✓	✓	4
Ebrahim Abdulla Buhindi	✓		✓	✓	✓	4
Sayed Abdulghani Hamza Qarooni	✓	✓	✓	✓	✓	5
Abdulaziz Saleh Al-Saie	✓	✓	✓	✓	✓	5
Ali Abdulla Ahmadi	✓	✓	✓	✓	✓	5
Jamal Mohamed Jassim Hejres	✓	✓	✓	✓	✓	5

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 seven meetings in 2009, attended as follows:

Executive Committee Members	*27 Jan*	*17 Mar*	*21 Apr*	*24 May*	*16 Jun*	*15 Sept*	*17 Nov*	*Total*
Khalid Mohammed Ali Mattar	✓	✓	✓	✓		✓	✓	6
Sh. Mohammed Bin Isa Al-Khalifa	✓	✓	✓	✓	✓	✓	✓	7
Abdulrahman Abdulla Mohammed	✓	✓	✓	✓	✓	✓	✓	7
Abdulkarim Ahmed Bucheery	✓	✓	✓	✓	✓	✓	✓	7

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 compliances with group's risk management policies and procedures 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 Committee directs the role and assesses the performance of the Internal Audit Department.

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

During 2009, the Board Audit Committee met six times. On each occasion, the Board Audit Committee met on a quarterly basis with the External Auditor. The meetings were attended as follows:

Audit Committee Members	*5 Jan*	*15 Feb*	*19 Apr*	*19 Jul*	*27 Sept*	*25 Oct*	*Total*
Ebrahim Abdulla Buhindi	✓	✓	✓	✓	✓	✓	6
Abdulaziz Saleh Al-Saie	✓	✓	✓	✓	✓	✓	6
Ali Abdulla Ahmadi	✓	✓	✓	✓	✓	✓	6

CORPORATE GOVERNANCE CONTINUED

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 recognised. 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 2009, attended as follows:

Remuneration and Nomination Committee Members	*11 Feb*	*16 Jul*	*10 Dec*	*Total*
Abdulrahman Yusuf Fakhro	✓	✓	✓	3
Ebrahim Abdulla Buhindi	✓	✓	✓	3
Jamal Mohamed Jassim Hejres	✓	✓	✓	3
Sayed Abdulghani Hamza Qarooni	✓	✓	✓	3

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 and are separate from the Internal Audit function. In addition, following a rigorous review to ensure compliance with the regulatory requirements in regard of these functions, the Risk Manager, Compliance Officer and Anti-Money Laundering Officer now reports directly to the Chief Executive Officer.

EXECUTIVE MANAGEMENT

1. Dr. Adel Hubail
Chief Executive Officer - BCFC

2. Geoff Thomas
General Manger - NMC

3. Fadhel Al-Mahoozi
Senior Vice President, Head of Consumer Finance - Bahrain Credit

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

5. Ali Al-Daylami
General Manger - TISCO

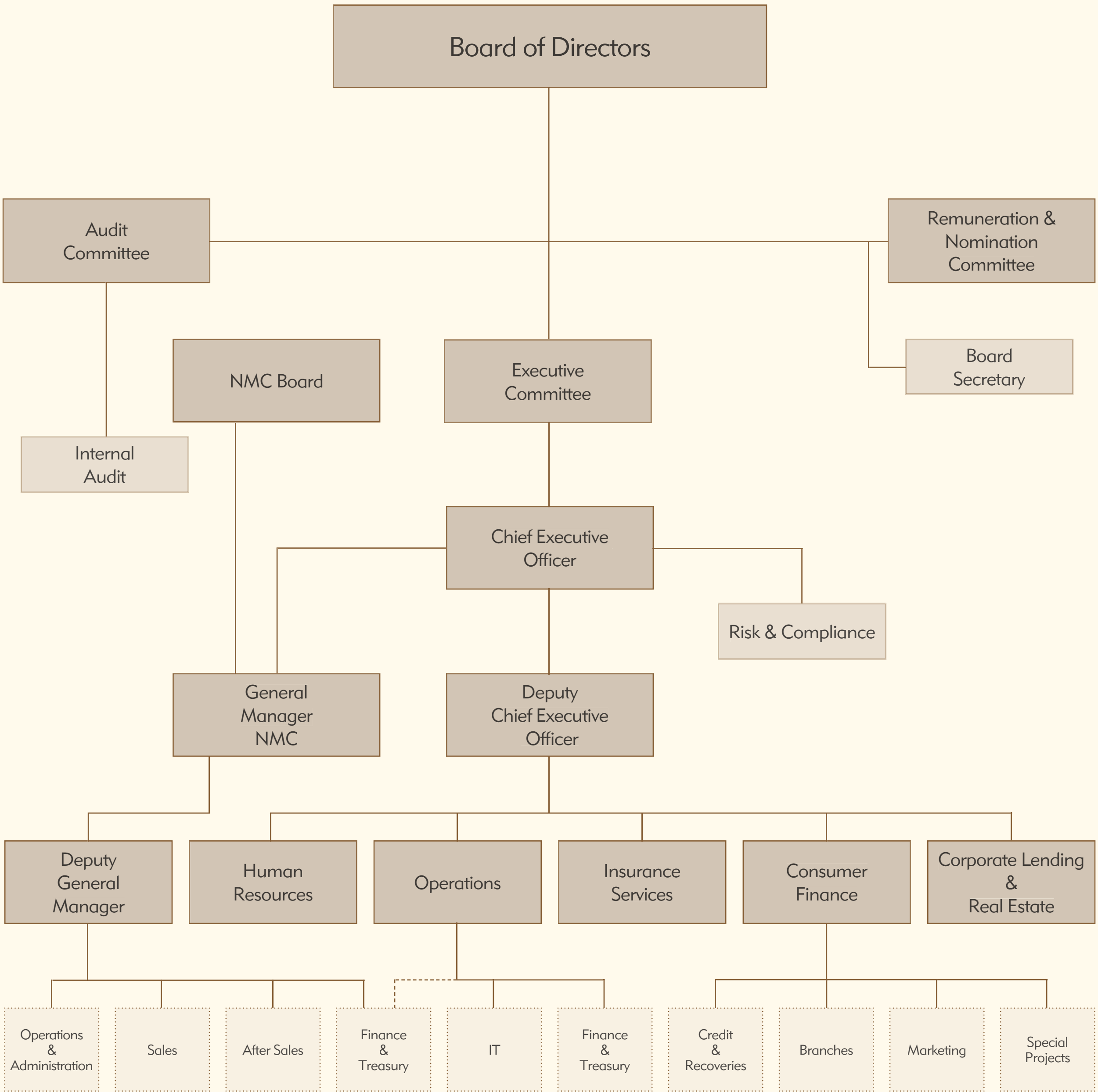
6. Simon Austin
Deputy General Manager, NMC

7. Nader Ebrahim
Senior Finance Manger - NMC

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

9. Xavier Stephen
Senior Manager - Head of After Sales Operations - NMC

ORGANISATION CHART



MANAGEMENT'S REVIEW OF OPERATIONS

In 2009, the group has delivered a resilient performance which is reflective of the robustness of its business model and its proactive responsiveness to adverse market conditions. The Group delivered net profits of BD 9.6 million (2008: BD 11.4 million) providing a return on equity of 14%. The business fundamentals of the Group remain solid and the strategic direction is clear.

