ANNUAL REPORT 2012

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 franchises for Honda and General Motors (Chevrolet, GMC and Cadillac).

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, rental 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 exceptional results in 2012 in a difficult economic environment. The remarkable performance of the Company reflects the strength of its solid business model.

The Group has reported a net profit of BD 12.3 million, some 42% higher than the BD8.7 million earnings of 2011.

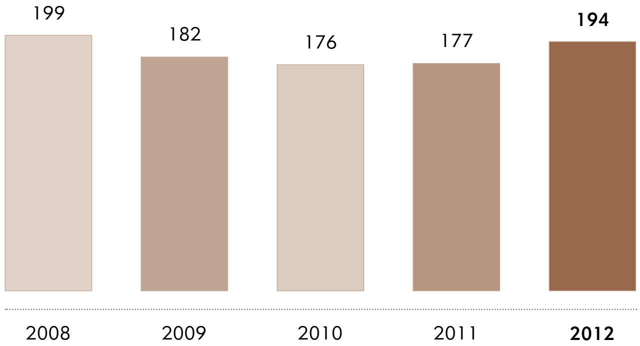
- **Credit**: Bahrain Credit increased its market penetration in vehicle lending and credit cards. Total new lending was BD 87 million. Portfolio quality further improved.

- **Automotive**: The strong turnaround in the Bahrain automotive market and the strong brand equity of National Motor Company led to the company's outstanding results. The company will continue to invest into new facilities to further improve customers' vehicle ownership experience.

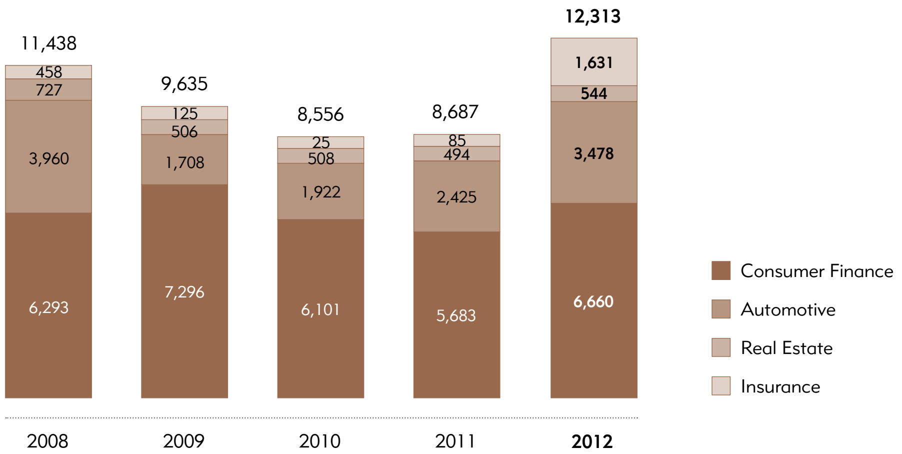
- **Insurance**: Despite price based competition, Tas'heelat Insurance Services Company maintained its market share through strong, innovative and direct marketing and efficient customer servicing.

- **Real Estate**: Tas'heelat Real Estate Company had an excellent year with successful execution of its Saar land project selling 90% of its inventory. The company's strategic investments into residential properties continue to generate good rental yields.

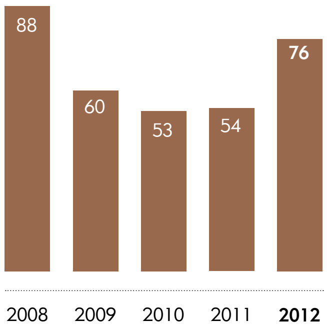
FINANCIAL HIGHLIGHTS



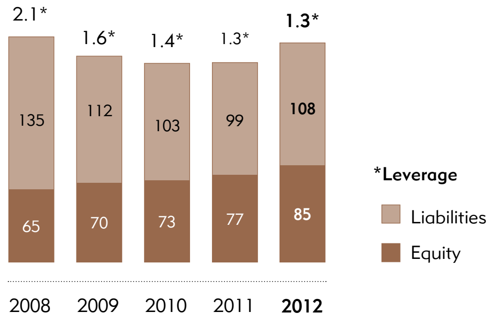
Total Assets (BD million)



Net Profit (BD'000)



Earnings Per Share (fils)



Debt 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 2012. 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.

The company's remarkable performance in difficult local and global economic conditions is extremely encouraging and is a testament of its solid and successful business model. Total group net profit of BD 12.3 million (2011: BD 8.7 million) has resulted in a return on equity of 14%. Your Board recommends a cash dividend to shareholders at the rate of 40 fils per share (40%) (2011: 35 fils per share).

In 2012, the world political and economic environment remained volatile and adverse. The world's major economies remained stressed battling recessionary pressures and fundamental structural problems. Those countries that underwent political changes in the Middle East are now battling both political uncertainty and major macro-economic woes, that are likely to derail the aspired democratization process. Our beloved nation, though not fully recovered from the sad events in 2011, has shown noticeable resilience, determination and strength.

In 2012, Bahrain Credit achieved net profits of BD 6.7 million (2011: BD 5.7 million) and provided new loans of BD 87 million (2011: BD 62 million). The company increased its market penetration with focus on its core product: vehicle lending through targeted initiatives with key dealers. The Imtiaz credit card is now a force to reckon within this very competitive market segment and further initiatives are planned to capture additional market share. The company remained very selective in new mortgage lending in line with the cautious outlook. The improvement in non performing loans to 3.39% of the portfolio reflects the company's emphasis on the quality of underwriting and its robust collection and recovery procedures.

National Motor Company had a very good year with net profits of BD 3.5 Million (2011: BD 2.4 Million). The automotive market in Bahrain has witnessed a sharp turnaround. The company whilst reaping the benefits of the increased customer confidence has also strategically sourced its otherwise JPY denominated Honda vehicles and parts from global factories that price the product in US Dollars thus making the cars more competitively priced and more affordable to its customers. Worldwide, there is a new look and feel to the Cadillac brand and the company intends to vigorously reenergise its brand identity in Bahrain in 2013.

T'asheelat Real Estate Services Company has reported net profits of BD 1.6 million (2011: BD 85 thousand). The company's Saar Land project aimed at the aspirations of our citizens for affordable housing has been a success. The company has also continued making prudent investments in its rental portfolio in neighbourhoods which offer high occupancy rates and are providing steady and reliable yields.

Your company continues to maintain a strong and healthy liquidity position and has recently replaced a maturing USD 75 million loan with a new three years syndicated loan facility of USD 100 million. The Group has a healthy leverage and this will facilitate expansion and growth plans.

I am pleased to announce that following the active engagement of both management and your board, your company now has an approved three years strategic plan for 2013–15. The whole is greater than the sum of the parts: the initiatives and directions contained in the strategy document should profitably and safely grow and steer your company in this plan cycle as it builds on its core strengths and seeks to take advantage of natural synergies within the various business segments where the Group companies currently operates in. In fact, local and regional opportunities in both motor sales industry and finance business are currently being actively pursued.

During the year, the following were the changes in the composition of the Board of directors. The Board welcomed Mr. Jamal Abdulla Al-Mutawa in February and Mr. Abdulrahman Yousif Al-Qasim who joined us effective October as nominees of the Social Insurance Organization (SIO).

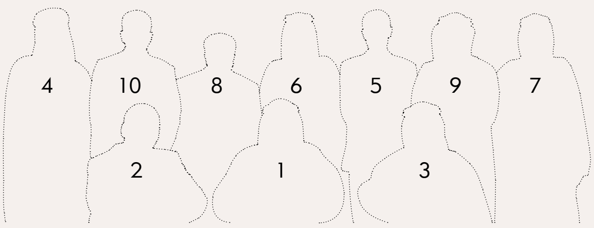
In accordance with the requirement of Bahrain's Commercial Company Law 2001, we report the aggregate amount paid to directors during 2012 was BD392K (2011: BD 321K) in respect of fees and subsidiary Board and Committees' attendance allowances. The total shareholding of the directors in the company is 111.9 million shares (68.5% 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 that has resulted in this excellent performance.

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
20 February 2013

BOARD OF DIRECTORS



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

   Director since 12 November 1989 (Independent and Non-executive); has more than 48 years of extensive and diversified experience in business, trade, investment and insurance.

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

2. *Abdulkarim Ahmed Bucheery* - Vice Chairman of the Board and member of the Executive Committee - Nominee of BBK B.S.C.

