ANNUAL REPORT

2011

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 authorized capital of BD 10,000,000 and issued capital of BD 5,000,000 with an objective to act as a specialist finance company in Bahrain. In April 1993, the Company was registered as a Public Shareholding Company. In 2003, the Company's Memorandum and Articles of Association were amended in accordance with the Commercial Companies Law (21) of 2001 and its duration became indefinite, following a resolution of the shareholders passed at the Extraordinary General Assembly Meeting on 10 March 2003. The Company has an authorized capital of BD 50,000,000 and an issued capital of BD 16,335,000.

Effective 26th June 2005, the Company became licensed and regulated by the Central Bank of Bahrain 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, mortgage finance and credit card.

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 Service 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 acquisition, sales, marketing, 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 Group has achieved good results in 2011 in an adverse and challenging operating environment. The excellent performance of the Company in such difficult times is a reflection of its resilient business model and the strong support of its Board towards the prudent approach of Management in handling a crisis situation.

The Group has reported a net profit of BD8.7 million, some 2% higher than the BD8.6 million earnings of 2010.

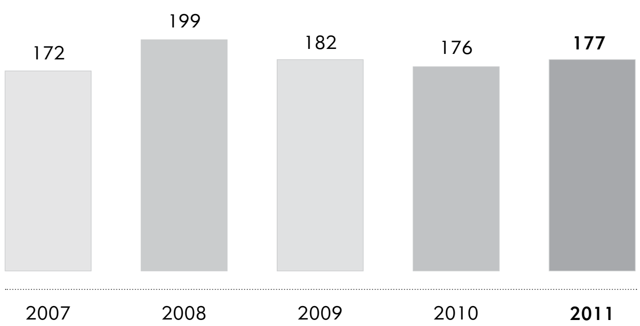
- **Credit**: Bahrain Credit continued its caution in lending and tightly controlled costs. New lending was BD62 million. Portfolio quality remained controlled.

- **Automotive**: National Motor Company has had an exceptional year and this despite the sad events in the first quarter, the strong Japanese Yen and delays in supplies from the Principal due to the natural disasters that struck Japan and Thailand.

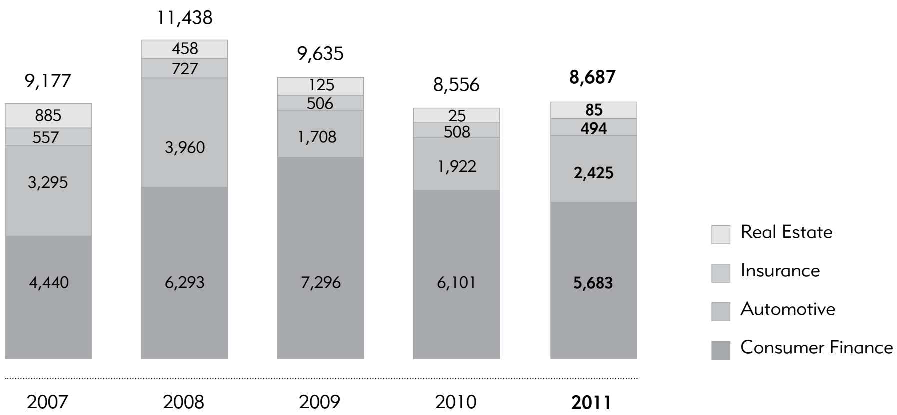
- **Insurance**: Tas'heelat Insurance Services Company maintained its market share through strong, innovative and direct marketing and efficient customer servicing.

- **Real Estate**: The Tas'heelat Real Estate Company in line with its strategic plan has commenced purchases of properties for long term rental purposes in areas with good demand. The Company has also reactivated its business of acquiring large plots with the objective of subdivision and value addition.

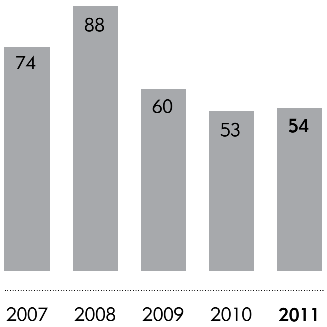
FINANCIAL HIGHLIGHTS



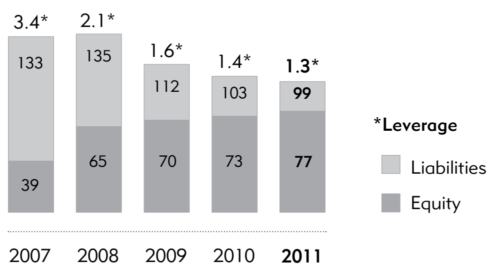
Total Assets (BD million)



Net Profit (BD'000)



Earnings per share (fils)



Debit 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 2011. 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.

I would perhaps not be exaggerating when I claim that 2011 will be recorded as a year of exceptional challenges, upheavals and defining moments in contemporary human history. The disturbing events that occurred within our beloved nation, the political changes in key countries within the Middle East and the trajectory of the world economic and financial crises have been unprecedented and unexpected. The unabated and ongoing fears of sovereign defaults in the Euro zone, the uncertainty over the recovery in the United States and the slow down of emerging economic power houses like China and India raised the spectre of a prolonged worldwide recession.

The performance of your company in the challenging local and global economic conditions prevailing in 2011 should be considered extremely satisfying. Total group net profit of BD8.7 million (2010: BD8.6 million) has resulted in a return on equity of 11%. Following the difficult and adverse operating environment in the first quarter, your company immediately executed a contingency plan that included extreme cost measures to offset expected reduction in business performance, tighter inventory controls and more direct marketing and sales efforts whilst supporting customers facing genuine financial difficulties by deferring their loan repayments. Thankfully, the grave forecast scenario that triggered such measures did not materialize but the successful execution of the plan greatly benefitted the Group performance as reflected in the consistent improvement in quarter on quarter financial results. Your Board recommends a cash dividend to shareholders at the rate of 35 fils per share (35%) (2010: 35 fils per share).

In 2011, Bahrain Credit achieved net profits of BD5.7 million (2010: BD6.1 million) and provided new loans of BD62 million (2010: BD58 million). The company faced unprecedented challenges in the first quarter of the year that undoubtedly impacted the new lending and collection and recovery. It is pleasing to note that such challenges were well managed. The company focused on its core product vehicle lending through targeted initiatives with specific dealers. The credit card since its introduction in 2010 has been successful which enabled the company to capture a new market segment. New mortgage lending was done on a selective basis. The company maintained its conservative policies for approving new credit. The non performing loans at 4.1% of the portfolio remained well controlled and broadly reflect the market conditions.

National Motor Company had a phenomenal year in 2011 with net profits of BD2.4 million (2010: BD1.9 million). The auto sales market in Bahrain witnessed a sharp reduction on the backdrop of the sad events in the first quarter of the year. Nonetheless, the company managed to substantially reduce its vehicle inventory in line with market sales trends.

The continued appreciation of the Japanese Yen resulted in increase in showroom prices of Honda vehicles. Additionally, the natural disasters that struck Japan and Thailand caused reduction in supply. The General Motors franchise substantially improved its performance. The tight inventory control and effective and efficient After Sales Operations compensated for lower margins in Japan sourced vehicles.

It is noteworthy to mention that in line with strategic initiatives, Tasheelat Real Estate Services Company in 2011 has made prudent investments in rental properties and land held for resale. The Company will continue to pursue further opportunities in the near future.

The Group has a very low leverage. This offers tremendous potential to comfortably increase the size of the balance sheet: during 2012 and in line with its 3 year strategic plan, the Group will explore expansion opportunities within the GCC which have the potential to increase the shareholder value.

During the year, the following were the changes in the composition of the Board of directors. Mr. Abdulrahman Abdulla Mohamed ceased to be a board member from March 2011, following his retirement from National Bank of Bahrain, the nominating shareholder bank. Abdulrahman has served on the board since June 1993 and was a member of the Executive Committee and Chairman of the board of National Motor Company at the time of his departure.

Shaikh Mohammed Bin Isa Al-Khalifa resigned from the Board effective October 2011 following his resignation as the Chief Executive of the Social Insurance Organisation, the nominating shareholder. Shaikh Mohammed served on the board since December 2002 and was Vice Chairman of the Executive Committee and Chairman of the board of National Motor Company at the time of his departure. Abdulaziz Saleh Al-Saie also resigned from the Board effective end of December 2011, representing Social Insurance Organization, the nominating shareholder. Abdulaziz served on the board since March 2006 and was Vice Chairman of the Audit Committee at the time of his departure. The SIO is in process of nominating replacement directors, subject to prior approval of the regulatory authority.

The Board places on record its sincere thanks and appreciation to Mr. Abdulrahman Abdulla, Shaikh Mohammed and Abdulaziz Saleh Al-Saie for their valuable contributions over the years. The Board welcomed Mr. Abdulaziz Abdulla Al-Ahmed to the Board as nominee of the National Bank of Bahrain from March 2011.

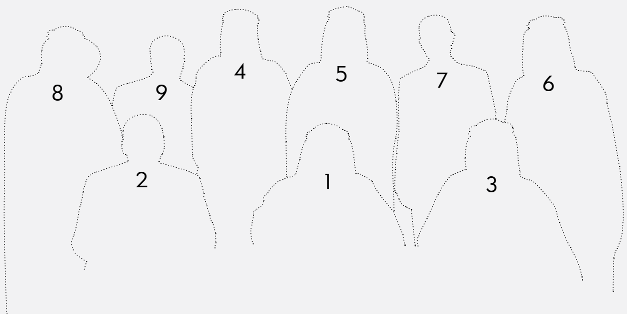
In accordance with the requirement of Bahrain's Commercial Companies Law 2001, we report the aggregate amount paid to directors during 2011 was BD321K (2010: BD328K) in respect of fees and subsidiary Boards and Board Committees attendance allowances. The total shareholding of the directors in the company is 111.6 million shares (68.3% of paid up capital).

We wish to express our appreciation to our customers and shareholders for their continuing loyal support and confidence and to all our employees for their commitment and hard work.

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

Abdulrahman Yusuf Fakhro
Chairman
21 February 2012

BOARD OF DIRECTORS



1. *Abdulrahman Yusuf Fakhro* - Chairman
Chairman of Remuneration and Nomination Committee

Director since 12 November 1989 (Independent and Non-executive); has more than 47 years of extensive and diversified experience in business, trade, investment and insurance.

- Chairman –Yusif Bin Yusif Fakhro B.S.C. (c), Bahrain
- Board Member – Social Insurance Organisation, Bahrain
- Board Member – Bahrain Flour Mills Company B.S.C., Bahrain
- Board Member - Inovest B.S.C., Bahrain
- Chairman – Canadian Building Materials W.L.L., Bahrain
- Chairman – LME LINES W.L.L., Bahrain

2 *Abdulkarim Ahmed Bucheery* - Vice Chairman
Executive Committee Member/Nominee of BBK B.S.C.

Director since 15 March 2008 (Non-independent and Non-executive); has more than 35 years of extensive and diversified experience in banking; holds a B.Sc. in Economic Science, Economic Stream from Aleppo University, Syria, 1976.