Globally, the world economy is still coming to terms with the major downturn and authorities worldwide are striving to maintain a fine balance between government stimuli and inflation risk. The impact of the global downturn was also felt in Bahrain, where GDP grew at an estimated 2.9% as against previous growth levels of 6 -8%.

The success of the company over the last three years is attributable to a large extent to faithful adherence to its strategic plan. The company has developed its next 3 year plan identifying key organic and non-organic initiatives related to all its business segments. The strong business model, experienced management team, focus on superior customer service and long standing good relationships with all business partners positions the company extremely well for all market conditions. Thanks to the timely rights issue in November 2008, the leverage is a very low 1.6 enabling the Group to aggressively consider strategic investments in currently depressed albeit recovering markets in current and related businesses.

Mr. Ian Levack, outgoing CEO, with Dr. Adel Hubail.

MANAGEMENT'S REVIEW OF OPERATIONS CONTINUED

PARENT COMPANY

• *Vehicle Loan* • *Personal Loan* • *Mortgage Loan* • *Corporate Loan*

In 2009, the company provided BD 62 million of new loans with about 60% of business coming from the core product: vehicle finance. The company remained extremely selective and cautious in mortgage lending – it mostly financed assets where servicing of the loan installments is not solely dependent on cash flows from the financed asset. The quality of the portfolio remained a key focus and this is reflected in very low levels of seriously delinquent loans which are fully provided for.

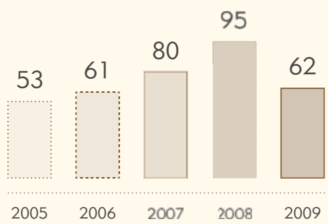
The Company undertook a comprehensive review of all its large ticket exposures and it is pleasing to report that all are performing satisfactorily. All underlying securities were revalued (mostly downward reflective of current market conditions) and such securities more than cover outstanding principal amounts. Recently the Company has expanded its offerings in the unsecured lending business through launch of its credit card "Imtiaz". This is the next major step in the company being able to offer a complete range of financial solutions to service all its customers' requirements.

In terms of liquidity, the company is comfortably placed: its leverage ratio is very low, expected cash generation is stable with more than a third of the portfolio converting to cash in the next 12 months and over 75% of 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.

The company has always strived to diversify its sources of funds and avoid concentration of maturities. One of the two BD10 million bonds in issue is maturing in June 2010. The Company intends to replace these with a new Bond issue.

The interest rate swaps entered into by the Company in 2007 remain in force. The tendency of lending institutions to abandon Libor in favor of internal cost of funds, a phenomenon noticed since late 2008 continued in 2009. Although confidence of lenders towards each other worldwide is noticeable, locally, financial institutions are continuing this practice: the company hopes this increase in its borrowing costs will be short lived.

The company is in the process of implementing an advanced state of the art core business system which is expected to be operational by the end of the first quarter of 2010. The new system is expected to integrate all key processes and thereby significantly improve operating efficiencies and customer service.



Bahrain Credit New Lending (BD million)

NATIONAL MOTOR COMPANY

• Honda • Chevrolet • GMC • Hummer • Cadillac

In 2009, against a difficult backdrop the Company returned a profit of BD 1.7 Million (2008: BD 3.9 Million). Overall company earnings include receipt of BD 1 million towards an insurance claim for business interruption following the fire that occurred at our Sehla Central Parts Warehouse in July 2008.

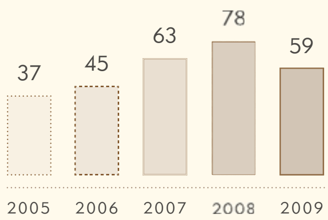
2009 was a difficult year for the automotive industry in general and the Company brands in particular: the Japanese Yen, which had strengthened in late 2008 to 90 JPY to the US$, remained at those high levels throughout the year resulting in substantially higher prices for our Honda vehicles. With General Motors, the company experienced a fall in consumer confidence for the brand due to the negative press that has since proven unwarranted.

Despite difficult trading circumstances wherein the company's unit sales dropped 29% to 5,000 units, remarkably, the company's market share actually increased: the decline in company vehicle sales is less than the overall reduction recorded in the overall Bahrain passenger car market.

MANAGEMENT'S REVIEW OF OPERATIONS
NATIONAL MOTOR COMPANY CONTINUED

It is pleasing to note that the important parts and after sales operation continued to grow achieving results some 20% ahead of 2008.

In terms of future outlook, the strength of the Japanese Yen continues to be of concern although 2010 model Honda vehicles are finding strong acceptability even at higher prices. The New General Motors is aggressively launching newer models and is fully supportive of Middle East markets. Significant capital expansion is planned for the key after sales operation with the extension of the parts and service reception area at the Sitra facility and the construction of an all new state of the art service centre at Sehla which will cater for both Honda and General Motors vehicles.

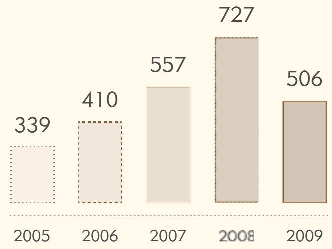


NMC Sales (BD million)

TAS'HEELAT INSURANCE SERVICES COMPANY

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

The company was directly affected by reduction in new business in National Motor Company and Bahrain Credit. The Company is working towards increasing its brand awareness to increase its market penetration over and above the captive business received from Bahrain Credit and NMC. The company, as part of its strategic vision and under its branding initiatives, is introducing a new identity for Tas'heelat Insurance.