   Director since 15 March 2008 (Non-independent and Executive in shareholder bank "BBK"); has more than 36 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, member of the Projects Investment Committee and Chairman of Nomination, Remuneration and Corporate Governance Committee of 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 and Chairman of the Executive Committee

   Director since 15 May 1996 (Independent and Non-executive); has more than 31 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 of National Motor Company W.L.L., Bahrain

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

   Director from 15 March 1988 to July 2004 (Non-independent and Executive in shareholder bank "BBK" then); Subsequently Director since March 2007 (Independent and Non-executive); has more than 37 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 the Audit Committee of Bahrain Middle East Bank B.S.C., Bahrain

5. *Sayed Abdulghani Hamza Qarooni* - Board Member and Vice Chairman of the Executive Committee

   Director since 15 March 2008 (Independent and Non-executive); has more than 47 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 of Strand Plaza S.P.C., Bahrain

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

   Director since 18 October 2004 (Non-independent and Executive in shareholder bank "BBK"); has more than 34 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 of Credimax B.S.C. (c), Bahrain
   - Vice Chairman of National Motor Company W.L.L., Bahrain
   - Vice Chairman of EBLA Computer Consultancy K.S.C. (c), Kuwait
   - Board Member - Saudi Mais Company for Medical Products, Saudi Arabia

7. *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 Executive in shareholder bank "NBB"); has more than 39 years of extensive and diversified experience in Management & Banking; fulfilled the requirements of The Gulf Executive Development Program at University of Virginia - Darden-USA, 2001 - 2002; attended numerous management and business-related courses held locally & internationally.

   - General Manager, Domestic Banking Group – National Bank of Bahrain B.S.C., Bahrain
   - Board Member of National Motor Company W.L.L., Bahrain

8. *Ali Abdulla Ahmadi* - Board Member and Member of the Audit Committee

   Director since 15 May 1996 (Independent and Non-executive); has more than 32 years of extensive and diversified experience in trade and business; pursued Higher Education at Concord College – Kent, England, 1967 – 1968.

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

9. *Jamal Abdulla Al-Mutawa* - Board Member and Vice Chairman of the Audit Committee - Nominee of Social Insurance Organization, Bahrain

   Director from 09 February 2012; (Independent and Non-executive); has more than 25 years of extensive and diversified experience in auditing and information technology systems management; holds an MBA from University of Bahrain, 2001; B.Sc. in Information Systems Management from University of Maryland, USA, 1998; CIA in 2005 and CRMA in 2012 from the Institute of Internal Auditors, USA.

   - Executive Director of Internal Audit – Social Insurance Organisation, Bahrain

10. *Abdulrahman Yousif Al-Qasim* - Board Member - Nominee of Social Insurance Organization, Bahrain

    Director from 24 October 2012; (Independent and Non-executive); has more than 25 years of extensive and diversified experience in banking and investment, risk management, financial control, information technology, Credit, marketing and operations in domestic and international banking; holds a B.Sc. in Engineering from Middlesex University, U.K, 1982.

    - Executive Director of Risk Management and Compliance – SIO Asset Management Company, Bahrain
    - Board Member of Bahrain International Golf Course Company B.S.C. (c), Bahrain
    - Board Member and member of the Executive Committee of Arabian Sugar Company B.S.C. (c), Bahrain

Sayed Jalal Al-Mousawi - Secretary to the Board, Bahrain Commercial Facilities Company B.S.C.

Joined on 02 May 2007; has more than 12 years of accumulated and diversified experience in corporate affairs and administration within Board Secretariat as company secretary, compliance and corporate governance, law and legal drafting, specialised translations, public relations and journalistic writing; holds a BA in English Literature and Translation from University of Bahrain, 2002; Attended a number of courses in accounting and corporate governance.

CORPORATE GOVERNANCE

Bahrain Commercial Facilities Company BSC 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, particularly in compliance with the recently-approved Corporate Governance Code 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 2012.

B. Board of Directors Information

Constituted of ten non-executive and executive members divided 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. An executive director refers to any director, who sits on board, without executive responsibilities in the Company, and represents a shareholder with a controlling interest in the Company, except for directors who are nominees of a governmental body are considered independent and non-executive. 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 own composition and Charter and conducts an evaluation of its performance and the performances and contributions of all Committees vis-à-vis their respective charters. The performance appraisals are in the form of written forms or reports made at the last scheduled meeting of the calendar year.

The Board of Directors of Bahrain Commercial Facilities Company BSC exercise their individual and collective business judgment objectively, transparently and in good faith in what they reasonably believe to be in the best interest of the Company, its shareholders and stakeholders. The Board of Directors oversees the process of disclosure and communications to internal and external stakeholders. The Board of Directors ensures that disclosure is fair, transparent, and comprehensive; and reflects the character of the Company and the nature and complexity of risks inherent in the business activities of the Company.

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

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 that includes "whistle-blowing" procedures to the Executive Management and staff. 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.

Furthermore, directors as approved persons abide by their fiduciary duties of care and owe loyalty not to use property of the Company for their personal needs as though it was their own property, not to disclose confidential information or use it for their personal profit, not to take business opportunities for themselves that constitute direct and material conflicts of interest, not to compete in business with the Company; and to serve the Company's interest in any transaction with a company in which they have personal interests.

In compliance with the regulatory requirements, below is the number of shares held by the Company's directors as at 31st December 2012 as follows:

*Directors **	*Types of Shares*	*31 December 2012*	*31 December 2011*
Abdulrahman Yusuf Fakhro	Ordinary	384,712	384,712
Abdulkarim Ahmed Bucheery	Ordinary	Nil	Nil
Khalid Mohammed Ali Mattar	Ordinary	1,254,891	1,254,891
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
Jamal Abdulla Al-Mutawa	Ordinary	Nil	Nil
Abdulrahman Yousif Al-Qasim	Ordinary	Nil	Nil

* The Board of Directors did not trade in the shares of the Company during the financial year ended 31st December 2012.

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 2012, the Board of Directors convened five ordinary meetings and one unscheduled meeting. The meetings were attended as follows:

Board of Directors	*21 Feb.*	*20 Mar.*	*30 Apr. ‹1›*	*24 Jul.*	*31 Oct.*	*25 Dec.*	*Total*
Abdulrahman Yusuf Fakhro	✓	✓	✓	✓	✓	✓	6
Abdulkarim Ahmed Bucheery	✓	✓	✓	✓	By Phone	✓	6
Khalid Mohammed Ali Mattar	✓	✓	✓	✓	✓	✓	6
Ebrahim Abdulla Buhindi	✓	✓	✓	✓	✓		5
Jamal Mohamed Jassim Hejres	✓	✓	✓	✓	✓	✓	6
Sayed Abdulghani Hamza Qarooni	✓	✓	✓	✓	✓	✓	6
Ali Abdulla Ahmadi	✓	✓	✓	✓	✓	✓	6
Abdulaziz Abdulla Al-Ahmed	✓	✓	✓	✓	✓	By Phone	6
Jamal Abdulla Al-Mutawa ‹2›	✓	✓	✓	✓	✓	✓	6
Abdulrahman Yousif Al-Qasim ‹3›					‹4›	✓	1

1. An unscheduled meeting of the Board held to consider an investment proposal for the Company's future headquarters.
2. Joined the Board in place of the outgoing nominee of SIO, Mr. Abdulaziz Saleh Al-Saie, effective from 09 February 2012.
3. Joined the Board in place of the outgoing nominee of SIO, Shaikh Mohamed bin Isa Al-Khalifa, effective from 24 October 2012.
4. Invitation to attend the meeting was served at short notice after obtaining the Regulator's approval for the nomination.

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. Therefore, in order to avoid conflicts of interest, a Board Sub-Committee meeting was held to consider proposals for a syndicated loan in 2012. The meeting was attended as follows:

Board Sub-committee	*11 Sep.*
Abdulrahman Yusuf Fakhro	✓
Khalid Mohammed Ali Mattar	✓
Ebrahim Abdulla Buhindi	✓

C. Key Persons Dealing Policy

The Company has in place 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 a minimum of three members, who are not members of the Board Audit Committee, appointed by the Board of Directors on an annual basis. At least one member shall be independent. 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 2012, the Executive Committee held seven meetings. The meetings were attended as follows:

Committee Member	*24 Jan.*	*20 Mar.*	*24 Apr.*	*29 May*	*26 Jun.*	*25 Sep.*	*27 Nov.*	*Total*
Khalid Mohammed Ali Mattar, Chairman	✓	✓	✓	✓	✓	✓	✓	7
Sayed Abdulghani Hamza Qarooni, Vice Chairman	✓	✓	✓	✓	✓	✓	✓	7
Abdulkarim Ahmed Bucheery, Member	✓	✓	✓	By phone	✓	✓	✓	7

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 annual basis. All the members are 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 the Risk Management, Compliance and Anti-Money Laundering Department and is responsible for developing and recommending to the Board corporate governance guidelines and reviewing 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, Risk Manager, Group Compliance Officer and Anti-Money Laundering Reporting Officer or others, as necessary. During 2012, the Board Audit Committee met six times. The meetings were attended as follows:

Committee Member	*22 Jan.*	*19 Feb.*	*23 Apr.*	*18 Jul.*	*30 Sep.*	*21 Oct.*	*Total*
Ebrahim Abdulla Buhindi, Chairman	✓	✓	✓	✓	✓	✓	6
Jamal Abdulla Al-Mutawa, Vice Chairman ‹1›			✓	✓	✓	✓	4
Ali Abdulla Ahmadi, Member	✓	✓	✓	✓	✓	✓	6

1. Appointed as member in March 2012 and elected as Vice Chairman in the following month taking over from his predecessor nominee of SIO.