- Chief Executive Officer – BBK B.S.C., Bahrain
- Chairman of the Board of CrediMax B.S.C. (c), Bahrain
- Chairman of the Board of Capinnova Investment Bank B.S.C. (c), Bahrain
- Chairman of the Board of Bahrain Association of Banks (BAB), Bahrain
- Board Member and Chairman of Audit Committee, Naseej B.S.C. (c), Bahrain
- Board Member of BBK B.S.C. Executive Committee, Bahrain
- Board Member of Injaz, Bahrain
- Board Member of Tamkeen, Bahrain
- Board Member of the Deposit Protection Scheme Committee of the Central Bank of Bahrain

3 *Khalid Mohammed Ali Mattar* - Board Member
Chairman of Executive Committee

Director since 15 May 1996 (Independent and Non-executive); has more than 30 years of extensive and diversified experience in business, trade, investment, manufacturing, marine services and contracting; holds a BSc in Economics and Business Administration from the Arab University of Beirut, Lebanon, 1975.

- Chairman and Managing Director of Awal Contracting & Trading Co. (AWALCO) W.L.L., Bahrain
- Chairman and Managing Director of Awal Marine Services Est. W.L.L., Bahrain
- Chairman of Awalco Investment Co. W.L.L., Bahrain
- Board Member of Awal Gulf Manufacturing Co. B.S.C. (c), Bahrain
- Chairman - National Motor Company W.L.L., Bahrain

4 *Ebrahim Abdulla Buhindi* - Board Member
Chairman of Audit Committee, Remuneration and Nomination Committee Vice Chairman

Director from 15 March 1988 to July 2004 (Non-independent and Non-executive nominated by BBK then); Subsequently Director since March 2007 (Independent and Non-executive); has more than 36 years of extensive and diversified experience in banking; holds an MBA in Management Consultancy from Sheffield Hallam University, UK 1999.

- Board Member and Chairman of Audit Committee – Bahrain Middle East Bank B.S.C., Bahrain

5 *Abdulaziz Saleh Al-Saie* - Board Member
Audit Committee Vice Chairman/Representing Social Insurance Organization, Bahrain

Director from 11 March 2006 to 27 December 2011, (Non-independent and Non-executive); has more than 26 years of extensive and diversified experience in accounting, auditing and finance; holds an MBA in Finance from Sheffield Hallam University, 2003.

- Finance Manager - BMI Bank B.S.C. (c), Bahrain
- Board Member – Bahrain International Golf Course Company, B.S.C. (c), Bahrain
- Board Member – Al Ezzel Power Company (AEPC), B.S.C. (c), Bahrain
- Board Member – Al Dur Holding Company, Bahrain

6 *Jamal Mohammed Jassim Hejres* - Board Member
Remuneration and Nomination Committee Member / Nominee of BBK B.S.C.

Director since 18 October 2004 (Non-independent and Non-executive); has more than 33 years of extensive and diversified experience in banking; holds an MBA in Business Administration from University of Bahrain, 1991.

- Chief Executive Officer – Capinnova Investment Bank B.S.C. (c), Bahrain
- Board Member – Credimax B.S.C. (c), Bahrain
- Vice Chairman - National Motor Company W.L.L., Bahrain
- Vice Chairman – EBLA Computer Consultancy K.S.C. (c), Kuwait

7 *Sayed Abdulghani Hamza Qarooni* - Board Member
Executive Committee Vice Chairman

Director since 15 March 2008 (Independent and Non-executive); has more than 46 years of extensive and diversified experience in the field of law as a Lawyer, Legal Advisor and Accredited Arbitrator – GCC Commercial Arbitration Centre; holds an LL.B. in Law from Damascus University, 1965.

- Legal Advisor – A.Ghani Qarooni & Associates Attorneys and Legal Consultants, Bahrain
- Chairman – Strand Plaza S.P.C., Bahrain

8 *Abdulaziz Abdulla A.Aziz Al-Ahmed* - Board Member
Nominee of National Bank of Bahrain B.S.C.

Director since 28 March 2011 (Non-independent and Non-executive); has more than 37 years of extensive and diversified experience in Management & Banking; pursued Higher Education at University of Virginia – Darden-USA, 2001 – 2002.

- General Manager, Domestic Banking Group - National Bank of Bahrain BSC, Bahrain
- Board Member – The BENEFIT Company B.S.C. (c), Bahrain (Left effective June 2011)

9 *Ali Abdulla Ahmadi* - Board Member
Audit Committee Member

Director since 15 May 1996 (Independent and Non-executive); has more than 31 years of extensive and diversified experience in trade and business; pursued Higher Education at Concord College – Kent, England, 1967 – 1968.

- Chairman – Ahmadi Industries B.S.C. (c), Bahrain

CORPORATE GOVERNANCE

Bahrain Commercial Facilities Company B.S.C. is committed to best practices of corporate governance in line with legal and regulatory requirements. Maintenance of high standards in corporate governance is an intrinsic part of the Company's pursuit of its business activities. These Guidelines cover the high level controls aspects of corporate governance of the Company. They highlight the areas with which the Company complies in relation to the corporate governance and disclosure requirements, including the recently-approved Corporate Governance Code Principles of the Ministry of Industry and Commerce and the updated regulatory requirements of the High-Level Controls of the Central Bank of Bahrain.

A. Shareholder Information

Details of the Company's capital, shareholders and distribution of equity shares are disclosed under Note (14) to the Consolidated Financial Statements for the year ended 31 December 2011.

B. Board of Directors Information

Constituted of ten non-executive members divided equally into independent and non-independent, the Board, who are appointed and elected as per the Company's Memorandum and Articles of Association and the Board of Directors Charter, represents a mix of high-caliber professional skills and expertise. Any newly appointed/elected director undergoes a comprehensive, formal and tailored induction to ensure the director's fiduciary responsibilities are well understood and appreciated. To fulfill its responsibilities, the Board has in place an Executive Committee, a Board Audit Committee and a Remuneration and Nomination Committee, whose compositions consist of members with adequate professional background and experience. The Board annually reviews its composition and conducts an evaluation of its performance and the performances and contributions of all committees vis-à-vis their respective charters.

The Board of Directors of Bahrain Commercial Facilities Company B.S.C. 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.

The Company strives to promote the highest standard of professional ethical norms and values towards its stakeholders (i.e. customers, employees, regulators and the community). The Board has approved a Code of Conduct that applies to the Directors and another one dedicated for the Executive Management and staff that includes "whistle-blowing" procedures. It is in the best interest of the company and shareholders to bind all the concerned to the highest standards of professionalism and due diligence in discharging their duties. The codes include areas pertaining to conflict of interest, obligations of integrity and loyalty, confidentiality and the responsibilities of all those concerned to adhere to best practices and high standards in ethical norms and values.

In compliance with the regulatory requirements, below is the number of shares held by the Company's directors as at 31st December 2011 as follows:

*Directors **	*Types of Shares*	*31 December 2011*	*31 December 2010*
Abdulrahman Yusuf Fakhro	Ordinary	384,198	343,337
Abdulkarim Ahmed Bucheery	Ordinary	Nil	Nil
Khalid Mohammed Ali Mattar	Ordinary	1,254,891	776,276
Ebrahim Abdulla Buhindi	Ordinary	Nil	Nil
Jamal Mohamed Jassim Hejres	Ordinary	Nil	Nil
Sayed Abdughani Hamza Qarooni	Ordinary	1,529,910	1,529,910
Ali Abdulla Ahmadi	Ordinary	816,750	816,750
Abdulaziz Abdulla Al-Ahmed	Ordinary	Nil	Nil

* The Board of Directors did not trade in the shares of the company during the financial year ended 31st December 2011. However, the Directors' shareholding included shares held by the spouse(s) and children, if any.

The Board of Directors meets at least four times in each financial year upon the summons of the Chairman of the Board or his Deputy (in case of absence or disability) or at least two of its members. A quorum shall be attained if one half of the members are present. In 2011, the Board of Directors convened five ordinary meetings and three unscheduled meetings. The meetings were attended as follows:

Board of Directors	*19 Jan ‹1›*	*16 Feb.*	*28 Mar.*	*22 May ‹2›*	*27 Jun. ‹3›*	*27 Jul.*	*26 Oct.*	*25 Dec.*	*Total*
Abdulrahman Yusuf Fakhro	✓	✓	✓	✓	✓	✓	✓	✓	8
Abdulkarim Ahmed Bucheery	✓	✓	✓	✓	✓	✓	✓	✓	8
Abdulrahman Abdulla Mohammed ‹4›	✓	✓							2
Khalid Mohammed Ali Mattar	✓	✓	✓	✓		✓	✓	✓	7
Shk. Mohammed Bin Isa Al-Khalifa ‹5›	✓	✓	✓	✓	✓	✓			6
Ebrahim Abdulla Buhindi		✓	✓	✓	✓	✓	✓	✓	7
Abdulaziz Saleh Al-Saie ‹6›	✓	✓	✓	✓	✓	✓	✓	✓	8
Jamal Mohamed Jassim Hejres	✓	✓	✓	✓		✓	✓	✓	7
Sayed Abdulghani Hamza Qarooni	✓	✓	✓	✓	✓	✓	✓	✓	8
Ali Abdulla Ahmadi	✓	✓	✓	✓	✓	✓	✓	✓	8
Abdulaziz Abdulla Al-Ahmed ‹7›			✓	✓	✓		✓	✓	5

1. An unscheduled meeting of the Board held to consider an investment proposal in 2011.
2. An unscheduled meeting of the Board held to revise the Group's Business Plan for 2011 in the aftermath of the sad events in Bahrain.
3. An unscheduled meeting of the Board held to consider an investment proposal in 2011.
4. Retired from the Board effective from 28 February 2011.
5. Resigned from the Board effective from 01 October 2011.
6. Ceased being a Board member from 27 December 2011.
7. Joined the Board in place of the outgoing nominee of NBB, Mr. Abdulrahman Abdulla Mohammed, effective on 28 March 2011.

CORPORATE GOVERNANCE CONTINUED

Additionally, where there is a potential for conflict of interest, or there is a need for impartiality in relation to a subject or proposed transaction where a conflict of interest exists, the Board shall form ad hoc Board sub-committees, comprising of a sufficient number of Board members capable of exercising independent, objective judgment. This is to ensure that the Board members discharge their duties with a high degree of integrity and loyalty, taking into account applicable laws, codes and regulations. During 2011, the Board did not hold any Sub-Committee meeting to consider any subject or proposed transaction where a conflict of interest existed.

C. Key Persons Dealing Policy

The Company has established a Key Persons Dealing Policy to ensure that insiders are fully aware of the regulatory requirements regarding dealing with BCFC shares, with the objective of preventing abuse of inside information. A Key Person is defined as a person or a juristic person that possesses or has access to price-sensitive information, from time to time, by nature of their duties performed. Key persons are Board of Directors, senior management and other persons or third parties as decided by the Company's Board. The Group's Compliance Officer maintains at all times an updated Register of Key Persons and makes immediate notification to Bahrain Bourse of their dealings in the Company's shares.

D. Board of Directors Committees

1. Executive Committee

In accordance with Article (23) of the Company's Articles of Association and Article (8) Paragraph (8.1) of the Board of Directors Charter, the Executive Committee is delegated with defined scope of duties and authorities in relation to Bahrain Credit, TRESCO and TISCO and to review and make recommendations to the whole Board on the Company's actions.

The Committee is comprised of four non-executive members appointed by the Board of Directors on an annual basis. In accordance with its charter, 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, signing and investment authorities.