TISCO Net Profits (BD'000)

TAS'HEELAT REAL ESTATE SERVICES COMPANY

• Brokerage Services • Valuations • Property Management • Investment

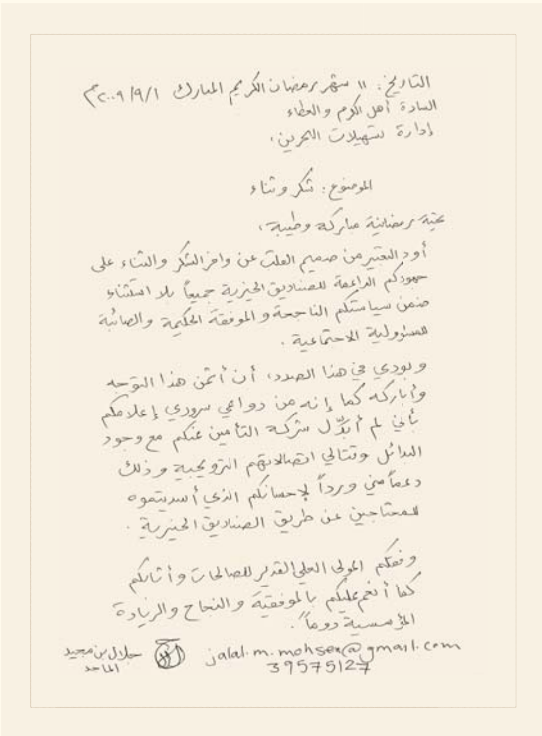
The company has registered a net profit of BD 54 thousand for the year. With no land holdings, the operations of the company were not affected by the ongoing correction in land prices. The company is closely monitoring the real estate market in Bahrain and will pursue attractive investment opportunities when they present themselves.

2010 OUTLOOK

The spectacular growth that occurred from early 2005 to mid 2008 before the financial crisis is unlikely to be repeated anytime soon. Markets are expected to improve but at a slow pace. The Company remains cautiously optimistic and similar to its 2009 performance, expects to outperform the market and peers.

SUPPORTING OUR COMMUNITY

BCFC's Donation to the Bahraini community was BD 188,000 in 2009



التاريخ: ١١ شهر رمضان الكريم المبارك ١/٩/٢٠٠٩م
السادة أهل الكرم والعطاء
إدارة تسهيلات البحرين،

الموضوع: شكر وثناء

تحية رمضانية مباركة وطيبة،
أود التعبير من صميم القلب عن وافر الشكر والثناء على
جهودكم الرائعة للصناديق الخيرية جميعاً بلا استثناء
ضمن سياستكم الناجحة والموفقة الحكيمة والصائبة
للمسئولية الاجتماعية.

ويودي في هذا الصدد، أن أثمن هذا التوجه
وأباركه كما إنه من دواعي سروري إعلامكم
بأني لم أبدّل شركة التأمين عنكم مع وجود
البدائل وتتالي اتصالاتهم الترويجية وذلك
دعماً مني ورداً لإحسانكم الذي أسديتموه
للمحتاجين عن طريق الصناديق الخيرية.

وفقكم المولى العلي القدير للصالحات وأثابكم
كما أنعم عليكم بالموفقية والنجاح والريادة
المؤسسية دوماً.

جلال بن مجيد الماجد jalal.m.mohsen@gmail.com
39575127

Contributing to the enhancement of Bahraini society and its institutions forms the basis of our corporate social responsibility. We believe that our existence and success hinges on the acceptance and support we receive from the Bahraini community in the broadest sense.

Committed to serve the community, the Company during 2009 continued to support those organisations with special and urgent needs. It made donations to a total of 26 not-for-profit organisations in different arenas, including but not limited to, disability, elderly care, childhood and nurseries, health and relief, social welfare, education and specialised institutions, research and studies, culture and environment. Specific organisations supported include Hope Institute, Bahrain Down Syndrome Society, Bahrain Disabled Sport Federation, Centre for Hearing & Speech Development, Bahrain Cancer Society, Al Rahma Centre, Bahrain Institute for Special Education, Bahrain Association for Mental Retarded, UCO Parents Care Centre.

We recognise our ethical and social responsibility towards the institutions of Bahrain society involved in helping needy families. In keeping with our long standing tradition, we increased the financial support provided to 78 registered and fully-active charitable funds and organisations by over 50%.

GENERAL INFORMATION

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

P.O. Box: 1175, Manama,
Kingdom of Bahrain

Tel: (+973) 17 786000
(+973) 17 311311
(+973) 17 466666
(+973) 17 737414

Fax: (+973) 17 786010
(+973) 17 311344
(+973) 17 467010
(+973) 17 737144

E-Mail: bcredit@bahraincredit.com.bh

Website: www.bahraincredit.com.bh

Offices: **Bahrain Credit Building,**
Building 264, Road 111, Tubli 701

Branches: Isa Town
GOSI Complex
Muharraq
Sitra

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
Banque BIA
The Arab investment Bank S.A.A.
Ahlibank QSC
Housing Bank for Trade and Finance

Auditors

KPMG

FINANCIAL
STATEMENTS

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 financial position as at 31 December 2009, and the consolidated statement of income, consolidated statement of comprehensive income, 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 2009, 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 2009 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.

16 February 2010, Manama, Kingdom of Bahrain

CONSOLIDATED STATEMENT OF

FINANCIAL POSITION

AS AT 31 DECEMBER 2009

BAHRAINI DINARS THOUSANDS

	Notes	2009	2008
ASSETS			
Cash and cash equivalents		**2,522**	1,144
Loans	7	**144,039**	149,769
Trade and other receivables		**3,546**	5,041
Inventories, net of provision	9	**18,229**	29,833
Property and equipment	10	**13,739**	13,473
Other assets		**32**	26
Total assets		**182,107**	199,286
LIABILITIES			
Bank overdrafts		**4,590**	2,971
Trade and other payables		**18,043**	30,411
Term loans	11	**69,633**	81,390
Bonds	12	**19,966**	19,928
Total liabilities		**112,232**	134,700
EQUITY			
Share capital	13	**16,335**	16,335
Treasury shares		**(599)**	(464)
Reserves and retained earnings		**54,139**	48,715
Total equity (page 25-26)		**69,875**	64,586
Total liabilities and equity		**182,107**	199,286

Abdulrahman Yusuf Fakhro
Chairman

Abdulkarim Ahmed Bucheery
Vice Chairman

Dr. Adel Hubail
Chief Executive Officer

The Board of Directors approved the consolidated financial statements consisting of pages 22 to 53 on 16 February 2010