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

CORPORATE GOVERNANCE CONTINUED

3. Remuneration and Nomination Committee

Comprised of at least three 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 WLL and the Secretary to the Board, the bonus, share option, redundancy and termination payment policies of the Company. The Committee assesses the roles of the Chief Executive Officer, General Manager of National Motor Company WLL and Secretary to the Board. The Committee also ensures that failure is not rewarded and that the duty to mitigate loss is fully recognized. Additionally, the Committee determines the policy for the disclosure of Directors and Executive Management's remuneration.

The 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 two meetings during 2012. The meetings were attended as follows:

Committee Member	*15 Feb.*	*24 Dec.*	*Total*
Abdulrahman Yusuf Fakhro, Chairman	✓	✓	2
Ebrahim Abdulla Buhindi, Vice Chairman	✓	✓	2
Jamal Mohamed Jassim Hejres, Member		✓	1

E. Risk Management, Compliance and Anti-Money Laundering

Bahrain Commercial Facilities Company BSC 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 per the requirements of the Central Bank of Bahrain.

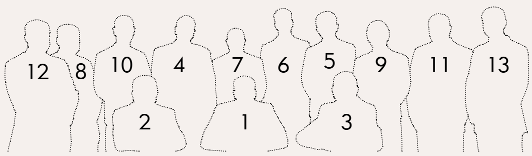
The Company has a Risk Manager, Group Compliance Officer and Anti-Money Laundering Reporting Officer. These functions are independent of business lines and the day-to-day running of the various business areas and are separate from the Internal Audit function. In addition, following a rigorous review to ensure compliance with the most recent regulatory requirements in regard of these functions, the Risk Manager, Group Compliance Officer and Anti-Money Laundering Reporting Officer now reports directly to the Board Audit Committee and has full access to the Board of Directors.

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.

F. Communication Strategy

The Company has a clear policy in relation to communication with its stakeholders, shareholders, employees, customers, Government bodies, Regulator and society and has approved Corporate Communication Policy Guidelines. 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, the Remuneration and Nomination Chairman, the Chairmen of subsidiaries' boards 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, corporate 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 financials and annual reports of the Company; the Charters of the Board and its Committees 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 interests and concerns.

EXECUTIVE MANAGEMENT



1. *Dr. Adel Hubail -* Chief Executive Officer - BCFC
Joined on 1 September 2004; has more than 14 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
    - Board Member – National Motor Company (NMC) W.L.L., Bahrain

2. *Fadhel Al Mahoozi -* Senior Vice President, Head of Credit and Marketing - Bahrain Credit
Joined on 1 January 1993; has more than 32 years of extensive and diversified experience in financial and banking services, credit and recoveries, Information Technology, marketing and human resources.
    - Board Member – 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 27 years of 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 26 years of 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).
    - Board Member – Tas'heelat Insurance Services Company (TISCO) W.L.L., Bahrain
    - Board Member – National Motor Company (NMC) W.L.L., Bahrain

5. *Vishal Purohit -* Vice President, Head of Finance - Bahrain Credit
Joined on 16 Sept 2007; has more than 14 years of extensive and diversified experience in finance, audit and treasury operations; holds a Chartered Accountant from the Institute of Chartered Accountants of India.

6. *Nader Ebrahim -* Senior Manager, Head of Finance and Administration - NMC
Joined on 15 July 1995; has more than 27 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).

7. *Ali Al Daylami -* General Manager - TISCO
Joined on 1 January 1993; has more than 27 years of extensive and diversified experience in insurance; holds a Post Graduate Diploma in Business & Management from Sheffield University, UK, 1999.

8. *Hussain Al-Madhi -* Vice President, Head of Branch Network - Bahrain Credit
Joined on 3 May 1997; has more than 16 years of extensive and diversified experience in financial and banking services; holds a BSc in Banking and Finance, University of Bahrain, 2004.

9. *Xavier Stephen -* Senior Manager, Head of Customer Service Operations - NMC
Joined on 2 December 1995; has more than 25 years of extensive and diversified experience in Automobile Industry; an Automobile Engineer by profession.

10. *Abdulla Al-Wedaei -* Senior Manager, Head of Sales Operations - NMC
Joined on October 1991; has more than 21 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
    - Board Member – Tas'heelat Insurance Services Company (TISCO) W.L.L., Bahrain

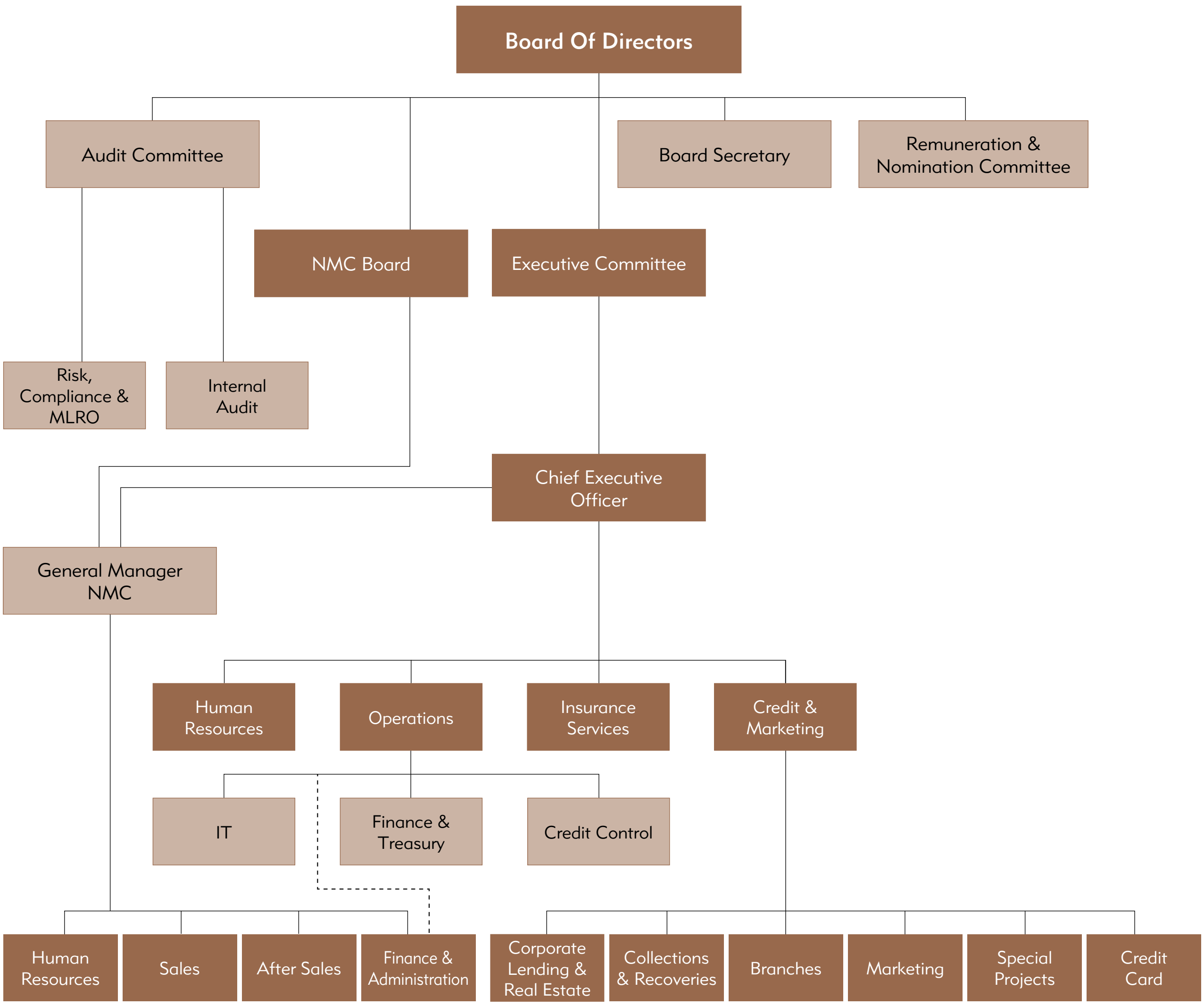
11. *Ali Ebrahim Al Marzooq -* Vice President, Head of Information Technology - Bahrain Credit
Joined on 4 June 2006; has more than 18 years of extensive and diversified experience in IT; holds an MBA in Information Technology Management from Sunderland University, UK, 2010.