To ensure full discharge of duties, the Executive Committee shall convene its meetings regularly as required, but with a minimum of four meetings per annum. In 2011, the Executive Committee held seven meetings. The meetings were attended as follows:

Committee Member	*19 Jan.*	*28 Mar.*	*27 Apr.*	*30 May*	*27 Jun.*	*21 Sep.*	*28 Nov.*	*Total*
Khalid Mohammed Ali Mattar, Chairman	✓	✓	✓	✓		✓	✓	6
Shk. Mohammed Bin Isa Al-Khalifa, Vice Chairman ‹1›	✓	✓	✓	✓	✓	✓		6
Abdulrahman Abdulla Mohammed, Member ‹2›	✓							1
Abdulkarim Ahmed Bucheery, Member	✓	✓	✓	✓	✓	✓	✓	7
Sayed Abdulghani Hamza Qarooni, Member / Vice Chairman ‹3›		✓	✓	✓	✓	✓	✓	6

1. Quit as vice chairman following his resignation from the Board of Directors effective from 01 October 2011.
2. Quit as member following his retirement from the Board of Directors effective from 28 February 2011.
3. Appointed as member in March 2011 and elected as Vice Chairman in November 2011 following the departure of the outgoing Vice Chairman.

2. 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 at least three members appointed by the Board of Directors on an annual basis. All the 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 and is responsible for developing and recommending to the Board corporate governance guidelines and reviews those guidelines at least once a year in compliance with the regulatory requirements.

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

The Committee shall hold a minimum of 4 meetings a year, with authority to convene additional meetings, as circumstances require. On each occasion, the Board Audit Committee will meet on a quarterly basis with the External Auditor in the presence of members of management of the parent company and its subsidiaries, internal auditors or others, as necessary. During 2011, the Board Audit Committee met seven times. The meetings were attended as follows:

Committee Member	*25 Jan.*	*13 Feb.*	*20 Apr.*	*05 May ‹1›*	*25 Jul.*	*25 Sep.*	*20 Oct.*	*Total*
Ebrahim Abdulla Buhindi, Chairman	✓	✓	✓	✓	✓	✓	✓	7
Abdulaziz Saleh Al-Saie, Vice Chairman ‹2›	✓	✓	✓	✓	✓	✓	✓	7
Ali Abdulla Ahmadi, Member	✓	✓	✓	✓	✓	✓	✓	7

1. An unscheduled meeting held to review the CBB Inspection Report for recommendation to the Board of Directors.
2. Quit as vice chairman following his resignation from the Board of Directors effective from 27 December 2011.

CORPORATE GOVERNANCE CONTINUED

Additionally, the Chief Executive Officer and the Head of Operations certify in writing to the Audit Committee and the Board the Company's interim and annual financial statements.

3. Remuneration and Nomination Committee

Comprised of at least three non-executive directors appointed by the Board on an annual basis, the Remuneration and Nomination Committee provides advice and makes recommendations to the Board on matters related to the nomination and appointment of Directors, Directors to the Boards of the Company's subsidiaries, membership to all Committees of the Board, the Chief Executive Officer, the General Manager of National Motor Company W.L.L. and the Secretary to the Board.

The Committee reviews and makes recommendations to the Board on all matters of remuneration and compensation of Directors and the remuneration of the Chief Executive Officer, the General Manager of National Motor Company W.L.L. and the Secretary to the Board, the bonus, share options, redundancy and termination payment policies of the Company.

The Committee assesses the roles of the Chief Executive Officer, General Manager of National Motor Company W.L.L. and Secretary to the Board. The Committee also ensures that failure is not rewarded and that the duty to mitigate loss is fully recognized. Additionally, the Committee determines the policy for the disclosure of Directors and Executive Management's remuneration.

The Committee shall meet as necessary to ensure full discharge of duties based upon a request of the Chairman, Vice-Chairman or the Chief Executive Officer. The Committee shall convene not less than two meetings each year. The Remuneration and Nomination Committee convened three meetings during 2011. The meetings were attended as follows:

Committee Member	*10 Feb.*	*10 Mar.*	*21 Jun.*	*Total*
Abdulrahman Yusuf Fakhro, Chairman	✓	✓	✓	3
Ebrahim Abdulla Buhindi, Vice Chairman	✓	✓	✓	3
Jamal Mohamed Jassim Hejres, Member	✓	✓	✓	3
Sayed Abdulghani Hamza Qarooni, Member ‹1›	✓	✓		2

1. Quit as member and was appointed as Executive Committee member effective from 28 March 2011.

E. Risk Management, Compliance and Anti-Money Laundering

Bahrain Commercial Facilities Company B.S.C is fully aware of its responsibilities in observing all regulatory provisions and best international practices in relation to its functioning. It is committed to complying with international best practices on risk management, compliance and anti-money laundering as reflected by the requirements of the Central Bank of Bahrain.

The Company has a Risk Manager, Group Compliance Officer and Anti-Money Laundering Reporting 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, Group Compliance Officer and Anti-Money Laundering Reporting Officer reports directly to the Chief Executive Officer and has full access to the Board of Directors through the Board Audit Committee.

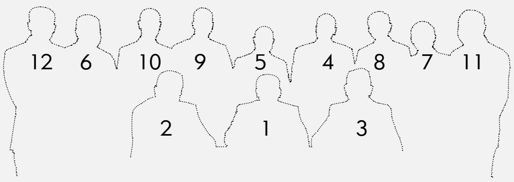
The Company retains an approved Anti-Money Laundering Policy, which contains customer due diligence measures, procedures for identifying and reporting suspicious transactions, an annual awareness programme for staff training, record keeping requirements and documentation. The Internal Audit Department and External Auditors regularly carry out an independent review of Anti Money Laundering controls for the attention of the Central Bank of Bahrain.

F. Communication Strategy

The Company has approved Corporate Communication Policy Guidelines in relation to communication with its stakeholders, employees, customers, government bodies, regulators etc. Shareholders are invited by the Chairman of the Board to attend the Annual General Meeting in the presence of the Chairman and other directors including the Executive Committee Chairman, the Audit Committee Chairman and the External Auditors, who are available to answer any questions raised by shareholders or media representatives with regard to the operations and performance of the Company.

Additionally, the Company is cognizant and fully aware of its regulatory and statutory obligations regarding dissemination of information to its stakeholders. Without prejudice to the disclosure standards, guidelines on key persons and other requirements of the relevant statutory bodies, financial and non-financial information is provided by the Company on all events that merit announcement, either on its website: www.bahraincredit.com.bh or through local newspapers or other means of communication. The financial statements, annual reports of the Company, Board of Directors Charter and Corporate Governance Guidelines are made available on the Company's website. Internally, electronic mail and departmental portals are used for communicating with the Company's staff on general matters, and sharing information of common interest and concern.

EXECUTIVE MANAGEMENT



1. *Dr. Adel Hubail -*
Chief Executive Officer - BCFC

Joined on 1 September 2004; has more than 13 years of extensive and diversified experience in human resources, marketing and financial services; holds a PhD in Management Studies from University of Aberdeen, UK, 2005.

- Chairman – Tas'heelat Insurance Services Company (TISCO) W.L.L., Bahrain
- Director – National Motor Company (NMC) W.L.L., Bahrain

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

Joined on 1 January 1993; has more than 31 years of extensive and diversified experience in financial and banking services, credit and recoveries, Information Technology, marketing and human resources.

- Director – National Motor Company (NMC) W.L.L., Bahrain

3. *Simon Austin -*
General Manager - NMC

Joined NMC as Deputy General Manager in June 2009 and appointed General Manager in July 2010; has almost 26 years experience in the motor industry in which time he has fulfilled a number of roles from Sales Manager, Sales Director, Dealer Principal and ultimately General Manager. Prior to NMC has worked in two other Brands, Ford and BMW.

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

Joined on 21 April 1996; has more than 25 years diversified experience in financial services, trading and manufacturing sectors; holds a CPA from CPA Australia, a Post Graduate Diploma in Management (PGDM) from the Indian Institute of Management, Ahmedabad, India; and is an Associate of the Institute of Cost and Works Accountants of India. (AICWAI).

- Director – Tas'heelat Insurance Services Company (TISCO) W.L.L., Bahrain
- Director – National Motor Company (NMC) W.L.L., Bahrain

5. *Ali Al Daylami -*
General Manager - TISCO

Joined on 1 January 1993; has more than 26 years of extensive and diversified experience in insurance; holds a Post Graduate Diploma in Business & Management from Sheffield University, UK, 1999.

6. *Hussain Al-Madhi -*
Assistant Vice President, Head of Branch Network

Joined on 3 May 1997; has more than 15 years of extensive and diversified experience in financial and banking services; holds a BSc in Economic Banking and Finance, University of Bahrain, 2004.

7. *Xavier Stephen -*
Senior Manager, Head of Customer Service Operations - NMC

Joined on 2 December 1995; has more than 24 years of extensive and diversified experience in Automobile Industry; an Automobile Engineer by profession.

8. *Vishal Purohit -*
Assistant Vice President, Head of Finance

Joined on 16 Sept 2007; has more than 13 years of extensive and diversified experience in finance, audit and treasury operations; holds a Chartered Accountant from the Institute of Chartered Accountants of India.

9. *Nader Ebrahim -*
Senior Manager, Head of Finance and Administration - NMC

Joined on 15 July 1995; has more than 26 years of extensive and diversified experience in Auditing and Finance; holds an MBA in Finance (USA), a Postgraduate Diploma in Business Administration (UK), CMA (USA). Member of Association of Accounting Technician (UK), Member of the Institute of Motor Industry (UK).