CONSOLIDATED
INCOME STATEMENT
FOR THE YEAR ENDED 31 DECEMBER 2009

BAHRAINI DINARS THOUSANDS

	Notes	**2009**	2008
Interest income		**17,892**	16,906
Interest expense		**(6,383)**	(6,415)
Net interest income		**11,509**	10,491
Automotive sales		**59,175**	77,623
Cost of sales		**(53,747)**	(69,252)
Gross profit on automotive sales		**5,428**	8,371
Insurance commission income		**706**	927
Gross profit on land activities		**194**	598
OPERATING INCOME OF THE GROUP		**17,837**	20,387
Salaries and related costs		**(3,641)**	(3,403)
General and administrative costs		**(1,965)**	(1,684)
Selling and promotion costs		**(1,165)**	(1,329)
Depreciation		**(1,128)**	(1,158)
Provision for bad and doubtful loans	7	**(928)**	(1,228)
Provision for inventory and trade receivables		**(775)**	(106)
Recoveries of loans previously written off		**488**	457
Automotive finance costs		**(1,212)**	(833)
Foreign exchange gain/(loss)		**797**	(361)
Other operating income	14	**320**	273
Total operating expenses		**(9,209)**	(9,372)
PROFIT FROM OPERATIONS		**8,628**	11,015
Other income	15	**1,007**	423
PROFIT FOR THE YEAR		**9,635**	11,438
Basic earnings per 100 fils share	20	**60 fils**	88 fils
Proposed cash dividend per 100 fils share		**35 fils**	35 fils

Abdulrahman Yusuf Fakhro
Chairman

Abdulkarim Ahmed Bucheery
Vice Chairman

Dr. Adel Hubail
Chief Executive Officer

The consolidated financial statements consist of pages 22 to 53.

CONSOLIDATED STATEMENT OF
COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER 2009

BAHRAINI DINARS THOUSANDS

	2009	2008
PROFIT FOR THE YEAR	**9,635**	11,438
Other comprehensive income		
Cash flow hedge fair value changes	**1,848**	(6,170)
Other comprehensive income for the year	**1,848**	(6,170)
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	**11,483**	5,268

The consolidated financial statements consist of pages 22 to 53.

CONSOLIDATED STATEMENT OF

CHANGES IN EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2009

BAHRAINI DINARS THOUSANDS

2009	**Share capital**	**Treasury shares**	**Statutory reserve***	**Cash flow hedge revaluation reserve**	**Donations reserve**	**General reserve**	**Retained earnings**	**Total**
At 1 January 2009	16,335	(464)	30,792	(8,155)	818	10,000	15,260	64,586
2008 appropriations (approved by shareholders)								
Directors fees declared for 2008	-	-	-	-	-	-	(220)	(220)
Dividend declared for 2008	-	-	-	-	-	-	(5,651)	(5,651)
Donation declared (2008)	-	-	-	-	280	-	(280)	-
Transfer to statutory reserve (2008)	-	-	1,250	-	-	-	(1,250)	-
Transfer to general reserve (2008)	-	-	-	-	-	1,250	(1,250)	-
Balance after 2008 appropriations	**16,335**	**(464)**	**32,042**	**(8,155)**	**1,098**	**11,250**	**6,609**	**58,715**
Total comprehensive income for the year								
Profit for the year	-	-	-	-	-	-	9,635	9,635
Other comprehensive Income								
Cash flow fair value changes	-	-	-	1,848	-	-	-	1,848
Total comprehensive income for the year	-	-	-	1,848	-	-	9,635	11,483
Utilisation of donation	-	-	-	-	(188)	-	-	(188)
Treasury Shares	-	(135)	-	-	-	-	-	(135)
At 31 December 2009	**16,335**	**(599)**	**32,042**	**(6,307)**	**910**	**11,250**	**16,244**	**69,875**

* Includes BD25,292 of share premium, excluding which the statutory reserve is BD6,750

CONSOLIDATED STATEMENT OF
CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2009
BAHRAINI DINARS THOUSANDS

2008	Share capital	Treasury shares	Statutory reserve*	Cash flow hedge revaluation 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
2007 appropriations and bonus and right issue (approved by shareholders)								
Directors fees declared for 2007	-	-	-	-	-	-	(220)	(220)
Dividend declared for 2007	-	-	-	-	-	-	(4,349)	(4,349)
Donation declared (2007)	-	-	-	-	280	-	(280)	-
Transferred to general reserve (2007)	-	-	-	-	-	2,500	(2,500)	-
Bonus shares issued	1,100	-	-	-	-	-	(1,100)	-
Rights issue	4,235	-	-	-	-	-	-	4,235
Premium on rights issue	-	-	21,010	-	-	-	-	21,010
Balance after 2007 appropriations and bonus and right issue	**16,335**	**(171)**	**30,792**	**(1,985)**	**990**	**10,000**	**3,822**	**59,783**
Total comprehensive income for the year								
Profit for the year	-	-	-	-	-	-	11,438	11,438
Other comprehensive Income								
Cash flow fair value changes	-	-	-	(6,170)	-	-	-	(6,170)
Total comprehensive income for the year	-	-	-	(6,170)	-	-	11,438	5,268
Utilisation of donation	-	-	-	-	(172)	-	-	(172)
Treasury Shares	-	(293)	-	-	-	-	-	(293)
At 31 December 2008	**16,335**	**(464)**	**30,792**	**(8,155)**	**818**	**10,000**	**15,260**	**64,586**

* Includes BD25,292 of share premium, excluding which the statutory reserve is BD5,500

CONSOLIDATED STATEMENT OF

CASH FLOWS

FOR THE YEAR ENDED 31 DECEMBER 2009

BAHRAINI DINARS THOUSANDS

	Notes	2009	2008
OPERATING ACTIVITIES			
Loan repayments, interest and commission receipts		87,792	86,864
Automotive sales receipts		59,663	77,732
Cash expended on operations			
Loans disbursed		(61,863)	(95,188)
Payments to automotive suppliers		(54,479)	(72,077)
Payments of staff salaries and related costs		(3,641)	(3,403)
Payments of other operating expenses		(2,208)	(2,193)
Interest paid		(6,383)	(6,415)
Cash received from insurance claim		1,007	429
Cash flows/(used in) from operations activities		19,888	(14,251)
INVESTING ACTIVITIES			
Capital expenditure on property and equipment	10	(2,638)	(4,070)
Proceeds from sale of property and equipment	10	568	360
Cash flows from investing activities		(2,070)	(3,710)
FINANCING ACTIVITIES			
Term loans paid	11	(11,865)	(3,126)
Dividends paid		(5,651)	(4,349)
Directors' fees paid		(220)	(220)
Donations paid		(188)	(172)
Treasury shares purchased		(135)	(293)
Rights Issue proceeds, net		-	25,245
Cash flows from financing activities		(18,059)	17,085
Net (decrease) in cash and cash equivalents		(241)	(876)
Cash and cash equivalents at beginning of the year		(1,827)	(951)
Cash and cash equivalents at 31 December		(2,068)	(1,827)
Cash and cash equivalents comprise:			
Cash and balances with banks		2,522	1,144
Bank overdrafts		(4,590)	(2,971)
		(2,068)	(1,827)

The consolidated financial statements consist of pages 22 to 53.