12. *Ali Aburwais -* Assistant Vice President, Risk Management, Compliance & MLRO - BCFC
Joined on 1 August 1995; has more than 22 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.

13. *Hussain Salman -* Assistant Vice President, Head of Human Resources - Bahrain Credit
Joined on 17 April 2004; has more than 8 years of extensive and diversified experience in human resources training and development, procurement and administration; holds a Master's Degree in Human Resource Management from DePaul University, Chicago, USA, 2010. Member of The Chartered Institute of Personnel and Development (CIPD), UK.

* *Executive Management members did not hold or trade in the shares of the company during the financial year ended 31st December 2012.*

ORGANIZATION CHART



MANAGEMENT'S REVIEW OF OPERATIONS

The trajectory of global economy has continued to face tough headwinds ever since the onset of the financial crisis in mid 2008. The growth prospects of almost all the world economies have been dangerously dented and world markets are still not able to allay fears of double dip recession due to unresolved major economic and systemic imbalances.

The United States of America, the world biggest economy, has temporarily averted the "financial cliff" through last moment postponement to the bipartisan deadlock; this is only going to elevate uncertainty in the global economic outlook. Within the Euro zone, it would appear that the financial crisis has eased but since the underlying structural problems remain, optimism could be temporary and unwarranted. Emerging Asian economies that were powering global trade for the past decade are also slowing down. The World GDP growth remained range bound and is expected to grow at 1.9% in 2012. The Bahrain economy has shown modest growth with GDP growing at 3.7%. In such a challenging environment the Group has delivered an exceptional performance achieving profit of BD 12.3 million (2011: BD 8.7 million) with a return on equity of 14%. This is the highest net profit in its 29 year history.

The Group is operating with a comfortable leverage of 1.3 and has a solid capital base. It is well placed to take advantage of opportunities as and when presented. 2012 was the last year of the company's three years strategic plan 2010-2012. This plan was based on expectations of a faster economic recovery from the financial crisis which did not materialize. The company took up the challenge as an opportunity to implement a number of qualitative strategic initiatives that has contributed to strengthening its relationship with its customers and enabled it to emerge stronger. The company has now embarked on its new Strategic Plan for 2013-2015 which contains a number of key initiatives that will position the company for further growth.

MANAGEMENT'S REVIEW OF OPERATIONS CONTINUED

PARENT COMPANY

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

The company earned a net profit of BD 6.7 million (2011: BD 5.8 million) in 2012. The loan portfolio of the company increased 11% with BD 87 million of new loans disbursed (2011: BD 62 million) during the year, reflecting the improvement in both consumer and business confidence.

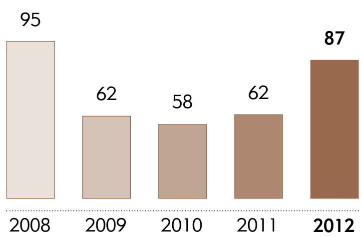
About 60% of total new lending came from the company's core product: vehicle finance. The automotive market witnessed remarkable growth in 2012 and the company, as a result of the initiatives introduced in 2011, was well positioned to fortify its market leadership in this segment.

The portfolio growth was achieved without compromising portfolio quality. As economic conditions continued to remain challenging, the company remained flexible and understanding towards its customers whilst continuing to invest considerable time, effort and manpower towards the critical collection activities. These efforts and policies have ensured that non-performing loans are improved to 3.39% of the portfolio. Most of the non performing loans have more than adequate cover of the underlying security financed.

The company's highly successful Imtiaz credit card has increased its market share and this has also helped increase overall portfolio yields. The company has developed a comprehensive set of policy and procedures to address the higher default potential of this relatively riskier product. Currently, with non performing credit card receivables well in control, the new product has proven to be a good revenue contributor.

The real estate market remained lackluster during the year. The company continued its cautious lending approach for mortgage loans, mostly only funding customers who could service their loan installments with regular cash flows independent of the underlying asset financed and limiting the lending to 70% of the property value.

World markets remained jittery with weak economic indicators, resulting in a continued low interest rate environment. This has enabled the company to offer its products at reasonable rates to its customers.



Bahrain Credit New Lending (BD million)

NATIONAL MOTOR COMPANY

• Honda • Chevrolet • GMC • Cadillac

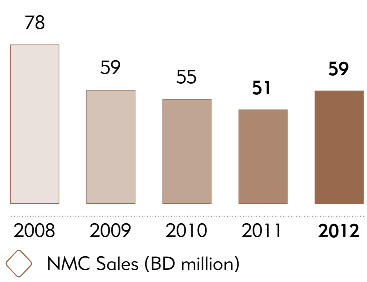
The company had a phenomenal year and earned net profits of BD 3.5 million against BD 2.4 million in 2011. The growth in the Bahrain automotive market augured well for the company. The strong Honda and GM brands equity, the continued service improvement and expansion in the After Sales Divisions have contributed to these exceptional results.

In line with the thrust of creating conducive operating framework, the company reviewed its operating policies and procedures. The conscious decision of maintaining low inventory levels have made the company's operations more efficient and economic.

MANAGEMENT'S REVIEW OF OPERATIONS
NATIONAL MOTOR COMPANY CONTINUED

The year 2012 witnessed the official inauguration of the state of the art Sehla facility. This is the only service facility in the region where customers have been provided with personal entertainment whilst their cars are serviced.

The facility has been received well by the customers. This facility has 30 bays where both General Motors and Honda vehicles can be serviced further improving customers' vehicle ownership experience. This facility is part of a long term plan to modernize the company's bodyshop and parts centers.



TAS'HEELAT REAL ESTATE SERVICES COMPANY

• Rental and Brokerage Services • Valuations • Property Management • Investment

In 2012, the company registered net profits of BD 1.6 million. The company has managed to build a diversified source of income through managing large land projects, acquiring highly selected investment properties with the purpose of steady rental yields, and income from valuation and brokerage services.

During the year company has successfully executed its biggest project of providing affordable housing plots to Bahrainis' in the Saar area. The company's investment into this land project was appropriate and timely. It has acted before the market and reaped the benefits of early mover. With the high mismatch in demand and supply, the company is planning to replicate similar projects in other areas of Bahrain on its own or through a JV basis or on exclusive brokerage basis.

The company has identified a unique business proposition of rental business targeting middle income expatriates with the objective of having annuity type returns. The company has successfully invested into building a portfolio of investment properties in the areas with high demand. All the company's investment properties maintained healthy occupancy rates during the year. The company will continue seeking similar opportunities.

TAS'HEELAT INSURANCE SERVICES COMPANY

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

The Company achieved net profit of BD 544 thousand in very challenging market conditions. With the new Client Money Module introduced by the Central Bank of Bahrain, the company has to make certain amendments in its operating model. We are proud to state that we are amongst the first institutions to early adopt the new requirements of The Bank.

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 and branch network.

2013 OUTLOOK

The instability in the world markets due to divergence of opinion and varied political priorities among the world powers is expected to continue. As a result, the overall business environment and consumer confidence is expected to remain vulnerable. The Company is cautiously optimistic and in line with its strategic plan will continue to look for investments that will increase shareholder value in existing businesses within Bahrain and outside as and 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 value-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, is at the forefront and 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. Building on this, we have been committed to contributing to the economic and social prosperity of the country.

During 2012, the Company continued to support those organizations that address the special needs of the Bahraini citizens. Within this category, it made donations to a total of 27 not-for-profit organizations that are actively involved in different activities, including but not limited to, disability, elderly care, childhood and nurseries, health care, social welfare, education, research and studies, culture and environment.

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 extend financial support to 80 registered and fully-active charity societies.

As reported in the previous annual reports, supporting national causes through culture and heritage has been our imperative, and, therefore, the Company has been fully committed to the construction of Bu Maher Fort Reception Centre, as part of Bahrain's nationwide "Pearling Pathway" project 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, Tasheelat Insurance Services Company WLL, which was established in 1997, and Tasheelat Real Estate Service Company SPC, which was established in May 2002.

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Tel:	+973 17 786 000
Toll Free:	8000 8000
Branches :	Isa Town Muharraq Sitra Hamad Town
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 BSC
Ahli United Bank
Gulf International Bank
BNP Paribas
Arab Bank
First Gulf Bank
HSBC Bank
National Bank of Bahrain
Standard Chartered Bank
Raiffeisen Bank International AG
Arab Banking Corporation (BSC)
Banque BIA
The Arab Investment Bank S.A.A.
Housing Bank for Trade and Finance

Auditors

KPMG

CONSOLIDATED FINANCIAL STATEMENTS

INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS

Bahrain Commercial Facilities Company BSC, Manama, Kingdom of Bahrain

Report on the consolidated financial statements

We have audited the accompanying consolidated financial statements of Bahrain Commercial Facilities Company BSC ("the Company") and its subsidiaries (together the "Group"), which comprise the consolidated statement of financial position as at 31 December 2012, 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 2012, 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 Volume 5 of the Central Bank of Bahrain (CBB) Rule Book, 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.