10. *Abdulla Al-Wedaei -*
Senior Manager, Head of Sales Operations - NMC

Joined on October 1991; has more than 20 years of extensive and diversified experience in Sales and Marketing; holds a Master's degree in Business Administration from University of Hull, 2001. Board member in Car Dealer Association, Bahrain

- Director – Tas'heelat Insurance Services Company (TISCO) W.L.L., Bahrain

11. *Ali Ebrahim Al-Marzooq -*
Vice President, Head of IT

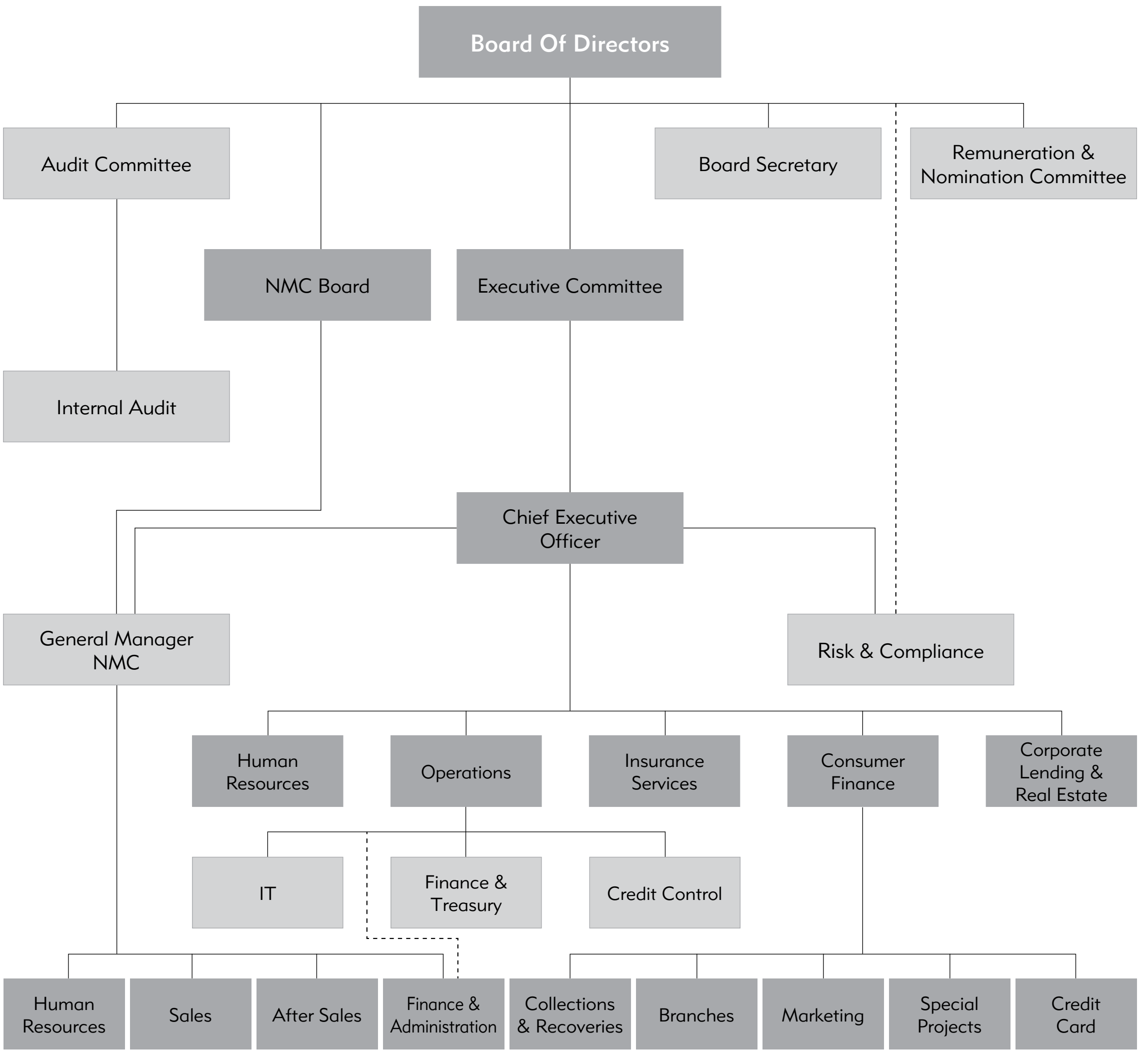
Joined on 4 June 2006; has more than 13 years of extensive and diversified experience in IT: holds an MBA in Information Technology Management from Sunderland University, UK , 2010.

12. *Ali Aburwais -*
Assistant Vice President, Risk Management - Risk Manager, Group Compliance Officer & MLRO

Joined on 1 August 1995; has more than 21 years of extensive and diversified experience in finance, risk management, compliance and anti-money laundering; holds an MBA in Business Administration from Strathclyde University, UK, 2006.

* *Executive Management did not hold or trade in the shares of the company during the financial year ended 31st December 2011.*

ORGANIZATION CHART



MANAGEMENT'S REVIEW OF OPERATIONS

Following the onset of the international financial crisis in late 2007, the trajectory of the global economy has entered into a dangerously critical phase. 2011 proved that most of the interventions introduced to counter the ramifications of the world economic crisis were either short term in nature or fall well short of the scale of the economic woes. Our forecast for 2011, emphatically suggesting that the Middle East is heading towards more instability, unfortunately proved accurate. The economic scene in Bahrain is neither insulated from the world economy nor the current local political deadlock. Our beloved nation experienced sad and unprecedented events that adversely impacted the social fabric, business environment and growth prospects. On the back of such events, Bahrain's key economic indicators have already shown significant declines. In this environment, the Group again delivered a resilient performance, achieving profit of BD8.7 million (2010: BD 8.6 million) and providing a return on equity of 11%

The Company's 3 year strategic plan for the period 2010–2012 expected a faster recovery from the turmoil witnessed in 2008. This has not materialized. However, the Company, with a very low leverage of 1.3, has an exceptionally solid capital base at the end of 2011 and is well placed to take advantage of opportunities available in difficult market conditions.

MANAGEMENT'S REVIEW OF OPERATIONS CONTINUED

PARENT COMPANY

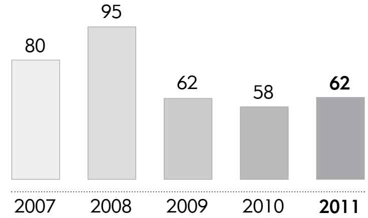
• Vehicle Loan • Personal Loan • Mortgage Loan • Corporate Loan • Credit Card

In 2011, the Company earned a net profit of BD5.7 million (2010: BD 6.1 million). New loans of BD62 million were disbursed during the period with approximately 50% of business coming from the core product: vehicle finance. In the current environment, the Company continued its focus on maintaining the portfolio quality rather than aggressively chasing portfolio growth. With deterioration in the economic conditions and some uncertainty about the future, it was expected that some customers under stress in fulfilling their financial obligations approached the Company for temporary relief from their loan installments. The Company with its "customer friendly" approach remained flexible and understanding towards its good customers whilst continuing to focus considerable time, effort and manpower towards the critical collection activities: these efforts and policies have ensured that non-performing loans are at a reasonable 4.1% of the portfolio. It must be noted that most of the non performing loans are more than adequately supported by the underlying security financed.

Vehicle lending continued to be the backbone of the total lending during the year and this is as per plan. Vehicle lending is what the Company is renowned for and this product is what it always aims to concentrate on year over year; it is therefore satisfying to note that the momentum in vehicle lending remained despite negative growth in the new car market. The Company maintained close relationship with all car dealers with more focus on direct sales. The friendly and efficient customer service that we provide helped us remain flexible with our existing customers and convenient for new customers.

The Company could have further improved on its total lending in this segment but many loans failed to materialize not because of lack of demand but because of lack of cars: many car dealers had almost empty showrooms since they had reduced inventory in anticipation of a sustained drop in demand for new vehicles.

The Company's youngest offering, Imtiaz credit card gained more ground in 2011. Imitaz provides a channel for the Company to access the profitable unsecured lending business on a competitive basis and has mitigated the high default potential of this relatively riskier product through rigorous and conservative underwriting. With non



Bahrain Credit New Lending (BD million)

performing credit cards well in control, the new product has proven to be a good revenue contributor.

The Company continued its cautious lending approach for mortgage loans, mostly funding customers who would service their loan installments with regular cash flows independent of the financed asset. The performance of corporate lending was affected in line with the reduction in the trading activities of the small and middle size businesses. In 2011, many projects were either shelved or delayed.

Interest rates continued to remain low in 2011. The continuing Euro zone crisis and weak economic indicators in all the major world economies ensured that future interest rates remained low as well. The Company has taken advantage of such low interest rates to further lock in its borrowing costs in the medium term.

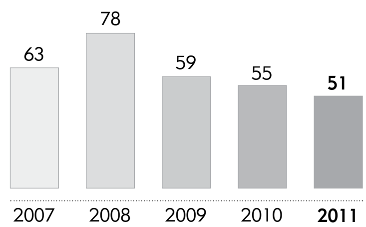
The Company with very low leverage remained comfortable in its liquidity position. During the year, the Company had partly rolled over the BD 55 million syndicated loan that matured in mid of 2011. The Company also repaid BD10 million Bonds that matured during the year on the due date. The Company does not have any significant maturities in 2012. The available unutilized credit lines are more than sufficient to address any funding for further business expansion.

NATIONAL MOTOR COMPANY

• Honda • Chevrolet • GMC • Hummer • Cadillac

The company has performed exceptionally well in a very difficult operating environment with net profits of BD2.4 million against BD 1.9 million in 2010. The strength of equity in both the Honda and GM brands and the continued service improvement in the After Sales Divisions have all contributed to these results.

Following the unsettling events of the first quarter, the company consciously reduced inventory levels with emergency sales to markets outside Bahrain. Even with the benefit of hindsight, this decision was proven to be wise. The Company also embarked on a focused cost control exercise ensuring wherever possible that the controllable



NMC Sales (BD million)

MANAGEMENT'S REVIEW OF OPERATIONS
NATIONAL MOTOR COMPANY CONTINUED

assets are utilized effectively. Significant savings were achieved in many operating expense line items.

The capital expenditure during the year was aimed at boosting capacity of the after sales operations. The newly established and state of the art service center at Sehla has 30 bays for the brands of Honda and General Motors. With a total investment of around BD 4 million, this center is expected to enhance customers' vehicle ownership experience and convenience. This service center shall be officially inaugurated in 2012. Additionally, the service receptions at Sitra for both Honda and General Motors have been both expanded and refurbished.

TAS'HEELAT REAL ESTATE SERVICES COMPANY

• Brokerage Services • Valuations • Property Management • Investment

In 2011 the company registered net profits of BD 85 thousand. Since the advent of financial crises, the real estate market in Bahrain has gone through a correction phase where property prices have dropped significantly. Due to tightening of liquidity and a dearth of real buyers, the speculative activities have stalled and prices have stabilized at realistic levels. In these markets the company has identified investment opportunities and acquired residential buildings during the year. These are long term investments made by the Company with an objective of obtaining annuity type returns.

The company has also identified niche market in which there is a good demand for small plots for affordable housing. In order to tap this market, the Company has acquired a large plot of land with a purpose of selling it to the end users after sub-dividing the land into smaller plots, at widely affordable prices.

The company will continue its strategy of targeting high rental yield generating assets and opportunities in acquiring further similar land projects and therefore envisages further investments in 2012.

TAS'HEELAT INSURANCE SERVICES COMPANY

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

The company achieved net profit of BD 494 thousand in very challenging market conditions. The reduction in overall sales of new vehicles has reduced the gross insurance commissions on new cars. However, the company continued offsetting lower new policies by increasing motor policy renewals.

The company, alongside servicing the clients from Bahrain Credit and National Motor Company, would focus on adding new customers from the wider market. The company continues to aspire to be the first choice of customers in Bahrain for all their personal insurance needs by enhancing its customer servicing levels.

The Central Bank of Bahrain is considering various measures to further improve on insurance services in the country and the company is working closely with The Bank on its draft guidelines to ensure effective governance and supervision whilst fully supporting The Bank in its efforts.

2012 OUTLOOK

The volatility in the world markets is expected to continue in 2012 as a result of which the overall trading environment and consumer confidence is not expected to improve substantially. Nonetheless, there are grounds for hope and optimism for normalcy and an improved business environment in the markets where we operate. The Company in line with its strategic plan will continue to look for investments that will increase shareholder value in existing businesses within Bahrain and outside when such opportunities present themselves.

SUPPORTING OUR COMMUNITY

The Corporate Social Responsibility Report details the Company's distinct strategy towards society and highlights its philanthropic values-based initiatives that drive its social responsibility efforts. These initiatives are the essential and enduring tenets of our organisation that set the tone for our actions and guide our direction.

Contributing to and enhancement of Bahraini society and its institutions, in the broadest sense, 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 at large.