NOTES

TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2009

BAHRAINI DINARS THOUSANDS

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 2009 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.

The consolidated financial statements of the Group were authorised for issue by the directors on 16 February 2010.

b) Basis of measurement

The financial statements have been prepared on the historical cost basis except for derivative financial instruments which are stated at fair value. The principal accounting policies applied in the preparation of these financial statements have been consistently applied to all the years presented except as described in note 2.b.i) below:

i. Standards, amendments and interpretations effective on or after 1 January 2009

The following standards, amendments and interpretations, which became effective in 2009 are relevant to the Group.

IAS 1 (revised) - Presentation of Financial Statements

Revised IAS 1- Presentation of Financial Statements (2007) became effective as of 1 January 2009. As a result, the Group presents in the statement of changes in equity all owners' changes in equity, whereas all non-owners' changes in equity are presented in the statement of comprehensive income. Total comprehensive income may be presented in either:

- a single statement of comprehensive income (effectively combining both the income statement and all non-owners' changes in equity in a single statement), or
- in an income statement and a separate statement of comprehensive income.

The Group has opted to present the total comprehensive income in two separate statements - a statement of income and a separate statement of comprehensive income.

In accordance with the transitional requirements of the Standard, the Group has provided full comparative information. The adoption of the amendment results in additional disclosures but does not have an impact on the financial position or the comprehensive income of the Group.

Amendments to IFRS 7 - Financial instruments disclosures

The IASB published amendments to IFRS 7 in March 2009. The amendment requires enhanced disclosures

NOTES
TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2009
BAHRAINI DINARS THOUSANDS

about fair value measurements and liquidity risk. In particular, the amendment requires disclosure of fair value measurements by level of a fair value measurement hierarchy. The adoption of the amendment results in additional disclosures but does not have an impact on the financial position or the comprehensive income of the Group.

IFRS 8 - Determination and presentation of operating segments
IFRS 8 - Determination and presentation of operating segments became effective as of 1 January 2009. The Group's operating segments for external reporting is based on the information that is internally provided to the Chief Executive Officer, who is the Group's chief operating decision maker. Previously, operating segments were determined and presented in accordance with IAS 14 Segment Reporting. There is no change in the determination of the operating segments arising from the adoption of this standard.

Comparative segment information has been re-presented in conformity with the transitional requirement of IFRS 8 and only impacts presentation and disclosures aspects but does not have an impact on the financial position or the comprehensive income of the Group.

Improvements to IFRS (issued in May 2008)
Improvements to IFRS issued in May 2008 contained numerous amendments to IFRS that the IASB considers non-urgent but necessary. 'Improvements to IFRS' comprise amendments that result in accounting changes to presentation, recognition or measurement purposes, as well as terminology or editorial amendments related to a variety of individual IFRS standards. The amendments effective for annual periods beginning on or after 1 January 2009 have been adopted by the Group and no material changes to accounting policies arose as a result of these amendments.

ii. Standard and interpretations issued but not yet effective
The following new / amended IFRS's and interpretations have been issued which are not yet mandatory for adoption by the Group. The Group have not early adopted such new or amended standards in 2009.

IFRS 9 Financial instruments part 1: *Classification and measurement*
IFRS 9 was issued in November 2009 and is applicable for reporting period beginning on or after 1 January 2013. This standard replaces those parts of IAS 39 relating to the classification and measurement of financial assets and the key features are as follows:

- Financial assets are required to be classified into two measurement categories: those to be measured subsequently at fair value, and those to be measured subsequently at amortised cost. The decision is to be made at initial recognition. The classification depends on the entity's business model for managing its financial instruments and the contractual cash flow characteristics of the instrument.
- An instrument is subsequently measured at amortised cost only if it is a debt instrument and both the objective of the entity's business model is to hold the asset to collect the contractual cash flows, and the asset's contractual cash flows represent only payments of principal and interest (i.e. it has only 'basic loan features'). All other debt instruments are to be measured at fair value through profit or loss.

NOTES
TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2009
BAHRAINI DINARS THOUSANDS

2. BASIS OF PREPARATION (CONTINUED)

b) Basis of measurement (continued)

- All equity instruments are to be measured subsequently at fair value. Equity instruments that are held for trading will be measured at fair value through profit or loss. For all other equity investments, an irrevocable election can be made at initial recognition, to recognize unrealised and realised fair value gains and losses through other comprehensive income rather than profit or loss. There is to be no recycling of fair value gains and losses to profit or loss. This election may be made on an instrument-by-instrument basis. Dividends are to be presented in profit or loss, as long as they represent a return on investment.

No material changes to accounting policies are expected as a result of these adoptions.

Amendments to IFRS 8 operating segments

These amendments are applicable for reporting periods beginning on or after 1 January 2010 and clarify that segment information with respect to total assets is required only if such information is regularly reported to the chief operating decision maker. This amendment is not expected to result in any change in the Group's financial statements.

Improvements to IFRS (issued in April 2009)

Improvements to IFRS issued in April 2009 contained numerous amendments to IFRS that the IASB considers non-urgent but necessary. 'Improvements to IFRS' comprise amendments that result in accounting changes to presentation, recognition or measurement purposes, as well as terminology or editorial amendments related to a variety of individual IFRS standards. The amendments effective for annual periods beginning on or after 1 January 2010 with earlier adoption permitted. No material changes to accounting policies are expected as a result of these amendments.

c) 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.

NOTES

TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2009

BAHRAINI DINARS THOUSANDS

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 the 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 exclusive distributor 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 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 issued and the customer becomes entitled to the insurance policy.

d) Functional and presentation currency

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

NOTES
TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2009
BAHRAINI DINARS THOUSANDS

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

e) 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.

f) 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.

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.

NOTES
TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2009
BAHRAINI DINARS THOUSANDS

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.

g) 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. The objective evidence that loans are impaired can include default or delinquency by a borrower and indication that a borrower will enter into a bankruptcy. 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.

h) 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.

i) 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.

NOTES
TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2009
BAHRAINI DINARS THOUSANDS

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

j) 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.

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

m) 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 floatation 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.

n) 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. The reserve carries no restriction in its distribution. The appropriations are subject to the approval of the shareholders at the Annual General Meeting.