20 February 2013
Manama, Kingdom of Bahrain

CONSOLIDATED STATEMENT OF

FINANCIAL POSITION

AS AT 31 DECEMBER 2012

BAHRAINI DINARS THOUSANDS

	Note	2012	2011
Assets			
Cash and balances with banks		**1,912**	3,901
Loans and advances to customers	8	**150,543**	135,596
Trade and other receivables		**4,753**	3,524
Inventories	9	**16,427**	15,328
Investment properties	10	**2,184**	1,245
Property and equipment	11	**16,674**	16,279
Other assets		**1,168**	715
Total assets		**193,661**	176,588
Liabilities and equity			
Liabilities			
Bank overdrafts		**781**	31
Trade and other payables		**13,654**	16,833
Bank term loans	12	**87,113**	75,955
Bonds issued	13	**6,663**	6,632
Total liabilities		**108,211**	99,451
Equity			
Share capital	14	**15,736**	15,736
Reserves and retained earnings		**69,714**	61,401
Total equity (page 29)		**85,450**	77,137
Total liabilities and equity		**193,661**	176,588

The Board of Directors approved the consolidated financial statements consisting of pages 26 to 56 on 20 February 2013 and signed on its behalf by:

Abdulrahman Yusuf Fakhro
Chairman

Abdulkarim Ahmed Bucheery
Vice Chairman

Dr. Adel Hubail
Chief Executive Officer

CONSOLIDATED
INCOME STATEMENT

FOR THE YEAR ENDED 31 DECEMBER 2012
BAHRAINI DINARS THOUSANDS

	Note	2012	2011
Interest income		**18,649**	16,855
Interest expense		**(5,397)**	(6,065)
Net interest income		**13,252**	10,790
Automotive sales		**58,544**	50,526
Cost of sales		**(50,722)**	(44,818)
Gross profit on automotive sales		**7,822**	5,708
Insurance commission income		**661**	616
Profit from sale of land inventory		**1,566**	-
Rental income		**267**	165
Total operating income		**23,568**	17,279
Operating expenses	16	**10,437**	8,145
Impairment allowance on loans and receivables, net of recoveries	8	**1,263**	1,128
Other income, *net*	15	**(445)**	(681)
Profit for the year		**12,313**	8,687
Basic and diluted earnings per 100 fils share	21	**76 fils**	54 fils
Proposed cash dividend per 100 fils share		**40 fils**	35 fils

Abdulrahman Yusuf Fakhro
Chairman

Abdulkarim Ahmed Bucheery
Vice Chairman

Dr. Adel Hubail
Chief Executive Officer

The consolidated financial statements consist of pages 26 to 56.

CONSOLIDATED STATEMENT OF

COMPREHENSIVE INCOME

YEAR ENDED 31 DECEMBER 2012
BAHRAINI DINARS THOUSANDS

	2012	2011
Profit for the year	**12,313**	8,687
Other comprehensive income		
Net change in cash flow hedge reserve	**1,793**	1,863
Transferred to profit or loss on de-designation of hedge	**229**	(229)
Total other comprehensive income for the year	**2,022**	1,634
Total comprehensive income for the year	**14,335**	10,321

The consolidated financial statements consist of pages 26 to 56.

CONSOLIDATED STATEMENT OF
CHANGES IN EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2012
BAHRAINI DINARS THOUSANDS

	Share capital		Reserves and retained earnings					
2012	**Share capital**	**Treasury shares**	**Statutory reserve**	**Cash flow hedge reserve**	**Donations reserve**	**General reserve**	**Retained earnings**	**Total equity**
At 1 January 2012	**16,335**	**(599)**	**33,542**	**(4,327)**	**1,009**	**14,250**	**16,927**	**77,137**
2011 appropriations (approved by shareholders):								
- Donation declared	-	-	-	-	280	-	(280)	-
- Transfer to general reserve	-	-	-	-	-	1,500	(1,500)	-
Balance after 2011 appropriations	**16,335**	**(599)**	**33,542**	**(4,327)**	**1,289**	**15,750**	**15,147**	**77,137**
Comprehensive income for the year								
Profit for the year	-	-	-	-	-	-	12,313	12,313
Other comprehensive Income								
- Net changes in cash flow hedge reserve	-	-	-	2,022	-	-	-	2,022
Total comprehensive income for the year	-	-	-	**2,022**	-	-	**12,313**	**14,335**
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	-	-	-	-	(382)	-	-	(382)
At 31 December 2012	**16,335**	**(599)**	**33,542**	**(2,305)**	**907**	**15,750**	**21,820**	**85,450**

*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 2012

BAHRAINI DINARS THOUSANDS

	Share capital		Reserves and retained earnings					
2011	Share capital	Treasury shares	Statutory reserve	Cash flow hedge reserve	Donations reserve	General reserve	Retained earnings	Total equity
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	-	-	-	-	280	-	(280)	-
- Transfer to general reserve	-	-	-	-	-	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								
- Net changes in cash flow hedge reserve	-	-	-	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

CASH FLOWS

FOR THE YEAR ENDED 31 DECEMBER 2012
BAHRAINI DINARS THOUSANDS

	Note	2012	2011
Cash flow from operating activities			
Loan repayments, interest received and other receipts		**88,691**	80,938
Automotive receipts		**57,452**	50,375
Insurance commission received		**663**	562
Proceeds from sale of land inventory		**5,937**	-
Rental income received		**275**	163
Loans and advances to customers disbursed		**(86,639)**	(62,490)
Payments to automotive suppliers		**(57,161)**	(32,931)
Payment for land held as inventory		**-**	(4,942)
Payments for operating expenses		**(7,474)**	(5,765)
Directors' fees paid		**(220)**	(220)
Interest paid		**(6,088)**	(6,200)
Net cash (used in)/ generated from operating activities		**(4,564)**	19,490
Cash flow from investing activities			
Capital expenditure on property and equipment	11	**(2,971)**	(3,630)
Purchase of investment properties	10	**(1,031)**	(1,287)
Proceeds from sale of property and equipment		**872**	938
Net cash used in investing activities		**(3,130)**	(3,979)
Cash flow from financing activities			
Bank term loans availed		**31,787**	29,407
Repayment of bank term loans		**(20,810)**	(23,776)
Bonds matured	13	**-**	(10,000)
Dividends paid		**(5,640)**	(5,640)
Donations paid		**(382)**	(283)
Net cash generated from/ (used in) financing activities		**4,955**	(10,292)
Net (decrease)/ increase in cash and cash equivalents		**(2,739)**	5,219
Cash and cash equivalents at 1 January		**3,870**	(1,349)
Cash and cash equivalents at 31 December		**1,131**	3,870
Cash and cash equivalents comprise:			
Cash and balances with banks		**1,912**	3,901
Bank overdrafts		**(781)**	(31)
		1,131	3,870

The consolidated financial statements consist of pages 26 to 56.

NOTES
TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2012
BAHRAINI DINARS THOUSANDS

1. REPORTING ENTITY

Bahrain Commercial Facilities Company BSC ("the Company") is a public shareholding company incorporated and registered in Kingdom of 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 2012 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 ("IFRS") and the requirements of the Bahrain Commercial Companies Law 2001.

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.

c) Functional and presentation currency

The consolidated financial statements are presented in Bahraini Dinars ("BD"), which is also the Group's functional currency. All financial information presented in BD has been rounded to the nearest thousand, except when otherwise indicated.

d) New standards, amendments and interpretations that are effective on or after 1 January 2012

The following standards, amendments and interpretations, which became effective as of 1 January 2012, are relevant to the Group:

(i) IFRS 7 (amendment) - Disclosures: Transfer of financial assets

The amendments to IFRS 7 introduce new disclosure requirements about transfers of financial assets 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 adoption of this amendment had no significant impact on the consolidated financial statements.

e) New standards, amendments and interpretations issued but not yet effective

A number of new standards, amendments to standards and interpretations are effective for annual periods beginning after 1 January 2013, and have not been applied in preparing these consolidated financial statements. Those which are relevant to the Group are set out below. The Group does not plan to early adopt these standards.

(i) IAS 1, 'Financial statement presentation'

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 after 1 July 2012 with an option of early application.

The Group is not expecting a significant impact from the adoption of this amendment.