The Company was committed to serving the community and during 2011 continued to support those organizations that address the special needs of the Bahraini citizens. Within this category, it made donations to a total of 28 not-for-profit organizations that are actively involved in different activities, including but not limited to, disability, elderly care, childhood and nurseries, health and relief, social welfare, education and specialized institutions, research and studies, culture and environment; most notable of which were the two ambulances donated to the Ministry of Health and the newly-established King Hamad Hospital and a car to the Saudi Bahraini Institute for the Blind.

We recognize our ethical and social responsibility towards the institutions of Bahrain society involved in helping needy families. Therefore, in keeping with our long standing tradition, the Company continued to provide financial support to 79 registered and fully-active charitable funds and organizations.

As reported in last year's annual report, supporting national causes through culture and heritage has been our imperative, and, therefore, the Company has been committed to the construction of Bu Maher Fort Reception Centre, part of a nationwide project called Pearling Pathway sponsored by the Ministry of Culture.

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.

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Toll Free:	8000 8000
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E-mail :	bcredit@bahraincredit.com.bh
Website:	www.bahraincredit.com.bh
Offices :	**Bahrain Credit Building,** Building 264, Road 111, Tubli 701
Fax:	+973 17 786 010 +973 17 467 010 +973 17 737 144 +973 17 610 338

Banks

BBK
BNP Paribas
Gulf International Bank
Arab Banking Corporation (BSC)
Raiffeisen Bank International
First Gulf Bank
Housing Bank for Trade and Finance
National Bank of Bahrain
Ahli United Bank
Standard Chartered Bank
Arab Bank
Banque BIA
The Arab Investment Bank S.A.A.
HSBC Bank

Auditors

KPMG

FINANCIAL STATEMENTS

KPMG

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 statement of financial position as at 31 December 2011, and the consolidated statements of income, comprehensive income, changes in equity and cash flows for the year then ended, and notes, comprising a summary of significant accounting policies and other explanatory information.

Responsibility of the board of directors for the consolidated financial statements

The board of directors is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards, and for such internal control as the board of directors determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

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 ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from 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 policies 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 2011, 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 regulatory requirements

As required by the Bahrain Commercial Companies Law and the Central Bank of Bahrain (CBB) Rule Book (Volume 5), we report that: the Company has maintained proper accounting records and the consolidated financial statements are in agreement therewith; the financial information contained in the chairman's report is consistent with the consolidated financial statements; we are not aware of any violations of the Bahrain Commercial Companies Law, the Central Bank of Bahrain and Financial Institutions Law, the CBB Rule Book (Volume 5, applicable provisions of Volume 6 and CBB directives), the CBB Capital Markets regulations and associated resolutions, rules and procedures of the Bahrain Bourse or the terms of the Company's memorandum and articles of association having occurred during the year that might have had a material adverse effect on the business of the Company or on its financial position; and satisfactory explanations and information have been provided to us by the management in response to all our requests.

21 February 2012,
Manama, Kingdom of Bahrain

CONSOLIDATED STATEMENT OF

FINANCIAL POSITION

AS AT 31 DECEMBER 2011

BAHRAINI DINARS THOUSANDS

	Note	**2011**	2010
ASSETS			
Cash and cash equivalents		**3,901**	1,436
Loans	8	**135,596**	138,294
Trade and other receivables		**3,524**	2,951
Inventories	9	**15,328**	17,281
Investment properties	10	**1,245**	-
Property and equipment	11	**16,279**	15,357
Other assets		**715**	766
Total assets		**176,588**	176,085
LIABILITIES			
Bank overdrafts		**31**	2,785
Trade and other payables		**16,833**	13,636
Term loans	12	**75,955**	70,325
Bonds	13	**6,632**	16,600
Total liabilities		**99,451**	103,346
EQUITY			
Share capital	14	**16,335**	16,335
Treasury shares		**(599)**	(599)
Reserves and retained earnings		**61,401**	57,003
Total equity (page 29-30)		**77,137**	72,739
Total liabilities and equity		**176,588**	176,085

The Board of Directors approved the consolidated financial statements consisting of pages 26 to 58 on 21 February 2012 and signed on it's behalf by:

Abdulrahman Yusuf Fakhro	**Abdulkareem Ahmed Bucheery**	**Dr. Adel Hubail**
Chairman	Vice Chairman	Chief Executive Officer

CONSOLIDATED

INCOME STATEMENT

FOR THE YEAR ENDED 31 DECEMBER 2011
BAHRAINI DINARS THOUSANDS

	Note	2011	2010
Interest income		**16,855**	17,344
Interest expense		**(6,065)**	(6,116)
Net interest income		**10,790**	11,228
Automotive sales		**50,526**	55,022
Cost of sales		**(44,818)**	(48,922)
Gross profit on automotive sales		**5,708**	6,100
Insurance commission income		**616**	708
Other income	15	**846**	547
TOTAL INCOME		**17,960**	18,583
Salaries and related costs		**3,859**	3,690
General and administrative costs		**2,105**	2,216
Selling and promotion costs		**645**	1,053
Other operating expenses	16	**840**	1,523
Impairment provision for loans	8	**1,824**	1,545
TOTAL EXPENSES		**9,273**	10,027
PROFIT FOR THE YEAR		**8,687**	8,556
Basic earnings per 100 fils share	21	**54 fils**	53 fils
Proposed cash dividend per 100 fils share		**35 fils**	35 fils

Abdulrahman Yusuf Fakhro	**Abdulkareem Ahmed Bucheery**	**Dr. Adel Hubail**
Chairman	Vice Chairman	Chief Executive Officer

The consolidated financial statements consist of pages 26 to 58.

CONSOLIDATED STATEMENT OF

COMPREHENSIVE INCOME

YEAR ENDED 31 DECEMBER 2011
BAHRAINI DINARS THOUSANDS

	2011	2010
PROFIT FOR THE YEAR	**8,687**	8,556
Other comprehensive income		
Revaluation reserve (cash flow hedge)		
- Net changes in fair value	**1,863**	346
- Amount transfer to profit and loss on de-designation of hedge	**(229)**	-
Total other comprehensive income for the year	**1,634**	346
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	**10,321**	8,902

The consolidated financial statements consist of pages 26 to 58.

CONSOLIDATED STATEMENT OF

CHANGES IN EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2011

BAHRAINI DINARS THOUSANDS

2011	Share capital	Treasury shares	Statutory reserve*	Cash flow hedge revaluation reserve	Donations reserve	General reserve	Retained earnings	Total
At 1 January 2011	**16,335**	**(599)**	**33,542**	**(5,961)**	**1,012**	**12,750**	**15,660**	**72,739**
2010 appropriations (approved by shareholders):								
Donation declared (2010)	-	-	-	-	280	-	(280)	-
Transfer to general reserve (2010)	-	-	-	-	-	1,500	(1,500)	-
Balance after 2010 appropriations	**16,335**	**(599)**	**33,542**	**(5,961)**	**1,292**	**14,250**	**13,880**	**72,739**
Comprehensive income for the year								
Profit for the year	-	-	-	-	-	-	8,687	8,687
Other comprehensive Income								
Cash flow fair value changes (net)	-	-	-	1,634	-	-	-	1,634
Total comprehensive income for the year	**-**	**-**	**-**	**1,634**	**-**	**-**	**8,687**	**10,321**
Transactions with equity holders, recognised directly in equity								
Dividend to equity holders	-	-	-	-	-	-	**(5,640)**	**(5,640)**
Total distributions to equity holders	**-**	**-**	**-**	**-**	**-**	**-**	**(5,640)**	**(5,640)**
Utilisation of donation	-	-	-	-	(283)	-	-	(283)
At 31 December 2011	**16,335**	**(599)**	**33,542**	**(4,327)**	**1,009**	**14,250**	**16,927**	**77,137**

* Includes BD 25,292 of share premium, excluding which the statutory reserve is BD 8,250

CONSOLIDATED STATEMENT OF

CHANGES IN EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2011

BAHRAINI DINARS THOUSANDS

2010	Share capital	Treasury shares	Statutory reserve*	Cash flow hedge revaluation reserve	Donations reserve	General reserve	Retained earnings	Total
At 1 January 2010	16,335	(599)	32,042	(6,307)	910	11,250	16,244	69,875
2009 appropriations (approved by shareholders):								
Directors fees for 2009	-	-	-	-	-	-	(220)	(220)
Donation declared (2009)	-	-	-	-	280	-	(280)	-
Transfer to statutory reserve (2009)	-	-	1,500	-	-	-	(1,500)	-
Transfer to general reserve (2009)	-	-	-	-	-	1,500	(1,500)	-
Balance after 2009 appropriations	16,335	(599)	33,542	(6,307)	1,190	12,750	12,744	69,655
Comprehensive income for the year								
Profit for the year	-	-	-	-	-	-	8,556	8,556
Other comprehensive Income								
Cash flow fair value changes	-	-	-	346	-	-	-	346
Total comprehensive income for the year	-	-	-	346	-	-	8,556	8,902
Transactions with equity holders, recognised directly in equity								
Dividend to equity holders	-	-	-	-	-	-	(5,640)	(5,640)
Total distributions to equity holders	-	-	-	-	-	-	(5,640)	(5,640)
Utilisation of donation	-	-	-	-	(178)	-	-	(178)
At 31 December 2010	16,335	(599)	33,542	(5,961)	1,012	12,750	15,660	72,739

* Includes BD 25,292 of share premium, excluding which the statutory reserve is BD 8,250.

The consolidated financial statements consist of pages 26 to 58.

CONSOLIDATED STATEMENT OF

CASH FLOWS

FOR THE YEAR ENDED 31 DECEMBER 2011
BAHRAINI DINARS THOUSANDS

	Note	2011	2010
OPERATING ACTIVITIES			
Loan repayments, interest and other receipts		**81,718**	81,296
Receipt from automotive sales and other services		**49,952**	55,616
Cash expended on operations			
Loans disbursed		**(62,490)**	(58,121)
Payments to automotive suppliers		**(32,662)**	(52,798)
Payment for land held as inventory		**(4,942)**	-
Payments for staff salaries and related costs		**(3,488)**	(3,297)
Directors fees paid		**(220)**	(220)
Payments for other operating expenses		**(2,178)**	(3,643)
Interest paid		**(6,200)**	(6,130)
Cash generated from operating activities		**19,490**	12,703
INVESTING ACTIVITIES			
Capital expenditure on property and equipment	11	**(3,630)**	(4,215)
Purchase of investment properties	10	**(1,287)**	-
Proceeds from sale of property and equipment	11	**938**	658
Cash used in investing activities		**(3,979)**	(3,557)
FINANCING ACTIVITIES			
Term loans availed	12	**5,631**	691
Bonds matured	13	**(10,000)**	(10,000)
Bonds issued		**-**	6,700
Dividends paid		**(5,640)**	(5,640)
Donations paid		**(283)**	(178)
Cash used in financing activities		**(10,292)**	(8,427)
Net increase in cash and cash equivalents		**5,219**	719
Cash and cash equivalents at beginning of the year		**(1,349)**	(2,068)
Cash and cash equivalents at 31 December		**3,870**	(1,349)
Cash and cash equivalents comprise:			
Cash and balances with banks		**3,901**	1,436
Bank overdrafts		**(31)**	(2,785)
		3,870	(1,349)

The consolidated financial statements consist of pages 26 to 58.