NOTES
TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2009

BAHRAINI DINARS THOUSANDS

o) 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.

p) Income tax liability

Companies are not liable to income tax in Bahrain.

q) Derivative financial instruments and hedging

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

Derivatives are recognised initially at fair value; attributable transaction costs are recognised in profit or loss as incurred. Subsequent to initial recognition, derivatives are measured at fair value, and changes therein are accounted for as described below.

When a derivative is designated as the hedging instrument in a hedge of the variability in cash flows attributable to a particular risk associated with a recognised asset or liability or a highly probable forecast transaction that could affect profit or loss, the effective portion of changes in the fair value of the derivative is recognised in other comprehensive income and presented in the hedging reserve in equity. The amount recognised in other comprehensive income is removed and included in profit or loss in the same period as the hedged cash flows affect profit or loss under the same line item in the statement of comprehensive income as the hedged item. Any ineffective portion of changes in the fair value of the derivative is recognised immediately in profit or loss.

If the hedging instrument no longer meets the criteria for hedge accounting, expires or is sold, terminated, exercised, or the designation is revoked, then hedge accounting is discontinued prospectively. The cumulative gain or loss previously recognised in other comprehensive income and presented in the hedging reserve in equity remains there until the forecast transaction affects profit or loss. When the hedged item is a non-financial asset, the amount recognised in other comprehensive income is transferred to the carrying amount of the asset when the asset is recognised. If the forecast transaction is no longer expected to occur, then the balance in other comprehensive income is recognised immediately in profit or loss. In other cases the amount recognised in other comprehensive income is transferred to profit or loss in the same period that the hedged item affects profit or loss.

r) 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.

s) Retirement benefits cost

Pensions and other social benefits for Bahraini employees are covered by the Social Insurance Organisation scheme to which employees and the Group contribute monthly on a fixed-percentage-of salaries basis. The

NOTES
TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2009
BAHRAINI DINARS THOUSANDS

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

s) Retirement benefits cost (continued)
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.

t) Term loans and bonds
Interest bearing loans and bonds are recognised initially at fair value plus any transaction costs and subsequently at their amortised cost using the effective interest rate method.

u) 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.

v) 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.

w) Segment reporting
An operating segment is a component of the Group that engages in business activities from which it may earn revenue and incur expenses, including revenues and expenses that relate to transactions with any of the other components of the Group. All operating results of the operating segments are reviewed regularly by the Chief Executive Officer to make decisions about resource allocation and assess its performance, and for which discrete financial information is available.

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.

NOTES
TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2009
BAHRAINI DINARS THOUSANDS

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, which undertakes both regular and adhoc reviews of risk management control and procedures, the results of which are reported to the Audit Committee and to management.

b) Credit risk
Credit risk represents the potential financial loss as a consequence of a customer's inability to honour the terms and conditions of a credit facility. Such risk is measured with respect to counterparties for both on-balance sheet assets and off-balance sheet items.

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.

NOTES
TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2009
BAHRAINI DINARS THOUSANDS

4. FINANCIAL RISK MANAGEMENT (CONTINUED)

b) Credit risk (continued)
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	**2009**	2008
Carrying amount	**144,039**	149,769
Individually impaired		
Gross amount	**4,011**	4,500
Interest suspended	**(574)**	(344)
Specific allowance for impairment	**(1,423)**	(2,125)
Carrying amount	**2,014**	2,031
Past due but not impaired		
Watch list – overdue by less than 90 days	**7,145**	4,220
Collective impairment allowance	**(1,304)**	(675)
Carrying amount	**5,841**	3,545
Neither past due nor impaired		
Gross amount	**137,353**	145,293
Collective impairment allowance	**(1,169)**	(1,100)
Carrying amount	**136,184**	144,193
Carrying amount	**144,039**	149,769

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 is influenced mainly by the individual characteristics of each customer. The Group gives a credit period of 90 days to its customers after which the receivables are classified as past due.

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 1,440 (2008: BD 1,811) were past due against which BD 530 (2008: BD 176) was the collective impairment allowance. Substantially all commercial past due receivables are less than one year.

NOTES
TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2009
BAHRAINI DINARS THOUSANDS

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.

NOTES
TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2009
BAHRAINI DINARS THOUSANDS

4. FINANCIAL RISK MANAGEMENT (CONTINUED)

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	
	2009	2008	2009	2008	2009	2008	2009	2008
ASSETS								
Cash and cash equivalents	2,522	1,144	-	-	-	-	2,522	1,144
Loans	51,977	51,414	88,754	94,751	3,308	3,604	144,039	149,769
Trade and other receivables	3,546	5,041	-	-	-	-	3,546	5,041
Inventories	18,229	29,833	-	-	-	-	18,229	29,833
Property and equipment	-	-	2,149	2,044	11,590	11,429	13,739	13,473
Other assets	32	26	-	-	-	-	32	26
	76,306	87,458	90,903	96,795	14,898	15,033	182,107	199,286
LIABILITIES								
Bank overdrafts	4,590	2,971	-	-	-	-	4,590	2,971
Trade and other payable	18,043	30,411	-	-	-	-	18,043	30,411
Term loans	23,639	19,689	45,994	61,701	-	-	69,633	81,390
Bonds	9,989	-	9,977	19,928	-	-	19,966	19,928
	56,261	53,071	55,971	81,629	-	-	112,232	134,700

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 risk is the risk that the Group will encounter difficulty in meeting obligations associated with its financial liabilities that are settled by delivering cash or another financial asset. Liquidity risk management ensures that funds are available at all times to meet the funding requirements of the Group.

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.

NOTES
TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2009
BAHRAINI DINARS THOUSANDS

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 2009	**Carrying amount**	**Contractual undiscounted cash flows**	**Within 1 Year**	**1 year to 5 years**	**Over 5 years**
Assets					
Cash and cash equivalents	2,522	2,522	2,522	-	-
Loans	144,039	201,118	67,821	129,261	4,036
Trade and other receivables	3,546	3,546	3,546	-	-
	150,107	**207,186**	**73,889**	**129,261**	**4,036**
Liabilities					
Bank overdrafts	4,590	4,609	4,609	-	-
Trade and other payable	8,750	8,750	8,750	-	-
Term loans	69,633	79,291	6,802	72,489	-
Bonds	19,966	21,593	10,405	11,188	-
	102,939	**114,243**	**30,566**	**83,677**	**-**

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	81,390	115,466	23,743	91,723	-
Bonds	19,928	26,584	918	25,666	-
	125,421	**166,172**	**48,783**	**117,389**	**-**

The Group manages its liquidity requirements with bank facilities and borrowings in addition to cash flows from maturities of assets.

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.