NOTES
TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2012
BAHRAINI DINARS THOUSANDS

(ii) Amendments to IFRS 7 and IAS 32 on offsetting financial assets and financial liabilities (2011)

Disclosures – Offsetting Financial Assets and Financial Liabilities (amendments to IFRS 7) introduces disclosures about the impact of netting arrangements on an entity's financial position. The amendments are effective for annual periods beginning on or after 1 January 2013 and interim periods within those annual periods. Based on the new disclosure requirements the Company / Group will have to provide information about what amounts have been offset in the statement of financial position and the nature and extent of rights of set off under master netting arrangements or similar arrangements.

Offsetting Financial Assets and Financial Liabilities (amendments to IAS 32) clarify the offsetting criteria of IAS 32 by explaining when an entity currently has a legally enforceable right to set off and when gross settlement is equivalent to net settlement. The amendments are effective for annual periods beginning on or after 1 January 2014 and interim periods within those annual periods. Earlier application is permitted.

The Group is not expecting a significant impact from the adoption of these amendments.

(iii) IFRS 9 - Financial Instruments

IFRS 9 (2009) introduces new requirements for the classification and measurement of financial assets. IFRS 9 (2010) introduces additions to the standard relating to financial liabilities. The IASB currently has an active project to make limited amendments to the classification and measurement requirements of IFRS 9 and add new requirements to address the impairment of financial assets and hedge accounting.

The IFRS 9 (2009) requirements represent a significant change from the existing requirements in IAS 39 in respect of financial assets. The standard contains two primary measurement categories for financial assets: amortised cost and fair value. A financial asset would be measured at amortised cost if it is held within a business model whose objective is to hold assets in order to collect contractual cash flows, and the asset's contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal outstanding. All other financial assets would be measured at fair value. The standard eliminates the existing IAS 39 categories of held to maturity, available-for-sale and loans and receivables.

The standard requires that derivatives embedded in contracts with a host that is a financial asset within the scope of the standard are not separated; instead the hybrid financial instrument is assessed in its entirety as to whether it should be measured at amortised cost or fair value.

IFRS 9 (2010) introduces a new requirement in respect of financial liabilities designated under the fair value option to generally present fair value changes that are attributable to the liability's credit risk in other comprehensive income rather than in profit or loss. Apart from this change, IFRS 9 (2010) largely carries forward without substantive amendment the guidance on classification and measurement of financial liabilities from IAS 39.

IFRS 9 is effective for annual periods beginning on or after 1 January 2015 with early adoption permitted. The IASB decided to consider making limited amendments to IFRS 9 to address practice and other issues. The Group has commenced the process of evaluating the potential effect of this standard but is awaiting finalisation of the limited amendments before the evaluation can be completed.

Given the nature of the Group's operations, this standard is not expected to have a significant impact on the Group's financial statements.

NOTES
TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2012
BAHRAINI DINARS THOUSANDS

2. Basis of preparation (Continued)

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

IFRS 10 introduces a single control model to determine whether an investee should be consolidated. As a result, the Group may need to change its consolidation conclusion in respect of its investees, which may lead to changes in the current accounting for these investees (see note 3(a)). This accounting standard is effective for annual periods beginning on or after 1 January 2013.

The IASB published Investment Entities (Amendments to IFRS 10 and IFRS 12), which grants certain relief from consolidation to investment entities. It requires qualifying investment entities to account for investment in controlled investees on a fair value basis. The effective date is annual periods beginning on or after 1 January 2014, but early adoption is permitted to enable alignment with the adoption of IFRS 10.

(v) IFRS 12 - Disclosures of interests in other entities

IFRS 12 brings together into a single standard all the disclosure requirements about an entity's interests in subsidiaries, joint arrangements, associates and unconsolidated structured entities. It requires the disclosure of information about the nature, risks and financial effects of these interests.

The standard is effective for annual periods beginning on or after 1 January 2013. The Group is not expecting impact from adopting this standard.

(vi) IFRS 13 - Fair value measurement

IFRS 13 provides a single source of guidance on how fair value is measured, and replaces the fair value measurement guidance that is currently dispersed throughout IFRS. Subject to limited exceptions, IFRS 13 is applied when fair value measurements or disclosures are required or permitted by other IFRSs. Although many of the IFRS 13 disclosure requirements regarding financial assets and financial liabilities are already required, the adoption of IFRS 13 will require the Group to provide additional disclosures. These include fair value hierarchy disclosures for non-financial assets/liabilities and disclosures on fair value measurements that are categorised in Level 3.

IFRS 13 is effective for annual periods beginning on or after 1 January 2013. The Group is not expecting impact from adopting this standard.

(vii) Improvements to IFRSs (2011)

Improvements to IFRS issued in 2011 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. There were no significant changes to the current accounting policies of the Company as a result of these amendments.

f) Early adoption of standards

The Group did not early adopt new or amended standards in 2012.

g) Use of estimates and judgements

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

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised and in any future periods affected. In particular,

NOTES
TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2012
BAHRAINI DINARS THOUSANDS

information about significant areas of estimation, uncertainty and critical judgements in applying accounting policies that have the most significant effect on the amount recognised in the consolidated financial statements are described in 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.

The consolidated financial statements of the Group comprise the financial statements of 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 Kingdom of Bahrain for General Motors (GMC, Chevrolet and Cadillac) 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:

Intra-group balances and transactions, and any unrealized income and expenses arising on intra-group transactions, are eliminated in preparing the consolidated financial statements. Unrealized losses are eliminated in the way as unrealized gains, but only to the extent that there is no evidence of impairment.

b) Revenue recognition

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.

Income from sales and provision of services

Revenue comprises the fair value of the consideration received and receivable 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.

NOTES
TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2012

BAHRAINI DINARS THOUSANDS

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Insurance commission income is recognised when the insurance cover note is issued and the customer becomes entitled to the insurance policy.

Income from sale of land inventory is recognised when the customer becomes entitled to take possession of the land which is normally when the title deed passes to him.

Rental income

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

c) Foreign currencies transactions

Transactions in foreign currencies are translated to Bahraini Dinars at exchange rates at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies at reporting date are retranslated to Bahraini Dinars at the exchange rate at that date. The foreign currency gain or loss on monetary items is the difference between amortized cost in the functional currency at the beginning of the year adjusted for the effective interest and payments during the year and the amortized cost in foreign currency translated at the exchange rate at the end of the year.

Non-monetary assets and liabilities that are measured at fair value in a foreign currency are retranslated to the functional currency at the exchange rate at the date that the fair value was determined. Non-monetary items that are measured based on historical cost in foreign currency are translated using the exchange rate at the date of transaction.

Foreign currency differences arising on retranslation are generally recognized in profit or loss.

d) Financial assets and financial liabilities

Recognition:

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

De-recognition:

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.

NOTES
TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2012
BAHRAINI DINARS THOUSANDS

Identification and measurement of impairment:

At each reporting 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.

e) Loans and advances to customers

Classification:

Loans and advances to customers 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 plus incremental direct transaction costs, and subsequently measured at their amortised cost using the effective interest rate method, less provision for impairment.

Recognition:

Loans and advances are recognised when cash is advanced to the borrower.

Impairment:

All loan balances are reviewed at each reporting date to determine whether there is objective evidence of impairment. Objective evidence that loans and advances 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 judgement 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 profit or loss.

NOTES
TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2012
BAHRAINI DINARS THOUSANDS

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

f) Trade and other receivables

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

g) Inventories

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

Land inventory is stated at the lower of cost and net realisable value.

h) Property and equipment

Recognition:

Items of property and equipment are stated at cost less accumulated depreciation and impairment losses, if any. The assets' residual values and useful lives are reviewed and adjusted, if appropriate, at each reporting 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 profit or loss 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

i) Investment properties

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 less depreciation.

Depreciation:

Depreciation on investment property is charged to the profit or loss 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 is as follows:

Buildings	20 years
Furniture, fixture and equipment	4 years

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 profit or loss in the year in which it arises.

NOTES
TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2012
BAHRAINI DINARS THOUSANDS

k) Dividends

Dividends and other proposed appropriations are recognised as a liability in the period in which they are approved by the shareholders.

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.

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 on 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

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.

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.

NOTES
TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2012
BAHRAINI DINARS THOUSANDS

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

p) Derivative financial instruments and hedging (Continued)

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 profit or loss. Fair value gains and losses on trading derivatives are recognised in the profit or loss.

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

If the forecast transaction is no longer expected to occur, then the balance in other comprehensive income is recognised immediately in profit or loss. In other cases the amount recognised in other comprehensive income is transferred to profit or loss in the same period that the hedged item affects profit or loss.

q) Impairment of non-financial assets

The carrying amounts of the Group's assets other than financial assets (note 3e) are reviewed at each reporting 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 profit or loss.

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, 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 reporting date.

s) Bank term loans and bonds issued

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

NOTES
TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2012
BAHRAINI DINARS THOUSANDS

t) Cash and cash equivalents

Cash and cash equivalents comprise cash and balances with banks. 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.