NOTES

TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2011

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 ("the CBB"). The consolidated financial statements of the Company as at and for the year ended 31 December 2011 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 21 February 2012.

b) Basis of measurement

The consolidated 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 the years presented except as described below:

i) New Standards, amendments and interpretations that are effective on or after 1 January 2011

The following standards, amendments and interpretations, which became effective 1 January 2011, are relevant to the Group:

A. IAS 24 (Revised) 'Related party disclosures'

The revised standard was issued in November 2009. The revised standard clarifies and simplifies the definition of a related party and removes the requirement for government-related entities to disclose details of all transactions with the government and other government-related entities.

The adoption of the revised standard did not have any significant impact on the related party disclosure of the Group.

B. IAS 32 (amendment) 'Classification of Rights Issues'

The IASB amended IAS 32 Financial Instruments: Presentation to allow rights, options or warrants to acquire a fixed number of the entity's own equity instruments for a fixed amount of any currency to be classified as equity instruments provided the entity offers the rights, options or warrants pro rata to all of its existing owners of the same class of its own non-derivative equity instruments.

The amendment to IAS 32 did not have any impact on the financial statements of the Group.

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C. Improvements to IFRSs (2010)

Improvements to IFRS issued in May 2010 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. Except for the amendments to IFRS 7, there were no significant changes to the current accounting policies of the Group as a result of these amendments.
Improvements to IFRSs 2010.

IFRS 7 Financial Instruments: Disclosures
The amendments add an explicit statement that qualitative disclosure should be made in the context of the quantitative disclosures to better enable users to evaluate an entity's exposure to risks arising from financial instruments. In addition, the IASB amended and removed existing disclosure requirements.

ii) New Standards, amendments and interpretations issued but not yet effective

The following standards and interpretations have been issued and are expected to be relevant to the Group in future periods, with effective dates on or after 1 January 2012.

A. IAS 1 (amendment) - Presentation of items of other comprehensive income

The amendments to IAS 1 require that an entity present separately the items of other comprehensive income that would be reclassified to profit or loss in the future if certain conditions are met from those that would never be reclassified to profit or loss. The amendment is effective for annual periods beginning on or after 1 July 2012 with an option of early application.

The application of this amendment is not expected to have a significant impact on the consolidated financial statements of the Group.

B. IFRS 7 (amendment) – Disclosures: Transfer of financial assets

The amendments to IFRS 7 introduce new disclosure requirements;

Transfer of financial assets
Transfers of financial assets are required to be disclosed including disclosures for financial assets that are not derecognised in their entirety; and financial assets that are derecognised in their entirety but for which the entity retains continuing involvement. The amendments are effective for annual periods beginning on or after 1 July 2011, but entities are not required to provide the disclosures for any period presented that begins before the date of initial application of the amendments. Early adoption is permitted.

Offset of financial assets and liabilities
Disclosures are required for financial assets and financial liabilities that are offset in the statement of financial position or subject to master netting arrangements or similar agreements. The amendments to IFRS are effective for annual periods beginning on or after 1 January 2013 and interim periods within those annual periods. The amendments are to be applied retrospectively.

The Group does not expect to have any significant impact on the financial statements.

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2. BASIS OF PREPARATION (continued)

C. IFRS 9 - Financial Instruments

Standard issued November 2009

IFRS 9 (2009) 'Financial Instruments' is the first standard issued as part of a wider project to replace IAS 39 'Financial instruments: recognition and measurement'. IFRS 9 (2009) retains and simplifies the mixed measurement model and establishes two primary measurement categories for financial assets: amortised cost and fair value. The basis of classification depends on the entity's business model and the contractual cash flow characteristics of the financial asset.
The guidance in IAS 39 on impairment and hedge accounting continues to apply. The 2009 standard did not address financial liabilities.

Standard issued October 2010

IFRS 9 (2010) adds the requirements related to the classification and measurement of financial liabilities, and de-recognition of financial assets and liabilities to the version issued in November 2009. It also includes those paragraphs of IAS 39 dealing with how to measure fair value and accounting for derivatives embedded in a contract that contains a host that is not a financial asset, as well as the requirements of IFRIC 9 "reassessment of Embedded Derivatives".

The Group is considering the implications of the standard, the impact on the Group and timing of its adoption by the Group. While adoption of IFRS 9 is mandatory from 1 January 2013, earlier adoption is permitted. Prior periods need not be restated if an entity adopts the standard for reporting periods beginning before 1 January 2012. In its November 2011 meeting, the IASB decided to defer the mandatory effective date to 1 January 2015.

D. IFRS 10 - Consolidated financial statements and IAS 27 Separate Financial Statements (2011)

IFRS 10 introduces a new approach to determining which investees should be consolidated and provides a single model to be applied in the control analysis for all investees. An investor controls an investee when; it is exposed or has rights to variable returns from its involvement with that investee; it has the ability to affect those returns through its power over that investee; and there is a link between power and returns. Control is reassessed as facts and circumstances change.

IFRS 10 supersedes IAS 27 (2008) and SIC-12 Consolidation—Special Purpose Entities. The Group is yet to assess IFRS 10's full impact. The standard is effective for annual periods beginning on or after 1 January 2013. Early adoption is permitted provided that the entire suite of consolidation standards is adopted at the same time. IFRS 10 is applied retrospectively when there is a change in the control conclusion between IAS 27/SIC-12 and IFRS 10. IAS 27 (2011) supersedes IAS 27 (2008). IAS 27 (2011) carries forward the existing accounting and disclosure requirements for separate financial statements, with some minor clarifications.

E. IFRS 12 - Disclosures of interests in other entities

IFRS 12 contains the disclosure requirements for entities that have interests in subsidiaries, joint arrangements (i.e. joint operations or joint ventures), associates and/or unconsolidated structured entities, aiming to provide information to enable users to evaluate the nature of, and risks associated with, an entity's interests in other entities; and the effects of those interests on the entity's financial position, financial performance and cash flows.

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The Group is yet to assess IFRS 12's full impact. The standard is effective for annual periods beginning on or after 1 January 2013. Early adoption is permitted provided that the entire suite is adopted at the same time. Entities are encouraged to provide information required by IFRS 12 before the effective date, but this early disclosure would not compel the entity to apply either IFRS 12 in its entirety or the other new consolidation standards.

F. IFRS 13 - Fair value measurement

IFRS 13 replaces the fair value measurement guidance contained in individual IFRSs with a single source of fair value measurement guidance. It defines fair value, establishes a framework for measuring fair value and sets out disclosure requirements for fair value measurements. It explains how to measure fair value when it is required or permitted by other IFRSs. It does not introduce new requirements to measure assets or liabilities at fair value, nor does it eliminate the practicability exceptions to fair value measurements that currently exist in certain standards.

The standard is effective for annual periods beginning on or after 1 January 2013 with an option of early adoption.

iii) Early adoption of standards

The Group did not early adopt new or amended standards in 2011.

c) Use of estimates and judgments

The preparation of these consolidated financial statements requires management to make judgments, 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 judgments in applying accounting policies that have the most significant effect on the amount recognised in the consolidated financial statements are described in note 4 and note 6.

3. SIGNIFICANT ACCOUNTING POLICIES

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

a) Basis of consolidation

Subsidiaries:

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

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3. SIGNIFICANT ACCOUNTING POLICIES (continued)

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.
- Tasheelat Insurance Services Company WLL: provides insurance brokerage services.
- Tasheelat 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) Revenue recognition

i) Interest income and expense

Interest income and expense is recognised on an accrual basis, using the effective interest rate method.

The effective interest rate method is a method of calculating the amortised cost of a financial asset or liability and of allocating the interest income or interest expense over the expected life of the asset or liability. The effective interest rate is the rate that exactly discounts estimated future cash flows through the expected life of the financial asset or liability or, where appropriate, a shorter period, to the net carrying amount of the financial asset or liability. The application of the effective interest rate method has the effect of recognising interest income and interest expense evenly in proportion to the amount outstanding over the period to maturity or repayment. In calculating the effective interest rate, cash flows are estimated taking into consideration all contractual terms of the financial instrument but excluding future credit losses.

ii) Income from sales and provision of services

Revenue comprises the fair value of the consideration received for the sale of goods and services in the ordinary course of the Group's activities. 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. Income from maintenance and repair services is recognised when the service is rendered. Revenue from warranty claims is recognised when these 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. Income from land activities relates to rendering of valuation of property services and is recognised when the service is rendered.

iii) Rental income

Rental income from investment property is recognized as revenue on a straight line basis over the term of the rental agreement.

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c) Functional and presentation currency

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

d) Foreign currencies transaction and balances

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

e) Financial assets and financial liabilities

Recognition

The financial instruments of the Group consist primarily of balances with banks, loans to customers, 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 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 expired.

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. The calculation includes all fees and points paid or received between parties to the contract that are an integral part of the effective interest rate.

Identification and measurement of impairment

At each balance sheet date and periodically during the year, the Group assesses whether there is objective evidence that financial assets carried at amortised cost are impaired. A financial asset is 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 of the asset that can be estimated reliably.

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3. SIGNIFICANT ACCOUNTING POLICIES (continued)

f) Loans

Classification

Loans and advances are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and the Group does not intend to sell immediately or in the near term. Loans and advances are initially recognised at fair value and subsequently measured 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. Objective evidence that loans are impaired can include significant financial difficulty of the borrower, default or delinquency by a borrower, restructuring of a loan and indications that a borrower will enter into a bankruptcy.

The Group considers evidence of impairment for loans and advances both at specific asset and collective level. All individually significant loans and advances are assessed for specific impairment. All individually significant loans and advances found not to be specifically impaired are then collectively assessed for any impairment that has been incurred but not identified. Loans and advances that are not individually significant are collectively assessed for impairment by grouping together loans and advances with similar credit risk characteristics.

In assessing, collective impairment, the Group uses modelling of historical trends of the probability of default, timing of recovery and amount of loss incurred, adjusted for management's judgment as to whether current economic credit conditions are such that 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 they remain appropriate.

Impairment losses on loans and advances are measured as the difference between the carrying amount of the financial asset and present value of estimated future cash flows discounted at the asset's original effective interest rates. Impairment losses are recognised in profit or loss and reflected in an allowance against loans and advances.

When there is no longer a realistic prospect of recovery, the loan is written off against the related allowance for loan impairment. If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed by adjusting the allowance account. The amount of the reversal is recognised in the income statement.

g) Trade and other receivables

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

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h) Inventories

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

i) 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
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.

j) Borrowing costs

Borrowing cost directly attributable to the acquisition, construction or production of a qualifying asset are capitalised. Other borrowing cost is recognised in the income statement.

k) Dividends and directors' fees

Dividends and other proposed appropriations are recognised as a liability in the period in which they are approved by the shareholders. Directors' fees are recognised in the income statement on an accrual basis subject to shareholders approval.

l) 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 2009, had been merged with statutory reserve.

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3. SIGNIFICANT ACCOUNTING POLICIES (continued)

m) 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.

n) Donations reserve

Based on the recommendations of the Board of Directors, an amount is transferred from the profit for the year to this reserve. The reserve represents the uncommitted amount of the donations and charities approved by the Shareholders.

o) Share Capital

i) Ordinary shares
Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of ordinary shares are recognized as a deduction from equity.

ii) 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) Derivative financial instruments and hedging

The Group uses interest rate swaps to hedge its exposures to the variability of future cash flows.