NOTES
TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2009
BAHRAINI DINARS THOUSANDS

4. FINANCIAL RISK MANAGEMENT (CONTINUED)

d) Market risks (continued)

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	
	2009	2008	**2009**	2008	**2009**	2008	**2009**	2008
ASSETS								
Cash and cash equivalents	-	-	-	-	**2,522**	1,144	**2,522**	1,144
Loans	**143,892**	149,630	-	-	**147**	139	**144,039**	149,769
Trade and other receivables	-	-	-	-	**3,546**	5,041	**3,546**	5,041
	143,892	149,630	-	-	**6,215**	6,324	**150,107**	155,954
LIABILITIES								
Bank overdrafts	-	-	**4,590**	2,971	-	-	**4,590**	2,971
Trade and other payables	-	-	-	-	**18,043**	30,412	**18,043**	30,412
Term loans	-	-	**69,933**	81,389	-	-	**69,933**	81,389
Bonds	-	-	**19,966**	19,928	-	-	**19,966**	19,928
	-	-	**94,489**	104,288	**18,043**	30,412	**112,532**	134,700

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 2009 interest rate risk attributable to the term loans of USD 220 million (BD: 82.94 million) (2008: USD 220 million, BD 82.94 million) has been hedged. The fair value changes of the interest rate swaps are recognised in equity (page 25-26). The cash flows relating to the interest rate swaps are expected to occur over a period of 3 years from the balance sheet date. The Group does not enter into derivative financial instruments other than for economic hedging purposes.

NOTES
TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2009
BAHRAINI DINARS THOUSANDS

The unhedged portion of the floating rate borrowing is sensitive to changes in the interest rates. As at 31 December 2009 a change in variable rate financial instruments by 100 basis points will increase/ (decrease) net profits by BD 116.

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.

	2009	2008
Japanese Yen	**1,541**	3,105
US Dollars	**5,572**	6,977

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 154 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 2009 was BD 615 (2008: BD 1,680).

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.

NOTES
TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2009
BAHRAINI DINARS THOUSANDS

4. FINANCIAL RISK MANAGEMENT (CONTINUED)

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 2009 for the Company was 1.6 (2008:2.1).

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.

(iv) Classification of derivatives financial instrument
In the process of applying the Group's accounting policies, management decides on the transaction date the purpose of the derivative financial instrument acquired and based on the management purpose the accounting treatment is determined in accordance with the IAS 39. The classification of each derivative financial instrument

NOTES
TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2009

BAHRAINI DINARS THOUSANDS

reflects the management's intention in relation to each derivative and will be subject to different accounting treatments based on such classification.

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.

(i) All financial assets of BD150,139 (2008: BD157,829) are categorised under 'loans and receivables' and are measured at amortised cost. All the financial liabilities of BD 105,925 (2008: BD126,827)are measured at amortised cost except interest rate swaps which are measured at fair value of BD 6,307 (2008: BD 8,155).

(ii) Fair value hierarchy
The Group measures fair values of financial instruments using the following fair value hierarchy that reflects the significance of the inputs used in making the measurements.

Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities.

Level 2: Valuation techniques based on observable inputs, either directly (i.e. as prices)or indirectly (i.e. derived from prices). This category includes instruments valued using quoted market prices in active markets for similar instruments; quoted prices for identical or similar instruments in markets that are considered less than active; or other valuation techniques where all significant inputs are directly observable from market data.

Level 3: Valuation techniques using significant unobservable inputs. This category includes instruments where the valuation technique includes inputs not based on market observable data.

The company's exposure to interest rate swaps of BD 6,307 designated as cash flow hedge are under level 2 categorisation.

NOTES
TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2009
BAHRAINI DINARS THOUSANDS

7. LOANS

	2009	2008
At 31 December	**144,039**	149,769

The effective interest rates (APR) on loans ranges between 9.0 % to 13.0 % p.a. (2008: 9.5% to 12.5% p.a.)

Impairment allowances		
At 1 January	**3,900**	3,268
Net charge to income statement	**928**	1,228
Loans written-off	**(933)**	(596)
At 31 December	**3,895**	3,900

8. NON-PERFORMING LOANS

	2009	2008
	3,807	3,520

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

	2009	2008
Automotive stock		
Vehicles, net of provisions	**16,163**	27,952
Spare parts, net of provisions	**2,066**	1,881
At 31 December	**18,229**	29,833

NOTES

TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2009

BAHRAINI DINARS THOUSANDS

10. PROPERTY AND EQUIPMENT

	Land and buildings	Furniture fixtures & equipment	Vehicles	2009 Total	2008 Total
Cost					
At 1 January	11,985	2,754	4,522	**19,261**	16,540
Additions	263	733	1,642	**2,638**	4,070
Disposals and retirements	-	-	(1,388)	**(1,388)**	(1,349)
At 31 December	**12,248**	**3,487**	**4,776**	**20,511**	19,261
Depreciation					
1 January	2,692	1,505	1,591	**5,788**	5,050
Charge for the year	387	402	1,015	**1,804**	1,726
Disposals and retirements	-	-	(820)	**(820)**	(988)
At 31 December	**3,079**	**1,907**	**1,786**	**6,772**	5,788
Net book value					
At 31 December 2009	**9,169**	**1,580**	**2,990**	**13,739**	
At 31 December 2008	9,293	1,249	2,931		13,473

The cost of fully depreciated assets still in use at 31 December 2009 was BD 2,467 (2008: BD 1,994).

11. TERM LOANS

	2009	2008
Repayable within one year	**23,639**	19,689
Repayable after one year	**45,994**	61,701
	69,633	81,390

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 6.5 % p.a. (2008: 5.91% p.a.)

NOTES
TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2009
BAHRAINI DINARS THOUSANDS

12. BONDS

	2009	2008
Face value	**20,000**	20,000
Less: Unamortised cost of issue	**(34)**	(72)
	19,966	19,928

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

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

13. SHARE CAPITAL

	2009	2008
Authorised share capital		
500,000,000 (2008: 500,000,000) shares of 100 fils each	**50,000**	50,000

	2009	2008
Issued and fully paid		
At 1 January	**16,335**	11,000
Bonus share issued during the year	-	1,100
Rights issue during the year	-	4,235
At 31 December	**16,335**	16,335
Treasury shares 2,205,426 shares (2008: 1,883,426 shares)	**599**	464

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.