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.

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 the management.

NOTES

TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2012

BAHRAINI DINARS THOUSANDS

4. FINANCIAL RISK MANAGEMENT (Continued)

b. Credit risk

Credit risk is the risk of financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligation. The Group is principally exposed to credit risk on cash and cash equivalents, loans and advances to customers, trade receivables and other assets. The maximum credit risk is the carrying value of the assets.

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 and advances are with local individuals and locally incorporated entities. The credit risk on these loans and advances are 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 of Bahrain. 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 and advances.

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 the Internal Audit department.

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 and advances are the carrying value amount net of the deferred income and net of impairment allowance.

	2012	2011
Impaired loans and advances to customers	**3,431**	4,941
Past due but not impaired	**15,869**	16,456
Neither past due nor impaired	**131,243**	114,199
Net loans and advances to customers (net of impairment)	**150,543**	135,596
Impairment allowance		
Specific allowance	**1,126**	435
Collective allowance	**3,544**	3,541
Total impairment allowance	**4,670**	3,976

NOTES
TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2012
BAHRAINI DINARS THOUSANDS

The gross amount of specifically provided loans and advances at 31 December 2012 was BD 2,730 (2011: BD 2,375). Past due but not impaired loans and advances include those past due by less than 90 days. An analysis of past due loans and advances, by age is provided below.

Loans and advances to customers, net of impairment allowance	2012	2011
1 - 30 days	**3,588**	4,213
31 - 60 days	**5,629**	5,915
61 - 90 days	**6,652**	6,328

Impaired loans and advances

Impaired loans and advances 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 2012, the non performing loans were BD 5,259 (2011: 5,712). 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 and advances are reversed from income and is accounted for on a cash 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 2012, loans and advances amounting to BD 9,848 (2011: BD 10,080) were restructured.

The Group's exposure to credit risk from loans and trade receivables from automotive business is influenced mainly by the individual characteristics of each customer. Loans which are past due 90 days 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 783 (2011: BD 589) were past due against which BD 380 (2011: BD 379) 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 which have not been specifically assessed for impairment or assessed individually and found not to be impaired; in respect of losses that have been incurred but have not been identified.

Write-off policy

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

Collateral

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

NOTES
TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2012
BAHRAINI DINARS THOUSANDS

4. FINANCIAL RISK MANAGEMENT (Continued)

b. Credit risk (continued)

Collateral (continued)

As at 31 December 2012, loans amounting to BD 122,719 (2011: BD 108,469) were fully collateralized and loans amounting to BD 6,998 (2011: BD 8,161) was partly collateralized with a collateral value of BD 6,460 (2011: BD 7,288).

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 mostly 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.

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.

NOTES
TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2012
BAHRAINI DINARS THOUSANDS

2012	**Carrying amount**	**Contractual cash flows**	**Within 1 Year**	**1 year to 5 years**	**Over 5 years**
Assets					
Cash and balances with banks	1,912	1,912	1,912	-	-
Loans and advances to customers	150,543	213,248	64,455	132,422	16,371
Trade and other receivables	4,753	4,753	4,753	-	-
	157,208	**219,913**	**71,120**	**132,422**	**16,371**
Liabilities					
Bank overdrafts	781	784	784	-	-
Trade and other payables	13,654	13,654	13,654	-	-
Bank term loans	87,113	88,510	88,510*	-	-
Bonds	6,663	6,868	6,868	-	-
	108,211	**109,816**	**109,816**	**-**	**-**

2011	Carrying amount	Contractual cash flows	Within 1 Year	1 year to 5 years	Over 5 years
Assets					
Cash and balances with banks	3,901	3,901	3,901	-	-
Loans and advances to customers	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	-	-
Bank 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	-

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

* During January 2013, the Group has repaid maturing loan of BD 28.3 million (USD 75 million) by availing a new 3 years loan facility of BD 37.7 million (USD 100 million).

NOTES
TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2012

BAHRAINI DINARS THOUSANDS

4. FINANCIAL RISK MANAGEMENT (Continued)

d. Market risks

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

Management of market risks

Market risks are closely monitored by the risk management 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	
	2012	2011	**2012**	2011	**2012**	2011	**2012**	2011
ASSETS								
Cash and balances with banks	-	-	-	-	1,912	3,901	1,912	3,901
Loans and advances to customers	150,419	135,465	-	-	124	131	150,543	135,596
Trade and other receivables	-	-	-	-	4,753	3,524	4,753	3,524
	150,419	135,465	-	-	**6,789**	7,556	**157,208**	143,021
LIABILITIES								
Bank overdrafts	-	-	781	31	-	-	781	31
Trade and other payables	-	-	-	-	13,654	16,833	13,654	16,833
Bank term loans	-	-	87,113	75,955	-	-	87,113	75,955
Bonds issued	6,663	6,632	-	-	-	-	6,663	6,632
	6,663	6,632	**87,894**	75,986	**13,654**	16,833	**108,211**	99,451

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 2012 interest rate risk attributable to the term loans of USD 120 million (BD: 45.2 million) (2011: USD 195 million, BD 73.5 million) has been hedged. 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 three years from the reporting 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 2012 a change in variable rate financial instruments by 100 basis points will increase/ (decrease) net profits by BD 427.

NOTES
TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2012
BAHRAINI DINARS THOUSANDS

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.

	2012	2011
Japanese Yen	88	67
US Dollars	6,534	4,472

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 9 (2011: BD 7) 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.

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 2012 for the Group was 1.26 (2011:1.29).

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.

NOTES
TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2012
BAHRAINI DINARS THOUSANDS

5. MATURITY PROFILE (Continued)

At 31 December	Within 1 Year		1 year to 5 years		Over 5 years		Total	
	2012	2011	**2012**	2011	**2012**	2011	**2012**	2011
ASSETS								
Cash and balances with banks	**1,912**	3,901	**-**	-	**-**	-	**1,912**	3,901
Loans and advances to customers	**45,094**	41,969	**87,330**	78,980	**18,119**	14,647	**150,543**	135,596
Trade and other receivables	**4,753**	3,524	**-**	-	**-**	-	**4,753**	3,524
Inventories	**16,427**	15,328	**-**	-	**-**	-	**16,427**	15,328
Investment properties	**-**	-	**-**	-	**2,184**	1,245	**2,184**	1,245
Property and equipment	**-**	-	**-**	-	**16,674**	16,279	**16,674**	16,279
Other assets	**1,168**	715	**-**	-	**-**	-	**1,168**	715
	69,354	65,437	**87,330**	78,980	**36,977**	32,171	**193,661**	176,588
LIABILITIES								
Bank overdrafts	**781**	31	**-**	-	**-**	-	**781**	31
Trade and other payables	**13,654**	16,833	**-**	-	**-**	-	**13,654**	16,833
Bank term loans	**87,113**	30,951	**-**	45,004	**-**	-	**87,113**	75,955
Bonds issued	**6,663**	-	**-**	6,632	**-**	-	**6,663**	6,632
	108,211	47,815	**-**	51,636	**-**	-	**108,211**	99,451

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

6. USE OF ESTIMATES AND JUDGEMENTS

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

Allowance for credit losses

(i) Individual impairment charge on loans

Impairment losses are evaluated as described in accounting policy 3(e). 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 profit or loss. In particular, considerable judgement by management is required in the estimation of the amount and timing of future cash flows when determining the level of impairment charge required. In estimating these cash flows, management makes judgements about counterparty's financial situation and other means of settlement and the net realizable value of any underlying collateral. Such estimates are based on assumptions about several factors involving varying degrees of judgement and uncertainty, and actual results may differ resulting in future changes to such impairment charges.

(ii) Collective impairment charge on loans

In addition to specific impairment charge against individually significant loans, 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.

NOTES
TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2012
BAHRAINI DINARS THOUSANDS

(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.

7. FAIR VALUE OF FINANCIAL INSTRUMENTS

The Group's financial assets and financial liabilities 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 reporting 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 reporting 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 158,370 (2011: BD143,736) are categorised under 'loans and receivables' and are measured at amortised cost. All the financial liabilities of BD 102,941 (2011: BD 92,802) are measured at amortised cost except derivatives which are measured at fair value and categorised as at fair value through profit or loss.

(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.

NOTES
TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2012
BAHRAINI DINARS THOUSANDS

8. LOANS AND ADVANCES TO CUSTOMERS

	2012	2011
Gross loans	**155,213**	139,572
Provision for impairment	**(4,670)**	(3,976)
Net loans	**150,543**	135,596

Impairment allowances		
Movement during the year		
At 1 January	**3,976**	3,964
Charge for the year	**1,981**	1,824
Loans written-off	**(1,287)**	(1,812)
At 31 December	**4,670**	3,976

The effective interest rates (APR) on loans and credit card ranges between 7.5% to 18.0% p.a. (2011: 7.5% to 18.0 % p.a.).