Derivative financial instruments are contracts, the value of which, are derived from one or more underlying financial instruments or indices, and include foreign exchange contracts, forwards and swaps in the interest rate and foreign exchange markets. All derivative financial instruments are initially recognised at cost, being the fair value at contract date, and are subsequently re-measured at their fair values. Changes in the fair value of the derivative financial instruments that are designated and qualify as cash flow hedges and that prove to be highly effective in relation to the hedged risk are recognised in other comprehensive income and presented in a hedge reserve as a separate component of equity. The corresponding effect of the unrealised gains or losses recognised in other comprehensive income is recognised as other assets or other liabilities in the statement of financial position. The effective portion of the gain or loss on derivative instruments 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 gains or losses arising from changes in fair value on derivative instruments that do not qualify for hedge accounting or are determined to be ineffective are recognised directly in the income statement. Fair value gains and losses on trading derivatives is recognised in the income statement.

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

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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.

q) Impairment on non-financial assets

The carrying amounts of the Group's assets other than financial assets (note 3e) 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.

r) Retirement benefits cost

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

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

s) 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.

t) 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.

u) 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. Diluted earnings per share is determined by adjusting the profit or loss attributable to ordinary shareholders and the weighted average number of ordinary shares outstanding for the effects of all dilutive potential ordinary shares.

v) 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.

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3. SIGNIFICANT ACCOUNTING POLICIES (continued)

w) Provision

A provision is recognised if, as a result of a past event, the Group has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation.

x) Investment property

Investment property is property held either to earn rental income or for capital appreciation or for both, but not for sale in the ordinary course of business, use in the production or supply of goods or services or for administrative purposes. Investment property is measured at cost on initial recognition.

Depreciation

Depreciation on investment property is charged to the income statement on a straight-line basis over the estimated useful lives of property. The land component is not depreciated. The estimated useful life of the investment properties is 20 years.

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.

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. The Group is exposed to credit risk on cash and cash equivalents, loans, trade receivables and other assets. The maximum credit risk is the carrying value of the assets.

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Management of credit risk

The Group's credit risk management framework includes:

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

All loans are with local individuals and locally incorporated entities. The credit risk on these loans is actively managed and rigorously monitored in accordance with well-defined credit policies and procedures. The creditworthiness of each borrower is evaluated prior to lending and with a comprehensive review of information which includes the Credit Bureau report. The Group is also subject to single obligor limits as specified by the Central Bank. Credit review procedures are in place to identify at an early stage exposures which require more detailed monitoring and review. Appropriate procedures for follow-up and recovery (including recourse to legal action) are in place to monitor the credit risk on loans.

Exposure to credit risk

The Group is not exposed to any significant concentration of credit risk arising from exposures to a single debtor or debtors having similar characteristics such that their ability to meet their obligations is expected to be affected similarly by changes in economic or other conditions. Regular audits of business units and Group credit processes are undertaken by Internal Audit and Compliance Division.

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

	2011	2010
Impaired loans	**4,941**	6,923
Past due but not impaired	**16,456**	19,416
Neither past due nor impaired	**114,199**	111,955
Net loans (net of impairment)	**135,596**	138,294
Impairment allowance		
Specific allowance	**435**	287
Collective allowance	**3,541**	3,677
Total impairment allowance	**3,976**	3,964

The gross amount of specifically provided loans at 31 December 2011 was BD 2,375 (2010: BD 4,103).

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4. FINANCIAL RISK MANAGEMENT (continued)

Past due but not impaired loans include those past due by less than 90 days. An analysis of past due loans, by age is provided below.

	2011	2010
Loans, net of impairment allowance		
1-30 days	**4,213**	7,706
31-60 days	**5,915**	6,001
61-90 days	**6,328**	5,709

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.

At 31 December 2011 the non performing loans were BD 5,712 (2010: 4,394). 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. The suspension of interest income relating to such past due loans is not material to the Group's net income.

During the year ended 31 December 2011, loans amounting to BD 10,080 were restructured.

The Group's exposure to credit risk from loans and trade receivables in the automotive business is influenced mainly by the individual characteristics of each customer. Loans which are 90 days past due are considered as non-performing.

The Group has established policies and procedures under which each customer is analyzed individually for creditworthiness. At the year end, trade receivables of BD 589 (2010: BD 866) were past due against which BD 379 (2010: BD 479) was the impairment allowance. Substantially all commercial past due receivables are less than one year.

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.

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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. As at 31 December 2011, loans amounting to BD 108,469 (2010: BD 113,874) was fully collateralized and loans amounting to BD 8,161 (2010: BD 3,737) was partly collateralized with a collateral value of BD 7,288 (2010: BD 3,214).

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 90% of which are to individual Bahraini citizens.

Settlement risk

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

Derivative related credit risk

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

Credit risk related to trade receivables

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

c. 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.

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4. FINANCIAL RISK MANAGEMENT (continued)

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

At 31 December 2011	**Carrying amount**	**Contractual undiscounted cash flows**	**Within 1 Year**	**1 year to 5 years**	**Over 5 years**
Assets					
Cash and cash equivalent	**3,901**	**3,901**	**3,901**	**-**	**-**
Loans	**135,596**	**184,466**	**54,719**	**105,092**	**24,655**
Trade and other receivables	**3,524**	**3,524**	**3,524**	**-**	**-**
	143,021	**191,891**	**62,144**	**105,092**	**24,655**
Liabilities					
Bank overdrafts	**31**	**31**	**31**	**-**	**-**
Trade and other payables	**16,833**	**16,833**	**16,833**	**-**	**-**
Term loans	**75,955**	**78,732**	**33,160**	**45,572**	**-**
Bonds	**6,632**	**7,371**	**168**	**7,203**	**-**
	99,451	**102,967**	**50,192**	**52,775**	**-**

At 31 December 2010	Carrying amount	Contractual undiscounted cash flows	Within 1 Year	1 year to 5 years	Over 5 years
Assets					
Cash and cash equivalent	1,436	1,436	1,436	-	-
Loans	138,294	180,217	51,101	108,834	20,282
Trade and other receivables	2,951	2,951	2,951	-	-
	142,681	184,604	55,488	108,834	20,282
Liabilities					
Bank overdrafts	2,785	2,841	2,841	-	-
Trade and other payables	13,636	13,636	13,636	-	-
Term loans	70,325	75,477	28,162	47,315	-
Bonds	16,600	18,005	10,468	7,537	-
	103,346	109,959	55,107	54,852	-

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.

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Management of market risks

Market risks are closely monitored by the risk management and finance departments 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	
	2011	2010	**2011**	2010	**2011**	2010	**2011**	2010
ASSETS								
Cash and cash equivalents	**-**	-	**-**	-	**3,901**	1,436	**3,901**	1,436
Loans	**135,465**	138,154	**-**	-	**131**	140	**135,596**	138,294
Trade and other receivables	**-**	-	**-**	-	**3,524**	2,951	**3,524**	2,951
	135,465	138,154	**-**	-	**7,556**	4,527	**143,021**	142,681
LIABILITIES								
Bank overdrafts	**-**	-	**31**	2,785	**-**	-	**31**	2,785
Trade and other payables	**-**	-	**-**	-	**16,833**	13,636	**16,833**	13,636
Term loans	**-**	-	**75,955**	70,325	**-**	-	**75,955**	70,325
Bonds	**6,632**	6,608	**-**	9,992	**-**	-	**6,632**	16,600
	6,632	6,608	**75,986**	83,102	**16,833**	13,636	**99,451**	103,346

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 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 2011 interest rate risk attributable to the term loans of USD 195 million (BD: 73.5 million) (2010: USD 220 million, BD 82.94 million) has been hedged. The Group has also entered into forward start interest rate swaps of USD110 million to reduce fluctuations of interest rates in future periods. The fair value changes of the interest rate swaps are recognised in equity (page 29). The cash flows relating to the interest rate swaps are expected to occur over a period of three months to four years from the balance sheet date. The Group does not enter into derivative financial instruments other than for economic hedging purposes.

The unhedged portion of the floating rate borrowing is sensitive to changes in the interest rates. As at 31 December 2011 a change in variable rate financial instruments by 100 basis points will increase/ (decrease) net profits by BD 25.

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4. FINANCIAL RISK MANAGEMENT (continued)

Currency risk

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

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

	2011	2010
Japanese Yen	**67**	3,459
US Dollars	**4,472**	3,931

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 BD 7 (2010: BD 346) subject to all other variables, in particular interest rates, remain constant.

The Group uses foreign exchange options to reduce its foreign exchange risk on its short-term liabilities denominated in Japanese Yen. The notional amount of the option as at 31 December 2011 was nil (2010: BD 2,779) and forward contracts was nil (2010: BD 2,558).

e. Operational risks

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

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

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

f. Capital management

The Group's policy is to maintain a strong capital base. The Central Bank of Bahrain sets and monitors capital requirements for the Group. The conventional financing company license granted by the Central Bank of Bahrain limits borrowings to five times the capital and reserves (shareholders equity) of the Company. Such rate as at 31 December 2011 for the Group was 1.3 (2010:1.4).

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5. MATURITY PROFILE

The maturity profile of the Group's assets and liabilities based on the expected repayment arrangements is given below. The contractual maturities of assets and liabilities are not significantly different from the expected repayment dates.

At 31 December	Within 1 Year		1 year to 5 years		Over 5 years		Total	
	2011	2010	**2011**	2010	**2011**	2010	**2011**	2010
ASSETS								
Cash and cash equivalents	**3,901**	1,436	-	-	-	-	**3,901**	1,436
Loans	**41,969**	48,916	**78,980**	76,611	**14,647**	12,767	**135,596**	138,294
Trade and other receivables	**3,524**	2,951	-	-	-	-	**3,524**	2,951
Inventories	**15,328**	17,281	-	-	-	-	**15,328**	17,281
Investment properties	-	-	-	-	**1,245**	-	**1,245**	-
Property and equipment	-	-	-	-	**16,279**	15,357	**16,279**	15,357
Other assets	**715**	766	-	-	-	-	**715**	766
	65,437	71,350	**78,980**	76,611	**32,171**	28,124	**176,588**	176,085
LIABILITIES								
Bank overdrafts	**31**	2,785	-	-	-	-	**31**	2,785
Trade and other payables	**16,833**	13,636	-	-	-	-	**16,833**	13,636
Term loans	**30,951**	27,000	**45,004**	43,325	-	-	**75,955**	70,325
Bonds	-	9,992	**6,632**	6,608	-	-	**6632**	16,600
	47,815	53,413	**51,636**	49,933	-	-	**99,451**	103,346

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

6. USE OF ESTIMATES AND JUDGMENTS

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

Allowance for credit losses

(i) Individual impairment charge on loans

Impairment losses are evaluated as described in accounting policy 3(f). 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 judgment 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 judgments 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 judgment and uncertainty, and actual results may differ resulting in future changes to such impairment charges.

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6. USE OF ESTIMATES AND JUDGMENTS (continued)

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

7. 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 BD 143,736 (2010: BD143,447) are categorised under 'loans and receivables' and are measured at amortised cost. All the financial liabilities of BD 92,802 (2010: BD 95,144) are measured at amortised cost except derivatives which are measured at fair value.