NOTES
TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2009
BAHRAINI DINARS THOUSANDS

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
Social Insurance Organisation	Bahrain	50,803,589	31.10%
BBK BSC	Bahrain	37,618,691	23.03%
National Bank of Bahrain	Bahrain	19,450,477	11.91%

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%	35,918,954	1,301	21.99%
1% up to less than 5%**	19,558,289	7	11.97%
5% up to less than 10%	-	-	-
10% up to less than 20%	19,450,477	1	11.91%
20% up to less than 50%	88,422,280	2	54.13%
Total	**163,350,000**	**1,311**	**100.00%**

* Expressed as a percentage of total issued and fully paid shares of the Company
** Includes 2,205,426 treasury shares

14. OTHER OPERATING INCOME

	2009	2008
Gain on sale of property and equipment – Vehicles	**106**	126
Incentives	**88**	98
Other income	**126**	49
	320	273

NOTES
TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2009

BAHRAINI DINARS THOUSANDS

15. OTHER INCOME
In 2008 National Motor Company's central warehouse containing spare parts was destroyed in a fire and the Group received BD 423 in 2008 in excess of the carrying value of the assets destroyed. In 2009 other income of BD 1,007 was received as insurance compensation for business interruption relating to the fire.

16. 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.

17. SEGMENTAL INFORMATION
For management purposes, the Group is organised into four operating segments based on products and services as follows:

- Consumer finance - principally providing consumer loans and credit cards facilities
- Automotive - trading in motor vehicles and spares and the provision of after sales services.
- Insurance - provision of insurance services.
- Real Estate - involve of buying and selling of properties and properties evaluation services.

Management monitors the operating results of its business units separately for the purpose of making decisions about resource allocation and performance assessment. Segment performance is evaluated based on operating profit or loss which in certain respects is measured differently from operating profit or loss in the consolidated financial statements.

Transfer prices between operating segments are on an arm's length basis in a manner similar to transactions with third parties.

No revenue from transactions with a single external customer or counterparty amounted to 10% or more of the Group's total revenue in 2009 or 2008.

The following table presents income and profit and certain asset and liability information regarding the Group's operating segments.

NOTES

TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2009

BAHRAINI DINARS THOUSANDS

At 31 December	**Consumer finance**		**Automotive**		**Insurance**		**Real estate**		**Total**	
	2009	2008	**2009**	2008	**2009**	2008	**2009**	2008	**2009**	2008
Operating income	**11,509**	10,491	**5,428**	8,371	**706**	927	**194**	598	**17,837**	20,387
Operating costs	**(4,142)**	(4,198)	**(3,720)**	(4,411)	**(200)**	(200)	**(140)**	(140)	**(8,202)**	(8,949)
Net profit for the year	**7,367**	6,293	**1,708**	3,960	**506**	727	**54**	458	**9,635**	11,438
Assets (Liabilities)										
Cash and bank	**381**	276	**2,105**	773	**28**	89	**8**	6	**2,522**	1,144
Loans	**144,039**	149,769	**-**	-	**-**	-	**-**	-	**144,039**	149,769
Trade and other receivables	**-**	-	**3,546**	5,041	**-**	-	**-**	-	**3,546**	5,041
Inter company balances	**(4,259)**	(3,910)	**464**	735	**1,418**	851	**2,377**	2,324	**-**	-
Inventories	**-**	-	**18,229**	29,833	**-**	-	**-**	-	**18,229**	29,833
Property & equipment	**1,910**	1,573	**11,829**	11,900	**-**	-	**-**	-	**13,739**	13,473
Other assets	**32**	26	**-**	-	**-**	-	**-**	-	**32**	26
					-		**-**			
Bank overdrafts	**(28)**	(70)	**(4,562)**	(2,901)	**-**	-	**-**	-	**(4,590)**	(2,971)
Trade and other payables	**(9,595)**	(14,343)	**(8,448)**	(16,068)	**-**	-	**-**	-	**(18,043)**	(30,411)
Term loans	**(67,410)**	(71,308)	**(2,223)**	(10,081)	**-**	-	**-**	-	**(69,633)**	(81,389)
Bonds	**(19,966)**	(19,928)	**-**	-	**-**	-	**-**	-	**(19,966)**	(19,928)
Equity	**(45,106)**	(42,085)	**(20,939)**	(19,231)	**(1,446)**	(940)	**(2,384)**	(2,330)	**(69,875)**	(64,586)
Capital expenditure	**500**	254	**2,137**	3,816	**-**	-	**-**	-	**2,637**	4,070
Depreciation charge	**162**	130	**1,642**	1,597	**-**	-	**-**	-	**1,804**	1,727

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 23.03% of its share capital. The balances due to the BBK at 31 December 2009 are BD 3,264 (2008: BD 6,039) for term loans and BD 888 (2008: BD 1,070) for overdrafts. The interest expense paid to BBK during the year by the Group amounts to BD 277 (2008: BD 458).

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 2009 are BD 5,694 (2008: BD 8,726) for term loans and BD 453 (2008: BD 333) for overdrafts. The interest expense paid to National Bank of Bahrain during the year by the Group amounts to BD 330 (2008: BD 168).

NOTES

TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2009

BAHRAINI DINARS THOUSANDS

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 Officer, the Senior Vice Presidents and the General Managers and their short term compensation and termination benefit charge for the year was BD 1,423 (2008: BD 1,118) and BD 187 (2008: BD 174) respectively. The short term compensation includes directors fees of BD 220 (2008: BD220) as approved by shareholders and board committee attendance fees BD 108 (2008: BD 111). Loans include BD 36 (2008: BD 45) due from directors.

19. RETIREMENT BENEFITS COST

The Group's contributions in respect of Bahraini employees for the year amounted to BD 488 (2008: BD466).

The Group's provision for expatriate employees' leaving indemnities at 31 December 2009 was BD 750 (2008: BD 831). The Group employed 646 staff at 31 December 2009 (2008: 642).

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:

	2009	2008
Profit for the year	**9,635**	11,438
Weighted average number of equity shares (In 000's)	**161,147**	130,515
Basic earnings per share	**60 fils**	88 fils

Diluted earnings per share have not been presented as the Group has no commitments that would dilute the earnings per share.

21. OUTSTANDING COMMITMENT

The Group has contingent liabilities for standby letters of credit issued in the normal course of the automotive business amounting to BD 13,632 (2008: BD 13,800).

NOTES
TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2009
BAHRAINI DINARS THOUSANDS

22. PROPOSED APPROPRIATIONS
The Board of Directors has proposed the following appropriations for 2009. These appropriations are subject to approval by the shareholders at the Annual General Meeting.

	2009	2008
Proposed dividends	**5,640**	5,651
Directors' fees	**220**	220
Donations	**280**	280
General reserve	**1,500**	1,250
Statutory reserve	**1,500**	1,250
	9,140	8,651

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