9. INVENTORIES

	2012	2011
Automotive stock:		
-Vehicles	**12,908**	8,146
-Spare parts	**2,894**	2,438
Land inventory	**983**	4,942
	16,785	15,526
Provision on vehicles and spare parts	**(358)**	(198)
	16,427	15,328

Movement on provisions (vehicle and spare parts)	**2012**	2011
At 1 January	**198**	468
Net charge for the year	**173**	(23)
Written-off	**(13)**	(247)
At 31 December	**358**	198

During the year 2011, the Group purchased a plot of land with the objective of subdividing it into smaller plots for resale. The unsold plots at reporting date have been classified as an inventory and carried at the lower of cost and net realisable value.

NOTES
TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2012
BAHRAINI DINARS THOUSANDS

10. INVESTMENT PROPERTIES

	2012	2011
At 1 January	**1,245**	-
Purchases during the year	**1,031**	1,287
Depreciation for the year	**(92)**	(42)
At 31 December	**2,184**	1,245

The fair value of the investment properties as at 31 December 2012 is BD 2,456 based on independent third party valuations.

11. PROPERTY AND EQUIPMENT

	Land and buildings	Furniture, fixtures & equipment	Vehicles	2012 Total	2011 Total
Cost					
At 1 January	16,856	4,218	3,899	**24,973**	23,094
Additions	651	882	1,438	**2,971**	3,630
Disposals and retirements	-	-	(1,678)	**(1,678)**	(1,751)
At 31 December	**17,507**	**5,100**	**3,659**	**26,266**	24,973
Depreciation					
1 January	3,957	3,008	1,729	**8,694**	7,737
Charge for the year	586	680	667	**1,933**	1,950
Disposals and retirements	-	-	(1,035)	**(1,035)**	(993)
At 31 December	**4,543**	**3,688**	**1,361**	**9,592**	8,694
Net book value					
At 31 December 2012	**12,964**	**1,412**	**2,298**	**16,674**	
At 31 December 2011	12,899	1,210	2,170		16,279

The cost of fully depreciated assets still in use at 31 December 2012 was BD 3,758 (2011: BD 3,235).

12. BANK TERM LOANS

	2012	2011
Repayable within one year	**87,113**	30,951
Repayable after one year	**-**	45,004
	87,113	75,955

Bank term loans have floating interest rates, which are subject to repricing on a quarterly or half-yearly basis. The effective interest rate on term loans inclusive of the effect of the interest rate swaps (note 4) was 6.1% p.a. (2011: 7.4% p.a.). Subsequent to year end, a loan of BD 28.3 million was repaid by availing a new three year loan facility of BD 37.7 million.

NOTES
TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2012
BAHRAINI DINARS THOUSANDS

13. BONDS ISSUED

	2012	2011
Face value	6,700	6,700
Less: Unamortised cost of issue	(37)	(68)
	6,663	6,632

Movement on bonds during the year	**2012**	2011
At 1 January	**6,700**	16,700
Less: Redeemed during the year	-	(10,000)
At 31 December	**6,700**	6,700

These are unsecured bonds which bear floating interest rate payable half yearly in arrears and maturing on 30 December 2013.

14. SHARE CAPITAL

	2012	2011
Authorised share capital 500,000,000 (2011: 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 (2011: 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.

NOTES
TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2012
BAHRAINI DINARS THOUSANDS

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%	36,155,844	1,317	22.2%
1% up to less than 5%***	19,270,399	8	11.8%
5% up to less than 10%	-	-	-
10% up to less than 20%	19,471,477	1	11.9%
20% up to less than 50%	88,452,280	2	54.1%
Total	**163,350,000**	**1,328**	**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

15. OTHER INCOME

	2012	2011
Incentives from automotive principal	**322**	278
Foreign currency exchange gain	**67**	226
Gain on sale of property and equipment – Vehicles	**41**	28
Other income	**15**	15
Changes in fair value of trading derivative	**-**	134
	445	681

16. OPERATING EXPENSES

	2012	2011
Salaries and related costs	**4,182**	3,538
General and administration costs	**2,945**	2,426
Depreciation	**1,726**	1,444
Selling and promotion costs	**1,112**	645
Impairment provision for inventory	**173**	(23)
Changes in fair value of trading derivative	**229**	-
Automotive finance cost	**70**	115
	10,437	8,145

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.

NOTES
TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2012
BAHRAINI DINARS THOUSANDS

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 of buying and selling of properties and properties 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. 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 2012 or 2011. 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	
	2012	2011	**2012**	2011	**2012**	2011	**2012**	2011	**2012**	2011
Operating income	**13,252**	10,790	**7,822**	5,708	**1,833**	165	**661**	616	**23,568**	17,279
Inter segment revenue	**-**	-	**-**	-	**-**	28	**180**	78	**180**	106
Operating costs	**(5,309)**	(3,897)	**(4,027)**	(3,282)	**(186)**	(108)	**(297)**	(200)	**(9,819)**	(7,487)
Impairment, net of recoveries	**(1,239)**	(1,104)	**(197)**	(1)	**-**	-	**-**	-	**(1,436)**	(1,105)
Inter segment expenses	**(44)**	(106)	**(120)**	-	**(16)**	-	**-**	-	**(180)**	(106)
Profit for the year	**6,660**	5,683	**3,478**	2,425	**1,631**	85	**544**	494	**12,313**	8,687
Assets (Liabilities)										
Cash and balances with banks	**883**	758	**606**	2,946	**6**	128	**417**	69	**1,912**	3,901
Loans and advances to customers	**150,543**	135,596	**-**	-	**-**	-	**-**	-	**150,543**	135,596
Trade and other receivables	**-**	-	**4,582**	3,469	**-**	2	**171**	53	**4,753**	3,524
Intercompany balances	**(2,403)**	620	**589**	568	**1,029**	(3,752)	**785**	2,564	**-**	-
Inventories	**-**	-	**15,444**	10,386	**983**	4,942	**-**	-	**16,427**	15,328
Investment properties	**-**	-	**-**	-	**2,184**	1,245	**-**	-	**2,184**	1,245
Property and equipment	**2,447**	1,814	**14,227**	14,465	**-**	-	**-**	-	**16,674**	16,279
Other assets	**565**	56	**603**	659	**-**	-	**-**	-	**1,168**	715
Overdrafts	**(781)**	(31)	**-**	-	**-**	-	**-**	-	**(781)**	(31)
Trade and other payables	**(7,913)**	(9,388)	**(5,554)**	(7,207)	**(6)**	-	**(181)**	(238)	**(13,654)**	(16,833)
Bonds	**(6,663)**	(6,632)	**-**	-	**-**	-	**-**	-	**(6,663)**	(6,632)
Bank term loans	**(83,382)**	(75,955)	**(3,731)**	-	**-**	-	**-**	-	**(87,113)**	(75,955)
Equity	**(53,296)**	(46,838)	**(26,766)**	(25,286)	**(4,196)**	(2,565)	**(1,192)**	(2,448)	**(85,450)**	(77,137)
Capital expenditure	**984**	232	**1,987**	3,398	**-**	-	**-**	-	**2,971**	3,630
Depreciation charge for the property and equipment	**352**	349	**1,581**	1,601	**-**	-	**-**	-	**1,933**	1,950

NOTES
TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2012
BAHRAINI DINARS THOUSANDS

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.

	2012	2011
Shareholders:		
Term Loans	**13,155**	7,655
Bank overdrafts	**781**	30
Bank balances	**856**	1,122
For the year ended 31 December		
Interest expense	**367**	190

Key management personnel:

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.

	2012	2011
For the year ended 31 December		
Salaries and short term employee benefits	**1,151**	1,041
Directors remuneration and attendance fees	**392**	321

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 640 (2011: BD 631). The Group's provision for expatriate employees' leaving indemnities at 31 December 2012 was BD 1,050 (2011: BD 922). The Group employed 628 staff at 31 December 2012 (2011: 592).

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:

	2012	2011
Profit for the year	**12,313**	8,687
Weighted average number of equity shares (In 000's)	**161,143**	161,143
Basic earnings per share	**76 fils**	54 fils

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

NOTES
TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2012
BAHRAINI DINARS THOUSANDS

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 8,730 (2011: BD 7,493) and unutilised credit limits of BD 8,506 (2011: BD 7,944) to its customers.

23. PROPOSED APPROPRIATIONS
The board of directors has proposed the following appropriations for 2012. These appropriations are subject to approval by the shareholders at the Annual General Meeting.

	2012	2011
Proposed dividends	6,446	5,640
Donations	280	280
General reserve	1,500	1,500
	8,226	7,420

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.