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(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 Group's exposure to derivatives are categorised under level 2.

8. LOANS

	2011	2010
Gross loans	**139,572**	142,258
Provision for impairment	**(3,976)**	(3,964)
Net loans	**135,596**	138,294

The effective interest rates (APR) on loans and credit card ranges between 7.5% to 18.0 % p.a. (2010: 9.75% to 18% p.a.).

Impairment allowances

	2011	2010
Movement during the year		
At 1 January	**3,964**	3,895
Net charge for the year	**1,824**	1,545
Loans written-off	**(1,812)**	(1,476)
At 31 December	**3,976**	3,964

9. INVENTORIES

	2011	2010
Automotive stock		
- Vehicles	**8,146**	15,410
- Spare parts	**2,438**	2,339
Land inventory	**4,942**	-
	15,526	17,749
Provision on vehicles	**(51)**	(352)
Provision on spare parts	**(147)**	(116)
At 31 December	**15,328**	17,281

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9. INVENTORIES (continued)

Movement on provisions (vehicle and spare parts)	2011	2010
At 1 January	**468**	429
Net charge for the year	**(23)**	353
Written-off	**(247)**	(314)
At 31 December	**198**	468

During the year, the Group purchased a plot of land with the objective of subdividing it into smaller plots for resale. This has been classified as an inventory and carried at the lower of cost and net realisable value.

10. INVESTMENT PROPERTIES

	2011	2010
At 1 January	**-**	-
Purchases during the year	**1,287**	-
Depreciation charged during the year	**(42)**	-
At 31 December	**1,245**	-

During the year, the Group purchased two buildings for rental income and accordingly are classified as investment properties. These are stated at cost less depreciation. The land component is not depreciated. Building is depreciated over an estimated useful life of 20 years.

The fair value of the investment properties as at 31 December 2011 is BD 1,326.

11. PROPERTY AND EQUIPMENT

	Land and buildings	Furniture Fixtures & equipment	Vehicles	2011 Total	2010 Total
Cost					
At 1 January	14,779	3,867	4,448	**23,094**	20,511
Additions	2,077	351	1,202	**3,630**	4,215
Disposals and retirements	-	-	(1,751)	**(1,751)**	(1,632)
At 31 December	**16,856**	**4,218**	**3,899**	**24,973**	23,094
Depreciation					
1 January	3,519	2,412	1,806	**7,737**	6,772
Charge for the year	438	596	916	**1,950**	1,939
Disposals and retirements	-	-	(993)	**(993)**	(974)
At 31 December	**3,957**	**3,008**	**1,729**	**8,694**	7,737
Net book value					
At 31 December 2011	**12,899**	**1,210**	**2,170**	**16,279**	
At 31 December 2010	11,261	1,454	2,642		15,357

The cost of fully depreciated assets still in use at 31 December 2011 was BD 3,235 (2010: BD 2,803).
The Group's capital commitments outstanding as at 31 December 2011 was BD nil (2010: BD 823).

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12. TERM LOANS

	2011	2010
Repayable within one year	**30,951**	27,000
Repayable after one year	**45,004**	43,325
	75,955	70,325

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 7.4% p.a. (2010: 7.1% p.a.).

13. BONDS

	2011	2010
Face value	**6,700**	16,700
Less: Unamortised cost of issue	**(68)**	(100)
	6,632	16,600

Movement in bonds during the year	**2011**	2010
At 1 January (Face value)	**16,700**	20,000
Add: Bonds issued during the year	**-**	6,700
Less: Redeemed during the year	**(10,000)**	(10,000)
At 31 December (Face value)	**6,700**	16,700

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

On 30 December 2010, the Company issued 67,000 bonds with a face value of BD 100 each. The principal terms of the bonds issued are as follows:

Period:	Three years
Interest rate:	Fixed rate bonds. Interest is payable six monthly in arrears from the date of issue.
Security:	Unsecured
Redemption:	30 December 2013

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14. SHARE CAPITAL

	2011	2010
Authorised share capital		
500,000,000 (2010: 500,000,000) shares of 100 fils each	**50,000**	50,000
Issued and fully paid		
At 1 January	**16,335**	16,335
At 31 December	**16,335**	16,335
Treasury shares 2,206,891 shares (2010: 2,206,891 shares)	**599**	599

The Company's memorandum of association allows it to hold up to 10% of its own issued shares as treasury shares.

Additional information on shareholding pattern

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

	Nationality	**No. of shares**	**% holding**
Social Insurance Organization*	Bahrain	50,833,589	31.1%
BBK BSC	Bahrain	37,618,691	23.0%
National Bank of Bahrain	Bahrain	19,471,477	11.9%

ii. The Company has only one class of equity shares and the holders of these shares have equal voting rights. Out of the total shareholders, 95% are Bahraini individuals or corporates and 5% are other nationalities.

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%	36,196,704	1,288	22.2%
1% up to less than 5%***	19,229,539	7	11.8%
5% up to less than 10%	-	-	-
10% up to less than 20%	70,305,066	3	43.0%
20% up to less than 50%	37,618,691	1	23.0%
Total	**163,350,000**	**1,299**	**100.00%**

* Share holding under Social Insurance Organisation represents holding of shares by Social Insurance Organisation (GOSI) and Social Insurance Organisation (Pension).

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

*** Includes 2,206,891 treasury shares

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15. OTHER INCOME

	2011	2010
Rental income and other charges	**165**	53
Gain on sale of property and equipment	**28**	52
Incentives	**278**	226
Other income	**15**	19
Gain on fair value changes in derivative	**134**	-
Foreign exchange gain	**226**	197
	846	547

16. OTHER OPERATING EXPENSES

	2011	2010
Depreciation	**1,444**	1,280
Impairment provision for inventory	**(23)**	353
Impairment provision for trade receivables	**24**	41
Recoveries of loans previously written off	**(720)**	(524)
Automotive finance costs	**115**	373
	840	1,523

17. DISTRIBUTION OF ASSETS AND LIABILITIES
The geographic distribution of predominantly all assets and liabilities of the Group is in Bahrain. The assets and liabilities of the Group are not concentrated in any particular industry sector.

18. SEGMENTAL INFORMATION
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.
- Real Estate - involve in buying and selling of land and properties and their evaluation services.
- Insurance - provision of insurance brokerage 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.

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18. SEGMENTAL INFORMATION

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 2011 or 2010.

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

At 31 December	Consumer finance		Automotive		Real estate		Insurance		Total	
	2011	2010	**2011**	2010	**2011**	2010	**2011**	2010	**2011**	2010
Operating income	**10,790**	11,228	**5,708**	6,100	**165**	53	**616**	708	**17,279**	18,089
Inter segment revenue	**-**	-	**-**	-	**28**	98	**78**	-	**106**	98
Operating costs	**(3,177)**	(3,484)	**(3,282)**	(3,784)	**(108)**	(126)	**(200)**	(200)	**(6,767)**	(7,594)
Impairment	**(1,824)**	(1,545)	**(1)**	(394)	**-**	-	**-**	-	**(1,825)**	(1,939)
Inter segment expenses	**(106)**	(98)	**-**	-	**-**	-	**-**	-	**(106)**	(98)
Profit for the year	**5,683**	6,101	**2,425**	1,922	**85**	25	**494**	508	**8,687**	8,556
Assets (Liabilities)										
Cash and cash equivalent	**758**	889	**2,946**	356	**128**	13	**69**	178	**3,901**	1,436
Loans	**135,596**	138,294	**-**	-	**-**	-	**-**	-	**135,596**	138,294
Trade and other receivables	**-**	-	**3,469**	2,951	**2**	-	**53**	-	**3,524**	2,951
Intercompany balances	**620**	(4,198)	**568**	(385)	**(3,752)**	2,467	**2,564**	2,116	**-**	-
Inventories	**-**	-	**10,386**	17,281	**4,942**	-	**-**	-	**15,328**	17,281
Investment properties	**-**	-	**-**	-	**1,245**	-	**-**	-	**1,245**	-
Property and equipment	**1,814**	1,931	**14,465**	13,426	**-**	-	**-**	-	**16,279**	15,357
Other assets	**56**	33	**659**	733	**-**	-	**-**	-	**715**	766
Overdrafts	**(31)**	(619)	**-**	(2,166)	**-**	-	**-**	-	**(31)**	(2,785)
Trade and other payables	**(9,388)**	(10,226)	**(7,207)**	(3,070)	**-**	-	**(238)**	(340)	**(16,833)**	(13,636)
Bonds	**(6,632)**	(16,600)	**-**	-	**-**	-	**-**	-	**(6,632)**	(16,600)
Term loans	**(75,955)**	(64,060)	**-**	(6,265)	**-**	-	**-**	-	**(75,955)**	(70,325)
Equity	**(46,838)**	(45,444)	**(25,286)**	(22,861)	**(2,565)**	(2,480)	**(2,448)**	(1,954)	**(77,137)**	(72,739)
Capital expenditure	**232**	284	**3,398**	3,931	**-**	-	**-**	-	**3,630**	4,215
Depreciation charge for the property and equipment	**349**	262	**1,601**	1,677	**-**	-	**-**	-	**1,950**	1,939

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19. TRANSACTIONS WITH RELATED AND ASSOCIATED PARTIES

Trading transactions, where the customer or supplier is controlled or significantly influenced by a director of the Company, are conducted on an arms-length basis on normal commercial term.

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.

	2011	2010
Shareholder:		
Term Loans	**7,655**	5,655
Bank overdrafts	**30**	1,030
Bank balances	**1,122**	712
For the year ended 31 December		
Interest expense	**190**	311

Key management personnel:	**2011**	2010
Loans to directors	-	29
For the year ended 31 December		
Salaries and short term employee benefits	**1,041**	997
Directors Remuneration and attendance fees	**321**	328

No impairment losses have been recorded against balances outstanding during the period with related parties, and no specific allowance has been made for impairment losses on balances with related parties at the year end.

20. RETIREMENT BENEFITS COST

The Group's contributions in respect of Bahraini employees for the year amounted to BD 631 (2010: BD 596). The Group's provision for expatriate employees' leaving indemnities at 31 December 2011 was BD 922 (2010: BD 839). The Group employed 592 staff at 31 December 2011 (2010: 636).

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

	2011	2010
Profit for the year	**8,687**	8,556
Weighted average number of equity shares (In 000's)	**161,143**	161,143
Basic earnings per share	**54 fils**	53 fils

Diluted earnings per share is same as basic earnings per share as the Group does not have any potential dilutive instruments in issue.

22. OUTSTANDING COMMITMENT
The Group has contingent liabilities for standby letters of credit issued in the normal course of the automotive business amounting to BD 7,493 (2010: BD 10,221) and unutilised credit limits of BD 748 (2010: BD 560) to its customers.

23. PROPOSED APPROPRIATIONS
The Board of Directors has proposed the following appropriations for 2011. These appropriations are subject to approval by the shareholders at the Annual General Meeting.

	2011	2010
Proposed dividends	**5,640**	5,640
Donations	**280**	280
General reserve	**1,500**	1,500
Statutory reserve	-	1,500
	7,420	8,920

24. COMPARATIVES
The corresponding figures have been regrouped where necessary to conform with the current year's presentation. The regrouping has not affected previously reported profit for the year or equity.